



## LIST OF VERBATIM REPORTS

### PUBLIC ACCOUNTS COMMITTEE PUBLIC HEARING

2010-2013 Audit Report on Whole of Government

No.	Witnesses	Date of Hearing	Page No.
1.	Fiji Independent Commission Against Corruption	24/06/15	2
2.	Ministry of Finance	14/07/15	20
3.	Ministry of Women, Children & Poverty Alleviation	14/07/15	55
4.	Ministry of Health & Medical Services	14/07/15	65
5.	Elections Office	15/07/15	81
6.	Fiji Police Force	15/07/15	96
7.	Office of the Prime Minister	16/07/15	112
8.	Ministry of iTaukei Affairs Board	16/07/15	128
9.	Public Service Commission	16/07/15	139
10.	Ministry of Education	17/07/15	151
11.	Ministry of Agriculture	17/07/15	169
12.	Ministry of Industry and Trade	04/08/15	186
13.	Public Accounts Committee Minutes of Proceedings	12/05/16	217

**VERBATIM REPORT OF INTERVIEW OF THE PUBLIC ACCOUNTS COMMITTEE, HELD ON WEDNESDAY, 24TH JUNE, 2015 IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT COMPLEX, AT 9.45 A.M.**

**Interviewee: Fiji Independent Commission Against Corruption (FICAC)**

In Attendance

1. Mr. Umar Dean - Manager, Finance
2. Mr. Isireli Tagicaki - Chief Investigator, Central/Eastern Division
3. Mr. Niko Bukarau - Manager Investigations
4. Mr. Sam Savumiramira - State Counsellor

MR. CHAIRMAN.- Welcome back, honourable Members, we also welcome the staff from the Ministry of Finance, Auditor-General's Office and thank FICAC representatives, who are present here today. Thank you for coming over this morning.

Before I open the floor to the honourable Members, let me say that the relationship between the Auditor-General's Office, the Public Accounts Committee and indeed FICAC is very important. I say that it is very important because if you look at the Auditor-General's Reports for 2007, 2008 and 2009 for which we have provided a consolidated report to the Parliament, you will note that the Auditor-General has quite publicly identified or alleged cases of maladministration, corruption and fraud. This is being pointed out by the Auditor-General and having said that, we also realised that the Public Accounts Committee is neither a court of law nor is it a responsible body for dealing with corruption allegations. Our job is to scrutinise the Auditor-General's report, provide recommendations and reports to Parliament, and Parliament has its own process of dealing with it, the executive has its own process of dealing with it, but we believe that there is a very clear role for FICAC in picking up the issues identified by the Auditor-General and in some sense without even waiting for the Public Accounts Committee to deal with those. So, we see your role and our relationship in dealing with the Auditor-General's report as an important relationship. We understand and we value the independence of the organisation, including the Auditor-General's office as well but there is a relationship between the Auditor-General's office, FICAC and us in dealing with these issues that are before us. As part of our consolidated report to Parliament, you will notice that we made three specific recommendations in relation to FICAC.

Recommendations 1, 2 and 8, which we believe makes sense and perhaps very relevant at this point in time when we are dealing with some of the past reports and reports that we will deal with in the future. So, with those words, let me just open the floor and just get your general response, you might have looked at the recommendations already and maybe an update from what we heard from FICAC when you last appeared before us. But I also want to take this opportunity to thank FICAC, especially Mr. Bukarau and his team for seeing me as the Chairman of the Public Accounts Committee and informing me of the work that they are doing in terms of advocacy, in terms of how they are dealing with a lot of these issues and I think that was very useful and we discussed some of the issues that we could take on together in areas of advocacy and getting people to understand the relationship between the Public Accounts Committee, Auditor-General's Office and the FICAC.

So I will open this session to you and then honourable Members of the Committee will be asking you some specific questions and hopefully we will have a good session. *Vinaka.*

MR. N. BUKARAU.- The Chairman of the Public Accounts Committee, honourable Dr. Biman Prasad, honourable Members of Parliament, likewise the officers of the Ministry of Finance and the Office of the Auditor-General. It is indeed pleasing to be here today, particularly when we see in the dailies that the oversight bodies are dominating the news and it is indeed pleasant that, it will be a reassurance to the public that we are actually doing our work. Our purpose this morning is to come and address the recommendations, particularly the ones that you had mentioned – Recommendations 1 and 8. We also had picked up some areas we thought we would like to come and discuss with you.

I have got some folders here that I should forward and if you could allow me to pass it around.

Honourable Chairman and members of the Committee, what we will just do, we just go through each recommendation and then you can stop us so that we can also discuss the issues and that is where the officers will step in to give their advice on the matter.

If I refer you to Recommendation 1, which states, that the Fiji Independent Commission Against Corruption provide a comprehensive report to the Public Accounts Committee to be tabled in Parliament on all actions taken on matters of corruption identified in the Auditor-General's reports in 2007, 2008 and 2009.

Public allegations of perceived corruption have been made by the Auditor-General, FICAC is bound to respond to these allegations in public and in full. In accordance with this recommendation, we have written to the Public Accounts Committee responding to their request on the updates of Public Accounts referrals to FICAC, and we also have the annexures in support. In terms of responding to allegations in public and in full, FICAC does not reveal its cases under investigation until it is made public when the case is taken to court.

We have noted in the Office of the Auditor-General's report of 2007 to 2009 that most of the places where FICAC's name is mentioned, in the recommendation or comments was either FICAC has removed the documents and not released yet but unfortunately, most of the allegations of fraud or abuse of office or corruption complaints noted in the report were never submitted to FICAC by the Office of the Auditor-General and the respective government agency. For brief details, the updates regarding the same, you may refer to Annexure 2.

Lastly, apart from the cases referred via the Auditor-General's Office and the respective government agency, the Commission has also investigated a few cases received through the complaints department which we have dealt with accordingly. So, if there are any discussion we may refer to recommendation one, we are prepared to share some more views on it, Sir.

MR. CHAIRMAN.- So, what you are saying is that once the Auditor-General's Report comes out, table in Parliament, you do not look at it on your own, you wait for the Auditor-General's Office or some complain from the Department or agency before you act.

Does it stop you from looking at the Auditor-General's Report, once it is table in Parliament and becomes a public document.

MR. I. TAGICAKI.- In response to that, we do look at the Auditor's Report but in terms of the ranges of the amount of complaints or the amount of fraud that are involved in it, it is really hard to go into an institution and look for it. In this case, it is not a blaming game but just a matter of operation for us in terms of resources so that in this case where the Auditor-General could forward us the relevant documents because in some of the cases as we have done before, we have to go in with cartons and cartons of documents to look through just for that particular complain. So in this case, it just a matter of courtesy between the organisation to refer certain documents or certain information so that our investigation are focussed on those issues.

MR. CHAIRMAN.- So, if the Auditor-General's Office, I take your point, I think you have a very valid point that it will be easier for FICAC to receive documents and complaints relevant to what might be alleged as corruption or fraud for you to investigate. Your point about resources, would it be appropriate for the FICAC to consider setting up a little unit or something to specifically look at the Auditor-General's Report and that unit works with the Auditor-General's Office and the Office might want to comment on this as well.

AUDIT REP.- Thank you, Chair for that. In terms of investigation or information that are requested by FICAC for investigations, from the documents that we normally obtain or get from clients that we audit those are the copies but the originals are kept at the clients. Those documents at times have been requested by FICAC, those copies are being shared with FICAC to further the investigations on that but the Office has been working and assisting them in terms of whatever their records they need and we have been assisting them over those years.

MR. N. BUKARAU.- Sir, that is one of the main issues of fighting corruption today is the actual coordination of all the agencies so that we can work together. I believe this is the first meeting that we are having after democratic rule and I believe this only incumbent upon us to work together. To answer that question, I might just have to relate to the second recommendation over here, for us to work together properly is in recommendation 8 which had said "FICAC build a system that prioritises issues raised by the Auditor-General or the Public Accounts Committee. A thorough investigation of all corruption and gross administration issues already publicly raised by the Auditor-General from 2007 to 2009 should occur. If it is not done so already. Any matters confirmed to be of a corrupt matter, must be perused".

So, we came up with recommendation 2. We recognise the importance of information sharing between FICAC and the Office of the Auditor-General and therefore, the MOU between FICAC and that Office is in the process. The MOU document will bring in proactive approach in dealing with fraud and corrupt activities. The Office of the Auditor-General will continue with its normal auditing process and reporting system to Public Accounts Committee, to Parliament, however during the process of auditing, the fraud and corrupt activities are detected then the Office of the Auditor-General will instantly refer this corrupt allegations to the Commission for investigation.

Lastly, this will avoid delays investigation and by the time the Office of the Auditor-General's Report is tabled in Parliament highlighting such fraud or corrupt activities, the Commission would have likely completed its investigation and those involved would have been dealt with accordingly and the Office of the Auditor-General will be advised and the Ministry concerned.

MR. CHAIRMAN.- Thank you. I think that MOU between FICAC and the Auditor-General's Office would be an important MOU and I think it is good that you are already working to develop that very clear relationship. As I said that relationship would be very, very important from our point of view as members of the Public Accounts Committee reporting to Parliament to have a very good oversight of that relationship itself when we deal with issues highlighted in the Auditor-General's Report.

HON. B. SINGH.- Chair, first of all I want to show my disappointment to Sam, please address the Chair. It is really disrespectful when you do not address the Chair. You just said "I respond to that query". The second issue is by when, is there a time line that you have? They said this "I concur with the Auditor-General, they do sample test and they make copies of the document, they do not retrieve originals, originals are still held with the agencies". The fourth is the voluminous of documents as you said that cartons and cartons of documents are to be obtained. I think if you are looking at a specific area, the chief investigator will go to the specific documents and obtain it. That is what I want to show you, Chair. What Mr. Sam has told us is not acceptable.

MR. CHAIRMAN.- Any other question from honourable Members before I ask Sam to respond. Do not worry Sam, I am fine.

MR. S. SAVUMIRAMIRA.- Thank you, Chair.

HON. A.M. RADRODRO.- I am going through this Report, there is extra one highlighted there, I could not find that in this Report.

MR. CHAIRMAN.- I think that was the first response that we have received from FICAC after our first meeting with FICAC. I do not think it is there but that was the correspondence that we received some time back. It must be in our file. I think that was what you are referring to Mr. Bukarau. Your initial report to the Committee.

There was a letter from FICAC to us highlighting some of the cases that you had investigated. I think you are probably referring to that Annex. I am not sure, but that is what I thought it was.

MR. N. BUKARAU.- Honourable Chairman, that is confirmed, affirmative.

HON. A. M. RADRODRO.- Thank you Mr. Chairman. Secondly, I note that the comments from the FICAC team is basically hovering around the initiation of the cases or the issues. Can you enlighten us what areas does your regulation allows you or gets you to start the initiation of the investigation. As I have noted here, this is probably one area that you are just waiting for the OAG to provide you with the information and then you can take it on from there.

So what area does your regulation give you to start initiating the process?

MR. S. SAVUMIRAMIRA- Honourable Chairman, firstly I would like to apologies for the previous answers that I have given and also to honourable Balmindar.

In relation to the investigations under the FICAC promulgation, we could initiate an investigation into a certain complaint if it comes to us or if it is reported to us or if we see the need to investigate. In certain areas that we see are more where certain offences or certain fraud like matters have occurred. But as we see in most fraud cases, for example in bribery this is only between two people. We do not really see it is done in places where there are more people because it is pre-planned or between their personal emails and all this stuff.

Mostly, our investigation focuses on when people come forward and in this case trust is important for us because we need witnesses. In the Auditor General's Report we see that most cases are merely breach of procedure which is an internal matter and we have to make it clear to institutions that we are not there to solve their problems. They can instigate and the PSC, the Commission is there to look into these matters, but if it goes beyond where a criminal element is found in terms of intentional conflict of interest, this is an area where we could go and do a formal investigation. So, that is where we find it really challenging to look into the Auditors Reports and go forth and do investigation.

MR. CHAIRMAN.- Thank you Sam for that very elaborate explanation. I accept what you are saying. I think there are serious challenges in dealing with this. But what we are looking at from the Public Accounts point of view is that there are cases that we feel that the Auditor General points out very clearly which ones borders on abuse of office, corruption or fraud that we feel someone needs to bring a closure on that, and that is why I think the role of FICAC is very important.

HON A.M. RADRODRO.- Thank you Mr. Chairman, just further on to that reply, can you identify or inform us how many FICAC cases have you taken up that have originated from the Auditor General's Report?

MR. N. BUKARAU.- The honourable Chairman of the Public Accounts Committee referred to a letter that we have written to you Sir, and in that letter we had mentioned the cases that we had conducted.

HON. A.M. RADRODRO.- Sir, is it possible that we can first have the copy of the letter because we are not privy to that letter.

MR. CHAIRMAN.- I think that letter was not in relation to 2007, 2008 and 2009, Mr. Bukarau. It was on two specific cases. What you have provided in this is some additional updates on things you are picking up from the Auditor General's Reports for 2007, 2008 and 2009. I think before I make that comment I will let you finish.

MR. N. BUKARAU.- Sir, I refer you to Annexure 2. So, those are the cases, there is one, two and three. Those are the three cases that were referred to us and we have those comments and the actions that we have taken on them. The case on the Department of

Immigration and one was on the Fiji Police Force and the third one was the Ministry of Local Government Urban Development and Public Utilities. If that answers the question, Sir.

HON. B. SINGH.- Sir, if I can just assist. It was another six cases that was referred by the previous Public Accounts Committee was also part of the investigation. I could recall AMA and the others. There were another six cases, just to answer to honourable Radrodoro.

MR. N. BUKARAU.- Honourable Chairman and honourable Members, I acknowledge the issue raised by honourable Singh. For those six cases, we have completed investigations on five. One was taken to Court, out of the six, four we have filed because of insufficient evidence and the sixth one is in relation to the former Chairman of AMA Mr. John Low. After the last issue which he was charged, he left the country and we are still awaiting his arrival. We are intending to lay charges, but we are still waiting for him. He has not come back into the country since.

That is basically the brief on those six cases on AMA.

MR. CHAIRMAN.- He may never come back. Honourable Koroilavesau.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, I think my comment should have been stated right from the initial discussion. As I have highlighted informally to you, I think this is quite a scheme that the four agencies who are present here in this room will embark on, because the previous public accounts have never been scrutinised as to the suspect where the Attorney-General is here, the Ministry of Finance, an independent investigative body that will sit and have the ability to capture what has been highlighted by the Auditor-General, and here we have the Public Accounts Committee who is responsible to report to Government on the Auditor-General's Report. I think it is an opportunity for all of us here to at least initiate a standard that will be followed from here on, and I think in close co-ordination with the four agencies will provide a better understanding.

As you can see, the amount of funds that is given by Government every year is quite substantial, almost three times more than the normal budget that has been dished out. I think it is important for the four agencies that we make sure that the funds are utilised properly. The Auditor-General will scrutinise it; the Ministry of Finance will oversee the expenditures; we will look at the Auditor-General's Report and hope that you, as the Fiji Independent Commission Against Corruption (FICAC), will have a close co-ordination with the Auditor-General's Office, to make sure that people who have unscrupulous actions are taken and made responsible straight away. In that way, I think, it will create an atmosphere that everyone that work within Government departments are responsible for their actions and that going forward, we will have a better relationship and a better way to deal with these issues; thank you, Chair.

MR. CHAIRMAN.- Thank you, honourable Koroilavesau. I think it is a good sum up of how we can all work together. I think, honourable Koroilavesau also hinted on another important point which is, we are not trying to establish the relationship, only from the point of view of taking people to court, or identifying fraud or corruption, I think it is also to clear people, where there are allegations or implications of people being involved in certain

activities that might be construed by the Auditor-General's office as something not proper. A quick closure on some of these things are also important for people in the Public Service. We do not want people to hang in there and things implicated on them. I think that is also part of our responsibility as different agencies, that is why we kind of identifying and emphasising the importance of us working together.

As a suggestion, you can respond to this. In future, whenever the Auditor-General's Report is presented to Parliament, it becomes a public document, FICAC kicks in its own processes, does its own assessment of the reports, raises its own question with the Auditor-General's Office and by the time the Public Accounts Committee is actually meeting to look at those reports, you have also looked at it - from your point of view of corruption allegation or fraud or whatever, I think it will make it easier for us, as the Public Accounts Committee, to have an assessment of that before we actually look at it. So I think part of the recommendation that we made in the Consolidated Report that we produce for Parliament, for FICAC is really trying to get that as part of a process, and as you said already, that you have a MOU (Memorandum of Understanding) with the Auditor-General's Office and the Auditor General's Office now will have a mechanism to refer things directly to FICAC without the Public Accounts Committee dealing with some of the issues in time when it comes to them. I think that will be very useful.

HON. CDR S.T. KOROILAVESAU.- I think after saying what I have said a few minutes ago, I think the question now is for FICAC to establish, does it have the capacity to do the additional work as per the Auditor-General's Report and if not, maybe you should highlight it here today so that we, the Public Accounts Committee, can take note of your views.

MR. N. BUKARAU.- Mr. Chairman, Sir, we are very pleased with the issues that we are talking about here particularly, how we shall go about dealing with the Public Accounts Committee Report, and I believe it will tie up with the Recommendation 8 which should sound as a commitment from FICAC from today is that for any FICAC referrals, I refer you to Recommendation 8 – “any Public Accounts Committee referrals to FICAC are considered a priority one case for investigation”. So that is a commitment that we have done for this meeting today and that is what we will try and inculcate, together with the Office of the Auditor-General in that MOU. And to answer also to the statement by honourable Koroilavesau is, yes, indeed the strength we have, we have some really overworked investigators and likewise legal practitioners and of course it is an issue that we need to look at because in the *Papers* today, you are talking about “corruption never goes away” and we need to look at it and needs really manpower and resources, if that is to be taken as a point from us today.

MR. CHAIRMAN.- Thank you, Mr. Bukarau. I think that is an important point and we will take note of that and we will endeavour to see if we can put our recommendations through the system we have, so that there is due cognisance of that particular constraint that FICAC has, and as the Chairman of the Committee, I say this that if want from our point of view, from the country's point of view, from the Government's point of view, from the public's point of view, if the FICAC has to do a good job as an independent body then it must also be resourced and I am also very heartened by the fact that you have given an undertaking to us as Members of the Public Accounts Committee and I read that again: “Any Public

Accounts Committee referrals to FICAC are considered a priority one case for investigation” and I thank you for that. I think it will bring a lot of confidence to the public with this kind of undertaking and it will give us confidence and the Auditor-General’s Office to refer cases to FICAC. So thank you very much for that in response to our Recommendation 8.

HON. A.M. RADRODRO.- Sir, I thank you I thank the FICAC team too for their commitment and I hope that is consistent with their promulgation that our referrals will be taken priority.

Just a matter of interest; we have the FICAC, and we have the Police, and this is the question that I raised the last time and I did not get a better answer to it, so how does the two organisations gel together in the issues that they take up, independently or whether the law allows for that? Say, if someone has an issue on corruption and wants to bring it up to the attention whether encourage a person to come to FICAC or go to the Police?

MR. N. BUKARAU.- Mr. Chairman, to answer the question from the honourable Member, it is encouraging that he has asked that question because we had also raised this issue with the Prime Minister in Cabinet meeting where the Commissioner of Police was also there. Right now, an MOU is underway between the Police Force and FICAC, in as far as cases that deal with corruption are concerned. I believe that is for us to have ourselves - an agency to agency commitment in place so that we can make it work in order for us to properly answer that question. However, as is, most of the civil cases that are corrupt in nature are handled by Police, otherwise those that deal with public offices, we normally look into that area.

HON. A.M. RADRODRO.- It is still a grey area for the general public to identify whether these are cases for FICAC or cases to be taken to the Police. Can you confirm or deny that?

MR. N. BUKARAU.- Mr. Chairman, the current trend that we are going through now is, majority of the public are coming to FICAC and lodge in whatever complaints that they have. At the Complaints Department, we have an assessment team that assesses the nature of those complaints and only those complaints that are corrupt related or have elements in them, are retained by FICAC and are recommended for investigation. The other complaints that are probably criminal in nature, where other offences under the Crimes Decree have been noticed by the Assessment Officers, are then referred to the Police. That is the current trend that we are going through right now. Vetting is done at the complaints level, that is, the initial stages of complaint where we have Assessment Officers who mostly comprise lawyers. That is where the filtration process is done.

HON. B. SINGH.- Mr. Chairman, corrupt-related cases in public offices; what about the ‘follow the dollar’ concept – the grants that are given to some agencies where acquittals are not being submitted for the grants, is FICAC mandated to investigate those cases?

MR. N. BUKARAU.- Yes, Sir, I believe the honourable Member is aware of most of the grants that are given by Governments to schools or other organisations, that are then misused by public officers who work within that organisation, they are investigated as well.

MR. CHAIRMAN.- I suppose, if I can get a slight clarification; that example is slightly different. The grants are given to schools and public officers are involved. Let us say, Government gives grant to a statutory organisation whose workers are not strictly public servants but Government gives substantial grant to that organisation. If you receive a complaint about corruption in that organisation, do you follow that? I think that is what honourable Singh is trying to put across.

MR. N. BUKARAU.- If we find at the initial stages that it does not fall within our confines promulgation, we refer them to the Police. However, if we find certain cases that are similar in nature, we normally investigate as well but at the end of the investigation when we find that we do not have the mandate to interview and actually charge the person, those cases are referred to the Police to handle.

MR. CHAIRMAN.- Thank you, Mr. Bukarau, I think that makes sense.

HON. A.M. RADRODRO.- Mr. Chairman, when working with other agencies, you mentioned that you also work with the Police, Auditor General's Office and the Internal Audit Department of the Ministry of Finance. Are there any other agencies that you work with in terms of carrying out your duties?

MR. N. BUKARAU.- Mr. Chairman and honourable Members, we work along with almost all Government agencies. We also work closely with the Financial Intelligence Unit (FIU) under the Reserve Bank of Fiji (RBF), so we liaise with them on a lot of cases and they have been assisting us greatly in that respect.

MR. CHAIRMAN.- Ministry of Finance, do you have any questions at this stage - your internal audit point of view, you should have a lot of interest in the discussion?

FINANCE REP.- Sir, for the Ministry of Finance, any issues in which we do note an element of corruption, we refer it to the FICAC and Ministries are also advised to refer those cases to FICAC for them to investigate. We have a mutual relationship and we have been assisting them with the supply of any information that they may require.

MR. CHAIRMAN.- Thank you, that is a very useful way of dealing with the issues directly.

OAG, do you have any final comments to make?

AUDIT REP.- Mr. Chairman, yes, our Office will be assisting and will be looking forward to the MOU in order to work towards assisting FICAC in terms of investigations and from the Office perspective, we will also try and initiate, maybe, once reports are tabled in Parliament, try and identify areas that we can advise FICAC on, for investigation. That report could be only given to FICAC when it has been tabled in Parliament. I think that is the way forward for efficient investigation.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, there have been comments relating to cases being investigated by FICAC and the investigation has been completed. There does not seem to be a closure into the investigations.

Is the FICAC responsible to inform individuals that have been investigated and the case has been, or there were not enough evidence to carry on with investigations? Is the FICAC responsible to tell the Government officials or individuals that the investigations has been completed, and that you have closed the case.

MR. N. BUKARAU.- Honourable Chairman, affirmative. It is a confirmation to the question. That is a normal investigation process that we inform whoever is being investigated, otherwise he will be in a limber whole of his life. Otherwise, we will go through the normal process by informing the Government institution that he is a member of and then it will take the process from thereon.

MR. CHAIRMAN.- Honourable Singh, you have one last chance.

HON. B. Singh,- Just to add on to what Mr. Bukarau has just said, Chair. There is one case that is from 2007, he has been writing to us and his written to you also. From 2007 this guy is been knocking on our doors that FICAC has taken up a case but it has not been concluded. I will forward you the email and if you permit me, Chair.

MR CHAIRMAN.- Yes, that is fine.

HON B. SINGH.- He has been knocking our doors and saying that justice has not prevailed to him; no charges been laid on him but FICAC are still investigating from 2007.

MR. N. BUKARAU.- Honourable Chair, we will certainly await that email from honourable Singh.

MR CHAIRMAN.- Thank you, Hon. Singh, this is a very open and transparent Committee and you are welcome to provide that information to FICAC.

HON. A. M. RADRODRO.- Chair, I should have done this earlier on and declare my interest too on this one.

There are some issues that have been highlighted in the *dailies* also reported in the Auditor General's Report as well, namely the issues of reforming of some institutions like Rewa Dairy. Has FICAC taken some stand on that particular issue, or will it await the Auditor General's Report?

MR. N. BUKARAU.- Hon Chair, certainly if it were referred as a complaint to FICAC, we would certainly be looking at it now and report on the matter. We will certainly go back and check if it was referred to us, but until now I cannot really comment positively on the question tabled by honourable Radrodro.

HON. A. M. RADRODRO.- Lastly, Chair, you have also, with your Promulgation is the Bribery Act. Can you just inform the Committee, just a matter of interest, how many cases have been taken up on this particular Act?

MR CHAIRMAN.- The question is on the Bribery Act, have you used the Bribery Act to ....

MR. I. TAGICAKI.- Mr Chairman, we have been utilising the Bribery Promulgations ever since its inception, but in terms of numbers we will have to come back to you with the correct figure.

MR CHAIRMAN.- Thank you for that, honourable Singh you had another last question.

HON B. SINGH.- Just to add to Honourable Aseri, it is not a question, before that I must disclose my interest. Fiji Dairy Limited, Government gives grants and I think there is case been referred to FICAC.

MR CHAIRMAN.- I suppose, I mean if that is been referred, I suggest that we leave it to FICAC.

HON B. SINGH.- Just to add to what honourable Aseri Radrodro said.

MR CHAIRMAN.- I would not want to go into specific cases which have been referred to FICAC. We will leave it there, and I am sure FICAC will deal with it but if you have issues honourable Singh, as a private citizen, you know you may want to pursue that with FICAC. Mr Bukarau, you have any final comment before I conclude?

MR. N. BUKARAU.- Honourable Chairman, I believe we have not through the whole booklet yet.

MR CHAIRMAN.- I thought you did, please continue.

MR N. BUKARAU.- I will just refer you to Recommendation 22 that was tabled in Parliament that said that “all agencies must submit Annual Reports from 2015 onwards on a timely manner. A failure to submit an Annual Report to the Ministry of Finance in the required time frame is a serious breach of the duty by the Permanent Secretary, CEO, and or Finance officers. Any breach should be referred to Parliament by the Minister for Finance as soon as it is identified with a full explanation by the Minister on why it occurred, what penalties have been applied and what measures have been taken to prevent if happening again.”

On this Recommendation 22, you have given that FICAC has since establishment submitted Annual Reports to His Excellency, the President of the Republic of Fiji on 31<sup>st</sup> March of the beginning of the new year, as promulgated. The President shall cause the report to be laid on the table of Parliament.

MR CHAIRMAN.- Let me just make a comment. Thank you for responding to that, but I think that recommendation was really not meant for FICAC. We understand that FICAC has another process of reporting to the President, but the fact that you pointed that out, for your information is good. Carry on Mr Bukarau.

MR N. BUKARAU.- Honourable Chairman, the General Comments I will just conclude with that, having gone through the 2007 and 2008 Reports, and the Public Accounts Committee Report to Parliament, it is evident that most of the audit matters highlights non-compliance, procedural and governance issue. The Ministry of Finance, in consultation with

the office of the Auditor General, should set up a team to revisit the repeated, recurring irregularities after completion of Annual Audit. The team should verify with the respective Government agencies on quarterly basis, on the actions taken to improve or eliminate the repeated irregularities, rather than leaving it to the Office of the Auditor General's annual auditing.

The Ministry of Finance should take lead role to call monthly meetings with respective accounting heads from ministries to address this matter.

We also note the gaps of their FMIS System that Ministry of Finance should engage consultants to reveal the FMIS System and most importantly to ensure that all revenue and expenditure activities of all Government are accounted. These gaps lead to corrupt and fraud activities. That is the closing remarks for our coming in here today Sir.

MR CHAIRMAN.- Ministry of Finance, there you go, you have got some very good advice from FICAC about how to deal with some of those issues, but just for the information of FICAC, I think the Ministry of Finance response to our recommendations have been very good. We are very pleased with the way in which the Ministry of Finance has took on board all our recommendations, and we discussed some of those yesterday. Before I conclude, honourable Radrodro you have another question.

HON. A.M. RADRODRO.- Yes, Chair. Just on the general comments, I take it that FICAC's viewpoint is that non-compliance on regulation is not corruptive in nature. It is non-compliance to procedures, regulations and finance procedures.

MR. U. DEAN.- Mr. Chairman and honourable Members, I was part of the team on the 2007 and 2009 Audit Reports. We were going through it, and majority of it was looking at compliance and non-compliance, but FICAC's focus is always the priority on fraud and corruption activities - it is a high priority. But as we have said in our recommendation, any referrals of corrupt and bribery activities is a high priority, and we will look into it. Our general comment is just based on most of the recommendations of non-compliance, and it is where this general comment is coming from.

MR. CHAIRMAN.- Mr. Bukarau, do you have any final comment?

MR. N. BUKARAU.- Mr. Chairman, in relation to the points of compliance that Manager Finance has highlighted, in FICAC, we have also our Corruption Prevention Department. In our meeting the last time, we had discussed this, that we deal with compliance issues in their awareness sessions which deals with all the government departments. This is the proactive arm of FICAC, and we believe that that is the proactive way of dealing with corruption in that manner, so we can actually deal with corruption, not only by mere investigations, but that is an area that we are also looking at in order to look at the processes of each government department. That is to add a bit to that compliance issue that we normally address that way.

HON. B. SINGH.- Chair, also the comments made by Manager Finance from FICAC for non-compliance; what about if general dishonesty like payments been made without deliveries? It is general dishonesty under Crimes Decree; is that not an act of corruption or

non-compliance? He says that the OAG picks it, if it is non-compliance of FMA 2004 and FI 2010 and as what you have alluded to, it is general dishonesty - obtaining a gain.

MR. I. TAGICAKI.- Mr. Chairman, probably I will respond to that. In terms of investigation, probably from a legal perspective as well, non-compliance is sort of a general term for us to use. You have non-compliance by those who intentionally deviate from the normal standards for the intention to defraud, and those are the ones that probably you are referring to, or as someone's compliance basically an oversight. These are the two differences in that term "non-compliance", probably that was highlighted by the honourable Radrodro.

The ones that we find have some criminal intent, those are the non-compliance that leads up to the commission of the offence. I think most of our cases that have been highlighted in the media as well, probably a glaring example is the current FRA - the one that is to be sentenced today. In that case, there were a lot of non-compliance for the fact that they were criminal intention to carry out an offence. That is basically what the term non-compliance that we are referring to here in the general comment that we have in the report. I hope that clarifies the question.

MR. CHAIRMAN.- Thank you, I think that is a good clarification and does not imply that non-compliance cannot border on corruption or fraud intentions. So, the fact that the OAG might point out as non-compliance does not necessarily mean that it stops there as a procedural one intentional oversight. It could border on to corruption and fraud - is this what you are saying?

MR. I. TAGICAKI.- Exactly, Sir. For those issues of oversight, in relation to non-compliance, what we normally do is that we recommend that this is addressed by the actual ministry under investigation. There being internal decisions made, or probably be addressed formally by the heads in that particular area, and I believe on our awareness, our Department also looks into that when they go out for awareness. They stress the point of the difference between that term of non-compliance that we are discussing this morning.

HON. B. SINGH.- Just to add, to deter further corruption activities, is FICAC going to, after the cases have been disposed in court and the verdict has been passed in favour of FICAC, any assets that are obtained from these illicit funds that the perpetrator has gained, that assets would be disposed to the State, or what does the Promulgation say?

MR. S. SAVUMIRAMIRA.- Honourable Chair and the Committee, just in response to that, under the Proceeds of Crimes Act, only the DPP has the discretion and authority to go and do such things. For us, we mainly propose to it to amend so that we are also able to recover the proceeds of crime.

MR. CHAIRMAN.- Mr. Bukarau, do you want to comment?

MR. N. BUKARAU.- Mr. Chairman, I hope the answer that Mr. Savumiramira has dealt with on the proceeds of crime. Mine is another issue, and I would just like to raise it for

the PAC record regarding the MOU. We had already sent the MOU to the OAG, and I know that we are all busy and we had sent it back in 2010, but we are still waiting for a response, and I believe it is timely also now that for the first time we are sitting together, and then they will actually act on the report, then we will be able to be working together as oversight bodies.

MR. CHAIRMAN.- Thank you, Mr. Bukarau. Let must just conclude by saying that the Committee is very pleased with the way in which FICAC has taken on board our recommendations, and the way in which you have responded to the recommendations that we have made in our report.

We did want to send a very strong message, not only to FICAC but to the civil servants, through the report, where we highlighted the systematic issues and I am very pleased that we have been assured by FICAC that cases originating out of the OAG's Reports would be given a priority.

We understand and we appreciate your resource constraints, and we hope that that would be addressed in the 2016 Budget, and that you may be able to designate a small unit within FICAC to specifically look at the Auditor-General's reports and recommendations from the Public Accounts Committee.

We are pleased that you are pursuing, although a bit delayed, the MOU with the Office of the Auditor-General's office and I hope that the Office of the Auditor-General's will see this as a matter of priority and hopefully that MOU can be concluded so that we are able to establish a system, mechanism which is the gist of recommendation 8 for FICAC and for us as the Public Accounts Committee, Ministry of Finance and Office of the Auditor-General so that we have a very clear, transparent system and mechanism operating from now onwards to deal with the issues that emanate from the Office of the Auditor-General.

We are also mindful, as the Public Accounts Committee that corruption occurs at all levels. There are magnitudes of the amount of funds and money that might be involved. Ideally we are not saying that small time corruption, or involving small amounts of funds is not important, I think they are important to avoid corruption at all levels, but we are also worried about big sharks, big amounts and we believe that all of us within this system that we are now almost building up and it appears that it has started working. We will need to nudge this a little bit more, see how we can progress and institutionalise the system with which we ought to deal with, this very important issue of management of public funds, value of money to the public and how can give the best to the people of this country. So, we would like to keep an emphasis on the big picture all the time and I hope that the Ministry of Finance, the Office of the Auditor-General, FICAC and the Public Accounts Committee will keep that as a focus of our activity. But also, as you see from our consolidated report, a lot of the recommendations is about improving the system in the future, avoiding some of the pitfalls that we might have seen.

So, once again thank you very much Mr. Bukarau, Mr. Dean, Mr. Tagicaki, Sam and Vandhana for coming over. I think we appreciate the challenges that you have but as I said, I

think we are moving towards developing a very good relationship, a system through which we can address these issues highlighted by the Auditor-General together. So, thank you. Please have some coffee or tea before you leave. *Vinaka*.

The Committee Interview concluded at 10.58 a.m.

The Committee Meeting resumed at 11.30 a.m.

MR. CHAIRMAN.- Honourable Members and colleagues from the Auditor-General's Office and Ministry of Finance, I am not sure how you want to proceed, there are more updates from the Auditor-General's Office. Just from the earlier discussion that we probably need who from the Ministry of Finance, apart from the Audit office, generally handles the Auditor-General's Report and all that.

FINANCE REP.- It depends on which Acts the audit has been carried on. Usually all the heads of sections they are involved in responding of audit issue.

MR. CHAIRMAN.- All heads of sections?

FINANCE REP.- Yes.

MR. CHAIRMAN.- Who is the head of all the heads; is it the PS?

FINANCE REP.- It is the PSs and the DSs.

MR. CHAIRMAN.- I was just thinking, the Auditor-General's Office has provided an update because you have not send this to Finance yet? I suggest that the Ministry of Finance should look at this for the rest of the day; tonight or whatever, and the Auditor-General is also coming tomorrow and we should then go through these ones because I think the update is for 2011 and 2012 as well. As we said this morning amongst ourselves that we want to look at almost all these three years together, so when we invite people, tomorrow what I want to do is to ask some specific questions to Ministry of Finance and also to the Auditor-General's Office before we see some of the people on Monday so that we know where we are in terms of some of those big issues that we are going to look at.

FINANCE REP.- The Ministry of Finance is currently conducting the survey with the Strategic Planning Office and if it is possible to move the appearance of the officers from the Ministry of Finance to a later date?

MR. CHAIRMAN.- PS Finance to come on Monday.

FINANCE REP.- Even the Permanent Secretary himself is also accompanying the team. This morning, he is in Wainibuka.

(Inaudible)

MR. CHAIRMAN.- In that case, let us meet tomorrow and you people look at the response from the Auditor-General and we will open it to the public and the media. We will

go through this and then we will check when are the people from the Prime Minister's Office and the Ministry of Finance are available and if it is possible that it will be after Parliament. So we have a week there before the workshop in Nadi. Maybe, if members agree then a week after the July Parliament because by that time, we should also have a draft of the report immediately after our session with the people who will appear we can look at the Report.

HON. CDR. S.T. KOROILAVESAU.- Chair, I think you need to explain to the Auditor-General and the Ministry of Finance because our meeting was a close meeting where we discuss that we would like to deal with the three years consecutively, leading on from honourable Radrodro's 2010. I think they are not aware of that. We discuss that internally.

MR. CHAIRMAN.- I kind of said that when we said that we are looking at a consolidate report again for 2010, 2011 and 2012 and we are in the process of already drafting the report based on own assessment, own discussion so far. So when you people come tomorrow, make sure that you look at all three together and some of the responses that the Auditor-General has given. I think you are providing your own responses to this so you have done that for 2012 as well. They have done that already, so tomorrow we will try and get you people to answer our questions right from 2010 up to 2012 as we move on. So someone else from the Ministry of Finance if they are available who is available tomorrow apart from you people. Maybe get all the heads, if the head of the heads are not available.

FINANCE REP.- Yes, Sir, we will be able to get at least some of the key important players, the heads of the various sections, the DSs and we would very much appreciate if something is written formally so it can just go out.

MR. CHAIRMAN.- Joeli will give you a letter to carry you people to that. He will send you soon after that. Honourable Members, if you can dissect the response that the Ministry of Finance has given.

HON. CDR. S.T. KOROILAVESAU.- I suggest that the lead council, honourable Radrodro on the areas he wants to touch on, that is an indication of the areas that we will discuss and 2010 and 2011 will lead on from the point of interest that has been highlighted by Radrodro and any other areas that we would like to see. But it gives the Ministry of Finance an indication who to call and who would be made available to answer tomorrow.

HON. A.M. RADRODRO.- Chair, I just want to highlight that we were discussing earlier that interview of the respective heads to come from next week.

MR. CHAIRMAN.- The one that we are planning next week, we will have to postpone after Parliament because they are not available.

HON. A.M. RADRODRO.- Apart from PS Finance, there are other PS's that we have requested whether they will be available.

MR. CHAIRMAN.- Yes.

HON . A.M. RADRODRO.- PS for PSC and PS MIT on the list that has been given to.

MR. CHAIRMAN.- Maybe, we can have it on Monday and Tuesday and then break and then Finance and the others the following week. Alright, what I suggest then on the way forward for Joeli to check with the others if they are available on Monday and Tuesday, apart

from our plan tomorrow. If they are available on Monday and Tuesday, then we can deal with those on Monday and Tuesday and any left over issues for PS Finance will be after Parliament.

HON. CDR S.T. KOROILAVESAU.- Irrespective of whether the heads from Finance will be coming, at least if they are not available immediately tomorrow at least will give an indication to Finance on what we are expected at the end of Parliament when we sit again after that.

HON. A.M. RADRODRO.- Mr. Chairman, if I can excuse myself tomorrow another Member will be here.

HON. CDR S.T. KOROILAVESAU.- Then it is no use because he is the Leader and I think if honourable Radrodro is not available then ...

MR. CHAIRMAN.- Who is going to replace you? There are some critical issues for you to ...

HON. A.M. RADRODRO.- I think Monday will be a suitable day to start cross checking this.

MR. CHAIRMAN.- Honourable Member, are you suggesting we adjourn until Monday?

HON. CDR S.T. KOROILAVESAU.- It is important because the benchmark will be honourable Radrodro, if we do not have the benchmark then we will talking in mid-air.

MR. CHAIRMAN.- Alright, I am only agreeing to it with the hope that honourable Members will dissect all the responses from the Ministry of Finance for the next four days and we will start on Monday.

HON. A.M. RADRODRO.- We also discussed to clarify with the Auditor General on 18.15. on the recovery because they still mentioned in their report that they have yet to sight the evidence for that, so if they can just confirm. I think this is Volume 8.15 and Volume 2 because they still mentioned after the management comments for the OAG comments at page 4 of section 18 and Volume 2 - 18.15, If they can just confirm whether they have revised their comments.

MR. CHAIRMAN.- What are you saying is, we are trying to confirm whether all those overpaid allowance is fully recovered. That is what the Ministry of Finance is saying.

HON. A.M. RADRODRO.- And OAG is saying that they have yet to see the evidence of that comment.

FINANCE REP.- Thank you Mr. Chairman, on that issue, it is an ongoing issue but the recovery for those mentioned in the Report has been made.

MR. CHAIRMAN.- Made, alright.

FINANCE REP.- But it is an ongoing issue because of the lack of communication between those officers in the administration and finance.

MR. CHAIRMAN.- Honourable Radrodro, that is alright?

FINANCE REP.- But the issue is ongoing.

MR. CHAIRMAN.- You mean to say that you people will still work on the issue?

FINANCE REP.- For some of the officers will still report in next 2012, but for those mentioned in 2010 have been recovered.

MR. CHAIRMAN.- Alright, you are happy with that? Yes, alright, so let me get this right. We are not meeting tomorrow and we re-convene at 9.30 on Monday with the Auditor General's office staff, with the Ministry of Finance and other heads who are available and PS Prime Minister's Office and others as honourable Radrodro highlighted. So, either on Monday or Tuesday if they are available on any of those two days.

SECRETARY.- Can I just read out and if the honourable Members can correct me. So, PS PMO and Director Finance from the Office of the Prime Minister, the former Secretary to Cabinet and the PS - *iTaukei* Affairs, the Commissioner of Police, Supervisor of Elections, PS Agriculture, PS Industry, Trade and Tourism and PS Education.

Honourable Member, you said there was one PS Commerce I think that is the same as PS Industry Trade and Tourism.

MR. CHAIRMAN.- Honourable Members, colleagues from AG's office and Ministry of Finance. Thank you very much and have a nice long weekend (not starting from tomorrow) but Friday, and we will see you on Monday.

The Committee Meeting adjourned at 11.50 a.m.

**VERBATIM REPORT OF INTERVIEWS CONDUCTED BY THE PUBLIC ACCOUNTS COMMITTEE ON TUESDAY, 14<sup>TH</sup> JULY, 2015 IN THE COMMITTEE ROOM, EAST WING, GOVERNMENT BUILDINGS AT 9.58 A.M.**

**Interviewee: Ministry of Finance**

In Attendance

1. Mr. David Kolitagane - Acting Permanent Secretary
  2. Mr. Isikeli Voceduadua - Acting Deputy Secretary, FAM
  3. Mr. Pankaj Singh - Acting Director DCFMU
  4. Mr. Irimaia Rokosawa - Acting Director FMIS
  5. Mrs. Sinate Mualaulau -
  6. Mr. Semesa Masau - Senior Accounts Officer AMMU
  7. Mr. Buisena Conivalagi - Senior Accounts Officer FMIS
- 

MR. CHAIRMAN.- Honourable Members, welcome again. I also welcome the presenters from the Ministry of Finance. I also welcome staff from the Office of the Auditor-General.

Before we begin, let me begin by thanking the Ministry of Finance for dealing with all the recommendations that we made in the Consolidated Report for 2007, 2008 and 2009 and we are particularly pleased that many of those recommendations are now being taken on board. We believe that a lot of the systemic issues that we identified in that Report are being dealt with. We also note from the report on the status of issues raised in the Auditor-General's Report for 2010, 2012, we want to thank you for this very comprehensive response. I think it is very helpful for the Committee to have that kind of response from the Ministry of Finance, and also response from the OAG. What I noticed from going through that Report is that, it appears that we are beginning to deal with some of those systemic issues, the repetitive ones and so I think the trend looks very positive.

What we are trying to do now is to look at another consolidated report for 2010 right up to 2013, so that we can hopefully by the end of the year, be done with the backlog and then when we come to 2015, we can spend all our time looking at 2014 Report. We are still struggling in the sense that, we are hoping to complete all the backlog by the end of the year, but other than the actual ministries, we also have Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs), Provincial Councils and Municipal Councils that we have to deal with – the backlog. So, it is possible that we may require your attendance again in future, but I want to thank all of you for making yourselves available and we have had no problems with the MOF. Whenever we have asked to come, they readily appeared and so, that is appreciated very much.

We had divided the work amongst ourselves. Honourable Members, took the initiative to look at specific years and so, we will have some questions from them. Honourable Alexander O'Connor, the newly sworn Member of Parliament is replacing honourable Sanjit Patel in this meeting. I am sure many of you know him, and we look forward to his contribution.

Before we get on to specific things, let me begin by asking the Mr. Kolitagane three things that I think still seem to be outstanding from the repetitive ones, before we get into 2010, 2011 and 2012. The first one, we have seen right from 2007 up to 2013, the whole issue of Unpresented Cheques. The last time I had asked the MOF, I think Unpresented Cheques do present a problem with respect to pressure on cashflow at the beginning of the following year, and I saw that there was a lot of promissory notes or treasury bills being issued at the beginning as well, which I think that was the issue to do with the revenue.

However, looking at what the OAG is saying, as of December 2014, we still had that big problem. I think, a total of \$150 million was still being documented as Unpresented Cheques. Obviously, that would have led to pressure on the cashflow at the beginning of the year, apart from the fact that you do not collect a lot of revenue at the beginning. What is your view on that - the Unpresented Cheques? How do you see yourself at the moment?

MR. D. KOLITAGANE.- Mr. Chairman, if you may allow us, we have prepared a short statement which may cover some of the broader high level issues?

MR. CHAIRMAN.- You are welcome to do that, thank you.

MR. D. KOLITAGANE.- Mr. Chairman and honourable Members of the Committee, thank you very much for the opportunity to discuss and comment on the progress that we have made in relation to the 2010/2012 OAG's Report.

Mr. Chairman, from the outset, you may have seen from the written submissions and I wish to highlight that many of the recurring issues that are raised in the Report have been resolved by the Ministry. We are working on some, but it all directly addresses the improvements required by the honourable Minister of Finance, as well as the concerns directly raised by the honourable Members of this Committee.

In this regard, I wish to highlight a few improvements that we have implemented over the years. The first issue or improvement is the ongoing upgrade of our FMIS and the restructure of our General Ledger to improve reporting and reconciliations of the Government accounts. In late 2014, for example, the bank reconciliation processes have been automated and simplified, thus significantly reducing the time needed to do monthly reconciliation from about three weeks to only a few hours.

The implementation of the Electronic Funds Transfer (EFT) in 2012 has enabled Government to conduct real time payments to its suppliers. This will also help address concerns relating to Unpresented Cheques. In our efforts to strengthen the Government payroll, the Ministry is reviewing control measures in the current payroll system and to help manage our payroll, and to try and eliminate overspending in SEGs 1 and 2.

We have established a Revenue Arrears Committee in 2014 with members from key Ministries to address arrears of revenue in Government. The underlying objective of this Committee is to take stock of revenue, and to improve the recovery measures at all agency level, the whole of Government.

You may have noticed, Mr. Chairman and honourable Members, that the Fiji Procurement Office (FPO) was also established in August, 2010 with the main aim of reducing wastage and eliminating fraudulent activities in Government. The Fiji Procurement Regulation also came into effect the same year.

Mr. Chairman and honourable Members, we also believe in capacity building for our accountants and officials who actually do the inputs and processing of accounts. In 2012, the Ministry of Finance with the efforts to improve academic qualifications and professionalism within the accounting cadre, we are providing scholarships to civil servants. As of today, there are 64 recipients of this scholarship, 19 of which have successfully attained their Degrees and four have attained their Diploma.

On the 29<sup>th</sup> of this year, a grant funding arrangement was signed by our Permanent Secretary and His Excellency the New Ambassador for the acquisition, set up and maintenance of an audit management software. This is specifically for our Internal Audit Department, Mr. Chairman. The software will streamline and automate all internal audit processes. The software will also have track and implementation of audit recommendations, and improve the efficiency and productivity of the whole audit system.

We also continue to review and update our legislation and policies. The latest review of the Financial Management Act has been completed and the draft is now with the Solicitor-General's Office for vetting. The Financial Instructions (FI) 2005 was reviewed and updated in 2010. The Financial Manual 2009 was also updated in 2013.

These measures, honourable Members including other ongoing reform initiatives that have led to the reductions of audit issues raised with us over the years. You have rightly mentioned, Mr. Chairman, that we are taking direct initiatives, I mean the executive management of the Ministry of Finance is taking the lead role in trying to eliminate all these issues.

Honourable Members, let me now turn to two important critical reform initiatives undertaken by the Ministry so far. The Ministry undertook a public expenditure and financial accountability assessment in 2012. This is the first ever to be conducted in Fiji and to take stock of our financial management improvement initiatives over the years. While the 2012 assessment has identified improvements in the Fiji Public Financial Management System, it also highlighted several challenges that needed to be improved or to be addressed. These have led to the formulation of a five Public Financial Management Improvement Plan (PFM) 2014 which will try and address weaknesses and to build strengths identified in the assessment.

The key areas of focus in the next five years are strengthening the institutions, improve service delivery and raise the quality of expenditure. The various improvement messages that I have outlined earlier fit into these broad categories and for instance, building PFM capacity at the Ministry and across Government is part of the plan to strengthen the institutions. Aside from building capacity within, officials from the Ministry are also engaged by the PFTAC, the IMF office based in Suva to assist Tonga, PNG and other island countries under that PFM assessment.

Furthermore Mr. Chairman, for the first time in 2012, Fiji also complied with the international public sector accounting standards or IPSAS. The consolidated financial statements of the central budget are almost fully compliant to IPSAS cash basis. The format and the statement of assets and liabilities was also improved and further details were added to the notes on borrowings and revenues.

Honourable Chairman and Members, all these initiatives that I have outlined are driven primary with the objectives of better managing government finances. Ongoing technical assistance and oversight by the international monetary fund and the world bank will continue to improve management of government resources and our reporting standards/. The Ministry of Finance will continue to use international best practices and improve its processes and reporting standards. We also continue to work closely with the Auditor-General with other key government agencies. Thank you, Mr. Chairman.

MR. CHAIRMAN.- Thank you, for that very positive update and we note some of the institutional improvements capacity building that the Ministry of Finance is undertaking to improve and remove the recurring issues that we have identified. Just on areas of revenue, I note that the Auditor-General is saying that we still have areas of revenue as of 31<sup>st</sup> December, 2014, it was almost \$150 million. So the problem is still there and I hope that some of the improvement that you are talking about, especially automation and looking at improving the FMIS and with the EFT and other things now fully operational, you have a much better system. But is it still a problem?

MR. D. KOLITAGANE.- Mr. Chairman, as you rightly said, at the end of 2014, a reserve revenue is around - looking at \$150 million. At the moment we are trying to improve through EFT and also this year, we are looking at introducing EFPTOS to every point of revenue collection. We are targeting Ministry of Lands and other departments and ministries that receive payments from individuals. So those are some of the things that needs improving. And also the Reserve Revenue Committee, has been established and for this week, we are meeting with all departments and we are advising them to come up with what sort of recovery mechanism control they have put in place since 2014. Our meeting this week we will be able to update you further on what progress has been made. Thank you.

HON. A.M. RADRODRO.- Thank you, Chair. I thank the Ministry of Finance officials for the explanations that have been rendered this morning. However, there are some issues that you have highlighted that I would just like clarifications on. On the issue of scholarships, who is funding this scholarship programme and what is the arrangement in place? That is the first. The FMA Act, as you know this audit issue has been highlighted year in and year out. As an existing FMA Act, now it is being reviewed, whilst the process of the review and finalisation by the SG's Office is still being awaited, what regulations will the Ministries and Departments be using for the time being? Thirdly, there is something on the IPSAS adaptation that the Ministry of Finance is pursuing. How is that going to impact on the reporting? You mentioned something on the borrowing, so how is that going to impact on the reporting of the borrowing in the government finances?

MR. D. KOLITAGANE.- Mr. Chairman, in 2013, the IMF through the PIFTAC, undertake a study of the whole of financial statement reporting. One of the main goal is to move to accrual accounting within the next five to seven years and one of the findings of the report was that, in terms of capacity, in terms of the whole of government, the accounting

cadre, we do not have the necessary qualification and skills of our accounting staff, in order for us to transit to accrual statement. For that reason, the Ministry of Finance within its own training programme, we come up with a scholarship that provides streaming to all the accounting within the Ministries and Departments. So this scholarship is given to them to do a diploma or degree in accounting. It is only for those that are doing accounting.

HON. A.M. RADRODRO.- Just a clarification. That is the existing training?

MR. D. KOLITAGANE.- Yes, that is the existing training.

HON. A.M. RADRODRO.- They do not come under the TEL for the purpose?

MR. D. KOLITAGANE.- No.

MR. CHAIRMAN.- I think what you are saying is, this scholarship is for people who are already employed within the Ministry of Finance?

MR. D. KOLITAGANE.- Yes.

MR. CHAIRMAN.- That leaves me to ask another question. I mean with so many graduates coming out of tertiary institutions with accounting information system degree, looking for jobs, I am sure now you can readily source those people on the accounting degree. I am not sure what is the difficulty, what you are saying is, you got people there who do not have a degree, they do not have the appropriate qualification but are working in the Ministry of Finance.

MR. D. KOLITAGANE.- Sorry, Sir, this is not for Ministry of Finance but for the whole of government. At the moment, we are accepting all those with accounting degrees and those who have relevant commercial skills to join. But these are for those who join government way back 10 or 15 years ago. They join as a clerical officer and they move up. You know that skill they acquire while they have that experience the qualification is missing. That is the reason why we bring up this programme especially for those. And being mindful that the accounting position in government, you need to go back to PSC to create accounting post. Since some of these accounting posts are already filled up, those who come out from universities, we do not have opportunities for them. But now, we have been emphasising that all those who have degrees to join.

MR. CHAIRMAN.- May be, with the lack of markets, we have to start clerical officer appointment with degrees, I guess. So when they move up, they start with the degree. Secondly, on the Financial Management Act, at this moment, it is still a guideline for all government operation. So there is no transitional period, where we are operating on another Decree but it is still effective until Parliament sits later in the year to endorse a new Act and that new Act comes into force.

We will ask Acting Director Financial Management Information System to explain more on the IPSAS.

MR. I. ROKOSAWA.- Mr. Chairman, for International Public Sector Accounting Status (IPAS), its main objective is to improve on our financial statement disclosures. As

previously mentioned, 2012 was the first year that we complied with the IPSAS financial reporting structure. This was possible through consultations and the green light given from the Office of the Auditor General. When we are complying with IPSAS, we are then able to make comparisons with other Government Financial Statements.

Previously, Government was using a totally different financial structure that was not conducive comparing with other Government Financial Statements and from 2013, we moved over to other IPSAS Standards, there are 33 IPSAS Standards altogether. We began complying with IPSAS 3 which was the changes in Accounting policies, IPSAS 4 on Foreign Exchange, IPSAS 7 on Investments and Associates, and for this year, we are trying to move over to IPSAS 18 which is on Segmentation Reporting and IPSAS 24 which is the comparisons of budgets and actuals and also the original budgets with the revised budgets.

Mr. Chairman, as previously mentioned, the intension was to move to accrual accounting. What we are doing right now is, we are standing firm and trying to improve our current status. There are a lot of information that are readily available, it is just a matter of incorporating that in the current Financial Statements. That is what we are currently doing, and we are also very much in line with the Government's priority. I believe other Governments Financial Statements are moving into accrual and from our official stand, we do not want to rush to accrual accounting. Even with the current stand, there are a lot of difficulties been faced by Ministries and Departments, so we want to maintain our status quo first and foremost. Only then, when we see that we are confident enough to move to accrual accounting, then we will take a further step.

MR CHAIRMAN.- That make sense. I think the IPSAS thing is very important, especially Standards 18 and 24 which deal with segmentation and also looking at the budget and the actual expenditure. I think that would be a very useful thing to do. Just before I hand over to Honourable Radrodro, one last issue out of the report and this is to do with Trust Funds. We note that in 2012, it was \$7.3 million, in 2013 it went up to \$13.6 million, an over expenditure of about \$6.3 million. Ministries and Departments that have been identified that still have problems with Trust Funds is the Republic of Fiji Military Forces, Ministry of Works, Department of Agriculture, Police and Department of Fisheries and Forests.

Can you give us a sense of the Trust Funds? What is happening in the different Ministries? We had talked about this and the last time, the Auditor Generals' Office made it very clear that they have the authority to audit all Trust Funds, including those held by the Military.

FINANCE REP.- Mr. Chairman, just a brief update on the Trust Fund reconciliations for 2014, the Ministry of Finance with the assistance from Ministries and Departments, was able to balance seven Trust Fund Accounts and we are left with 12. For the Trust Fund Accounts that we were able to balance, those are the ones that are operating on separate bank accounts and only one project to one bank account. That was easily done since we had to use the bank statement as our point of origin. For those that are still unbalanced, these are mostly those with more than one project account sitting in one bank account.

As you may be aware that we are conducting a write-off exercise, the Ministry of Finance was willing to assist these Ministries and Departments. Unfortunately those 12 Ministries did not utilise that opportunity. We could not balance their General Ledger

because we do not even know what are the physical files sitting at their respective departments. Unlike for those with one project one bank account, it was quite easy to do it but for these 12, there is more than one project in one bank account. We are again liaising with them and humbly requesting them to make use of the third write-off exercise.

To mitigate the risk further, the Ministry of Finance's Financial Management Information System (FMIS) is trying to put action controls into the system. This is to curb inter-und postings within the system, and I believe this is also one area that is being raised by the Auditor General - the differences in the cash trust and the actual trust account. We have seen that there is inter-postings between the budgetary allocation and the trust funds. So, we are trying to put action controls into the FMIS so that users are only accessible to only one fund account, either they can access only the trust accounts or the operating budget, not both.

HON. A. M. RADRODRO.- Thank you, for the explanation. Just a further clarification on the improvements in the process that the Ministry of Finance is embarking on. That is a very good initiative, however what I would like to enquire is the scholarship that only accounting cadre are taking up. How is the Ministry of Finance influencing the Accountants in the respective Ministries and Departments because now I think the Permanent Secretary will have the final say? Does the Ministry of Finance have an influence to ensure that your kind of references or resources are also employed in there. Otherwise, that whole process might become a question in the near future.

MR. I. VOCEDUADUA.- Mr. Chairman, and honourable Members of the Committee, the Ministry of Finance on a monthly basis, we have Accounting Heads meeting. During this meeting, we advise the Accounting Heads of all the Ministries of status of reconciliation in terms of the submission of reports. So, that is normally how we track the performance of the Accounting Heads.

Secondly, we are now conducting a study, and this is for the last three weeks. We are going around the Ministries, trying to get the capacity of staff in each Ministry - the Accounting Head, how many of them have Degrees, what is the qualification like, how many staff and the sort of budget they manage. So, with that report, it will give us information on the quality of staff on the ground, and also during the Accounting Heads meeting, we also monitor their performance. So in terms of the requirements of the FMA and FI reporting, when they do not submit reports on a quarterly basis, the Ministry of Finance through Treasury, will follow up with them. In terms of monitoring and closely reviewing the performance of the Accounting staff, we are working very hard on that in trying to improve on the audit issues and minimise the recurring issues as highlighted in the Office of the Auditor General Report.

MR. D. KOLITAGANE.- Further to that, Mr. Chairman, you may understand as rightly mentioned by honourable Member, the Permanent Secretary takes full control of the accounting cadre at the Ministry level. There are some options of us rotating accounting cadres, we are trying to work closely with the Permanent Secretaries, some they come directly to the Ministry of Finance for assistance. Apart from that rotation, there are also issues handled by the Permanent Secretary, if they are not addressed at the Deputy Secretary and Director level. So, these are coming up, particularly linking up from the audit report or even issues raised from our internal audit department.

MR. CHAIRMAN.- Any other questions in relation to those issues?

HON. B. SINGH.- Mr. Chairman, just on the reconciliation, I know there is a laxity, normally the monthly reconciliation of accounts by the ministries, submitting of returns is a recurring problem being picked by the Office of the Auditor-General. How well are you managing that now? Has this changed or *status quo*?

MR. I. ROKOSAWA.- Just very briefly on reconciliation, we admit that this was an area that Government was lacking in in previous years. For the Ministry of Finance, we have changed our strategy a bit, trying methods of reconciliations that are easily absorbed by the ministries and departments. Previously we have seen that the reconciliation format was very theoretical, straight from the text book and we have seen the capacity on the ground with the ministries and departments, so we have changed the format to more of a Fijian perspective so that it is easily absorbed on the ground. It can also be confirmed by our officer from the Office of the Auditor-General in 2014. We have balanced the Whole of Government Consolidated Fund Account reconciliations where the General Ledger tallies with the bank statements. This is the core bank account. Once that balances, we also have confident in balancing the drawings account reconciliations. It is just a matter of just opinion between the Auditor-General and the Ministry of Finance and we are still rectifying the 2014, mostly to do with the stale cheques. You could have seen that the UP list was also part of the reason for the increase, we did not stale the cheques for 2013. The reason being, we were implementing a new format. We did not want to do any adjustments until that balanced first. We were able to balance that in February this year, that was already into the auditing fees. We are working very closely with our colleagues from the Office of the Auditor-General to pass these stale cheque adjustments in the Whole of Government audit.

HON. B. SINGH.- Mr. Chairman, just to add to that on the reconciliation under the Unpresented Cheques (UP), these stale cheques for 2012, how do you cater for that because in the books, you have recorded that as an expenditure and you are using cash accounting. How do you carry forward, let us say, your expenditure has spilt over for 2013 or 2014. How do you reconcile that? The second part is, reconciliation for external accounts, I see that there are loopholes in that reconciliation that has been conducted because of the foreign exchange inflations and how far have you gone with that?

MR. I. ROKOSAWA.- For the stale cheques, to answer your question, we do not touch the expenditure allocation. We use the cash and the equity component. We do not want to touch the expenditure allocation because it is going to distort the current year's expenditure utilisation. For the Ministry of Foreign Affairs, our Permanent Secretary has done various presentations, once to the head of missions requesting them to just submit the reconciliations to the Ministry of Finance. This year we have assisted them by sending a Senior Accountant seconded to the Ministry of Foreign Affairs to help them design a new foreign mission financial policy.

MR. CHAIRMAN.- Do you have additional questions, honourable Singh?

HON. B. SINGH.- Yes, still on the Ministry of Foreign Affairs can they access the FMIS system?

MR. I. ROKOSAWA.- Sorry, honourable Member, you are talking about the missions overseas?

HON. B. SINGH.- The missions overseas.

MR. I. ROKOSAWA.- No, they do not have access to the FMIS system.

MR. CHAIRMAN.- One last issue I have and honourable Members may want to ask further questions, this is in relation to the disbursement of funds from Head 50 without supporting documents. The Auditor-General is saying, a total of \$1.8 million has been expensed from the Minister's pay through budgetary allocation controlled by the Ministry of Finance. Disbursement of payments, in the absence of necessary documentation compromises the transparency of payments being made, also non-redeployment of funds to the Prime Minister's Office distorts the financial data in respect to the nature and operations of the Ministry or Department.

The Auditor-General is also saying that in 4.14 of the 2010 report. This has attracted a lot of public discussion and I think our role is to bring closure to this issue as part of our attempt to look at 2010. The Auditor-General is also saying that payment of Minister's salaries to Aliz Pacific Limited should be properly documented. I will ask the Office of the Auditor-General to say something on it but the Ministry of Finance's response says that the Ministry facilitated the request from the Prime Minister's Office following the Cabinet approval. Initially the fund for each Minister's salary was provided in the Ministry's budget, the revised budget for 2010 redeployed these funds from the various Ministries to the Ministry of Finance, Head 50 vote to which all payments were made. Further supporting documents may be cited upon, a request to the Prime Minister's Office. The question is, do you have those supporting documents now with you?

MR. D. KOLITAGANE.- Honourable Chairman, we have the documents. I think the issue is at the time of audit, the document was not with us, but we confirm that during the processing of the payment, we received the letter from the Prime Minister's office as well as the Cabinet.

MR. CHAIRMAN.- So you have in your possession all the necessary documentation upon which Aliz Pacific made the salaries payment to the Ministers. What sort of documents you have?

MR. D. KOLITAGANE.- This is the request from the Prime Minister's Office to the Permanent Secretary of Finance to release funds to Aliz Pacific.

MR. CHAIRMAN.- Auditor-General, what is the basis on which you put this comment, what is the issue here?

AUDIT REP.- The issue here is that the during the time of audit, we noted that the payment was based on the invoices and from us, we had wanted to verify that based on the invoices, those contracts in terms of the payments whether those contracts tie up with the amount that had been included in the invoices. The issue there is that, we did not get those contract documents for those salaries to be able to verify the invoices that was received.

MR. CHAIRMAN.- Ministry of Finance, do you have those contracts documents now with you?

FINANCE REP.- Not the contract, Mr. Chairman. It is just a letter from Prime Minister's Office requesting for the release of funds.

MR. CHAIRMAN.- But that is not the real issue, the real issue that the Auditor General is saying is the contract documents.

FINANCE REP.- Mr. Chairman, we had requested the Prime Minister's Office, I think that is why we made that comment .

MR. CHAIRMAN.- Who in the Prime Minister's Office is responsible to provide you those documents?

FINANCE REP.- We were dealing with the Acting Permanent Secretary and the Accounts Sections in Prime Minister's Office.

MR. CHAIRMAN.- Honourable Radrodro, do you have any question?

HON. A.M. RADRODRO.- Yes, just in addition to that, as the Ministry of Finance is in charge of safe keeping of public funds, and this is one practice where probably you can confirm new or it has been done in the past, but what I would like to know is; do you know the reason behind the decision to re-divert the payment of public funds on the Ministers' salary to a private firm?

FINANCE REP.- No, Mr. Chairman, we do not have the reasons for that.

HON. A.M. RADRODRO.- A further question that, Mr. Chairman, if you do not know, then who initiated that process?

FINANCE REP.- Mr. Chairman, all we know is that, the instruction (letter) was sent to us for the release of funds and we acted accordingly.

HON. A.M. RADRODRO.- What I am basically trying to get at is, which Ministry initiated this process?

FINANCE REP.- The letter came from the Prime Minister's Office. I guess, that was the letter that was also shown to the Auditor General during the audit process.

HON. A.M. RADRODRO.- Mr. Chairman, in addition to that, is this process in line with the Ministry of Finance's regulation?

FINANCE REP.- In a sense, we are complying with the request from Cabinet and the Office of the Prime Minister. However, in terms of the details, that is what we are trying to sort out with the Office of the Prime Minister. So, in some instances, we release funds from Head 50 or even from other funds that are under requisition in Government, and their acquittals do come later, especially for the urgent payments.

MR. CHAIRMAN.- So, you do not have the acquittals? When you provided the fund to Aliz Pacific, did you get the acquittal? Do you have the documents that that company might have used to pay the ministers? You do not have those documents, do you?

FINANCE REP.- At the moment, no.

MR.CHAIRMAN.- Auditor General Office, that is the document that you are after?

AUDIT REP.- Yes, Sir, this is the document we are after.

MR. CHAIRMAN.- Did you ask the company itself which made the payment, to provide you with the documents?

AUDIT REP.- We only made a formal request to the Office of the Prime Minister on the request of those documents with the Ministry of Finance also assisting in requesting those documents. However, we did not get the response or to have access to those documents.

HON. A.M. RADRODRO.- Mr. Chairman, just another question to the Ministry of Finance; what was the total amount paid out through the process that we are discussing?

FINANCE REP.- Mr. Chairman, we can come back with the details but payments per year is over a million that we disbursed to Aliz Pacific.

HON. A.M. RADRODRO.- So, you confirming per year is \$1,758,200? Are you confirming that amount?

FINANCE REP.- Yes, we can confirm that.

HON. A.M. RADRODRO.- And for how long was this payment going on for?

FINANCE REP.- For only two (2) years, Mr. Chairman, 2010 and 2011. For 2012, it is now being paid from the payroll.

MR.CHAIRMAN.- So from 2012 onwards, it was paid through the payroll? So it is only 2010 and 2011?

FINANCE REP.- I apologise, Mr. Chairman, a correction there - 2010, 2011, 2012 was paid from Aliz Pacific, 2013 it was reverted back to the Ministry of Finance's Payroll system.

HON. A.M. RADRODRO.- Further to that, can you confirm how many Ministers were you paying on that salary payment?

FINANCE REP.- Through you, Mr. Chairman, can we come back with the details? As far as we can recall, we received the instruction from the Prime Minister's Office on the lump sum and how much we pay per month. However, we can provide the details on the number of ministers at a later stage.

MR. CHAIRMAN.- What was the practice prior to this arrangement? What was the practice for the payment of Ministerial salary?

FINANCE REP.- The practice before that was the normal processing of payment through the payroll system of government, the budget is provided through the Ministry's budget, so this is effected into the payroll by the respective Ministries' payroll.

HON. B. SINGH.- Has it been accounted for in the actuals of the expenditure under SEG 1?

FINANCE REP.- The actual spending is reflected under Head 50 SEG 1, that is correct.

HON. A.M. RADRODRO. - Just a matter of interest, are you aware whether proper tender was carried out in the awarding of this salary payment to Aliz Pacific?

FINANCE REP.- We only received the instruction through the letter.

MR. CHAIRMAN.- I think we have asked all the relevant questions to the Ministry of Finance, what remains, of course, is for us to get those details. Can I ask the Ministry of Finance and the Auditor General's Office to ask the Prime Minister's Office and the person responsible for that, to provide all the supporting documents and a detailed report based on those documentation be provided to the Committee so that we understand and bring this issue to a closure.

Honourable Members, we may have to call the Permanent Secretary in the Prime Minister's Office if there is a need, and if the Prime Minister's Office is not providing the documentation. I am hoping the Ministry of Finance and the Auditor-General's Office would, in the next two weeks, together look at those supporting documents in consultation with the Prime Minister's Office, and provide a Report to the Committee through the Auditor-General's office or through the Ministry of Finance, your responses based on your detailed perusal of the documentation so that we can bring a closure to this whole issue in our Report to Parliament.

If we have difficulties, you should let us know and we will then have to ask the Prime Minister's Office, the person who is responsible to provide those documentation. But, at the moment, I am leaving it to the Ministry of Finance and the Auditor-General's Office to look at those documents and provide us a Report.

HON. B. SINGH.- Mr. Chairman, I have other questions to be asked to Ministry of Finance before we release them.

MR. CHAIRMAN.- We have other issues, but I thought on this issue you were going to say something.

Yes, the Ministry of Finance is saying that they need more time to go and look at those documents, and I am asking them to work with the Auditor-General's office to look at all those documents and provide us a report based on those documents, and their view on how to bring this whole issue to a closure. Honourable Radrodro?

HON. A.M. RADRODRO.- Just a question to the Ministry of Finance. This is regarding salary payments and salary increments. What about other civil servants, did they have salary increments during the 2010 year?

MS. S. MUALAULAU.- Mr. Chairman, can we come back with the details? There were some Job Evaluation (JE) payments done over the years to the disciplined forces, and we can come back to confirm whether the general civil service did get salary increase.

MR. CHAIRMAN.- And Ministry of Finance, while you are looking at all those documents, you should also ask Aliz Pacific to provide the documentation as well. And, I think the Auditor-General was asking for the contracts. So, whoever is the owner of the company should have the documents as well, because the Ministry of Finance would have a contract with the company and the company would have a basis to pay the salaries to the Ministers. I think if you look at all those documents, you can then provide us with a detailed report in consultation with the Auditor-General's Office so that we can bring closure to this whole issue.

HON. B. SINGH.- Thank you, Mr. Chairman. The issue is on the return of investments. I am looking at the trends in the Ministries, and the reporting that the Auditor-General has done. There is no contract when Government tries to invest or tries to bail out through grants. There is no contracts being designed to see that the Government's interest are always safeguarded. How far has the 2014 and 2015 gone on those issues?

MR. P. SINGH.- Thank you, Mr. Chairman. I understand you are asking about the equity investments for Government in terms of the SOEs. In terms of the SOEs, once Government bails it out it gives them certain targets to meet. So, as far as contracts are concerned, there is no specific contracts written. But, once the SOE requests for grant funding, we first of all assess the SOEs balance sheet. In cases which Government assists, whether SOE's balance sheet is quite weak, it cannot borrow in the markets, and if that SOE has a social obligation that cannot be met by the private sector, then Government pitch in, like in cases of PAFCO; one thousand people are dependent on it, and if Government would not have assisted it, then Bumble Bee would have exited from there. In that case, Government has come in and assisted with \$9 million, and now we have seen PAFCO's balance sheet getting stronger. ANZ has come on board now and is willing to provide a loan to PAFCO. In that case, we not only give the contractual targets, but if we see the other investors are coming in, that is the testimony that SOE is improving. But, as you have rightly pointed out, you need give certain targets or certain contracts, but in Government's case., we do not have a contractual agreement but we give targets, and we do quarterly monitoring of the SOEs.

HON. B. SINGH.- Mr. Chairman, what about with Fiji Sport's Council, Viti Corp?

MR. P. SINGH.- Alright, in terms of Fiji Sports Council, we need to look at what is the Charter of the Sports Council, whether it is a profit charter? It is there to provide a service, it does not have a profit charter.

MR. CHAIRMAN.- But, let me interrupt you there. It is not question of whether an entity is doing what. I mean, whether it is achieving a social objective or what. I think what honourable Singh is saying, is that if you are a providing funds, you got to do it on the basis

of some agreements, some contracts. That is what the honourable Member is saying, and you seem to be saying, what is your objective? Why Government provides those? We understand that. I understand Bumble Bee and PAFCO's case. I know you have a valid point there, but Government also needs to have some documentation. There has to be a basis of an agreement so that it is on record. I mean, if you do not have an agreement, if you do not have a contract, the that is the problem.

MR. P. SINGH.- Mr. Chairman, in case of the Fiji Sport's Council, we have already drawn up a contract, and that contract is being vetted. Once that contract is signed, we can present to the Committee. We can give a copy to the Committee. However, having said that, we also took into account the strength of its balance sheet, and the type of terms and conditions we can set in, which is in tandem with the repayment capacity of the entity. So, in case of Fiji Sports Council we have drawn up our own agreement, it is under legal vetting, and once it is finalised, endorsed by both the parties, we will present it to you.

MR. CHAIRMAN.- Honourable Singh, are you satisfied with that answer?

HON. B. SINGH.- I have another question, Mr. Chairman. I was looking at the past performance of the investments and return of investments, and you have 25 entities, and the difference that were given back to investor. On the return of investment, what is the current rate now?

MR. P. SINGH.- The target has been 10 per cent, but it has been hovering around 2 to 3 per cent. However, that has been a historical trend. What Government has done, it has a reform planned in the pipeline. Once that reform plan is actually implemented, what we are anticipating, it will take about three to five years. Once it is fully implemented, then this SOEs will be in a position to meet set targets. But, at this point in time, it is still in the reform phase where there are some teething issues, and some of these SOEs have old assets. Once all these backlogs and structural issues are sorted out, then these SOEs will be in position to give the desired return to the Government. But, yes you have rightly pointed out that in terms of return investments, it has been quite subdued, but Government has not been sitting back. It has put in place a SOE Reform Plan and what we are anticipating that, within the medium term, you can see the fruits of this SOE Reform Plan.

MR. CHAIRMAN.- Honourable Koroilavesau, you have been very quiet today.

HON. CDR. S.T. KOROILAVESAU.- I just want to make a general comment on the situation. I am not actually asking you to defend the position of those enterprises. I think what we want to do is demarcate the various enterprises and maybe put it in two grouping; one is the expected return of investment and one is one that would not normally expect to generate the investment because it is a State-owned enterprise and it is under the social obligation by Government. I think that is the crux that the question is being angled at. Whatever Government decides on the issue, that is basically the Government's prerogative. I think what we want to itemise is to categorise it and for those that do not expect to give the return on the investment, there must be an agreement between the Government and that enterprise to state that if the return of investment cannot be achieved then Government will give that relaxation of the requirement. I think that is the focus of honourable Singh's question.

MR. CHAIRMAN.- I think that is a very valid point made by the honourable Koroilavesau. Even if it has social objectives, our job and I think everyone's interest is to make sure that taxpayers' funds, however it is provided, whether in the form of loan or investment has value for money, kind of concept. That is why I think the agreements or contracts that are drawn are very important. You need to have those documentation to be able to discern, if it needs to be in the future as to how things have gone and that is what has been our concern, you cannot disburse funds without having an agreement, without having a contract and I hope that that would be something that would be looked at carefully.

HON. CDR. S.T. KOROILAVESAU.- Sir, can I just emphasise that point again. It is not unusual to convert a Government loan to a straight-out grant, that can be taken care of in that agreement.

MR. CHAIRMAN.- Honourable Singh!

HON. B. SINGH.- Yes, just to add what was said by the honourable Koroilavesau, that is what I was trying to drive at and the other is the inoperative. Most of the inoperatives are still being bailed by the Government, that is what I was trying to say, if the Government is still trying to bail these inoperative or those who are not functioning, I know the social obligations for some of these SOEs but then we also have to draw the line on how best we could have returns because these are all public funds and I know for any economical return, you must see that all investments have some returns on investments.

What I am trying to also bring to your attention is, if in future on these contingencies, accounts payable (revenue) if the comparative analysis could be drawn for our purpose, like for example, 10, 11, 12 if there is a comparative analysis on the status of our revenue collection, accounts payable, contingency liabilities and investments.

MR. CHAIRMAN.- Any comments?

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, I just wanted to ask the Ministry of Finance if you understand what we are trying to get at here?

MR. P. SINGH.- Thank you, honourable Member. I totally understand. What your question was, any funds which Government gives to these SOEs should be documented, that is what you have raised, but in terms of all loan funding, if Government has provided to these SOEs, there has been a loan contract done. As far as the grant funding is concerned, the new practice is, we have got a grant agreement with entities, that practice Government has already adopted and which you have quite correctly pointed out.

HON. CDR. S.T. KOROILAVESAU.- Because at the end of the exercise, looking at the years from 2006 to-date, there is a lot of outstanding write-off which at a lower level, this seems to imply that there could be something done at a higher level with these agreements. I am looking at the pages and I see that there are outstanding write-off pending decisions on the write-off, so this has an implication at a higher level on what I am trying to say this morning.

MR. P. SINGH.- Thank you, honourable Member. You have raised a very valid point in terms of write-off, we have got what we say in our books that these are impaired assets.

That is why we have got a Revenue Arrears Committees, we take a stock of it and we assess it and if these assets are not productive in Government books, we discuss with the line agencies and if there is a need for write-off, we write it off because there is no need to carry impaired assets in Government's balance sheet.

HON. A.M. RADRODRO.- Just a question on the reporting line of these Government entities. Do they still report to the Ministry of Finance or where do they report to?

MR. P. SINGH.- In terms of the SOEs, which are 100 per cent Government-owned, they report to the Ministry of Public Enterprise so the primary reporting agency is the Ministry of Public Enterprises and the secondary reporting agency is Ministry of Finance. So if we need any information, we have to go through the Ministry of Public Enterprises.

HON. A.M. RADRODRO.- I was hoping that you would say that because the funding disbursement will be coming from the Ministry of Finance and therefore, do you see any hindrances in attending to those issues that have been highlighted?

MR. P. SINGH.- I think in terms of the reporting of their performance, they provide it to the Ministry of Public Enterprises, in case Government provides them funding then they provide those reports to the Ministry of Finance. Only the entities which Government gives them loan or grants, then they report to the Ministry of Finance if we request for it and which we do on a quarterly basis.

HON. B. SINGH.- So proper due diligence process has been taken care of?

MR. P. SINGH.- Yes, of course a proper due diligence process is taken, the Ministry of Finance comments are sought in terms of, if the Government agrees to give a grant, we do a financial assessment and we also give a copy to the Office of the Auditor-General; they also request for that. Any of the grant funding we have given, or loan funding, a thorough assessment is also done by the Auditor-General's Office when they come and audit. On what basis? Government has given them a grant or loan so we provide all that information, so in terms of the profitability ratio, liquidity ratio and insolvency ratio, we provide all that information. This company is not in a position to borrow in the market and their government has to pitch in but it is not on a permanent basis. Once the company's financial footing gets stronger, the Government exits from there.

HON. B. SINGH.- Sir, I have seen that the TMAs are in red. How can TMA be in red? If you look at their revenue collection, the revenue forecast, TMA accounts should not be in red.

MR. CHAIRMAN.- Any quick comments from the Ministry of Finance on that?

MR. D. KOLITAGANE.- Thank you very much, honourable Member. Trading and Manufacturing Account for the whole of Government operates on a semi-commercial basis, and they are not funded from the annual budget. So whether they operate on a loss or profit, we are monitoring their performance. If they show a loss this year, they have to improve their financial performance in the next financial year.

HON. B. SINGH.- So you are trying to tell me, the activity cost of a unit, once you sell an item, the cost of production is \$60, and you sell it under cost.

MR. D. KOLITAGANE.- The Ministry of Finance is currently undertaking reforms in those TMAs.

Just recently, we have introduced a TMA policy, that it has to guide them, which have not been in place since 1981. Also, the reviews of fees and charges of respective ministries and departments for their products that they sell.

We are trying to create a level playing field for those TMA to operate commercially viable. In that sense, TMA are restricted to sell to Government departments only. For example, the Ministry of Works, its main customers are only the PSC Government quarters. Since we have been trying to improve on these service deliveries of those Government quarters, we have to tender out this contract. However, in order to ensure that the Ministry of Works TMA survive, we have to go to the public to sell in terms of customers base.

Those are some of the initiatives that the MOF have been undertaking, in trying to improve ....

MR. CHAIRMAN.- Yes, TMA is a difficult area and we understand. I think what you are saying and some of the things that you are trying to do make sense, and thank you for that.

HON. A.M. RADRODRO.- Chair, just in addition to that TMA operation, one of the difficulties too is the understanding of people handling TMA accounts. Most of them do not know where to put it to, or how they post the transactions in the accounts, and that is probably an area that you could look into.

MR. CHAIRMAN.- With the training and qualification upgrade, I am sure ....

HON. A.M. RADRODRO.- Mr. Chairman, just a question to the MOF on 4.13 in your handout on the understating of payroll expenditure.

The Auditor-General highlighted \$12.9 million that has been paid out from Miscellaneous – Head 50 and in the OAG's update, it is resolved as "Expenditure is recognised" in MOF Head 50 payments. The question that I would like to ask is; what are these overpayments for?

MR. CHAIRMAN.- Overpayments are a problem, I think we identified in our Reports that it is a systematic issue, and we also had some good response from the MOF as to what they are trying to do to arrest it, maybe you can make a quick comment on the whole issue of overpayment.

HON. A.M. RADRODRO.- Sir, this is regarding salaries and expenditures which is SEGS 1 and 2 usually, but now there is overpayments coming out from SEG 50; what is it? There must be a valid reason for that.

FINANCE REP.- Chair, the understating payroll expenditure, the issue highlighted in 4.13 is that in 2010, we did do a revised budget, where all ministries had to cut back on expenditure, including SEGs 1 and 2. At the end of the year, when the shortfalls, coming out from some of the ministries' pay roll budget, we had to fund that from Head 50.

What the Auditor-General is stating here is, we should have transferred these budgets to the respective ministries budget to be accurately reflected, to capture the correct expenditure level, and which is not I think the current legislation, FMA 2004 does not have a provision for us to transfer after the expenditure has been incurred. This is done mostly in December.

HON. A.M. RADRODRO.- So how are you going to address this – going forward?

FINANCE REP.- Mr. Chairman, it is part of the review that we are trying to undertake through the new FMA.

MR. CHAIRMAN.- Just another issue that I would like to clarify is 4.21 – payment to project managers without contract, and the comments that you stated is its still incomplete.

FINANCE REP.- Mr. Chairman, we are trying to locate the contract. From the brief that we have, there was a contract established. At the moment we are just trying to locate and if we can come back with that. We have even contacted the company that we engaged (MWH), similar to the earlier issue, and if we can come back with the OAG on that.

HON. A.M. RADRODRO.- Mr. Chairman, I think the additional issue here too is the payment that has been done by the MOF to the New Zealand company (MWH) without proper documentation, and the MOF is disbursing the funds.

There are lots of questions which arises out of this exercise and probably the OAG and the MOF Internal Department could also comment and pitch in to this audit issue. It is a payment to a New Zealand company, of about \$285,724, are you confirming that amount that is being stated by the OAG?

MR. CHAIRMAN.- OAG, you may want to make some comments on that? You are saying that “the Ministry should ensure that formal contractual agreements are drawn up and institute disciplinary action against the responsible officer for approving payment without finalising a contract agreement for such engagement.” That is a very serious comment from the OAG, why do you say that?

AUDIT REP.- Mr. Chairman, we have noted that the payments were released without any contract documents, hence, we were not able to verify the scope of work and work done on the ground to verify the value for money. That is why we were recommending those comments in our recommendation.

MR. CHAIRMAN.- I think it is very important as the Deputy Permanent Secretary (PS) has said that you need to lay your hand on the contract, you need to clear the issue, and I think it will be one of the additional things that you need to get back to us.

At this point, what I can tell you, the Public Account Committee's plans to sit again from the 4<sup>th</sup> to 7<sup>th</sup> August, 2015 and we are hoping that you would be able to provide us with

a report, both on the salaries payment to Ministers as well as on this issue at least by 25<sup>th</sup> July. On the basis of what you submit to us, we will then decide whether we need to call more people to appear before us, in case you are not able to resolve that. Is that a reasonable time, DS?

MR. D. KOLITAGANE.- Thank you, honourable Chair.

HON. A. M. RADRODRO.- Chair, just a clarification on this payment. We know that it probably as highlighted here, you do not have the documents with you. But, let us go back to the initial process, before the payment was made. Was there a tender done on this contractor?

MR. D. KOLITAGANE.- We understand, honourable Chairman, that a waiver was provided for this urgent project. As you know, the waiver approval was initiated by Government, to fast track the implementation of projects on the ground.

At present, it is provided under the Procurement Legislation, I think it was approved in 2009, so through that waiver, this programme started, and that was where it was initiated.

HON. A.M. RADRODRO.- What was the reason for the waiver? Not to fast track but what was the reason and why this particular company?

MR. D. KOLITAGANE.- From the assessment of the Ministry, I think for this case there was an expression of interest done, if I understand it correctly, that was put out in the market. We received an expression of interest, with the initiative of Government to try and implement the project early, we could have gone for another tender process, to be advertised. So rather than going for the actual tender on the papers that will allow for another 2 months, at least, for the consultants to be on the ground, that was why the waiver option was considered by the Minister.

HON. A.M. RADRODRO.- How many interests was received during the expression of interest?

MR. D. KOLITAGANE.- I do not have the details at the moment.

MR. CHAIRMAN.- Maybe that can be form part of your report.....

MR. D. KOLITAGANE.- Yes.

MR. CHAIRMAN.- One thing I do like to emphasise, going forward, is this Committee will want to make sure that all the due processes, including proper contracts, agreements are produced before funds are released. Regardless, of how urgent the project is, I think it is important to also, I have no problem in tender waiver, I think Government has the right to do that. But, you need to have proper documentations for that as well. I mean, you cannot come and tell us, “look we can’t find the document, contract was not done, funds were released”; that is not being accountable to the taxpayers. In the future, the Ministry of Finance ought to keep a very close tab on some of those issues that had been highlighted. So those details could be part of the report that you are going to provide to us.

HON. B. SINGH.- Chair, the Auditor-General said against their scope of work and the engagement. Who carries out the performance audit before the payment is being done?

MR. CHAIRMAN.- Performance Audit of ....

HON. B. SINGH.- Before the disbursement of funds.

MR. D. KOLITAGANE.- Initially the Central Co-ordinating Agencies for Roads (CCAR) was established within the Ministry of Finance. It was initiated, there was a Director with three of its team and a specialised engineer was called in for the purpose of ruling out the upgrading of roads. This is where the MWH consultant was called in. So, from that initiation, the road upgrading started. In terms of the payments, the Ministry conducts the payment. I guess, for this issue, the only item that was missing was the contract. In our view, there was a contract in place but we still have to locate, the issue is may be the Auditor General did not cite the contract.

HON. B. SINGH.- Chair, why we bring this issue because the value for money. MWH and FRA are now embarking on our roads programme, upgrading of roads and fixtures – we have a budget of \$652 million this year. So it is concern, how far, what roads they are embarking on, programmes, priority areas; it is very important that we have a track on the achievements and what is the operating costs and work being carried out. We are more of, what is the actual capital work that has been executed, rather than 80 per cent goes to operating and 20 per cent is the capital. It is very important that we have that monitoring mechanism in place; a robust mechanism.

MR. D. KOLITAGANE.- Thank you, honourable Chair. From my understanding, the main objectives of the new Roads Authority was to actually move towards more capital and less operating. If the Committee may want some assessment on that, we could be able to provide that.

HON. B. SINGH.- Chair, just to add, if the Ministry of Finance could provide from the day FRA had been contracted from 2010, can we have an actual performance audit on operating and the capital projects they embarked on, and the allocation of funds? How much funds was being used for capital and how much is for operating?

MR CHAIRMAN.- I suppose, honourable Singh, there are budget figures for every year where the Whole Government Budget is divided into operating and capital. We could look at that, what I think you are talking about is a very specific thing within that particular department, the allocation in terms of operating and capital. Government always has its overall operating and capital budget and I was not sure what....

HON. B. SINGH.- Yes, like before \$653 million is being provided, for example, last year, \$600 million was provided to FRA. How much went to capital and how much went to operating?

MR. CHAIRMAN.- Okay, within that allocation, honourable Singh is saying, that it would be a good idea to look at the components of those expenditures. Maybe you could have some discussion with the Ministry of Finance as to how you want those data, because

within that allocation, you could have various components and it may not be easily available but if you are interested in some very specific broad allocations, you may be able to get that.

HON. CDR. S.T. KOROILAVESAU.- Let me just try and simplify what honourable Singh is saying. I think what he wants to see is that once the allocation has been made, the work has been carried out, who actually assess the performance of that commitment? Has the return on investment on that amount being realised by Government? I think that is the crux of what he is trying to establish.

MR. CHAIRMAN.- I think that is well put – value for money.

MR. D. KOLITAGANE.- Honourable Chairman, I think we can communicate with the FRA Board and get their comments on that.

MR. CHAIRMAN.- Honourable Singh, when we look at the 2014 Audit Report, we may also be able to get into some of those and the point made by the honourable Koroilavesau.

I think increasingly this Committee is going to actively look at this whole issue of value for money apart from issues like corruption and mismanagement. Our concern would be much more to try and look at value for money and identify where we may not be getting value for money and where we are getting more. So, what people are interested in is value for money, I think that is a very good point.

HON. A.M. RADRODRO.- Mr. Chairman, can the Ministry of Finance advise us on what currently is MWH's position in the FRA?

MR. D. KOLITAGANE.- I think they are now the contracting manager by FRA. MWH is now the consultant employed by FRA, if I am correct.

MR. CHAIRMAN.- Maybe we can take a break and have tea or coffee. Honourable Radrodرو you have some more things from 2010 for Ministry of Finance?

You want to ask that now so that after that we can break for tea.

HON. A.M. RADRODRO.- On the repayment of loans, probably Auditor-General can also give their input, in your notes to the account, in 2010 it was \$455 million and \$770 million in 2011 and in 2012 it is only \$16 million. Can you explain the trend? In 2010 it was \$455, 343,000 and 2011 it was \$770 and in 2012 it has gone down to \$167 million?

HON. MEMBER.- (Inaudible)

MR. CHAIRMAN.- Honourable Radrodرو may want to talk to your during morning tea and explain what he wants but let us break for tea and I will thank the Ministry of Finance. Thank you very much also for undertaking to provide us with that report on salaries by 25<sup>th</sup> July and also on those payments that had been made without contracts that you will be able to get those to us so that by 25<sup>th</sup> of July we can look at those reports and if we are not satisfied, and if you feel that we need to call additional people to appear before us during the week (4<sup>th</sup> to 7<sup>th</sup> August), then we would be able to do that. But thank you very much for

providing us all those details and answering all our questions. As I said, as Chairman of the Committee and honourable Members would agree that we are very pleased with the way in which the Ministry of Finance has responded to all our recommendations in the previous reports and we look forward to producing a consolidated report for 2010 right up to 2013. And we hope that together we would be able to look at how we can move forward. But I think it is very important for us to deal with some of the issues that are in the report, that are of public interest and bring a closure to a lot of these so that we can all move ahead with this exercise.

Once again Ministry of Finance thank you very much with your availability today.

HON. MEMBER.- (Inaudible)

MR. CHAIRMAN.- Yes, unless you have additional questions. What we will do is I think a lot of the issues we have already dealt with previously as well because some of them are still recurring issues. But if there are any specific issues that we need to call you again maybe during 4<sup>th</sup> to 7<sup>th</sup> August in relation to one or two critical issues, then we would be able to deal with that as well. .

Honourable Member, I think we should have a draft report and if we identify some of the issues that we need to get responses from the Ministry of Finance ,we will do that as well. Some of those we can get it in writing as well. We can just ask you to provide those answers and also thank you for producing this consolidated response, I think it is helpful for us to use that to answer ask some important questions.

HON. B. SINGH.- Honourable Chairman, just a clarification from honourable Koroilavesau, this was for 10, 11, and 12; 13 is yet to be questioned.

MR. CHAIRMAN.- Are you ready to ask some questions for 2013 today?

HON. B. SINGH.- Yes, up to 12.

MR. D. KOLITAGANE.- Mr. Chairman, we have not gone through the 2013 responses.

MR. CHAIRMAN.- What I suggest is you stay back for 2011 and 2012, there might be some questions; 2013 we can look at that week 4th to 7th August, 2015.

**The Committee adjourned at 11.37 a.m.**

### **The Committee resumed at 11.55 a.m.**

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, I think it is important from the outset that I define what we are trying to establish. From this Committee, it is basically a unit, it is us – the OAG, MOF and the PAC. Basically, any question that has been thrown at you, do not take it that it is a personal vendetta against you, we are basically looking at Government systems and the various issues that we can highlight and try and improve as we go forward. So, do not take it that we are actually trying to engineer something. Maybe, the questions that have been given are not given in the proper context and we may have a misunderstanding, but I just want to emphasise that we are a unit.

We are trying to find ways where we can improve our accounting system and accountability within the Government departments. I wanted that to be quite clear right from the outset.

MR. CHAIRMAN.- Yes, I could emphasise that more and am absolutely agree with the honourable Members. As I have said, we have been very pleased with all the units that we are working now – the OAG, MOF and other agencies like FICAC, who we have interacted with in this Committee.

If I can just add to that, because we are looking at the backlog, we want to clear these things as quickly as possible so that there are no issues left, especially those issues that had been in the public, we want to deal with that in a dispassionate manner so that everyone has a fair hearing and outcome of what has been identify by the OAG's Report. So, that is really our objective.

HON. A.M. RADRODRO.- Mr. Chairman, just a recap on the last question that I raised with the MOF on the repayments of loan, probably the MOF can highlight more on what we have discussed.

MR. P. SINGH.- Mr. Chairman, we have already discussed with honourable Radrodro on the trends. Honourable Members, you may know that Government did a global bond repayment of US\$150 million which equated to around US\$280 million to US\$290 million. That is why you can see a peak in 2011 global bond repayment. It was a bullet repayment and as you know, under global bond, it is due in 2016, so it is a bullet repayment. Therefore, you can see a peak as far as debt repayment is concerned in the year 2016.

MR. CHAIRMAN.- Are you ready for that?

MR. P. SINGH.- We are absolutely ready, Mr. Chairman.

MR. CHAIRMAN.- Are we satisfied with that? I hope it is not re-borrowing again.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, the issues through the years as have been highlighted by the OAG are basically similar in nature, differing in the seriousness of the issue. I think over the last six months we have been sitting, I have been quite strong on the monitoring issue. In 2012, the comment is quite disappointing here and if you look at 4.2 in the MOF Summary, one of the issues that I had highlighted was to improve the ability for

the MOF to monitor the various Departments. Sir, 4.20 here does not really augur well with me, which says:

“The Chief Accountant on behalf of the Salary Section had made submission to the Budget Division for an increase in staffing numbers by three during the 2014 consultation process. The increase in staffing has been put on hold until the review of the Public Service is completed. Increase in staffing will be considered at a later stage.”

Mr. Chairman, I do not agree with this. In my view, the problem is here now, I mean, if we wait around for the Public Service reorganisation, we are talking about another six to 12 months' time. Is there any possibility of the MOF to try and resolve this issue because staff is quite an important issue?

FINANCE REP.- Mr. Chairman, in terms of staff that is mentioned here, we totally agree with the comment by the honourable Member. If there are provisions within the Ministry that we can consider for staffing and I think the only issue now is, we need to identify the savings. If it is a totally new staffing, we still have some vacancies which we can redeploy or work within the powers of the PS and the Minister but certainly, we will look into that.

HON. A.M. RADRODRO.- Mr. Chairman, can I just ask the MOF on 4.21 – Excessive Mileage. The issue that was raised is the mileage of vehicles. With the new arrangement, has there been an improvement and whether you have a monitoring tools in place for the existing Government vehicles?

FINANCE REP.- Mr. Chairman, there is also a monitoring system for the current Government Fleet. We receive monthly returns from Agencies which clearly outline the level of mileage for each month, even spending for the month on maintenance and fuel. So, there is a monitoring system currently in place.

HON. MEMBER.- (Inaudible)

FINANCE REP.- Yes, correct.

HON. B. SINGH.- Mr. Chairman, just an observation. I would like to know what attributed to the TMA sales compared to 2009 and 2010 – a decline by \$7 million, the sales have declined by \$7 million something. What attributed to that decline?

FINANCE REP.- Mr. Chairman, we do not have the specific data resources at the moment, we can get back to you to give you the specific information and which particular Ministry was the cause of the downfall in the overall revenue generation for whole of Government. We agree with you, it is quite a substantial amount or figure but please, allow us to get back to you on the exact data.

HON. A.M. RADRODRO.- Mr. Chairman, 4.29. Can we get an update on these outstanding balances, whether they are going to be recovered or what other options that are there?

FINANCE REP.- Honourable Member, in as far as these outstanding car advances, yes, we did have some difficulty in trying to locate some of the former Members, waiver their vehicles, so we had engaged the bailiff and he was able to repossess some vehicles. Those that were able to be repossessed are at the FPO Yard at Walu Bay to be auctioned.

HON. B. SINGH.- I would like to add to that, Mr. Chairman, Mr Bal would be able to know this, the Bill of Sale has a life of five years and due to that lapse of Bill of Sale, I would not name the person, but you are privy to that information, I know. These vehicles have changed hands and is currently running under rental cars in Lautoka. What actions have you taken on this?

FINANCE REP.- Yes, we must admit that at that time, a follow up was not very vigorous and as such, we had lapsed the six- year period and so in seeking legal advice, the Solicitor General said that for those vehicles where we cannot repossess, we may have to write them off.

HON. A.M. RADRODRO.- Mr. Chairman, 4.24 on 2011 (I think), that is owed by a terminated staff. Are those amounts irrecoverable? Also 4.33 in Volume 2 of 2011.

FINANCE REP.- Honourable Member, as you can see on our comment, we sought legal opinion on this, if we can use the Data Bureau. However, the Solicitor General had advised otherwise. However, with the 2013 Constitution being effective from last year, we have pursued clarification with Solicitor General's Office again, if we can use the Data Bureau.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification on that; so whilst the clarification is still awaiting from Solicitor General's Office, what action is the Ministry taking to explore other avenues or is that the only avenue? Are these people still around or are they employed somewhere else?

FINANCE REP.- The most difficult issue that we face now is their addresses. We still cannot get in contact with those who were terminated because of the change of their addresses.

HON. B. SINGH.- Mr. Chairman, we have other avenues where you could get information about a person, as in the Forensics, as a leader, you would be aware of other avenues where you could locate a person.

FINANCE REP.- Mr. Chairman and honourable Members, we have pursued with those other avenues but they have very tight laws that which they cannot provide information to us. We have tried FIRCA, , the Fiji National Provident Fund but they all could not provide us with those information.

HON. B. SINGH.- These were the only two, what about the Elections Office? They have a new database and having people registered for FVR. There is also Vodafone where they have data that can also assist the Ministry of Finance through the Solicitor General's Office.

FINANCE REP.- Mr. Chairman, the Ministry will look into all these agencies which could assist them in the recovery of those surcharges.

MR CHAIRMAN.- Just have to ensure that we are not intruding too much into people's privacy, I guess.

HON. CDR.S.T.KOROILAVESAU.- Mr. Chairman, I would like to make a request to the Ministry of Finance, if they can give an update of the money that is outstanding and is imminent to be written off ? We can have a list of that so that we can examine it and see how far we have progressed. We will be looking at 2006 to 2013. Let us see how much we can clear on those issues when we next meet?

FINANCE REP.- Thank you, Mr. Chairman, we can come back on that item.

HON. A.M. RADRODRO.- Mr. Chairman, I am just concerned on the stand taken by the Ministry, in not attending to collect the outstanding amounts using the law but the reality is, people owe money and that money needs to be collected. So, if this is the process that is going to be explored for non-payment, than it becomes a concern. It is not a small amount of money, it is a big amount of money owed by staff for money that has been advanced. If this amount earned that has been in dispute and that surely becomes a concern but the way the audit has been highlighted, these are genuine debts that are owed by people which, therefore, needs to be collected.

MR CHAIRMAN.- Just a response from Auditor General's Office; is this a problem and what could be the volume of money involved?

AUDIT REP- Mr. Chairman, during our audit of 2014, we have noted that an amount totalling \$842,025.00 was still in arrears as surcharge balance. From that, the 49 per cent was considered as irrecoverable, that is totalling \$413,902.00 as at 31<sup>st</sup> December, 2014.

MR. CHAIRMAN.- \$842,000 is just for 2014.

AUDIT REP.- No that includes from prior years.

HON. A.M. RADRODRO.- As at.

MR. CHAIRMAN.- How far back are you going? I am just trying to get a sense of the amount involved. One of the things that we are also trying to look at is, I am not saying that we condone small amounts, but I think there has to be some understanding on the relativity and the importance of the amount involved and how much time and energy ministries and Auditor-General's office should spend in identifying amounts which may be significant or insignificant. I would be more concerned about very big amounts, significant amounts and if \$842,000, over how many years does it go on average?

AUDIT REP.- I think that goes back to 2006, if I am correct.

MR. CHAIRMAN.- So on average, you are looking at roughly \$100,00 per year.

AUDIT REP.- That is right, Chair.

HON. A.D. O'CONNOR.- Mr. Chairman, how were these dues created in the first instance because Government is not a commercial bank, may I ask.

MR. CHAIRMAN.- Good question.

FINANCE REP.- A due on the loss of Government funds through fraud, vehicle accidents, loss of Government equipments, misuse, these are the amounts that had been surcharged to civil servants.

MR. CHAIRMAN.- In the biggest scheme of things, it is not too much, but I would say that we need to continue to look at that as an issue and hopefully with the review of the systems in place, the data would be more current and you could pursue things more rapidly and instantly. I hope that the volume on average will come down as a result of that.

HON. A.M. RADRODRO.- Mr. Chairman, I think a similar issue as well has been highlighted in 4.23 and 4.33 on the delays. Whilst awaiting response from 4.33, can the Ministry of Finance or the Office of the Auditor-General shed some light on the status in 4.22 in 2011?

Auditor-General said that email confirmation was not made available for audit purposes.

MS. V. DUVUDUVUKULA.- Mr. Chairman, we have email confirmation from the Ministry of Agriculture and we can provide that to the Auditor-General's office.

AUDIT REP.- We should be able to cite that and it should be okay.

HON. B. SINGH.- Mr. Chairman, I would just like to know the progress status of the case in the State versus Peter Zinck, the former pharmacist.

MR. CHAIRMAN.- I thought we had some discussion last time, and we were told that the court has actually dismissed the case. So I think we dealt with that and he was cleared. Is that correct?

FINANCE REP.- Yes, Sir, that is correct.

HON. A.M. RADRODRO.- Mr. Chairman, I see a lot of payments coming out of Head 50, as we all know that probably Head 50 is for special events or for special circumstances. What control measures has the Ministry of Finance put in place to control the disbursement of funds from Head 50 rather than continuing as highlighted in the Audit Report? Can the Ministry of Finance enlighten this Committee what is the control mechanism that they now have implemented to ensure that there is no unnecessary payment emanating out of Head 50?

MS. V. DUVUDUVUKULA.- Mr. Chairman, through you to answer the honourable Member's question on controls, we agree that over the years so we have the recurring audit issue of non-submission of acquittals for all funds that we released from Head 50. Head 50 is known as miscellaneous or unblockable sector that is allocated across all ministries and department – a central pool managed by the Ministry of Finance. In Head 50 we have a

salary adjustment vote, in the case of salary shortfalls, Minister's travels, a central pool for purchase of vehicles, office equipment and a contingency fund. As a way of addressing the recurring audit query of submission of acquittals, we are currently preparing a circular to again remind the ministries on the processes that we need to strengthen to ensure that the submission of acquittals come to the Ministry of Finance before we release any further funds from Head 50. We have got a checklist and we have designed a template that we are going to issue shortly to again reiterate to the accounts sections of all ministries the processes that need to be followed to address this recurring audit query.

MR. CHAIRMAN.- Thank you for that update, I think it is very important that you actually have that system because we do not want Head 50 to be used in an arbitrary manner. It may be called miscellaneous but I think it still requires you to have proper acquittals, it still requires you to have proper contracts, proper agreements before any fund is released from Head 50. I am please you are going to have a system so that everything is recorded. Auditor-General, what would you ideally like to see in the management of funds from Head 50?

AUDIT REP.- From our audit of 2014, we noted that this was an area of concern for us because with Head 50 funds, they were no acquittals. We had to request the Ministry of Finance to make request to ministries to submit the acquittals, then we had to postpone our audit and then we had to go back again to do the audit because there were no acquittals. So we were suggesting to MOF, if they would ensure to monitor those expenditures released from Head 50 and get those acquittals before they released the funds for second quarter. They have there in place SLG84 requirements, the policy guideline is there but in terms of ensuring that the policy guidelines are being followed.

MR. CHAIRMAN.- So for 2014, let me ask you, did you get the acquittals?

AUDIT REP.- Yes, but we were not able to verify due to the timeline. So we noted that there was a lack of monitoring.

HON. A.M. RADRODRO.- Mr. Chairman, that means the monitoring process that has just been highlighted may have not been activated at that time, is that correct?

MS. V. DUVUDUVUKULA.- Through you, Mr. Chairman, yes that is correct. As we have stated earlier, we have prepared the circular that is currently under management's review which we will issue following the recurring audit query that is coming again in 2014.

MR. CHAIRMAN.- What is the volume of money we are looking at in Head 50 every year on average?

MS. S. MUALAULAU.- I think we have over \$100 million under Head 50's budget. If one goes through the budget over the years, this budget kept in Head 50 keeps on increasing, particularly the new initiatives that are all budgeted under Head 50 but it has to be implemented by the various agencies.

MR. CHAIRMAN.- Can I just for the benefit of this Committee, if you can just give us a trend analysis of, maybe the 15 years or 20 years and why might be some of the reasons for increase in Head 50. From the taxpayer's point of view, from our point of view, there is

always this miscellaneous allocation. But if it keeps on increasing, and this is a huge amount, we are looking at more than \$100 million – it is not a small amount. Therefore, I think the imperative to monitor it more closely and make sure that just because you know it is unallocated and sits in Head 50, that all proper procedures are followed and that we actually get value for money out of that. I am pleased that you are looking at a process or procedure, and I think within that process, we should also factor in, maybe a basis for value for money out of this Head 50. Otherwise it could be used as a budget for expenditure which may not really be providing value for money to the taxpayers and that would be our concern. We do not want petty cash to be too big and not accountable.

HON. A.M. RADRODRO.- Mr. Chairman, it is becoming very serious when we hear that the trend is increasing over the years. Further to the Chairman's comments, you know when we have school committee meetings and church meetings, funds are being discussed – there are all these allocations, and when the expenditure comes to other expenses "*se veika eso*" even the Committee members will ask, "what is that?" Explain what is that? You should not be putting things in the *veika eso* or other expenses. And I think that is the case here where Head 50 says miscellaneous and it is increasing and it could be that the expenses in there are not reflected in the ministries expenditure trend. You can correct me if I am wrong, also that under budget or over budget is now taken care of in the miscellaneous expenses or *veika eso*. s that the situation here?

MR. D. KOLITAGANE.- Mr. Chairman, if I can add, I think the main purpose of Head 50 is, even some of the key expenses there have been planned by Government but maybe during the budget process, there was no details provided. So there are two options available for the Ministry. It is either to keep it under the line Ministry's budget and place it under R or requisition or we move it to Head 50 which is the decision by the Minister and Permanent Secretary during the budget process. From the Ministry of Finance's perspective, we want these funds moved to the ministry's heads, so that can reflect the true expenditure but if we are not sure that they will implement it on time or the programme has been approved by Government but with no other details, we move it to Head 50. So will see some shifts in the annual provisions, for example, in the salaries for J, maybe JR that are finalised at the end of the year or mid-year, funds are normally parked at Head 50 and only released once the details are finalised.

MR. CHAIRMAN.- So R funds are also parked in Head 50 or they have a different, I mean it is fine, I think R is important because it is based on requisition and therefore ministries have to justify why they need to source that fund. But I think the R funds are already part of the budget, so that is not a problem. I do not have any problems with the R. I think what we are saying is if we have \$100 million in Head 50, which is not R, which is not budgeted, two things we can say, firstly, poor budgeting by ministries and overall poor budgeting, because you are parking money without having an idea. For example, why should the Minister's travel be under Head 50, it should be under the actual budget. Most ministries have actual budget for ministers travel for that particular ministry, so I think the Ministry of Finance should also have that.

These are the issues that we are concerned that Head 50, while miscellaneous must be a carefully crafted amount, which takes into account contingencies, emergencies and JRs which are necessary part of the activity. I think at some point, we will have to have some idea what is, what should be the appropriate amount, what percentage of the total expenditure should be

under Head 50. Not any arbitrary figure. So I think as part of our oversight, we may want to discuss this further. But thank you for highlighting that. The responsibility of the Ministry of Finance is to scrutinise Head 50 more carefully and make sure that only what is necessary goes into Head 50, the rest should be budgeted. That is what will bring about more transparency and accountability in the use of funds that are in Head 50.

HON. A.M. RADRODRO.- Just a question to the Ministry of Finance Internal Audit team – how often do you partake in the monitoring of Head 50 disbursements?

FINANCE REP.- We have not audit Head 50. We have audited other section of the Ministry but for Head 50 we have not.

MR. CHAIRMAN.- Why haven't you? Is there an exception to Head 50 audit by the Ministry of Finance?

FINANCE REP.- No, Sir.

MR. CHAIRMAN.- So why are you not doing it?

FINANCE REP.- We will look into it, Sir.

MR. CHAIRMAN.- Auditor-General, you have audited Head 50, right?

AUDIT REP.- Yes, Mr. Chairman, we audit Head 50.

MR. CHAIRMAN.- No allocation in the budget should be immune to audit by Ministry of Finance or oversight by Ministry of Finance officials or sections. We would like the Ministry of Finance to keep up a close tab on Head 50 and we want that analysis over the last 15 years - how Head 50 has changed, what are the components that are now increasingly coming out of Head 50 because that is a recurring issue in the audit, not just since 2007, I think it is a recurring issue in the audit, not just over the last, since 2007. I think it is a recurring issue even before that. So, your analysis for 15 years would take us back beyond 2006, backwards and it might be very useful for the Ministry of Finance as well to do that analysis, to understand what is happening. But, I think the point is, that no Government Budget should be put into any section of the Budget, whether it is at 50 and not being transparent. It has to be transparent, be supported by documentary evidence and that is what we expect, from the Public Accounts Committee.

HON. B. SINGH.- Thank you, Mr. Chairman. Just a query on SLG 84, do you provide reconciliation for that? I know it is an Aid-Funded Programme, and these are foreign aids normally being held. Do you provide audit and reconciliation for that?

MR. CHAIRMAN.- Auditor-General's Office?

AUDIT REP.- Yes, for SLG 84, it is normally audited as part of the whole of Government accounts, and it is reflected in whole of Government accounts. Director FMIS could confirm that. Thank you.

MR. I. VOCEDUADUA.- Thank you, Mr. Chairman. Components of SLG 84 is in two folds; one is as you have rightly mentioned from the Overseas Donor Assistance (ODA) funds, and the second one is, when budgetary allocations are shifted from one Ministry to the other. One Ministry has the budget, the other Ministry has the manpower to carry it out. For example, from Ministry of Education and Ministry of Works, and that is also shifted through SLG 84 allocation, and it is distinguished by the natural account to demarcate which one is the funds from the overseas donor assistance, and which one are just the internal budgetary shifting within inter-ministries.

Mr. Chairman, we had designed a reconciliation format back in 2013, and Ministries and Departments are complying with those reconciliations formats. Thank you, Mr. Chairman.

HON. B. SINGH.- Mr. Chairman, on the reconciliation, do you have carry-over on that SLG?

MR. I. VOCEDUADUA.- Mr. Chairman, for two years, yes, it was used for carry-over of budgets. I believe in 2013 approximately about \$26 million, but in 2014 we had issued a circular not allowing any ministries to carry over any more budgetary allocations to the following year.

HON. B. SINGH.- The second part of my question, Mr. Chairman, how far has the Ministry of Finance gone on the Asset Register for the whole of Government?

MR. I. VOCEDUADUA.- Thank you, Mr. Chairman. At this stage, we are trying to formulate a National Asset Framework. I think in the last meeting, we had updated you that we have commenced with some asset stocktake for 2012 up to last year. But, now we want to do the framework upfront first, and then commence again with the stocktake. That is what we are currently doing now, and hopefully by the end of the year we should have the National Asset Framework ready.

HON. B. SINGH.- Mr. Chairman, I brought up this issue because as previously alluded by their DS, they are adopting the international standard on the Government finances from cash accounting to accrual accounting, and because Asset Register is a must in the accrual accounting system and adopting to the standard is one of the requirements. I am very curious to know the standard that will be used, and what are the accounting principles that will be used to record this assets.

MR. I. VOCEDUADUA.- Yes, Mr. Chairman. That is some of the main issues that we are going to capture in the framework, in terms of reporting, evaluation, write-off. All those will be captured under the Asset Framework. But, because the transit to accrual accounting will be the subject we will talk about in the next three to five years, and while we are waiting for that, we are trying to firm up on the ground work, and one of that is the Asset Framework which our Ministry is focusing on at the moment.

MR. CHAIRMAN.- Just a small clarification on that SLG 84. The ODA component would be the carryover, not the shifting from one Ministry to the other, but what I heard from you is that the shifting from one Ministry to the other also had some carryovers.

MR. I. VOCEDUADUA.- Thank you, Mr. Chairman. Yes, you are correct there. Majority of the carryovers were done from 2013-2014, from the shifting of budgetary provisions that was approved in the 2013 Budget. Most of these carryovers were approved because there was no continuation of the project into the following year. The Ministries that did not complete their projects in the 2013 financial year, put their submission link to Ministry of Finance justifying the need to carryover those projects. And those Ministries and Departments, because of the tender process, started initiating the project right towards the end of the 2013 fourth quarter, and because of the increase in the carryover assistance was sought to the Prime Minister's Office through the SFCCO. They had taken the initiative in 2014 to ensure that budgetary execution was done, that 60 per cent of their annual budget, (in order to curb this tendency to have carryovers every year) the Ministry of Finance issued a circular stating that we will not be entertaining anymore carryovers. And, from 2014 to 2015, there was no carryovers.

MR. CHAIRMAN.- Thank you. One problem resolved.

HON. A.M. RADRODRO.- Thank you, Mr. Chairman. Just an issue on item 4.28 of the 2011, Volume 2 Report on the Departure Tax collection. Can the Ministry advise us, what is the current status compared to what was highlighted here, and who is now collecting the departure tax? The Auditor-General says, 'No update received'

MR. I. VOCEDUADUA.- Mr. Chairman, the departure tax is now collected by FRCA, and it is part of their report to us when they send their monthly reports.

HON. A.M. RADRODRO.- What is the amount that each person has to pay for the departure tax, when they depart from the airport?

MR. I. VOCEDUADUA.- I think it was in the Budget, it was more than \$200 something.

HON. A.M. RADRODRO.- Can they confirm? Can they come back to us, Mr. Chairman?

MR. I. VOCEDUADUA.- Yes, Mr. Chairman, we will provide that for you.

MR. CHAIRMAN.- I know it was in the Budget. But, can I just ask one question, related to that. You are saying that all departure tax is now collected by FRCA, it is part of the direct revenue to Government?

MR. I. VOCEDUADUA.- Yes, Mr. Chairman, it is collected by the airlines. Previously, they used to send it to CAAF, and then CAAF to us, but now they are sending it directly to FRCA.

MR. CHAIRMAN.- How regularly is it transmitted - six-monthly or quarterly?

FINANCE REP.- I believe, Mr. Chair, it is submitted monthly.

MR. CHAIRMAN.- So no fraction of that tax goes to any other entity, 100 per cent of it comes to FIRCA.

AUDIT REP.- Mr. Chair, I think there is a formula for that but I do not have those details or breakdown of that formula but we can get those details to the Committee for information.

MR. CHAIRMAN.- So what you are saying is that, not 100 per cent is coming to FRCA, so there is a distribution.

AUDIT REP.- Yes, Sir.

MR. CHAIRMAN.- We want to know the distribution. Any other questions, honourable Members; 2011, 2012?

HON. A.M. RADRODRO.- Mr. Chairman, 2012 Volume II, 4.26; just that there are some anomalies in the amount spent, of which \$0.23 million that the auditors highlighted; CCL whatever it is. Can the Ministry of Finance and the Auditor-General's Office highlighted and informed us on the latest update on these anomalies?

MR. CHAIRMAN.- I thank honourable Radrodro for raising that issue. I think it is a very important issue and I want to know from the Auditor-General's Office whether your 2014 Audit spells out the same kind of issues that you have highlighted for 2012 with respect to road maintenance because there is quite a bit of money being spent on road maintenance. Sometimes I am not sure whether we are getting value for money, judging from the roads itself.

AUDIT REP.- Thank you, Chair. Our audit was mostly based on the Unit CCAR and I believe that Unit is now with FRA (Fiji Roads Authority) so the Ministry of Finance is no longer doing any road works, it is all handled by FRA now.

MR. CHAIRMAN.- Are you auditing FRA?

AUDIT REP.- Yes.

MR. CHAIRMAN.- So the 2014 Report, will include these issues?

AUDIT REP.- Mr. Chair, for the FRA they submit financial statements and we do carry out regular and financial statement audits for FRA.

MR. CHAIRMAN.- So you actually do not go and audit, you just look at the financial reports?

AUDIT REP.- We do the financial audit and in addition to that, the regulatory aspects also and the projects are also being covered in and during the audit.

MR. CHAIRMAN.- You are smiling. Sir, I think my response is simply passing the buck. My concern here is that there is a payment being done and you have noted anomalies together with that payment so how have you addressed the anomaly or how have you checked that these anomalies were addressed by the CCAR?

AUDIT REP.- For your information, that issue is still not being resolved.

MR. CHAIRMAN.- What you are saying is that, you are still looking for the documentation.

AUDIT REP.- Certainly, yes.

MR. CHAIRMAN.- We note that and hope that you will have some information for us when we meet next time and also give us an update on 2014 because I think these are areas where value for money is always an issue because it involves tactical aspects of managing contracts, projects, and it is not always easy for different ministries to have a very good technical and financial oversight on some of these projects but nonetheless it is a big issue.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chair, I was just looking at the Report on FRA and the expenditures that are there. To me, this is very basic and the Auditor-General has highlighted the information that is not available. If you go through the issue raised it is very simple, even the name of the road is unknown, the work that has been done, so to me as a layman, that is a very simple exercise so just filling in the gaps.

MR. CHAIRMAN.- Any other questions, honourable Members?

I think we have had a very robust discussion with the Ministry of Finance. We had some very good answers, we note some very good suggestions for improvement but we also note that there are things which you still have to get to the bottom of, some we have asked you to provide reports on salaries, contracts, Head 50, allocations over the years plus others and if you can work towards that by 25<sup>th</sup> or 26<sup>th</sup> of July, if we have an interim sort of report from you for us to then decide how we will pursue that in our next meeting, that will be very useful but I think it is an opportunity to thank all of you.

HON. A.M. RADRODRO.- Sir, just an issue on services to the people by Government. I see that 4.21 has highlighted that the leased vehicle can only run for 150,000 kilometres on four years. Realistically, vehicles can achieve that mileage in less than four years, say the Police attending to the issues relating to the general public, so I have the Ministry revise these requirements of only limiting it to 150,000 kilometres per four years to ensure that people are not deprived of the services especially when we see the recent case in Nakasi, so how can the Ministry revise that requirement to ensure that the services are provided as and when required, rather than sticking to the lease agreement of 150,000 kilometres in four years which is realistically ....

HON. B. SINGH.- Mr. Chairman, as we note from the comments, there was a change done last year or late last year changing the lease term from two, three years and 200,000 kilometre but at the same time, the leasing programme continued so whenever the term of the lease expire, the vehicle is replaced with the new vehicle from the fleet.

MR. CHAIRMAN.- When the vehicle, let us say if it is on lease, I think I asked this question to the honourable Defence Minister in Parliament about police vehicles being leased because I heard on the talk back show from the police officer saying that when the vehicle goes for repair, there is no replacement. So, if the vehicle takes one or two weeks to be repaired, then there is no replacement. Maybe, this is something that you need to look at in

your lease agreement that whenever a vehicle from a Ministry goes for repair, three or four days or whatever, in the essential areas like Police, there is always a replacement so that they are not handicapped. That is a suggestion, to look at the lease agreement.

MR. D. KOLITAGANE.- Thank you, Mr. Chairman, we will consider that.

MR. CHAIRMAN.- Since there are no other questions, can I conclude and thank the Ministry of Finance, once again. I know you are a busy Ministry, a lot of work to be done and I guess you are probably started working on the preparation for the next Budget. Thank you and we appreciate you always responding to us in a very positive manner and I look forward to those reports by 25<sup>th</sup> July, 2015.

**The Committee adjourned at 12.56 pm.**

**The Committee resumed at 2.30 p.m.**

**Interviewee: Ministry of Women, Children and Poverty Alleviation**

In Attendance

- |                            |   |                                     |
|----------------------------|---|-------------------------------------|
| 1) Dr. Josefa Koroivueta   | - | Permanent Secretary                 |
| 2) Ms. Arieta Moceica      | - | Director, Women                     |
| 3) Mr. Rupeni Fatiaki      | - | Director, Social Welfare            |
| 4) Ms. Mereseini Tora      | - | Principal Admin. Officer, Corporate |
| 5) Mr. Vamarasi Sai        | - | Acting Principal Accounts Officer   |
| 6) Ms. Rozia Bi            | - | SSA                                 |
| 7) Ms. Venina Duvuduvukula | - | Accounts Officer                    |
- 

MR. CHAIRMAN.- Honourable Members, I welcome you back.

I also welcome the Permanent Secretary (PS) for Ministry of Women, Children and Poverty Alleviation, Mr. Joseva Koroivueta. Also with him is Mereseini, Arieta, Rupeni, Vamarasi, Rosia and Venina. Thank you all for coming this afternoon. Before we ask you some specific questions, we have heard you before and you helped us to finish off 278 and 279. We presented a Consolidated Report to Parliament already. Recommendations had been made in that Report, I am not sure whether you have seen or have a copy of the Consolidated Public Accounts Committee Report for 2007, 2008 and 2009. I think it is publicly available. It is on the Parliament Website and I think the Ministry of Finance is already implementing some of those recommendations.

What we are doing now is to work on 2010, 2011, 2012 and 2013, and to also produce a consolidated report to Parliament for all those four years, so that by the end of the year, we can complete all the backlog and we will have 2014 standalone in our hands in 2015, hopefully. We still have a bit of a way to go in terms of looking at the Government Commercial Companies, Statutory Organisations, Municipal Councils, Provisional Councils, so we are still have a bit of a backlog.

Your Ministry is an important Ministry, engaged in the delivery of a lot of services. We have noted in the past that you had been receiving qualified reports. There are some systemic issues, repetitions which we identified in our report, which again features in 2010, 2011, 2012 and 2013 Reports. Before I ask the honourable Members to ask you specific questions, if I can ask the Auditor General's Office to give us a brief overview and link what you found in 2010, 2011, 2012 and 2013 to what you are now finding out in 2014 Audit, just to give the Ministry Officials a bit of the sense of where we are, and they may then wish to respond generally to those observations, and then we will get back to specific questions.

I will now request the OAG for their comments

AUDIT REP.- Mr. Chairman and honourable Members on behalf of the Auditor General, I would like to discuss on the issues regarding Welfare for 2010, 2011 and 2012. Most of the repetitive issues are regarding the recruitment process not followed:

- 1) Most of the allowance files do not contain adequate details, just like Social Benefit Scheme is a new scheme.
- 2) Annual reviews for most cases were not carried out for these files, to ensure that the details are there for those who are receiving the allowances;
- 3) Grants given out to organisations, one or two cases there were no agreements and the acquittals from the organisations were not produced, before the additional grants were paid;
- 4) In most of the cases, advances were not cleared and in one case in 2013, we noted there was a fraud in advance. So, I think that is before the court at the moment.

MR. CHAIRMAN.- What are you noticing in 2014, is the trend similar?

AUDIT REP.- Mostly similar.

MR. CHAIRMAN.- Similar in terms of the issues that you had identified?

AUDIT REP.- Yes, with some additional issues because some new issues are the Social Pension Scheme that is a new area, some of the case files were not produced. In one case, we noticed incorrect rates were being paid for the allowances.

MR. CHAIRMAN.- PS, you may want to respond to that and add anything else that you might have already undertaken to address those issues highlighted in 2010, 2011 and 2012.

MR. J. KOROIVUETA.- Thank you very much, Mr. Chairman and Members of the Committee. First of all, my team are very grateful to be given this opportunity. We take note of the issues that have been raised by the Office of the Auditor General. They are realistic issues and the issue about the recruitment process, I think we have undergone some change from what it was in 2010 until now.

We now have a more transparent accountable system where it is merit based and certainly it goes through to the Ministry, I think that time we did not have a Staff Board and we now have a National Staff Board and that the staff board's documentations are then transmitted via the Permanent Secretary for final endorsement by the Minister in synchrony to what is required in the Constitution. So, that is the change that is already been in place right now.

The other thing is about the annual review. We know very well that this is a gap in the monitoring and evaluation of the Social Protection Programme. The issue here really is that we need a robust workforce and a more viable system for internal checking because this is quite a vast exercise to undertake. You are looking at something like 22,000 clientele that you need to monitor annually and something like 12,000 under the Social Pension Scheme, 2,000 under the extended voucher programme and something like about 4,000 for the children. So, it is quite a massive exercise and ideally we should be doing it on a quarterly basis, but we need a more smarter system and we are working in close liaison with ITC, the banks and the Office of the Registrar General in that regards.

In regards to grant agreements. From 2010 it was an internal mechanism whereby the grants was disbursed in fact, it was a simple grant contract which was not legally cleared and

it did not have that element to it. Until it came into 2013, 2014 and until now. We now have a grant agreement form which is fairly standardised and all grant agreements now before disbursement have to be cleared by the Solicitor General.

The change that will happen before is that we do not disperse the whole lump sum now. We disburse in phases and the release of the second phase will be subject to proper acquittal of the first disbursement. And there is also an element of visitation onsite visitation which is incorporated into a grant management form. And there is also an element of quarterly report so it is more a different system now that we are dealing with in grant management. However, we still see some of those loopholes coming in and we take note that those are issues that the ministry has to deal with and move forward because we cannot be repeating these issues over and over again.

In regards to advances we have taken about the fraud way back then which is now a clear case. I think the issue there was the way that the money was disbursed from the donor. It was not to the Ministry it was directly to the officer and it opened up a whole gateway of systems whereby it was potential for abuse anyway. In fact, we have internal discussions. In fact this officer came and fronted us and wanted to settle it on the understanding that we take the case off. And we said no, you can fully pay the payment back but we are not clearing the changes laid against you, so too, that matter.

In regards to the processing of the Social Protection Programmes they are being mandated by Cabinet and there are policy criteria's that each application will be vetted against. It is fairly quite an administrative process and the ministry has worked on actually changing some of these to make it more user friendly and to be more responsive from the time that they are applied to getting responses. Because we know that there is a change in the policy dimensions now for example, from 1<sup>st</sup> July this year the pension age has been reduced from 70 to 68 and there budgetary implications into that effect and there are certainly other initiatives that were put into place. So, those are continuing challengers that we work within our means to see it addressed and we now have an executive support unit in place and we have now also engaged in experts from outside basically to beef up expertise in the Ministry in terms of monitoring evaluation in terms of gender because the expectation is quite vast since we are dealing with the social determinant of life. And these are programme issues that needs to be trimmed right, shaped right and certainly monitored to ensure that it delivers to what we are committed to do.

That is the initial remarks Mr. Chairman Sir.

MR CHAIRMAN.- Thank you PS. Just on the Social Welfare payment what does that 22,000 people who are provided with social pension and food vouchers, children; what does that amount to annually in terms of the budget?

DR. J. KOROIVUETA.- I will answer first. There are three schemes the Poverty Benefit Scheme has an annual budget of \$22 million which is close to about 50 per cent of the budget of the Ministry, and those are the number of households - 22,000. So, the system before was individual based. It has now been reformed from the initial individual based to household based and the research that was done by the Bureau of Statistics showed that the mean household in Fiji is about 4 to 5 and we are looking at about 200,000 households in the country. So 22,000, we are looking at about 88,000 people in total.

Now, for the Social Pension Scheme the initial projection was that people over the age of 70 was about 22,000. If you deduct those with some form of pension, the numbers without any form of pension is looking at 8,000 and with a budget of \$8 million. Now we are projected for an increase certainly for this year because of the lowering of the age from 70 to 68 and our projection was an additional \$3,000 to \$4,000 just for this year. But globally and I think there is good evidence to show the world there are more people who are aging now so we expect more senior citizens to come on as the years grow.

MR. CHAIRMAN.- Thank you. You said \$22 million would be 50 per cent of your total budget, which means \$44 million roughly \$50 million. What was the allocation for 2015? The total budget of the Ministry?

DR. J. KOROIVUETA.- \$48.4 million.

MR. CHAIRMAN.- So out of that \$48.4 million roughly \$22 million or \$24 million goes to the actual welfare programme. I am just sort of wondering how much would it cost or how much is it costing out of that 50 per cent left over, salaries and others. I am not sure whether you can divide that but, 50 per cent obviously would be just going in terms of paying salaries and other administrative costs. What is your sense of the cost of just implementing those.

The reason why I am asking that is because sometime there is a question of annual reviews whether annual review is the most efficient thing to do or whether it should be two yearly or three yearly because what I am kind of worried out is if you have annual reviews or quarterly reviews you spend more time assessing people rather than actually providing the benefit.

So, perhaps instead of annual reviews which you can-not do anyway you do not have the resources you probably have to look at a longer time. Like if you establish that someone as old like 68 or 69, that initial situation is unlikely to change in the immediate term, so I am just sort of wondering whether the OAG's issue with the annual review is really an issue, or it should be relooked at because what you may end up with, is spending more money unnecessarily reviewing and not coming up with much change?

DR. J. KOROIVUETA.- Mr. Chairman, I think key to this is the wastage and we really do not want to see that the financial resources that are put into the ministries are put to waste. I think the idea of annual review is a good benchmark, so the issue here is to find the best means whether it is a mixture of paper-based and IT with quite a quantum of human resources to come into play but there needs to be a review based system and I think it has been highlighted that there has been people that have died but still being paid into the Welfare Scheme and those are real issues that haunt us and for us to find a system so that it we can resolve this.

MR. CHAIRMAN.- I think it is also an idea to look at the actual assessment because I think one of the things that people are concerned about is whether the assessment you are making of households, what criteria you are using, reflects what is going on. I mean, people tell me, for example, that if you have certain household assets, for example, then that is an indicator of your income status or wealth status. I am just relating what I heard. However, their daily expenses or what they need in terms of welfare is a continuing requirement. I am

just wondering; what is the criteria that you use to assess households, now that you do household-based assessment?

DR. J. KOROIVUETA.- Mr. Chairman, we looked at the system and the policy implications. You are perfectly right, Mr. Chairman, they are not taken into consideration their earning power and to effect a more humanitarian-based approach and taking into consideration their social economic rights, there certainly has to be policy change and so the change in the criteria, so that our people who have been trained in the old system will be able now to implement it. What you have said is exactly correct.

The system right now is based on a checking system. If you have a house and there is land and there are white goods, you have basically scored most of the time above the threshold but if you look at the reality on the ground, some of those white goods have been gifted probably in their earning days or they were probably bought by their children, so they do not truly reflect the financial potential that they have. Those are issues that we know and it was through public consultation that we come to realise that. Certainly, we will effect, we will have to go back to Cabinet, Sir, so that this can now be implemented.

HON. A.M. RADRODRO.- Mr. Chairman, I thank the PS for his explanation on the Ministry's activities. Since you have a big challenge in your Ministry in terms of your resources to ensure that you carry out your duties. My question is on the monitoring part and you can correct me on this, if I am wrong, I do not have an internal audit in your Ministry because that would be one way of monitoring your activities on a regular basis? Does the MOF come to your Ministry to perform this function and how often do they come?

DR. J. KOROIVUETA.-...and it is something that we know should be done, and this is why we have these systems in place to help us monitor and evaluation and also do impact assessment on our programmes but issues about internal audit is a realistic issue.

HON. A.M. RADRODRO.- Can the MOF comment on that issue?

FINANCE REP.- Mr. Chairman, the Internal Audit Division normally conducts auditing and with the Ministry of Social Welfare, we have also conducted a few reviews on the projects as well.

HON. A.M. RADRODRO.- Can you just advise on how many reviews were conducted over the last two or three years?

FINANCE REP.- Honourable Member, we have conducted the Pregnant Mothers Project, Food Vouchers, Bus Fares, for the past three years. Those are just a few but we could provide the list, if you want us to do so.

HON. A.M. RADRODRO.- Yes, if the list could be provided, that would be appreciative.

I would like to ask the PS on the definition of 'poverty' and I think most members do have different opinions and views on this definition in Fiji. There are instances where people have grown up in the village, attend to market to sell produce and they are still making their livelihood out in villages. The definition of poverty that we have here is like earning income

of about \$16,000, I think. Is the Ministry in agreement to that definition of poverty or what is your view on that?

MR. R. FATIAKI.- Thank you, honourable Member. For us, the definition of 'poverty' is where we normally look at the economic definition of that, and that is where the first one is below \$15,000. Apart from that, the Ministry also looks at the different sets of poverty, for example, the recent World Bank Report, there is a demarcation between urban poverty and rural poverty. From experience in the Ministry, specifically in the Department of Social Welfare and the work we do, poverty can be similar to what you mentioned about those in the rural areas who earn their livelihood by coming to the market to sell their produce everyday. However, if you are looking at rural poverty, we are looking at your inability to access services. They have land, they have resources but their inability to access services.

Universally, there is no agreement or people have come to an agreement to say; "we agree that this is the final definition of poverty" but for us in the Ministry, not only a concern economic poverty but also the issue of emotion, social issues, we consider them as poverty.

DR. J. KOROIVUETA.- Mr Chairman, when you look at the World Bank study, it was the first time that we were able to visually depict what were the poverty stricken communities in Fiji by districts and provinces. If we look at some of these poverty stricken provinces or areas on a ground reality, they basically do not match. If you look at what is on their table and I think some of them we really need to contextualise poverty in Fiji. I think the exercise is also happening in Africa and they are looking at different sets of indicators to assess and monitor poverty in that context. I think some of them are basically financial poverty. They are quite wealthy in other areas of life. Thank you.

MR CHAIRMAN.- PS, that is a very interesting observation and I personally I would like to encourage you to look at that in more detail as to what the context of that definition should be. You are right, I am pleased that you looking at the World Bank definition, but also at the same time bearing in mind the context in which we operate. If I can just ask you, just your personal view, do you think \$22 million is enough, do you think we are looking after the people who deserve to be supported in one of those ways, in terms of welfare, whether social pension or children or food, voucher?

Do you think given the level of poverty, I mean if you go by the official percentage of households in poverty, the last Household Income Expenditure Survey is about 31 per cent to 32 per cent? Now, 32 per cent of the households would be close to about 60,000 households out of the 200,000. What is the number of households you are helping now? You said 22,000, so if you go by that definition, you probably need another 22,000 households to be addressed. You understand what I am saying? If you go by 30 per cent, 200 households, you are looking at about 60,000 households. Now, if you have to double the number of households from 22,000 to 44,000, you probably would look at another \$20 million to \$30 million. What is your view?

DR. J. KOROIVUETA.- Mr Chairman, we are now doing a listing and looking at how long people have been on the scheme, and how to move them out. I think what prevails in our land is dependency, and free handout mindsets; it is not a very productive generation and

something that we should not encourage. So we are now looking innovatively at how to graduate people out.

Certainly for people who are disabled, those who are old and the poorer of the poor we would like to leave them on the scheme. But for able bodied person, I do not think that they should be ever considered under this scheme. The question that does come up, if you terminate them today, what option do you give them tomorrow? Will they contribute back to the poverty pool? So the issue is that when we terminate their welfare, there must be an exit strategy for them, for an empowered livelihood in that regard.

MR CHAIRMAN.- Thank you, I am very pleased with the word “graduate” and I agree with you entirely. I think helping people in poverty is one thing. When people are in poverty, you help them, you give them welfare, you give them support there is one thing, but I think the real issue is how to take people out of poverty.

As the moment, you would then say that close to about 40,000 households who are in poverty do not get anything from the State. I mean by the definition of poverty.

DR. J. KOROIVUETA.- Sorry, Mr Chair, the ones now in our protection programme are the ones in the lower 20 per cent quintile. So they are really the poorer of the poor. That is the one that the Government program is attending.

MR CHAIRMAN.- Thank you. Any other questions, honourable Members, any specific questions?

HON. B. SINGH.- Mr. Chairman, thank you PS for your opening remarks, it was quite interesting to hear the opening remarks and you have covered most of the queries that we wanted to raise with you, and that you are certainly making changes that is being anticipated by us and hope that 2015 report on the 2014 you have graduated out of what have now been practicing.

Loss of funds, revolving accounts not being reconciled, overpayment of salaries and grants to NGOs where no acquittals had been submitted, I think that has been a recurring activity. I think that is alarming because we would like to know that value for money, how it is being utilised for.

The one is the planning in 2010, there were some machines imported from China. I think this was due to the lack of planning from your side where you might have overlooked unnecessary expenses of \$13,800. I mean if we could tighten all these areas, there would not be much wasted and there would be value for money.

On the service agreement with Westpac, what is the status now? Have you been able to have a contract with these service providers?

MS. R. BI.- Mr. Chairman, as we have been advised by our ITC that there is a company elementarily that is working on the centralised system and the Steering Committee had advised us that we are to continue with these existing vendors, which is the vendors for food voucher and the ones that are taking allowances, that is, Westpac, until the new Fiji pay system comes in place. Until it is fully implemented, we are continue with the existing

vendors. So we still continuing with the MH as our food voucher vendor and Westpac as our allowance vendor.

HON. B. SINGH.- Mr. Chairman, if you will allow me to, just on the Revolving Fund Account, how far has the reconciliation been done and what are some of the outstanding....

MR. V. SAI.- Mr. Chairman, our Revolving Fund Account is being cleared, the outstanding amount has been reconciled, verified and we have made necessary adjustments, with the assistance of Ministry of Finance because we had some very long outstanding that has been carried forward over the years. They have assisted our Ministry and other Ministries alike in writing that off, provided we justify those outstanding amounts. There was a very long outstanding amount of about \$1.4 million before 2010. That amount has been recurring and we had to provide the Ministry of Finance evidence as to how that came about and that is how they had cleared our Revolving Fund Account.

HON. B. SINGH.- Are you in a position to tell us for how many years back was that \$1.4 million?

MR. V. SAI.- I think 7 years to be exact.

That amount was something to do with Post Fiji, we had an agreement where we made a prepayment for them to provide services in terms of cashing of vouchers for our recipients.

HON. B. SINGH.- So you can assure us that there were no ghost recipients?

MR. CHAIRMAN.- Thank you for that.

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

DR. J. KOROIVUETA.- Just recalling, I think this was the very initial provision of sewing machines from China and it was 600, but we can validate that.

HON. A.M. RADRODRO.- Mr. Chairman, just a follow on question from there, the Ministry had incurred this amount of \$13,800 plus and those were machines that were given to respective settlements and villages; has the Ministry done any follow-up or monitoring on the current status of the machines now. Because I believe the feedback that we are receiving is that some of the machines just did not work as soon as the Ministry left the villages or settlements.

MS. A. MOCEICA.- Mr. Chairman, if I may respond to that, in the last two years we have put in place a monitoring framework and we have hired a Project Officer who now visits the communities. We have a database of all the women's groups, the vocational centres, individual women, disabled women who had received the sewing machines and they are being taught how to repair the machines. In our visits in the last year and a bit, we had found that in the typical *itaukei* mentality, when they get something for free, they threw it in the corner, they did not even bother telling us what was wrong, so our officers had to go out and we are short of staff as well. These are some of the gaps we have been addressing in the last year and a half.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification on that mentality issue, why did you give them the machines in the first place if they are not going to use it?

MS. A. MOCEICA.- Thank you, honourable Member. They requested for the sewing machines, they said that they needed it to for their income generating projects but also it is a scheme from the Ministry to go out and reach out to rural women. What we found over the years is that, often at times, the women's NGOs that are based closer to the cities and towns get the assistance, and so this was an effort to really reach out to women in the rural areas, villages and remote communities who cannot access the national women's machinery any other way.

DR. J. KOROIVUETA.- I think to add on, Mr. Chairman, the sewing machine was a component of a big programme, and the programme was basically for the sewing machine distribution. An initial intent was basically to establish in Fiji a registration of women's organisations, and it was a way to connect better to them so the provision of sewing machines was one, training was the other one, teaching them on how to maintain it was the other one, but now as the Director has said, we have a system in place and we have actually basically attended to the ones that have been non-functional. We know the quality by then and we have changed our approach by now. Now we demand a more robust model, if it is given by vendors and China is not the only one that is giving us, we now have a shipment of about 600 just waiting in port now by the Government of India.

HON. B. SINGH.- PS, the other question that I would like to ask is on the SLG84OD – the overseas donor countries. Have you performed a reconciliation with your books and is there any carry over from the past years.

MR. V. SAI.- Thank you, honourable Member. Yes, our SLG has been reconciled and to-date, because that account is supposed to be brought to nil at the end of the year, indicating that whatever funds had come as donor, we have implemented the projects and it has been reconciled and in the past years it has been brought to nil.

HON. B. SINGH.- What about the NEC programme, how effective is that? Do you have any monitoring and feedbacks?

MS. M. TORA.- For the NEC programme, we have done an agreement with NEC, Ministry of Labour and whatever we have submitted to them on the needs of HR for attachment, they have given a list of officers and from that, we had done interviews but have yet to recruit the NEC officers on the different skills that they have.

HON. B. SINGH.- On the same token, will these NEC officers be provided with the necessary specialised training to enhance them?

MS. M. TORA.- Yes, Sir.

DR. J. KOROIVUETA.- Mr. Chairman, all the NEC officers undergo the Ministry Induction Course, that is part of the routine.

HON. A.M. RADRODRO.- Mr. Chairman, just going back to some audit issues on non-submission of rent acquittals. I think that the Fiji Prison Services carries a major amount in terms of acquittals not provided. Has that been addressed and what steps have been taken to address these non-acquittals?

MR. R. FATIAKI.- In the past, the Government generating projects programmes \$100,000 was allocated to Prisons for the assistance to ex-prisoners. This year, that amount has been directed to their budget. Previously it came to us, and they had to ask us first before we released it to them, so because of those challenges that we encountered, funding has been directed to the Prisons Corrections Department. So that funding is with them at the moment.

HON. A.M. RADRODRO.- So has the public been advised accordingly that every now and then to go to Prisons headquarters rather than Social Welfare.

MR. R. FATIAKI.- Yes. In fact the clientele for that programme is not from the ex-prisoners outside, that is for those within whom they are working with. So the identification of that clientele is from within the current offenders that they are working with and before they are discharged, that is when that assistance or that programme is introduced.

HON. A.M. RADRODRO.- On the 2010, unhygienic conditions, have these conditions been improved - 23.21?

MR. J. KOROIVUETA.- Yes, this is no longer an existing issue.

MR. CHAIRMAN.- PS and colleagues, thank you very much. We appreciate your time, this is an ongoing interaction, sometimes we may not ask you to come but we may need additional information while we compile the reports. So if you do get a request from us, I hope that you will oblige. But good luck with the work that you are doing and thank you once again.

**The Committee adjourned at 3.15 p.m.**

**The Committee resumed at 3:37 p.m.**

**Interviewee: Ministry of Health and Medical Services**

In Attendance

1. Dr. Meciusela Tuicakau - Acting Permanent Secretary
  2. Mr. Marika Luveniyali - Dep. Secretary Admin/Finance
  3. Mr. Apolosa Vosanibola - Chief Pharmacist
  4. Mr. Ami Prasad - Principal Accounts Officer
  5. Mr. Rakesh Narayan - Acting Senior Accounts Officer – Audit
- 

(Welcome by the Chairman)

MR. CHAIRMAN.- I will now ask the Attorney General's Office to give us a quick snapshot of 2010 right up to 2013, plus a snapshot of what you find in your 2014, before I ask the Ministry of Health to respond.

AUDIT REP.- Mr. Chairman and the honourable Members, and representative of the Ministry of Health. Just to briefly summarise the current status of the Ministry of Health, in the previous years, we have noted a lot of issues with the Ministry of Health, particularly in terms of purchase and payments, capital projects, government pharmacies, even the payroll issues, over-expenditure and the payroll allocation. So, those were the common issues in the Ministry of Health. Also, the Agency Financial Statement in terms of underlying accounts like the Revolving Fund Account and Trust Fund Account. There were variances in the balances between the Ministry's record and the MOF record. So those were the previous findings that we had in 2010, 2011 and 2012 Reports.

However, what we have noted in the current status and as I have also highlighted in the previous PAC meetings that the Auditor General is now focussing on the high dollar value item, and that is, the capital projects. In the recent past, with this Government, it is trying to improve the infrastructure which include; the medical equipment, buildings, hospitals, et cetera, for the people of Fiji. So, there were a lot of funds that were allocated in the past - in 2014 and even in the 2015 budget to the Ministry of Health for capital projects. So, our focus is on high dollar value items which are the capital projects.

Basically, for the current audit which was for year ending 31<sup>st</sup> December 2014, we have focussed our audit on capital projects and Government Pharmacy because it is also involved in purchasing medical equipment for the hospitals, and a part of Government Pharmacy is the Trading and Manufacturing Account (TMA). So, the areas which still need a lot of improvement from the Ministry of Health is particularly in terms of project management.

As we have also mentioned in our previous briefings with the PAC, the capital projects in terms of project management, some of the issues that we have noted are:

- 1) the variations in the project cost;
- 2) how the written submission was to be interpreted and how it was to be recorded and maintained;

- 3) the performance bond issues where there were a couple of projects being delayed compared to the physical completion date as per the contract documents;
- 4) the signing of contracts where we have noted that some of the contracts have been signed after the project was exactly executed; and
- 5) contingency fund.

Those are the important issues that we have noted in the capital project area.

Apart from that the Government Pharmacy is maintaining or looking after TMA, and there were some couple of issues that we have noted with TMA in terms of some of the balances such as the surplus and receivables which we do not agree with, and there were also couple of issues which accounted for us qualifying the Ministry of Health's 2014 account.

Apart from the Government Pharmacy, the normal issues are still recurring in terms of expired drugs, keeping access stock, in some cases important medicine were not available so basically they had nil balance and we noted that some medicine and drugs were maintained at below minimum level. So those were basically some of the important and significant issues that we have noted in the Ministry of Health.

Apart from those, there are some other issues which are not that important, which are basically of operational in nature. So, basically the three main areas that we are talking about in the current audit is the TMA, Capital Projects and Government Pharmacy.

MR. CHAIRMAN.- Thank you very much for that update. Invite the Ministry of Health now to respond.

DR. M. TUICAKAU.- Mr. Chairman, a very good afternoon to you, Sir, and a very good afternoon to the honourable Members of the Committee, thank you for the lovely afternoon tea that has been provided for us.

Firstly, I would like to respond to your visit to the Western Division on some of the issues had been noted. Yes we do agree that is one of the perception that we get from the public in regards to the status of our infrastructure. We have in our budget allocation the allocation for urban and rural maintenance of our health facilities, and we note that we have about almost 200 health facilities to manage nationally.

We have the Asset Management Unit (AMU) in the Ministry of Health that tries its best to visit our team on the ground with the Divisional Team, to monitor and carry out all the responses that are needed in regards to the infrastructural maintenance of our health facilities. So, we have divisional teams that give us their priorities on the areas that need to be repaired, re-furnished during one financial year and that is currently process at the moment.

As has been mentioned, we have challenges in the Human Resources (HR) and the AMU, especially for project management and with our increase in budget again for this year, that is one of the constraints that has been rightfully mentioned by the Audit Team.

Yes, we do recognise and acknowledge the issues that have been mentioned in the 2010 to 2012 Reports and as we have mentioned in the response booklet that have been provided, that we have made some processes and changes to be able to prevent those issues occurring.

Most of the recurring issues - the TMA, Capital Project and the Government Pharmacy, I will ask our representatives from the Ministry, if they can briefly inform the Committee on some of the issues that have been taken on board, some of the processes and systems that have been implemented to try and improve our services in the Ministry of Health. So, that is the current status at the moment, and probably we will ask one of our officers to respond to some of the issues that are being informed by the Auditor-General's team. Thank you.

MR. M. LUVENIYALI.- Thank you, PS. Good afternoon, Chairman and honourable Members of the Public Accounts Committee. The issues raised by the Auditor-General are quite valid. One will note from the statements that you have, we continue to try and improve our systems and processes as we go. There is a lot of learning that we get as we progress.

In the last two years, we have had a high influx of capital projects, for 2013 and 2014. I think for the previous years, it was not an issue, only until in the recent years. So, as much as possible in the last two years, we have tried to improve our systems and processes.

My Minister is an advocate of systems and processes, and it is really getting ingrained in all of us. So, once we resolve our systems and processes, definitely we will resolve this.

On issues of project management, yes, we have looked at that. We currently have Clerk of Works in most of our capital projects, that really do the sighting for us. They look at the work on progress, and they do the reporting, and if there is any contact, we discuss with them.

In terms of Performance Bond and retention issues, this is part and parcel of a contract for any new property that we have. It is an 180 days retention. Then, we have a performance bond in terms of the performance for the contract to ensure to ensure that is completed.

The contingency is something that we have continued to come up with in terms of the overrunning cost. There is always contingencies for some unforeseen costs. These are taken on board, but it is not revealed in the contract. It is just taken as part of the contract. In the event there is an overrun, we agree to use that condition. It is not reflected, it is just that contact. Once you reflect that in the contract, then the contract is more or less obligated to use the whole sum. That is in terms of that.

The other issue that I mentioned in our last meeting was the recurring issues. I believe you do have a copy of that in your folders; issues that we have identified in the last audit from 2009 up until now. Again, we have made inroads in how we have addressed that, and we have been specifically requested by our Minister that this should not come up again in any audit query, and I think for this year, we only have three issues which is all TMAs and not operational related. So, that is the progress for us.

Perhaps, I will ask Chief Pharmacist to comment in terms of the pharmaceutical. Thank you, Sir.

MR. A. VOSANIBOLA.- Thank you, Mr. Chairman and honourable Members of the Committee, the officials from the Auditor-General's Office and the Ministry of Finance.

The issues raised by the Auditor-General's Office are valid in terms of the expiry, and the shortages or out of stocks and below minimum level reporting. In the last sitting of the PAC, we raised about the issue of expiry between 2007-2009 which was round about \$3million, which is the consolidated reporting of those three years. For 2011, we had round about \$1.3 million expiry, and also for other years that has come down. The expiry is a challenges we are not only experiencing here in Fiji, and we try to learn how other developing countries are tackling the expiring mostly at the Public Sector Service. These challenges on expiry are even with developed countries. It is an universal issue, however, with what Mr. Luveniyali has said, it is a processes and systems that we are trying to look at to try to improve our expiry issues. We are tackling it through the thinking process of how the supply chain works, and how we can identify what are the undesirable effects in the new policies that we implement so that we reduce wastage. As the Auditor Report had mentioned, over the last five years, we have tried to tackle expiry, reduce the wastage, but also at the same time, we are worried about the shortages. The challenge for us is to create this balance at all times, understanding of all our suppliers because of our geographical locations.

MR. CHAIRMAN.- Just one point before I forget. When we discussed this issue last time, we were kind of suggesting whether it is possible for you to do a trend analysis of say, 10 years and look at say on a monthly or weekly look at the trend analysis of where the demand for certain types of pharmaceutical drugs are. There will be pick and off pick periods, and there will be normal periods where so much of this particular drug you need in a year or over so many months could be established from. Or, you could establish that from what is being used. I was wondering whether you should do a major study, that could give you an idea of the volume of drugs that you roughly need every month on different drugs. You could look at some of the key ones which probably gets expired much quicker, because you need to buy in bulk as lot many people want to use that. It may not be a perfect thing, you still have some expiry, international standards are there. I mean, I agree with but you would avoid undue ones if you have some idea, and that would give you as part of your stock control. You have it in the system, you know roughly this month in a year, June, July and August, you need so much of Panadol, Cold & Flu tablets, whatever. I am just wondering whether you are thinking about that.

MR. A. VOSANIBOLA.- Yes, Sir, we have conducted the analysis of our distribution pattern over the last six to seven years, way back to 2008, trying to dig out the pattern in terms of demand and also low usage of items. As part of improvement, we try to use this pattern as a platform to forecast for our future, and this we have implemented into our stock control activities, especially with our minimum and maximum level at the operational level.

What we also try to do now is, we review our safety stock, to overcome shortages due to delays or shortages due to high unseen usage in the service.

In terms of expiry, yes we sometimes overestimate thinking that this will be a pattern over the last year, but it did not eventuate. These are the other challenges, because we base our buying on what we forecast, so we commit ourselves to that issue, however, we have looked and analysed our expiry list of items as well. We have also noted that there are some items that expired on the shelves, they are very critical, if it is out of stock, we do not buy it. The absence of it will create a lot of service at the operation level so sometimes, some of

these small volume items which list to “expiry” it is probably a necessity even for us to do, rather than not having because it will create a problem at that level, so we try to minimise those list of items to understand what the pattern is, based on their expiry in the previous years.

Sir, the recommendations from the last meeting have been implemented and we are progressing with some of the improvements currently; thank you.

MR. CHAIRMAN.- Just one small point. It is probably part of the model or part of the forecasting that you have, do you look at special locations like sometimes the shortage may occur in only certain areas, for example, say in the islands off Vanua Levu or certain parts of Viti Levu? The shortage may not be around Suva areas because you are able to manage that. Do you have somewhere to monitor that as well, and now with the new drug subsidy or free medicine, I was just wondering how is that working or is it working at all?

DR. M. TUICAKAU.- Thank you, Sir, in terms of special area, where the challenge is, yes, we have realised this a few years ago in terms of population movement in the heavily-populated areas like the Suva to Nausori corridor, from Sigatoka right to Rakiraki, this is where the challenge is also that we have in terms of demand. We are looking and starting the demand and the demand continue to fluctuate as we have progressed on with our monitoring. In terms of free medicine, we have supplied 58 medicines through the programme. The other four which come as “262” will be completed by the end of this month. The other 10, we are almost completed with our procurement process to get the other 10 to the 72 medicines.

HON. A.M. RADRODRO.- Can we just get a clarification; how does this free medicine work? Can you just explain this because there are some people who are still enquiring about this free medication and how do they access it?

DR. M. TUICAKAU.- Thank you, honourable Member, on the free medicine for those who are eligible or the eligibility of free medicine is for those who are earning \$20,000 and below in annual salary. Whoever has a prescription whether from the general practitioner or from the public sector doctors, can access the medicines through any selected retail pharmacies and also all the public sector hospital pharmacies.

On the number of medicines, there are 72 medicines which are essential medicines that have been selected which is part of this free-medicine programme.

HON. A.M. RADRODRO.- Thank you, Chair, just on the other side, there is a lot of arrears of revenue in the Ministry of Finance and that is probably contributing to pharmaceutical activities; is it mostly from the pharmacy?

MR. R. NARAYAN.- Thank you, Chair and honourable Member; the arrears of revenue is also from the hospitals like patients coming in who were admitted to the hospitals and they pay for the services that is given to them. Basically what happens when they are discharged from the hospital, so many of them just get discharged and they have gone away without paying the fees that they need to pay, so that is one of the challenges for the Ministry to recover those revenues from the patients.

HON. A.M. RADRODRO.- Is that for the whole patients that sit in the hospitals or only specific categories?

MR. R. NARAYAN.- Mostly for private patients. You may notice that in hospitals we have private wards and we also receive patients from private GPs so those are the ones that are charged for fees and for services in the hospitals.

HON. A.M. RADRODRO.- I will just lead you to your arrears in revenue. In 2012, there is about \$451,000 and I think that is more than the paying patient at the hospital and in 2011, it is \$427,000 so where the majority of that is coming from; the patients or from pharmaceutical activities?

MR. R. NARAYAN.- Thank you, honourable Member. It is mostly from the patients. That is one of our big challenges in terms of recovering the revenue from the patients.

DR. M. TUICAKAU.- Just to add to that, Mr. Chairman, it just goes to show with the volume of patients that we have in all our hospitals, it is not only in Suva, it is right around the country that is accumulative of these amounts so it makes up the total amount. That is one of our recurring issues that we are now actually trying to put in place, some kind of processes that we can actually tie these people in to make sure that they pay before they go, one is trying to get someone to guarantee them so that if he does not pay, we go after the guarantor. Those are initiatives, I thought I just share it, but we have not actually implemented it but I think that would be one way of actually doing it, if the patient does not pay then we go after the guarantor.

MR. CHAIRMAN.- Yes, you have got to develop some system.

HON. A.M. RADRODRO.- Just on that arrears of revenue in the Ministry of Finance; it is just like more than a thousand dollars being owed on a daily basis, on a yearly 365 days so it is very alarming where the collection, why is there laxity in the collection of dues, especially when it is classified as paying wards.

MR. R. NARAYAN.- Thank you, honourable Member, with the revenues from the patients, we also have like if you look for the current recent status of the arrears, we have recovered some funds while the Ministry is doing its level best to recover as much as possible the figures that you have mentioned says the accumulated figures from the previous years, so that is where the ministry is currently doing its level best to recover those funds and we are also trying to look at some ways of where we can have some guarantors when the patients come in that if the patients do not pay then if we can go to them to recover those arrears, Sir.

MR. CHAIRMAN.- A lot of those people who come to paying ward would be people who can afford it so really there is no reason why you should have arrears from paying ward. Is that my understanding that mostly the people who can afford it?

HON. A.D. O'CONNOR.- MR. M. LUVENIYALI.- Honourable Chair, in that sort of situation, sometimes it is a matter of life and death and the guarantors will probably not sign on the line. Honourable Chair, if I may divulge a little bit but being a gray collar, I raise my interest with vehicle maintenance and I believe years gone by, whether it is still in operation

or not, but looking at vehicle maintenance and it is not only this Ministry but I guess all the ministries across the board, the Public Works Department's Engineering Pool in Walu Bay, Lautoka and in Labasa – are these not being referred to them? You mentioned in your report a panel where the vehicle repairs are being done.

MR. M. LUVENIYALI.- Yes, those are panel of garages that we have refer them to. The idea behind that was that it was more efficient, effective and the turnaround time was a lot faster. But in terms of actually getting who to do the job, it was on competitive bid. They come in, they do a scoping of the damages and they quote. In terms of the Ministry of Works, I think that engineering was not that effective and the work was done, but not to that extent of what the Ministry had wanted.

HON. A.D. O'CONNOR.- The other one, honourable Chair is the incinerator and boilers probably at the 3 main hospitals which is Labasa, Lautoka and CWM. There are probably one or two incinerators or boilers at other divisional hospitals, but the Government is looking at green growth frame work. I believe that these incinerators and boilers are still heavy fuel diesel oil-driven. When are we likely to see gas operated boilers or incinerators being replaced?

MR. M. LUVENIYALI.- I believe that could be an initiative that we could consider, and for going forward, I think gist of that suggestion, while we appreciate that, is the cost of actually having these replaced in terms of the ongoing recurring cost of gas, that we will need to actually use for these boilers and incinerators. To be honest, our boilers we have a lot of linens that we use for our boilers and for incinerators, it requires a lot of heat. To get to that level of heat, you need to have a really high level of gas, but, then for your information, I think it's something going forward, maybe a green growth concept that we would like to adopt.

HON. A.D. O'CONNOR.- Thank you. I would just like to mention here that I originally was a gas man myself, working for Fiji Gas and we did do tests at the Lautoka Hospital and it proved very, very efficient but unfortunately the engineers in the West at that time, just did not want to put their signature on the LPO to have the conversion done. All it is, is you are pulling out the existing diesel burner and inserting a gas burner and then only you are changing the supply line from a diesel tank to a gas tank, that what it is. And the economy of having a change, as you will appreciate now, the Government has a say in the purchase price of gas, so it fluctuates from time to time as you know. But, I think it is an opportunity now to make that change.

MR. CHAIRMAN.- You might ask the honourable Member for further advise on that issue.

HON. B. SINGH.- Thank you Chair. Before, I ask a specific question to the Ministry, first of all, I would like to acknowledge the DS contribution, he has been prompt in answering his mobile.

(Laughter)

Thank you, just a few issues I would like to raise. One is on the retention of capital projects by 10 per cent and you have 180 days of retention period. How do you account for this? What if there is a spillover or the projects are carried over next year?

MR. M. LUVENIYALI.- The 180 days is a standard contract provision. It allows for things to set in, it also allows the owner to see and ensure that whatever is in the contract, has been implemented and to ensure that nothing breaks down in that 180 days. Some is 10 per cent, others is 15 per cent; it depends on the nature of the capital project.

HON. B. SINGH.- How do you account for that carry over?

MR. M. LUVENIYALI.- It is part of the capital project costs.

HON. B. SINGH.- The project is embarked in November and it will be spill over for next year, how do you account for the retention in the following year's ....

MR. M. LUVENIYALI.- We make provisions for that. We normally advise Ministry of Finance in that case. Whenever there is a contractual obligation, Finance is actually obligated to extend that funding to next year. Only, if it is on a contract, I stand to be corrected, through Audit.

FINANCE REP.- Yes, Sir. That is what we had discussed in the morning. It is in 2012 and 2013, but in 2014, the Ministry of Finance has stopped that carry over funds.

MR. CHAIRMAN.- So you do not have any spill over from 2014?

MR. M. LUVENIYALI.- Yes, I think it is just the nature of how things were done then. For next year's capital projects, if we foresee that, we will use that as part of next year's budget to try and meet that spill over cost, or perhaps any other funding, I mean that is the only way we can ensure that the project is completed.

HON. B. SINGH.- Why I am bringing this question because once there is a spill over, if you have accounted for that expenditure in the same year, because you here withholding that 10 per cent and you cannot carry forward. I think that is a breach of FI, 2010.

AUDIT REP.- Thank you, honourable Member. As rightly mentioned by Ministry of Finance, the respective ministries are to maintain a trust fund account.

In the Government ministries and departments there are two types of trust fund accounts. One is operating and the other is true trust, which is called main trust fund account. These written sums should be going into the main trust fund account. The main trust fund account keeps the funds which is owed to the outsiders. For example, projects which is a subject the honourable Member is talking about. That has to be deposited into a trust fund account, and when the retention period is due, that money can be taken out very easily from the trust fund account and paid to the respective contractor.

So, it should not be going back the Ministry of Finance, there should be physical actual hard cash in the trust fund account kept at that point in time, whatever is returned from the projects. When the retention period is due, when the contractor comes back to the

Ministry and asks for the remaining funds, then the Ministry should be in a position to have those funds paid to the contractor. Thank you.

HON. B. SINGH.- Chair, on the same token, on the performance bond, same principle applies. Performance bond is 10 per cent of the total sum that is being contracted and how do you account for spill over or carry over?

MR. R. NARAYAN.- Thank you, Chair and honourable Member for that. As far as the performance bond is concerned, the contractor or the companies who are contracted to carry out the respective projects, they provide the Ministry a bank guarantee for the performance bond.

Going back to the issue that the Audit Team has highlighted, on the retention, the suggestion was to have a separate trust account where the retention portion would be transferred into, and on the expiry of the six months (the defect liability period), it is paid out from that trust fund. We have taken note of that and right now as we speak, our request is with Ministry of Finance seeking approval to open a trust account for that purpose, so that for future contracts and the defect liability portion, whether it would be 10 per cent or 5 per cent, it would be transferred to that account and paid in due course.

MR. CHAIRMAN.- That makes sense. I think 5 per cent would be transferred in that account and paid in due course.

Thank you, honourable Chairman.

MR. CHAIRMAN.- That makes sense and I think you should do that.

HON. B. SINGH.- Just on the Revolving Fund Account. What is your current status on the reconciliation?

MR. R. NARAYAN.- Mr. Chairman, the Ministry of Health has taken a proactive approach from mid-2013. We are currently having a monthly budget meeting where we produce the status of all our reconciliations in the meeting and the reconciliations are signed by our Permanent Secretary and it is forwarded to the Ministry of Health. So, I can assure this forum honourable Chairman and I believe that we have a reconciliation status in our submission.

MR. CHAIRMAN.- Yes, I have seen that.

HON. B. SINGH.- During your reconciliation we found that there are some funds that do not reconcile or you have an overdraft (OD). What have you done with this overdraft? Have you asked Ministry of Finance for a write-off? I have some knowledge that you had requested Ministry of Finance to write off a few amounts - a few millions of dollars.

MR. R. NARAYAN.- The request for the write off is on the arrears of revenue, that was in discussion with the Ministry of Finance. Another area that the write off is being done through the Ministry of Finance is basically on the TMA, which the Ministry of Finance has done.

HON. B. SINGH.- Mr. Chairman, I would like to know the accumulated amount and how long was that period for the TMAs to be written off?

MR. CHAIRMAN.- Maybe you can provide that in writing.

MR. R. NARAYAN.- Yes, honourable Chairman. Thank you, Sir.

HON. B. SINGH.- I have a few other questions. As you know that currently the Ministry of Finance is going through a reform. What about Ministry of Health on the fixed assets register? How far you have gone with the fixed assets register and what is the current status of that?

MR. M. LUVENIYALI.- Yes, we do have a fixed assets register but in terms of how updated it is, I think I will be lying if I say that it is being updated. I just need to come back here and confirm with you.

MR. CHAIRMAN.- Next one.

HON. B. SINGH.- The SLG, I do understand that the Government has some in surety and the Ministry also has OD overseas funding. What is the current status on the reconciliation of that?

MR. R. NARAYAN.- Our reconciliation status for SLG as of now is for this year and previous years is up to June 2015.

HON. B. SINGH.- And also the monthly reconciliation is up to date?

MR. R. NARAYAN.- Yes, Sir.

HON. B. SINGH.- The other one was the bed that was purchased, I think one of the officers – Narendra Gounder during his days in 2011. Narendra Gounder, when he was with your pharmacy, how far is that recovery and how are you getting him back to the country? Are you working with INTERPOL or there is nothing being done to that?

DR. M., TUICAKAU.- I believe honourable Chairman, the officer actually absconded. He is currently in New Zealand and he has not come back so I definitely would not be able to comment.

HON. B. SINGH.- Honourable Chairman, why I am trying to bring it up is because he will be coming in soon into the country according to my intelligence. How can you put him in the immigration watch list for him to be arrested.

MR. M. LUVENIYALI.- We would appreciate that honourable Singh.

HON. B. SINGH.- Just for information only. My intelligence are also working to get the information.

MR. CHAIRMAN.- We may get the services of the honourable Member, when he visits New Zealand later this month or late next month.

HON. B. SINGHJ.- Before I conclude, dental chairs - how far and what is the progress, are all these accounted in your fixed assets register?

MR. M. LUVENIYALI.- Yes, I think the last time, we heard there were two dental chairs left I think it is now being installed in Raiwaqa Dental Health Centre. That is 13 of them, and I think it is all being distributed. The last two I think went to Raiwaqa Health Centre.

HON. A.M. RADRODRO.- Thank you honourable Chairman, first of all I would like to thank the PS and DS for their explanation on the status to-date of the Ministry and I sympathise with the challenges that you have. I was just going through the report and there is a continuous recurring internal audit issues like overpayment of salary, non-recovery of salary. Can the Ministry advice this Committee, we know the geographical location and the challengers that comes with it, so what steps have been taken by the Ministry to ensure that these issues are not repeated especially for operational issues in terms of salary overpayment and also the contractual arrangements with the contractors that are undertaking the respective capital works in the respective medical centers?

MR. M. LUVENIYALI.- I will answer the last part on contract. We have actually sent out a circular on the renewal of contracts and I hope it should be part of your annex. What we had actually advised our officers was for six months when your contract is due to be renewed, they should actually request for renewal where we have the normal assessment and stuff like that so that it actually just carries over without actually having to cut off the contract when it is due. So these are some of the proactive issues that we are facing.

But in terms of overpayment maybe I will ask my Principal Accounts Officer to answer.

MR. R. NARAYAN.- Than you honourable Chairman. As far as the overpayment of salaries is concerned, one of the difficulties that we were facing was because of the geographical locations of the health facilities. But what we have done in terms of reducing that is, we have advised our health facilities and HR officers in the respective divisions that once they come to know that if an officer is resigning or is deemed to have resigned or is deceased, for them to notify us through e-mail or through phone call and then send us the necessary documents for the paper work to take place. But with the e-mails or the phone call that comes in, we are going to process the cessation of salary. In doing so, if for some reason it had to be reversed, it is easier to pay back then to recover. The recovery bit is the difficult part, it is a great challenge so that is the approach we are taking in terms of reducing the overpayment of salaries due to various reasons.

On the other hand, as far as the renewal of contracts are concerned, we have also informed our HR in all the divisions that the renewal of contracts should start from the officer six months in advance. For example. someone's contract is to expire in December, then in June they need to notify their divisional administration officers, from there it comes to head office so that it is renewed in time. Proper actions are taken in time.

HON. A.M. RADRODRO.- Honourable Chairman, I thank the explanation that has been given. I think the important part there is the payment of salary to the people who are

actually doing the work. I think I have highlighted earlier some cases in Vanua Levu that doctors are working more and beyond their normal shifts. So how is the Ministry looking into that and most of them are working even after their contractual term have expired. How has the Ministry compensated for the duration where they are required to be there whilst there is no formal agreement?

MR. M. LUVENIYALI.- I think for doctors, they get sufficient overtime, they get paid for that but then in terms of contract been expired and they be at work, I think we are not obligated to pay them because as per contract, they are not under contract. Only in some cases, when the salary does not come in, then they realise that the contract has expired, that is when the paper work starts. So, for us it is an automatic thing. If it expires today, you get your last pay last week or may be this week, so that is about. However, as much as possible, we try and ensure that these issues do not happen, especially for our medical doctors and nurses. It is the effort that they put in in terms of actually looking after the patients, the stress they have, we try as much as possible to ensure that we facilitate their jobs to salaries, overtime, or whatever that comes with it.

HON. A.M. RADRODRO.- Mr. Chairman, in additional to that, what is the Ministry doing to ensure that we maintain our local doctors who are graduating from FSM and not recruiting expatriates? There might be some question marks on the ability of these expatriate doctors and whether the Ministry is aware of this disabilities within the capabilities of foreign doctors?

DR. M. TUICAKAU.- Mr. Chairman, the doctors who come and practice in Fiji have to undergo the Fiji Medical Council regulation. The Council scrutinises all their papers and they are the ones who decide whether to practice or not. So, once they are given the practicing licence, then they can be absorbed in the Ministry of Health.

Secondly, regarding the retention strategy of the Ministry, sometimes we have no control over the choice of our officers. We do train them for post graduate training, we pay for their training programmes at FNU and other tertiary institutions, once they reach that level, they are very marketable either in the Region or internationally. It is very difficult to have control over their choices of their career but we are trying very hard to maintain and keep them happy, and I think it needs a lot of whole of Government approach to keep our doctors in Fiji.

HON. A.M. RADRODRO.- Mr. Chairman, in addition to that, now that we have seen the revision of salary structure for some of the key positions in Government, so maybe an area to explore for specialised fields like doctors.

The other question I would like to ask is the accounting cadre in your ministry. These audit issues also signify the laxity or qualification that are within your Ministry accounting cadre. In the morning, the MOF had advised that they have a scholarship programme for accounting cadre within Government Ministries. How many of your staff are engaged in this scholarship programme?

MR. A. PRASAD.- Mr. Chairman, right now we have about four or five of our accounting staff who are on scholarship on study leave.

HON. A.M. RADRODRO.- The construction of Navua Hospital, I think there was some arrangement there with the landowners for provision of security. I see that the Ministry has tended out security services to provide security to the hospital and part of the agreement for the construction of Navua Hospital is for the landowners to provide security. However, with this exercise taken by the Ministry, the landowners have been sidelined. Is the Ministry aware of that arrangement and what is it going to do with it?

MR. CHAIRMAN.- Maybe, the honourable Member can ask this question in Parliament to the Minister but we would like to hear from the Permanent Secretary.

MR. M. LUVENIYALI.- We are not aware of any arrangements between the landowners and Navua Hospital. What we have actually tried to do was for ease of security, we have outsourced everything and that included the subdivisions. So, in terms of the questions raised by the honourable Member, I am sorry to say that we were not privy to such arrangements, if there was one.

MR. CHAIRMAN.- Maybe, we can ask that in Parliament.

HON. B. SINGH.- Mr. Chairman, just on the audit of the Cancer Society, I think Government also gave some grant to them and the audit was conducted in 2013. What happened to that audit and what is the outcome of the audit?

MR. CHAIRMAN.- Was there any audit of the Cancer Society?

AUDIT REP.- No, there is none that we are aware of. We will check with our office and we will come back to the Committee.

HON. B. SINGH.- The second part was also that during my recent visit to the Dialysis Centre, the Administrative Officer came to me and said that there were some outstanding issues with the MOF, outstanding payments that are yet to be done. How far have you gone with that and what was the arrangement like?

MR. M. TUICAKAU.- Mr. Chairman, we had MOA between the MOH and the Dialysis Unit. The amount was specific in the MOA and that amount was the amount that was paid by the MOH to the Dialysis Unit. Unfortunately, they have come up with more charges to us which was not in the MOA, so that is why we have stopped.

HON. B. SINGH.- There are excessive charges. For each dialysis, they are charging \$250 and for ordinary citizens, three dialysis a week is \$750 which is another concern and if the Ministry could look into that and see how you could assist in that.

On the same token, I think there is some arrangement made by the Ministry because after the operation, they go for scanning. Are they given priority because I have seen that after 5.00 p.m., MOH still being able to serve these dialysis patients. Is there any arrangement because I was shocked because normally at 4.30 p.m., the X-Ray Department is closed and the Scanning is closed? In this case, it was after 6.00 p.m. on that day that this person went.

DR. M. TUICAKAU.- The services at CWM Hospital is 24 hours but after 4.30 p.m., it is only for the emergency services. So, if it is an emergency, then it needs to be attended to.

As far as the dialysis is concerned, I am sure that honourable Members are aware that dialysis is for end stage renal diseases which are complications of NCDs and with the arrangement we have with most of the Dialysis Units around the country, the Ministry pays for three months dialysis for selected individuals on the intension that they will go for a renal transplant, which is the cure for end stage renal disease. Otherwise, dialysis is a long term treatment of end stage disease which can be a very expensive exercise. If we do that for all of our patients with end stage renal disease, unfortunately, we will run out of the operational budget for the Ministry of Health.

HON. B. SINGH.- Mr. Chairman, there is an outcry where most of the patients tell us that doctors at CWM Hospital cannot diagnose any symptoms. They later tell us to go to private hospitals and same doctor is able to diagnose some symptoms of this sickness. How far is that true?

MR CHAIRMAN.- You are you saying that the same doctor who works at the CWM Hospital also works at the private hospital? I mean, this is an old story, and I am not sure how prevalent it is but I have heard these stories many, many years ago so it still could be the case I mean, it is an issue related to value for money. Like someone who goes to a public hospital, expecting that the doctor would seriously do everything possible to diagnose what is wrong with the patient, here you would have a case where that doctor has apparently the intension of making money in the private hospital, so he asked the patient to come over there. I mean, you must have a system to avoid that, I mean, that is actually fraud.

DR. M. TUICAKAU.-Mr. Chairman, thank you very much honourable Member. I think one of the issues that we have with our staffing is communication, so we are working very hard on informing our officers on the ground that we need to inform our patients and their relatives well in regards to the progress and status of their decisions.

HON. B. SINGH.- Just a side comment; this case is well known to DS. He intervened and he was able to be taken to India for operation. He was lucky, I mean, from the private hospital but with the arrangement with the DS, he was then able to get the treatment overseas. So, DS, thank you for that intervention.

MR. CHAIRMAN.-So you did have a happy story after that.

HON. A.M. RADRODRO.- Mr. Chairman, just a question to the Ministry; the provision of services in the provincial hospitals and health centres, there are some that are provided with the doctor and the back-up services but there are some that are provided only with the doctor, they do not have the back-up services meaning vehicles, that can allow them to travel to destinations. In one case in the Vunidawa Hospital, whenever the respective villages need a doctor, they have to come and pick up the doctor from their respective destination. Is the Ministry aware of that situation?

What happen is, what time of the night they usually come? If they do not pick up the doctor, then the doctor cannot come to them.

MR. M. LUVENIYALI.- Mr Chairman, I think as much as possible, we will try and lend our services, I mean, to be effective as much as possible. I think one of the limitations we have is vehicles. While we have vehicles, I think the rough terrain actually, the normal wear and tear and the cost, I think these are real issues that we are facing. I think the issue raised by the honourable Member is quite a classic of what we face out there. So, we are trying to address that with vehicles, especially we are both from Naitasiri so I will try and make sure now that that does not happen again.

HON. A.M.RADRODRO.- Thank you for the commitment.

MR CHAIRMAN.- And you have a leasing system, is that right?

DR. M. LUVENIYALI.- Yes, we have leasing vehicles and the way it is structured, it is uneconomical.

MR CHAIRMAN.- We have asked Ministry of Finance to review the lease contract, for example, we were talking about the Police Department and we raised this in Parliament. We said; “The Police do not have vehicles because when the vehicles go to repair, they do not have a replacement”. So, you know you call the Police after a burglary or a break-in, the Police do not have a vehicle because the vehicle is sitting in the garage for repair. What we are saying is, they should review the leasing contract and arrangements so that there is always an option of replacement vehicle. The Ministry of Health and the Police Department are very critical service-oriented departments and they need to look at that. So, thank you for that

DR. M. TUICAKAU.- Mr. Chairman, I just want to clarify the doctors who are on call duties in the health centres and the subdivisional hospitals, they need to be in the hospital facility 24 hours. So, if they disappear and gone to the village, I do not think that is right, especially in a single manned facility. That is what we advise for the communities to come to the facility, otherwise during their disappearance, another patient comes, then we will be in trouble again.

MR CHAIRMAN.- I remember a doctor in Dreketi Health Centre many, many, years ago, used to have grog with us. Then he will get a call and during that time, there was no mobile phone so obviously people had difficulty with him. He had a way of telling people where he is going to be in the village at night but anyway, I think these are...

HON. B. SINGH.- Sir, just an observation from the Nausori Health Centre...

They also have a Maternity Unit and during the weekend, only one doctor is on call. When there is a delivery, the doctor runs for the delivery and there is no one to look after the Emergency Ward at Nausori and there are patients flocking in. If you go on a Sunday after lunch, you see an influx of people to Nausori Hospital. If there could be some arrangements done for another doctor.

DR. M. TUICAKAU.- Thank you, honourable Member, yes, we certainly take your point into account. Ideally, there are first “on call” and “second on call”, so those are operational issues. If one is busy, they should call the “second on call”.

MR CHAIRMAN.- And I will request honourable Singh to spend a bit more time on the headquarters for the more specific issues but gentlemen, thank you very much. I think we have had a very useful session. It gives us an idea of what we will be looking for in the future. I think some of the questions may not be directly related to what is in the Audit Report but I think it borders on good value for money. Part of the oversight that the PAC has in any Parliamentary Democracy is to look at the availability of good services. So apart of the process and procedures and where the dollar goes, I think we invariably are concerned with the value for money and whether people are actually getting the services that they ought to get. As a result of the interventions and the services that various ministries provide. We hope that as we continue to have this conversation in the future, as a team with the Ministry of Finance, Auditor-General's office and the different ministries, we will try and improve.

So thank you very much and we look forward to having you people, probably not this year or later in the year, but possibly next year when we look at 2014, and we might have some very difficult questions for you after we look at 2014 report because we are looking a way of trying to get to the ministries to say, these are repetitive issues, these are systematic issues, we expect improvement, not only in 2014 but more specifically I think when we look at 2015. In 2016, we would be really looking at improvements and progress on some of these recurring matters. Thank you, honourable Members for asking some very good questions. I think we have dealt with most of the issues. Can I just ask the honourable Members to stay back for another 5 minutes for a closed meeting?

**The Committee adjourned at 4.46 p.m.**

**VERBATIM REPORT OF INTERVIEWS CONDUCTED BY THE PUBLIC ACCOUNTS COMMITTEE ON WEDNESDAY, 15<sup>TH</sup> JULY, 2015 IN THE COMMITTEE ROOM, EAST WING, GOVERNMENT BUILDINGS AT 10.20 A.M.**

**Interviewee: Elections Office**

In Attendance

1. Mr. M. Saneem - Supervisor of Elections
  2. Mr. K. Sharma - Director Corporate Services
  3. Ms. N. Filipe - Head of Finance/Administration
- 

MR. CHAIRMAN.- Honourable Members, I welcome you this morning. It is my pleasure to welcome the team from Elections Office. I thank you very much for making your time this morning.

As you know the PAC has been looking at the backlog of OAG Reports from 2007 to 2013. We have already produced a Consolidated Report for 2007 to 2009 that was presented to Parliament and various Government Ministries have taken on board many of the Recommendations in that Report. In that Report, we identified mainly systemic issues that were repeated over and over again in subsequent OAG Reports and we believe that many of the issues that we identified could easily be dealt with by improving the systems and processes in different Government Departments.

What we have been trying to do is to talk to as many Heads of Government Departments/Ministries as possible in our first year of work so that they become familiar with what the PAC is trying to do, and also engage or continue with the conversation on issues as we go along and you do not necessarily have to come back and appear before the Committee.

We also understand, and especially the Supervisor of Elections was not there when the 2007 to 2011 Reports were done, but so many issues that are there, you and your staff may not be responsible for but nonetheless, we do want to raise some of those issues, even issues that may not have happened under you, so that you are aware that there could be similar issues in future.

Your office is a very important office, an independent one, and it is part of a very important office in supporting the democratic processes in this country. Again, it involves taxpayers funds and what we are always looking at in the Committee is value for money and how efficiently and effectively public funds are used by different Government departments. So, thank you once again.

What I will do is give you an opportunity to make some opening remarks and then we might have some questions but before that, I will ask the OAG to just provide a brief update on the issues that were identified in the Elections Office before, and what is your assessment of the 2014 Audit that you probably have already completed, after which I will ask the Supervisor of Elections to provide an opening remark and may be respond to that and we will have a few questions.

AUDIT REP.- Mr. Chairman and honourable Members, for the Office of the Supervisor of Elections, the Reports for 2010-2012 also highlight similar control issues that have been discussed that are common throughout the Ministries/Departments which include reconciliation and issues on procurement. For 2012, there were some issues on procurement that were highlighted in that Report but other than that, the issues are similar for the three years.

We have a new Supervisor of Elections and we request that he brief us on the changes that are taking place in his office. We have completed an audit and we have seen that they have done a lot of changes to try and rectify and improve their system, even structural changes.

MR. CHAIRMAN.- I will ask the Supervisor of Elections to make his comments.

MR. M. SANEEM.- Good morning, Mr. Chairman and honourable Members, officials of the OAG as well as the MOF, ladies and gentlemen; thank you very much for that introduction. This morning, the Fiji Elections Office appreciates the invitation to be part of this Committee hearing. We also value the importance of the Committee in terms of the critical role the Committee plays and in terms of an accountability mechanism that the Fiji Elections Office also appreciates.

Mr. Chairman, the Fiji Elections Office was constituted under the 2014 Electoral Decree wherein after that, my position as Supervisor of Elections was confirmed under the Decree and a lot of processes under the Decree have allowed the Fiji Elections Office to actually divert from existing practices and set up best practices within the Office, to ensure smooth running, better functioning, integrity and accountability and transparency.

The Fiji Elections Office has been working around improving every system that there is within the entire processes in the system, meaning our accounts system - payroll, procurement and everything that is to do with running the office. One of the key changes that you would see as soon as you enter our office is our reception. It is meant to make a person feel like he/she is in an office and the Fiji Elections Office building in High Street did not have a reception before, it only had a small red door and you go upstairs. So, that significant view of the changes that we have implemented, and you yourself were present at the draws and other events to have witnessed the type of changes that the Fiji Elections Office has implemented.

One of the other things that we have, as highlighted by the OAG most correctly is that, there are a lot of changes in the finance system. A lot of protocols, a lot of block mechanisms have been put in place to ensure that there is minimal fraud, as well as minimal misuse and abuse. Like every other organisation, Mr. Chairman, there are times when there are some mistakes that are made but one of the things that we have introduced is a rapid process in which the recovery process happens in the event there is a financial mishap or there is a correction mechanism implemented immediately.

In terms of finance, we have recently just passed a policy on recovery by the FEO where recovery processes are immediately undertaken in the event an error is found and to that end, we are now strongly pursuing recovering mechanisms for outstanding debts to FEO which are not that many. However, the recovery mechanism does not limit itself to court action, it also goes towards FICAC and Police for investigations into misappropriation and other mechanisms.

Mr. Chairman, at this point, I also would like to add to the comments that you made about my team and I not being present, indeed, most correctly, we were not present in the years 2009 to 2012. I joined in 2013 and so did Ms. Filipe and as a bit of background to the Office, between the years 2010 to 2012, the Office did not have an accountant or a Senior Accounts Officer and because of that, a junior person who was given an acting role was managing funds and a lot of discrepancies that have been highlighted by the OAG, to do with procedural issues and it may have to do with the level of experience a person had in terms of managing the accounts. However, as soon as I became the Acting Permanent Secretary responsible for Elections, Ms. Filipe was one of the first persons to be transferred from the Ministry of Justice to the Elections Office so as to prevent any further issues. The 2013 audit following the 2012 only had a minor issue which was to do with approvals but there was no issue in terms of the suspected fraud or discrepancies as highlighted by the 2012 Report.

Mr. Chairman, having said all that, I would like to once again thank the Committee for inviting us and for also agreeing to wear our Fiji Elections Office registration drive road safety bands and we have also given the Committee some bookmarks considering the volumes that the Committee uses is extensive, and bookmarks from the Fiji Elections Office will certainly help the Committee in furthering its work.

MR. CHAIRMAN.- Thank you, Supervisor. I think you have provided a good overview and background to the reports that we have, and I agree with you that many of the issues right up to 2012 are issues that probably happened at a time when the office was really not functioning. We understand and appreciate that. I will ask honourable Members to now raise any specific issues they have before I do so.

HON. AM. RADRODRO.- Thank you, Mr. Chairman. Thank you, Supervisor of Election for your brief explanation of the Office. I have always had the opinion that even though you started late as you explained, but you would be able to take over responsibilities of the Office when you walked in. Even though you started in 2013, you would be taking on the responsibility from 2009 and 2012 as highlighted in this Audit Report. Would you be able give us any additional information, if we ask you from these particular reports?

MR. M. SANEEM.- Thank you, honourable Member. I must say, yes, but with the disclaimer that the answers will only be from the records that was present in the Office and from records that we have managed to pull out from other sources such as FMIS or Ministry of Finance, or from the Public Service Commission to the extent that it was present, and possibly to the extent that it was noted in the Audit Reports, and to that limitation only. On the other hand, I would disagree that I will take responsibility. I would not. If any findings have been made in terms of discrepancies, I would not be willing to take any responsibility. I invite the Committee to pursue the person's directly responsible. However, we will provide the necessary questions and answers as required by the Committee, to the extent of our knowledge and findings. *Vinaka*.

MR. CHAIRMAN.- I am sure, we will not hold you responsible for things that happened when you were not there.

HON. A.M. RADRODRO.- Thank you, Mr. Chairman. We will skip the nitty-gritty things that you have said you have improved on.

In 2010, there was an engagement of a consultant and the audit has highlighted that PSC approval was not obtained, for the engagement of this consultancy service. Would you be able to explain to us why would such a consultant be engaged without PSC approval?

MR. M. SANEEM.- Thank you, honourable Member. The 2010 Audit Report is for events that took place in 2009. In 2009, the Office of the Supervisor of Elections was a constitutional office under the then 1997 Constitution, and the then Supervisor of Elections, Ms. Heffernan had engaged consultants for various activities such as the proposed Electronic Registration and Voting System, the proposed Proportional List System. There was a short-term Media Consultant and there was a Computer Services Limited from Samoa who was engaged through the Fijian Elections Office's own arrangement for the Biometric Voter Registration System, and a Professor Richard Herr was engaged to run a workshop for two days. There are some documentary evidence that we have obtained in which it is stated in a letter from the PSC to the Solicitor-General in which much clearer details are provided where PSC says, and I quote:

“In all these cases, Ms. Heffernan proceeded to undertake these engagements without first securing the prior approval of the Commission. It was only when payments from the Ministry of Finance were withheld that she then referred the cases to the Commission”.

With much respect to the findings of the Auditor-General, the Supervisor of Elections Office should not have been in the first place, required to get approval from PSC because they are an independent office. If such a practice was there, it would have been looked on or found upon because the independence of the Office was guaranteed by the Constitution and as such, if there were some limitations in terms of the exercise of their powers, it would not mean that it was an independent Office.

Then, there was a responding approval from the Solicitor-General's Office saying that they should approve it because of the fact that it was an independent office, and that the work had already been completed based on that.

For now, the Fijian Elections Office has been fortunate enough to get continuous donor support, and I must acknowledge the European Union , Australia and New Zealand and Pianza's network for continuously supporting the Fijian Elections Office with consultants and we have not had to directly engage consultants on Fijian funds.

HON. A.M. RADRODRO.- Thank you, Supervisor. I think I will need to get the Auditor-General's opinion on the issue of independence and PSC regulations.

Further to that, the Consultant Report as highlighted here were not made available to the audit. Is the report available now?

MR. M. SANEEM.- We do not have the reports in the records at the office, and we are unable to verify this to the extent to get the reports. However, my personal interest is in getting these reports itself because of the level of coverage it may have done back in those days into the system, that we are now following with a few tweaks, and the FEO will now make some efforts to contact Ms. Heffernan, if there is some success. Alternatively, it may not be that the assessment was delivered to the Supervisor of Elections Office.

MR. CHAIRMAN.- Honourable Member, what was the amount involved?

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

MR. CHAIRMAN.- So, I think the audit issue is an important one, and I agree with you that the report should be available somewhere. I mean, if you paid \$184,000, someone in that Office before you came should be able to provide you the report, and it would be useful for the Supervisor of Elections to try and lay your hands on that report., just to bring some closure to that particular issue.

MR. M. SANEEM.- Very well. We will follow up, Sir.

MR. CHAIRMAN.- I appreciate your effort in trying to get that Report.

Supervisor, I want to also thank you for providing this detailed response, despite the fact that you were not there from 2010-2012, the recommendations of the Auditor-General. I also note, that in your recommendations, you do talk about things that you implemented in 2014, and many of them make a lot of sense, and I think it is good practice as well.

MR. M. SANEEM.- Thank you, Sir.

MR. CHAIRMAN.- But, how do you feel with respect to the whole Voter Registration process? What does it involve in terms of funding and how you are managing the whole processes, linking it to procurement, to accounts and the actual output in terms of people being registered?

MR. M. SANEEM.- Thank you, Mr. Chairman. Generally, Electronic Voter Registration process for Fiji was a new event, and it has been a very steep learning curve, but it has been a very beneficial process. The Voter Registration Exercise in itself, I may add is one of the most comprehensive database of people over the age of 18 in Fiji. In some cases, particularly in some of the rural areas, there is a lot of emotion attachment to the Voter Registration Card because in some cases, that is the only photograph of a person that they have. To that extent, I think it is a very proud achievement for Fiji itself.

We have had a lot of foreign nationals come and actually praise our system. Of course there is always room for better management, et cetera, however, the process is now managed in a systematic manner. There is a five-year strategic plan that the Fijian Elections Office is implementing. We had consulted numerous stakeholders in carrying out preparations for the plan, however, in a gist, the plan actually now identifies periods when registrations will happen and the entire office machinery is already aware in advance that these things will happen and so there is no last minute, no spontaneous approaches, it is always a very planned approach where staff, procurement as you can see from all the marketing. Marketing is one of the most essential components of voter registration, now that we have got nearly 600,000 people registered. We need to create awareness and we need to continue to engage the voters. Back in 2012 when this process initially started, it was with a lot of planning that did not have the benefit of hindsight, now when an event is undertaken by the FEOs, with the benefit of hindsight, experience and the review.

In 2012, these processes were undertaken based on assessments that were carried out at that time and there was a lot of limitations in terms of the capacities of staff who were handling it, logistical experience and expertise was lacking at that time, creating a lot of bottle-necks, creating a lot of last-minutes and also, creating a lot of rush. Rush causes pressure, and pressure causes a lot of things to be done in a different way than you would expect, but after continuously addressing these issues, the FEO has now solidified its processes in order to ensure that, yes, the pressure is still there but the rush is controlled. There is a lot of events that are planned which is well-delivered. We always try to strive for higher standards in achieving this and experiences from the past, which are not ideal always help us to develop things in a better way for the future.

MR. CHAIRMAN.- Do you still have the operating trust fund in the office like what used to be before, and the issues with those trust funds?

MS. N. FILIPE.- Yes, we still have the operating trust funds, like for the FNPF and PAYE. Yes, we still have that, so we still continue to reconcile the postings that have gone into the accounts.

MR. CHAIRMAN.- One of the things that we noticed right throughout the Government departments is VAT reconciliation and FNPF reconciliation, and also, I think the problems with the trust funds. So I just wanted to make sure that your trust fund, because in the 2010 Report, it talks about an overdrawn trust account, so we are just wondering whether you are managing that well right now. How big it is at the moment?

MS. N. FILIPE.- Currently, the overdrawn trust fund account is in the FNPF. It is, is as you say, the table that I have given in the report is \$39,000; up to this year it is \$39,000.

MR. CHAIRMAN.- It is much better than what it was in 2010, thank you.

HON. S. PATEL.- Mr. Chair, just a simple question regarding the 2012 Audit Account Funds not refunded by Unique Events. In your comment, you have said that the documents were sent to FICAC. I am just wondering, has that money been refunded or recovered?

MR. M. SANEEM.- We have been working on that and an update is that, from the FICAC side, we have not sought an update as the progress back from our recovery, we have been informed by Unique Events that the funds were actually paid to the shipper and the recovery would have to be done to the ship, so the process would be that we will still go for Unique Events and if he wants he can do a third party claim on the ship, but the funds should be directly paid to this.

One of the controlled mechanisms that we have now placed is that any accountable advance that has to be given out in this office has to be approved finally by the Supervisor of Elections. Without this approval, accountable advance is not given. We have also moved away from the standard practices of all these things. We have got package-based systems where a person gets a package for working for us like the polling day workers were all given a package, so there is no accountable advance to say, I will give you \$10, you go there and work, and come back and I will give you another \$50, that is not the case. We give you a package and you use our package as you are required.

The other system that has been, the systems were not designed for an operation like the Elections Office. The systems were basically designed for day to day running of an office that does not do a major event. So things like accountable advance in an operations like an Elections where you are using persons who are not on your permanent system, *ad hoc* people are used based on merits, of course, but this does not facilitate a good recovery and accountability mechanism because if someone is used for two months to work for you, the time it would take for you to build into that person's knowledge all the requirements of the office such as the finance requirements, by the time you finished training that person, it would be a month or two and you need the person on the ground within that time. So what we have done is, we have simplified processes for operations and these processes are then conveyed to the staff at induction, and even procurement itself has a very highly rigid procurement mechanism where we even do company profiling, so as to ensure that there is no dodgy company on our list, and these things are very carefully monitored. The director has a good record of this and he is submitting that to management monthly. However, in the case of this event in 2012, at that time, there was a target the team had to meet and payments were made but I am told that it was because of bad weather that the tour did not go ahead. However, because the funds were paid to the ship, money was not refunded to us but recovery will not stop. There is going to be recovery on this, there is always other avenues to recover this which the FEO is now undertaking.

HON. S. PATEL.- The event did not take place.

MR. M. SANEEM.- No, the Lau tour did not take place.

HON. S. PATEL.- It is good to see that processes are being put in place now.

Coming back to accountability, ultimately, who will be blamed in case there is a mismanagement, does it come to the Supervisor of Elections? In our cases, we are trying to get at Permanent Secretaries of our other organisations. We are saying that someone should take the liberty of ownership - okay, yes, all the approval, all the cheques that are going to happen will come under that, for example, when the Public Accounts Committee sits next year, we want to say, "okay, you took the responsibility, did you check this?"; is this now happening in your department as well?

MR. M. SANEEM.- In our office, the ultimate or the buck stops with the Supervisor of Elections and for events post-2014, the Supervisor of Elections confirms that he will take responsibility for things that may have gone wrong, however, there is always mitigating factors that the Committee would appreciate and that will depend on each case.

MR. CHAIRMAN.- What is the financial relationship or management relationship between you as the Supervisor of Elections and the Election Commission?

MR. M. SANEEM.- I will take that as a tangent question, Chair.

MR. CHAIRMAN.- I am merely asking about the financial relationship. How does the financial management relationship operate between the Election Commission or the Electoral Commission and the Supervisor of Elections Office?

MR. M. SANEEM.- The Supervisor of Elections Office provides the secretariat to the Electoral Commission and is the financial mechanism for the Electoral Commission's activities. Funding for the Electoral Commission is allocated in the budget under a Head, as in the current system. A Head is for the Electoral Commission and the Supervisor of Elections Office facilitates this. The payments are also made by the SFEO for Commission's expenses, which are properly documented and there are processes in there.

MR. CHAIRMAN.- Who would be responsible for expenses by the Electoral Commission?

MR. M. SANEEM.- The Commission. Payments are made by us, but the Chairperson approves the payments.

MR. CHAIRMAN.- So the expenses incurred by the Electoral Commission will still be under your responsibility? You will be responsible for the expenses undertaken by the Electoral Commission or the Chairman will be responsible?

MR. M. SANEEM.- In that case, the Chairman of the Electoral Commission would be responsible because he approves the payment. We become the facilitating mechanism, I do not approve their payments. For the Fijian Elections Office, I approve the payment. I do not just write the cheques, so the relationship would be, I would be like their accountant. So, in the Fijian Elections Office case, Nina is the accountant; I approve the payment, she write the cheque. But for the Electoral Commission and the FEO, the Electoral Commission approves the payments and we write the cheque.

HON. A.M. RADRODRO.- Another issue on 2011 on the unutilised building space. We have talked about value for money over a period of time now over the audit issues. The audit has identified that there is a building with only 14 staff was utilised by the Fijian Elections Office with an annual rental payment of \$177,308. Can you just elaborate more on how does the Elections Office identify this building space?

MR. M. SANEEM.- Thank you, honourable Member. Mr. Chairman, first of all, we acknowledge the continuing interest by the Government in maintaining the Fijian Elections Office much in comparison to previous governments where the Fijian Elections Office or the Supervisor of Elections Office would be chopped and changed to reduce to 6 staff straight after an elections. But the current interest in the process is such that the Fijian Elections Office is still a continuing office with 52 long term staff who are the core staff of the Fijian Elections Office and honourable Members, I invite you to the Fijian Elections Office, you will find it fully occupied as you will go through the whole office. You will find that the value for money for the space usage, we are actually running out of space.

Honourable Member, to answer your question, 2014 and 2015, the Fijian Elections Office now has 52 long term serve and all of them are at work, when they are not on sick leave. But the office space is now adequately utilised, we have a fully-fledged conference training facility, we have also established the Fijian Electoral Education Centre where we are going to take capacity building courses for people who will be working for us, we will run courses for political parties, other stakeholders to familiarise you with the electoral processes and in this regard, we are now basically needing more space and as we expand the functions of the Fijian Elections Office from a 6-person operation unit to a fully-fledged independent fully functioning organisation.

HON. A.M. RADRODRO.- Thank you, Supervisor of Elections. What I am trying to get at is, how did your office identify this building? Did you put out a tender? Did you call for expressions of interest? How did you identify it?

MR. M. SANEEM.- We inherited the building from the previous Office of the Supervisor of Elections. The office was there since 2006.

MS. N. FILIPE.- The office space was identified by Public Service Commission.

MR. M. SANEEM.- We are merely tenants, Sir.

MR. CHAIRMAN.- Honourable Members, on this side, any questions?

HON. S. PATEL.- Mr. Chairman, looking at 2012 again, accident on hired vehicle. There were vehicles that were involved in accidents driven by (I think) members of your office, and I see that \$3,708 was paid to Budget Rental Cars and \$12,000 paid to Avis. When they insured, are we not supposed to pay excess and why did we pay \$12,000 when excess is only supposed to be paid on rental vehicles.

MR. M. SANEEM.- I totally take your point, honourable Member. That should have been what should have done, and that is what exactly we did in 2014. Suppliers of vehicles were required to have insurance and we only paid excess for this. However, it is amazing to some extent that the payments were made without any further investigation into the insurance aspects, I believe it has to do with the capacity of the person dealing with the situation at that time, in terms of knowing the commercial aspect of hiring of vehicles and procurement.

The FEO now, in terms of now, I am sorry I have to give you comparisons from now to before all, but FEO has a vehicle. We require insurance to be produced for the vehicles so that the FEO is not exposed. We do not want to lose a large chunk of our budget buying a new vehicle for someone else, and that is why insurance is now one of the key requirements.

The FEO is also, being an independent office, we also insure our own office against risks as well, and such insurance is useful in terms of exposure in case any accident happens at the office. So these commercial practices have been implemented post to Electoral Decree 2014 which has allowed us to enter into such commercial practices by separating the office to be independent from the existing structures and systems.

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

MR. M. SANEEM.- We believe in putting money back into the economy. When we ran events like this, we try to hire the local village communities, the church groups, the youth groups and at that point in time, the intention was to allow those people to cater rather than having a big restaurant from Suva cater in Naitasiri. We used the village community and ....

HON. A.M. RADRODRO.- Let me just direct you to 9.12.

MR. M. SANEEM.- I am well aware, Sir. Let me explain that.

So what happened was, when you have a community group catering for you, the community group does not hold a TIN letter neither does it hold a bank account on the name of the community group, because to open a bank account for community group, you first have to register as an official group, then you have to get a TIN letter, then you have to register your trustees, then your trustees have to apply for a bank account, you have to score the 110 or so points, then you get a bank account. I am not saying that that should not be the case, I am saying that they should have these details but when we did this process in 2012, they did not have it. But they still catered and the Office of the Supervisor of Elections had to pay them. So what happened was, the arrangement by the Accounts Team was, that you provide the bank account details of a member in a group, and we will pay to the member. We deducted the 15 per cent provisional tax and payments were made to the group so as to facilitate the payment of expenses already incurred. The audit rightfully highlighted this as an issue, but I believe this Committee would be able to facilitate, increasing the accessibility of such groups to register and obtain bank accounts because in the next elections, we would like to be able to pay them for these things without going through the 15 per cent and all these problems that they face because of lack of registration but the underlying issue, Sir, is that the Fijian Elections Office will always ensure that implements the tax laws and the required laws in terms of necessary payments at the time.

Just one last point, sometimes if locals caterers are hired, there is a lot more ownership of the project, it increases the acceptability of the Elections team into the community and it allows for a lot more engagement at a very open level with the community. An analogy is when political parties have the so called pocket meetings with *yaqona* sessions, most of the time the communities are present there for a direct engagement and the Fijian Elections Office, we engage for courses from the communities, so as to maintain that engagement. There are issues highlighted in this report in 2012, but in 2013 report, if you see, there are no issues like that. We got compliance issues sought with those communities before we engaged them and we deducted the tax. However, there was no issue such as this in the 2013 report.

HON. A.M. RADRODRO.- Thank you very much for the explanation. What I insisted on knowing whether the payment that was made to Mr. Jone Driu was actually received by the Nasole Methodist Youth Fellowship. Did you make any follow up whether that was actually received because the quote was given by Nasole and not Jone?

MR. M. SANEEM.- We did not come up with any issues about payments not going to the church group or someone running away with the money, when the payment was made. I believe that it was a church group, there would be a lot of trust to the person whom the cheque was eventually made. However, in terms of control mechanisms now, there has to be consensus and a written approval for a person to be receiving money. We try and avoid that in most circumstances, but there is very little chance of finding a restaurant in Wainibuka or somewhere else. So we still have to go with the village community.

In the 2014 Elections, the staff who were to stay at those villages were given a letter on which they were required to write down the name of the person in the village who provided them with subsistence for the night they stayed there. Then the person was required to produce that letter in order to receive money for the subsistence that they provided. This was because we did not want to give cash to clerks to say, “you give your \$60 to this person”, and we did not also want the clerks to give us the names and contacts of the persons because there was a highly likely chance of abuse of that. So the person had to produce himself or herself and claim the money.

HON. A.M. RADRODRO.- Thank you Chair. Just one last issue on 2012 on the unethical behaviour of Electronic Voter Registration Clerk. The audit have noted that charges on damages and compensation by the hotel owners was directed to your office. How was this Electronic Voter Registration clerks appointed in the first place? That was the first part of my question.

MR M. SANEEM.- Do you want to say all your questions?

HON. A.M. RADRODRO.- The second part is, why weren't existing Public Service resource personnel engaged in this Electronic Voter Registration?

MR. M. SANEEM.- Thank you very much. Answering your second question first. When this registration process started, the number of staff was 1,050 and it would have been very tight for every Ministry to release at least 50 staff or 100 staff to cater for the 1,050 that was required by the office. To that end, an open recruitment process was then undertaken to hire staff for the registration period. In that recruitment process, the people were hired and trained on the registration process.

That recruitment process was then further strengthened in 2014 where we introduced compulsory police checks, compulsory referee checks and also history of the person working. The historical information from our own office, in terms of what behaviour or was the person tagged to any unethical behaviour or anything.

In the 2012 exercise, these 1,050 people from the workforce were recruited then sent to different areas, and they were trained by trainers who were being trained in the office who then eventually became their supervisors. They were left on their own because of the nature of the exercise and certain events had been highlighted for which as the employer, the Office of the Supervisor of Elections had to take responsibility. It would have been un- business like for the employer not to take responsibility for actions of his employees. But the problem part was, what sort of discipline or pecuniary measure the employer had to take against the employee, when it was a 3-month contract? So the short engagement at that time, the office that took the view that, "do not engage these people again", or absorb the risk. Ideally, it would be said, "no, no, no, you go for them" but the cost of trying to recover \$250 from a person who basically make \$250 in the whole exercise would outweigh the cost of eventually winning the case and getting the money back.

MR. CHAIRMAN.- There is always an opportunity cost of...

MR M. SANEEM.- Of course.

MR. CHAIRMAN.- I think you have explained that.

MR. M. SANEEM.- The second part, if you could reiterate your second part, please.

HON. A.M. RADRODRO.- The second part to my question was, why can Office of the Supervisor of Elections not engage personnel from the civil servants?

MR. M. SANEEM.-With respect, I believe I did address it but I will address again for you. Why we use 1,050 staff? If we were to use a 1,050 staff; 500 in Suva, 250 in the West and 250 in the North, we will have to bring out of schools to do it. It would not be feasible for any Ministry to release staff for an exercise because voter registration only started in 2012 but it did not stop. It happened until December 2012 so from June to December 2012, these Ministries would have had to function with only probably the top people.

The other aspect of having ordinary Fijians work for the Fijian Elections Office or the Office of the Supervisor of Elections, the beauty of it that time was to create that ownership. It had to look like an event where it was not something that was being delivered for people to use it, it had to look like it was for the people from the people.

HON. A.M. RADRODRO.- And the civil servants?

MR. M. SANEEM.- Honourable Radrodro, if you wish to release 250 civil servants from the West, I would be happy to take you to the West and show you how many people you eventually have in the Civil Service ministries.

MR. CHAIRMAN.- I think that is an issue that we can debate, whether to have civil servants or people from outside. I think the reason why you probably had to get people from outside was the timing of the elections because it was September. In previous elections, it was normally held during school breaks and so school teachers and other civil servants were used, the debate can continue.

MR. M. SANEEM.- Sorry Chair....

MR CHAIRMAN.- It can be viewed differently by different stakeholders, so I think you have answered the question.

MR. M. SANEEM.- If I may Chair, I am sorry I have to ask you, If I may, with your indulgence, I thought the question was about the registration exercise. But if it was for elections, my answer is simple, 15,000 people were engaged by the FEO, you do not have that many, unless you bring all the doctors and nurses out of the hospitals for them to work for us.

MR. CHAIRMAN.- Honourable Members, any other questions from this side? Just one last question supervisor. In terms of funding and management of budgets, what sort of mix do you have, I understand there are quite a bit of donor funds, does it all into one pool and now it is part of Election Office budget or the donor funds are managed outside of the budget provided by the Government.

MR. M. SANEEM.- Thank you Chair. The FEO receives funding from donors and from the Government. We keep the funds separate and the donor funds usually have their own very high requirements as well as the Government funds and their managed through a Trust Account. The Government funds are managed through the Government requirements and they are kept in a separate account. It is called the drawings account?

MR. CHAIRMAN.- It is a drawings account. So, you have a drawings account and you also have a trust fund, so all the donor funds going to the drawing ....

MR. M. SANEEM.- Trust Funds.

Donor funds going to the trust, Government funds are from the drawings account.

MR CHAIRMAN.- Okay

HON. A.M. RADRODRO.- Mr. Chairman, just one last question. I know the improvements that you are making in our office is, but there would be quite some challenges that comes with it. Do you have an internal audit monitoring unit? Whether the Ministry of Finance have done any internal audit to improve the improvements that you are now implementing?

MR. M. SANEEM.- Thank you, honourable Member. The Fijian Elections Office has this year established an Internal Audit and Compliance Unit. We currently have staff on board who have worked for one of the largest companies in the country, from a commercial background and she is handling the Audit Section. We also have a compliance officer, who is a qualified lawyer, and that person is the Compliance Monitoring person in the office, and the Fijian Elections Office has opened doors for audit, and if any institution wants to carry out a snap audit, of course there are operational requirements if someone came on 16<sup>th</sup> September last year to say we want to audit you, probably they have to go court for an injunction. But at anytime, that is operationally not demanding, the Fijian Elections Office has open doors for audit and I do not see any audit body here who would refuse that.

I must thank the task undertaken by the Auditor-General's Office for their audit of last year's elections, and I welcome the findings as well. We look forward to working in the process to ensure that better practices are involved so that this becomes a very smooth running organisation. I personally would say that as people do not like to go to the doctor, we would not prefer as heads of accounting section in the offices to appear before the Public Accounts Committee to respond. That is our view.

MR CHAIRMAN.- Thank you Supervisor. This was a very friendly interaction.

(Laughter)

HON. B. SINGH.- Mr. Chairman, to commend the Supervisor of Elections' achievements and also just to thank him for his presence today and answering the question and queries that our colleagues had. It was well answered, well taken and well documented.

Just one observation, I know that the Fijian Elections Office is currently embarking on some initiatives. Can you elaborate further so that we are aware of what is happening and what are some of the initiatives taken, what is the awareness programme and how is the outreach programme going on.

MR. CHAIRMAN.- I thought the Supervisor did talk about all that at the beginning.

MR. M. SANEEM.- Happy to elaborate more Sir.

MR. CHAIRMAN.- You want to elaborate more? Briefly I think you have covered most of the issues.

MR. M. SANEEM.- As they say that you should never leave an opportunity to market and for the Fijian Elections Office, thank you, honourable Member for that question. It is also very intriguing to see a lot of interest that parliamentarians still have in the office, and this is a huge step from what it was before, from 2000 reduced to 6.

MR. CHAIRMAN.— I thought it is obvious that parliamentarians will have some interest in Elections Office.

(Laughter)

MR. M. SANEEM.- Post-elections, it dies near the elections and it lives up again.

Honourable Member, to answer your question, one of the things that we have agreed upon is to stop the last minutes. The honourable Prime Minister, and even if you as a honourable Members last year, on the eve of 4<sup>th</sup> August when the Elections Office was going to close registrations, we set up about 40 teams to do registrations in the vicinity of Tappoo City, MHCC and Bureau of Statistics building; 40 teams doing registration and at that point in time, I am grateful to Suva City Council and those businesses for just saying, “yes, set it up”. Because tents were being set up behind the creek, on this side of the creek, on that side of the creek everywhere as far as possible, we were trying to facilitate registrations. Some parliamentarians also registered on that day as well from our records. However, we want to stop this last minute rush, Chair, it will not stop, but we want to reduce it and in order to do that, we need to capture people at institutions, we need to capture people at fixed locations before they go and disperse themselves into the work area, or into the country. Schools is the best opportunity for us with the compulsory schooling requirements in Fiji, we are able to capture people who are turning 18 in schools. So far, we have up to 500 a day, which we started from Monday this week, and that has been a very positive figure. If we run it for 30 days, we are supposed to have a good number of registrations on an average and that is the target. We are distributing age-based materials and also safety materials as well, the arm belts that we gave out to the Committee this morning, it is a road safety compliance, so if you put it around you and you go for a walk in the evenings, it would reflect the light and you would be visible to vehicles. We are also giving out book marks which will be useful for students in...

MR CHAIRMAN.- That is why we are asking you less question.

(Laughter)

MR. M. SANEEM.- It was purely intended for marketing, Sir. We are giving out bookmarks, we have got stickers and these are campaigns that we are constantly running to keep the voters engaged.

The Committee will appreciate that this is a voluntary voting system and a voluntary registering system and the only way in such systems work is if we continue to be on the ground, continue to engage, and that is the approach the FEO has been taking since the beginning of this year. The exercise that we are currently undertaking, we are also doing civic awareness together with registration, so if we go to a school, the Ministry of Education has approved us to run a 15 minutes awareness session which the number of students registry is doubled by the number of people who attend the awareness session. So come the next elections, the Fijian

Elections Office awareness mechanisms are already in place and will be able to run awareness at a different scale compared to the amount of awareness we have to do last year. Thank you very much, and I encourage the Committee to please show your support to the registration process and keep the arm bands on especially when you are out for a work and in public. *Vinaka.*

MR CHAIRMAN.- Thank you for Supervisor for that response to honourable Singh, I am sure his much more informed about the awareness programme, now then he probably was before.

Let me also on behalf of the honourable Members, thank you for appearing before us and as I said in my opening remark, a lot of the issues were of the past and obviously you have answered those questions very well. Thank you for producing the written response, we really appreciate that as our record and also record for yourself. As I said at the beginning, this was more to engage and establish a conversation with the Elections Office, and as you said quite rightly I do not see issues in 2013 and I hope we will not have many issues in 2014, and we will continue to engage with the Election Office as we look at reports in the future. So thank you once again, and I wish you well in your work.

**The Committee adjourned at 11.20 a.m.**

## **The Committee resumed at 11.30 am**

### **Interviewee: Fiji Police**

#### In Attendance:

- |    |                      |   |                               |
|----|----------------------|---|-------------------------------|
| 1) | Mr. Sikeli Ligairi   | - | Acting Commissioner of Police |
| 2) | Mr. Krishna Chand    | - | Force Accountant              |
| 3) | Mrs. Unaisi Vuniwaqa | - | Chief Administration Officer  |

MR. CHAIRMAN.- Honourable Members, welcome back.

Thank you all for coming over this morning, just to give you an overview of what we have done, so far as part of the work of the Public Accounts Committee. Last time, we did invite the Commissioner of Police and we are happy that after he appeared, we were able to follow up on a few things. We, as a result of those interactions and appearances of different Government departments, we were able to look at 2007, 2008 and 2009 Auditor General's Reports.

We have produced a Consolidated Report which was presented to Parliament, that report is now being acted upon, and we had the Ministry of Finance here yesterday, they have taken most of the recommendations on board. We have established a very good relationship between the Public Accounts Committee, the Auditor General's Office, Ministry of Finance and our objective is to build that relationship with key Government ministries and departments and especially with those which are involved in a lot of service orientated activities, delivery of those services and Police Force, of course, is very very important and many of us have a lot of interest, as Members of Parliament apart from being Members of this Committee.

This exercise that we are undertaking now is really looking at 2010, 2011, 2012 and 2013 reports and we hope to produce a consolidated report to Parliament. And then we are going to look at 2014, which I think, the Audit is currently underway, some have been completed and we hope to look at those reports.

What I am going to do is ask the Auditor General's Office to give us a brief snap shot of the issues in 2010 right up to 2013, but also give a sense of the findings that you might be looking at now in 2014. Because in the 2007, 2008 and 2009 consolidated report, we identified a number of systemic issues, repeats that continue to take place in every Ministry every year. We made specific recommendation of that and we are hoping that come 2014, 2015 and beyond, we would have addressed some of those systemic issues and arrested the problems that repeat every year.

So, I will give the opportunity first to the Auditor General's Office and then I will ask the Acting Commissioner of Police to make some opening remarks and perhaps respond to, both the Auditor General's and also Ministry Finance, you are free to make any observations specially with respect to the issues within the Police. Then I will ask the Acting Commissioner of Police to respond to both of you.

AUDIT REP.- Thank you honourable Chairman. As we can see from the reports for 2010, 2011 and 2012, as you have said that the systemic issues are still recurring over the 3

years. These control issues are still there especially dealing with reconciliation and the issue of procurements.

Recently, from the current Audit, we have noted that they have tried to tidy up the accounts, especially with the reconciliations and they have done some write off and adjustments to try and tidy up and all those long outstanding accounts that were giving problems to the reconciliations. Other than that, these systemic issues are still recurring, one of the main reason is that the organisation is large one, so they need more capacity into their monitoring to address this. Other than that, audit was focused in the operations of the elections, which is covered in the 2014 report. That is a general opinion.

MR. CHAIRMAN.- Ministry of Finance.

FINANCE REP.- The internal audit from the Ministry of Finance also has conducted audit on the Police Force and have found similar issues as was raised by Auditor General.

Two of the key issues we found, that we would like to raise in this honourable Committee, is that the Force do not have any risk management framework and also they have slow moving stock of around \$162,000, and this we have raised with the Force to prepare a risk management framework and also on how they are dealing with the slow moving stock. Slow moving stock includes some of the warm clothes like jackets and all those stuff. Thank you, Sir.

MR. CHAIRMAN.- Mr. Ligairi, you now have the floor, thank you.

MR. I. LIGAIRI.- Thank you, Sir. The honourable Chairman of the Public Accounts Committee, honourable Members, our colleagues from the Office of the Auditor General and the Ministry of Finance.

Firstly, Sir, I want to state that the Commissioner is unable to attend this meeting because of pre-planned commitments, his away overseas, and that is why we are here this morning.

Secondly, I thank the honourable Chairman for welcoming us this morning, and we are so thankful to be welcomed in this Committee.

Sir, going on to the audit, we have prepared responses for audit queries from 2010 until 2012. We have sent our reports to the Ministry of Finance as was required by them. These were the comments after the Office of the Auditor General sent in their comments in relation to the audit comments. We have already done that and it was sent to the Ministry of Finance last month.

In relation to the comments from the Auditor General's Office regarding reconciliation and procurement. We agree, Sir, we have some limitations in terms of our reconciliation, however, at this point in time, we have improved on the reconciliations and all those that were outstanding had been taken care off. Those issues are included in the one sent to the Ministry of Finance.

Our reconciliation was hampered by a limitation that we had before in our internal audit unit which was removed, but right now we are going back to restoring and re-establishing our internal audit unit, so, that it does all this work of reconciliation. We agree with the comments about our procurement. Yes, during that period we had some limitations in our procurement, but all those had been addressed, as I speak this morning.

Our monitoring has been improved now, after we have filled some positions in the Accounts Office. Before there were less staff and now we have advertised and filled those positions because of the importance of those duties. Now, as we speak this morning, we have two positions that have yet to be advertised so that we have a fully-fledged accounts section

The comment by the Ministry of Finance in terms of our risk management framework, I wanted to say yes, at this point in time, we do not have any, as pointed out but we will go back because of the comment this morning and we will work on a framework. For the slow moving stock that we have, the stock that we have right now, we are starting to issue them out and because we have changed our uniform policy, we are going to accommodate some of those stock that are there in our stores as mentioned by the Ministry of Finance, so now things are going to go to the divisions for the utilisation by our members. Sir, that is primarily in brief our response to the comments that have been raised this morning. Thank you.

MR. CHAIRMAN.- Thank you, Acting Commissioner. You will understand why Public Accounts Committee would be very much interested in the work of the Police Force and especially wanting to understand and know that the Police Force should ideally have no audit issues because this Committee will probably rely on institutions like yourself and indeed the Police Department to help this Committee pursue organisations and people who might be bordering on corruption and fraud and obviously as I said, we work very closely with FICAC, Auditor-General's Office and I think the Police is very important in pursuing some of the issues that the Auditor-General has identified. The last one that we asked specifically the Commissioner of Police was the Lotus Garments and the Commissioner of Police did respond to us to say that the investigations had started and while not getting into the details, you may want to tell us if there is any progress or attempt to bring closure to that particular issue.

MR. I. LIGAIRI.- Thank you Sir, as I speak, we have a team that was already formed and they are investigating, the investigation is progressing very well. They have uplifted a total of 175 vouchers from the Accounts Office that was done as part of this investigation. Those vouchers were uplifted in the year 2011/2012 and it is still with the investigation unit. As I speak, Sir, yes the investigation is ongoing.

MR. CHAIRMAN.- Thank you, Acting Commissioner. I will now invite honourable Members to ask some specific questions and then we will take it off from there.

HON. A.M. RADRODRO.- I just want to thank the Police Force for the brief explanation and the advice on the improvements that they are making. On the establishment of the Internal Audit, do you seek the advice of the Ministry of Finance's Internal Audit Unit or is it just an initiative that is wholly handled by the Fiji Police Force?

MR. I. LIGAIRI.- Yes, we do that. We ask them for their advice in terms of the audit. There was a unit that was established in the past, that we are trying to re-establish at this point

in time. So, yes, we ask for advice from the Ministry of Finance Internal Audit Unit and they will work closely with our internal audit team.

HON. A.M. RADRODRO.- Sir, just further to that, whilst the Internal Audit was no longer in existence at the time, Ministry of Finance did you do any internal audit at the Fiji Police Force?

FINANCE REP.- Yes, we confirm that the Ministry of Finance Internal Audit conducts annual audit on the Fiji Police Force.

HON. A.M. RADRODRO.- Mr. Chairman, in addition to that, the accounting cadre in your organisation, we have been notified that there is a process of upskilling of accounting cadres. Can you confirm how many of the accounting cadre in your department have also been involved in the scholarship programme by the Ministry of Finance?

MR. K. CHAND.- Thank you, Sir. At the moment one of our accountant is doing an MBA at FNU, one doing Degree at FNU and USP and some other clerical officers are also pursuing further education and part-time courses at FNU and USP. At the moment we have about nine of them.

MR. CHAIRMAN.- I was just wondering, we had similar issues yesterday where ministries were saying that they are training people for accounting work purposes. I am just wondering, it seem to be a lot of fresh accounting graduates coming out of universities and tertiary institutions. You could actually hire people with Degrees at the clerical level to begin with, so you may not need that kind of training, but I just thought that, a lot of the ministries are saying, but that is understandable because people are already there, and it is good idea to upskill and train them.

HON. B. SINGH.- Thank you, Acting Commissioner for your opening remarks. It is well taken that the Force is embarking on the reforms and hope that in the next audit, we do not find any issues from your office.

Just a follow-up question from the honourable Radrodro, MBA, anyone would like to pursue further their career, but MBA does not really relate to accounting, it is more of Management and Administration. We would be more interested in how you are upskilling and strengthen your accounting units.

I will now go direct to the question on hand, this is relating to the 2011 and 2012 audits. I would just to get an opinion on the reconciliation that is being embarked by the unit, how far the reconciliation and what is the current trend of the reconciliation?

AUDIT REP.- Mr. Chairman, like I had mentioned earlier on, we are trying to rectify the reconciliations. Part of the problem that we faced with reconciliations was trying to reconcile dormant accounts in 2014, they have done a lot of adjustments and requested for write-off through the Ministry of Finance to clear off these accounts that were problematic. That is the step that they have taken.

HON. B. SINGH.- From the office of the Commissioner of Police, can you give us the figure that is being asked for write-off and how many years back is this figure?

MR. I. LIGAIRI.- Actually the write-offs were done by the Ministry of Finance and probably they would be the best agency to answer that question. Our work is to provide to the Ministry of Finance and the Ministry of Finance does that work.

MR. CHAIRMAN.- MoF, do you want to respond to that? The processes and probably the amounts that might be involved, that is what honourable Singh wants to know.

MR. I. LIGAIRI.- Is it related to 2013?

HON. B. SINGH.- From the previous years, before and all prior to 2013?

MR. I. LIGAIRI.- Yes, some departments they do take the write-off but we need to confirm through the section if write-offs for the Police Force has been taken for those years.

HON. B. SINGH.- We would ask if a detailed report could be presented for those years.

MR. I. LIGAIRI.- Sir, we can go back and do that.

HON. B. SINGH.- The second issue is on the advance, as long as the officers are being given the advance and retirement, I think one of the weaknesses that the Force is facing and by virtue, you should be retiring in seven days of the officers returning to the office and it seems that it could be one of write-offs. Accommodated write-off would have been because of this and what is the current status and how far the policies and procedures of the Commission have gone?

MRS. U. VUNIWAQA.- Thank you, honourable Chair and honourable Members, in terms of the advances that are given to the officers and due to the nature of the work of the police officers, we often find it difficult in terms of retirement of advances that are given to the officers, however, we have been conducting recovery of these advances that are not retired on time, and that has prompted police officers to be aware of the procedures that we have and to make sure that these are acquitted on time for our records with the Accounts office. That has been taken care of and I would like to assure the Committee that it is not one of those included in the amount that is submitted for reconciliation for write-off.

HON. B. SINGH.- Further to that, thank you, that is why I am trying to make up this issue is as being an enforcement agency, you are the ones who should be wholly responsible, I mean you can enforce to the others. The second part is that, by all means, doing recruitments, recruiting of constables and officers. This has been regularly highlighted and the recurring in the Auditor-General's Report on the procedures and processes that are not followed. We know that the Commissioner has been vested with certain powers under Section 21, if I am not wrong but we cannot compromise the procurement, processes and procedures where proper vettings have not been done and how is the recruitment processes now, can you elaborate on that further, if that has been undertaken, the benchmark that you are using and also the certain procedures that you followed before you even process.

MR. I. LIGAIRI.- Honourable Chair, can I just clarify, is it in terms of the recruitment of officers?

HON. B. SINGH.- Yes, we admit that there were recruitments done during that period. It was done because we had established some units within and the response from the Minister then was to source from within so there were new establishments without positions for those establishments and we had done recruitment to cover up for those. However, in terms of our policy on recruitment, we do have a policy on recruitment and that is adhered to at this point in time. Yes, we admit that we have been recruiting people at that point in time to cover up because of the internal movements of people when they were transferred to some of the units that were established for particular purposes or specific purposes so that was why we have done that or the organisation did that for those tasks.

HON. A.M. RADRODRO.- Sir, can I just add on to the honourable Singh's questions. While you are doing the recruitment as and when basis. What particular regulations were you following?

MR. I. LIGAIRI.- Thank you, Sir, we have the decree at that time and the decree allows the Commissioner and the powers to recruit hire and fire. We are also using the Police Act and we have internal policy, the standing orders, Sir.

HON. B. SINGH.- Mr. Chairman, just allow me, if you can, I have got few questions; just on the unsettled arrears upon resignation, people who resign or abscond; how far the enforcement officer, are you taking it seriously or just the leftist, after they have absconded the work? I am putting this to you because we are covering processes, how far have you gone through the recovery process on that?

MRS. U. VUNIWAQA.- Yes, thank you, honourable Chair and honourable Member; what we have developed at this point in time is we have developed a framework on timelines in which we need to address those that have submitted their resignation so that it can speed up the process according to what is required in terms of timeline for an approval to be made. So we have developed and we are hoping that it will address one of the problems that have recurred in the past years that we have looked at and hopefully into the future, that will be the improvement area that we have now put in place to address the problem and in terms of recovery, we are pursuing that in terms of recovery of some of these over-payment that we have recorded in the past, one is through the job-evaluation exercise that is currently on-going we have managed to put in place some of the repayment at this stage and also in other areas that we have identified in which we can recover but it is still an on-going process at this point in time.

HON. B. SINGH.- "... for the overpayment of those who have retired", I would say that you could have used that money after the job evaluation and there was a back-pay and you could have utilised the back-pay to recover that – for those officers who have retired.

MRS. U. VUNIWAQA.- That is exactly what we had done in the job evaluation exercise for those who have retired as well.

MR. CHAIRMAN.- Just on that job evaluation and the arrears, I remember raising that in Parliament and if some of it was paid, has it been paid, have all the officers received their dues? What is happening there in terms of budget and payment of salaries?

MR. I. LIGAIRI.- Thank you, Sir, we have actually paid out the first phase of payment which was in April and after that payment, we discovered some limitations that there were some people who were underpaid or shortpaid so we had resubmitted the list to the honourable Minister for consideration and that is why we have embarked on a certain phase and it is currently in progress as I speak this morning; thank you, Sir.

MR. CHAIRMAN.- So they are likely to be paid soon – those who have paid less?

MR. I. LIGAIRI.- Yes, Sir, very soon for those who have been short paid during that time.

MR. CHAIRMAN.- Where was the problem, was it emanating out of miscalculation or poor records in the salaries section of the Recruitment Office?

MR. I. LIGAIRI.- Yes, Sir. I cannot be specific, but yes, it was from those areas you indicated – some of the calculations as well as our records because they needed source documents to be able to do their verification exercise.

HON. B. SINGH.- I will take you to the 2011 Audit Report – Table 19.13. This is regarding Deluxe Footwear – purchase being done at Deluxe. Just looking at the purchase pattern, a layman would think that there is split of LPOs was used. Being an enforcement agency, if that was the process, a systematic way being used to be purchased, I would say it is totally inappropriate. Can you tell us what is the current status and why was this being done – I would presume that it is a split of LPOs.

MR. I. LIGAIRI.- Honourable Members, at this point in time, it is under investigation, all these vouchers have been taken and please if you can allow us to come back to the august Committee with answers because all these are part of an investigation.

MR. CHAIRMAN.- So the Deluxe Footwear issue is also under investigation?

MR. I. LIGAIRI.- Yes, Sir.

HON. B. SINGH.- I will deliberate more on that then.

HON. S. PATEL.- Just a follow-up from your question. What has been noted that even in our past reports that there are only two companies that the Police Force uses a lot and that is Lotus Garments and Deluxe Footwear. Are these the only two companies available to quote in this country or are there other companies because we see a lot of repetition. In all audits we see that the names of these two companies keeps repeating. Even when we did our 2008 and 2009 reports, it was Lotus Garments and then Deluxe and then they were called for investigation, but now when we are looking at 2010., 2011 and 2012, again Deluxe and Lotus Garments comes up again, and considering that they were under investigation also. So, I just need to know that are they the only two tenderers? Not only that, we see that no LPOs were issued in some cases and then still purchases were being done. Why has that not being stopped and has it stopped from now?

MR. CHAIRMAN.- Very good question.

MR. I. LIGAIRI.- Mr. Chairman, I would like to state that it is under investigation at this point in time, but they are not the only tenderers. They tender and we usually go through the Tender Board.

MR. CHAIRMAN.- Acting Commissioner, are they still getting jobs from the Police Force now? That is the question that honourable Patel wants to know.

MR. I. LIGAIRI.- Yes, I was coming to that.

Lastly as I speak, we are no longer contracting these suppliers.

HON. A.M. RADRODRO.- Sir, just a matter of interest, I see that this issue of procurement of equipments is very prevalent in the four years reports. In the 2012 report, even though you have changed the supplier, but there are still issues regarding the engagement of suppliers. Sir, 19.16 says that there is “no contract contrary to Procurement Regulations.” Is the Force aware that it is against the Financial Regulations but it continues to engage in this procurement exercise? Who is authorising all these procurement to go ahead, despite the directives?

MR. I. LIGAIRI.- Thank you, Sir. The authority for contracting a vendor is from the Tender Board. They are the ones who gives us the go ahead to engage with a particular supplier. That is where we get our authority from.

HON. A.M. RADRODRO.- Just further to that, in 19.16 – 2012, the Tender Board has advised that proper contracts be put in place. Despite that advice from the Tender Board, the Police continued to go ahead with the purchase.

MRS. U. VUNIWAQA.- Thank you, honourable Member. I will just add onto the response by the Acting Commissioner. One of the corrective measures that we have put in place now is we have established our Procurement Unit. This in itself will be able to alleviate our situation now and into the future, but in terms of some of the past practices that have been recorded, in terms of the contract, I think we will not be able to divulge more on that because it is part of the investigation, particularly on the vendors that are currently in the audit that we have dealt with up until now.

HON. A.M. RADRODDRO.- Thank you for the advice on the improvement that you are making. Just a question on whether you have explored other options as according to the investigations that you are conducting, whether the Department has explored other options like consulting with FICAC because you will know the discomfort in trying to investigate your own self in the process of trying to address these issues?

MR. I. LIGAIRI.- Sir, at this point in time, we are handling it internally and we know that we have the know-how and the ability to do that. But it will not stop us, it is a good suggestion that has been raised this morning, we will go back and consider that.

MR. CHAIRMAN.- Thank you, Acting Commissioner.

HON. B. SINGH.- Just a follow-up from honourable Radrodro's question. Looking and having the benefit of the doubt to yourself, looking at the footwear industry purchase for 2012 - \$1.6 million. If I look back at your staff establishment, at closing of Pay 26, you have an establishment of 2,641, also giving you another 115 wage earners and also giving you another 200 constables. A person would incur \$548 per person. Can you further tell us how this amount, I mean \$1,620,870 is the total amount being accounted for and you have an establishment of 2,641 at pay number 26. This is established staff and giving you the benefit of doubt, another 200 unestablished and constables. If you divide that \$1,620,870 by 2,956, it works out to \$548 per personnel, per footwear. Do you think it is economical?

MR CHAIRMAN.- I guess Acting Commissioner, what honourable Singh is saying that, on average, if you look at the expenditure for a year, it amounts to that one police officer would have a footwear worth \$500 per year and his question is whether you think it is an exorbitant amount.

MR.I. LIGAIRI.- Sir, in terms of our establishment. I think we are more than that. It is about 4,000 people. Yes, I understand where the honourable Member is coming from. It does not include the special constables, so that is why he is coming with 2,000 plus. Those are regular officers at that point in time but we also have special constables, their numbers are up to 1500, that is our ceiling.

MR CHAIRMAN.- So that will reduce it to \$250 and something, if you saying you know total of 4000 or a little bit more than that.

MR.I. LIGAIRI.- And at the same time Sir, we have different uniforms. We have uniforms for our normal duties and the footwear too. When you talk about a uniform, you have boots, shoes, sandals, these are things that we cater for. So thank you Sir, I think the honourable member is nodding so that is why we need expenses for our officers.

MR CHAIRMAN.- So in average, I think what the Acting Commissioner is saying that they do not have only one pair of shoes, they probably have more than one.

HON.S. PATEL.- For the PAC committee, can we be provided on average, a police officer, what is the cost like per annum on uniform, shoes so we will be better informed of the requirements. We are looking at figures, so we may be wrong. Like now you have explained that different shoes, sandals and boots, so on average, if you can explain what a police officer requires as a uniform and footwear, we will have a better understanding that way.

Mr. Chairman, with your permission, I had asked this to the Supervisor of Elections. We are trying to improve the whole system and make sure that the next year reports are much better. Who will take responsibility of all the purchasing, orders, procurements and everything as far as now, handing out of contracts. Next year when we do come up with any findings, like what we are trying to embark into and what the PAC is trying to do is, someone to actually take responsibility. Because we have done for the years passed now, what is happening this year and the previous years, what we want to know is for someone to take responsibility. Someone who signs the order in the end, like the Permanent Secretary or in your case whoever comes as Head. We want like a person to say "yes, I sighted the order; yes I approved it and I am aware of it." It is not like pushing it to someone else and someone else pushing it to another

department. Would that be available and be told to us that “yes” there will be someone responsible next time when we call the department?

MR.I. LIGAIRI.- Yes, we have that system in place now. For LPOs we have levels, so we have the Commissioner of Police, the Deputy Commissioner of Police, Assistant Commissioners, our Director Corporate Services and the Force Accountants. So these are levels that we have put in place where the approvals will come from and the preparation of signing LPOs. Thank you Sir.

HON. A.D. O’CONNOR.- Thank you honourable Chair. Just reading through the various reports from the Auditor General’s office, there is an alarming amount of vehicles that have been garaged or pooled, quite interesting is your pool in Nasova but I guess the same would transpire in the other divisions. What I would like to see is the age of these vehicles that we have here in the reports, where you got the vehicle registration, the date the vehicle were brought to the garage. Could we also include in those reports the year, not so much the year of purchase, but the year of manufacture, it will give us an idea of how old the vehicle is.

My question is, does the Force carry out their own vehicle repairs because I read along the way here, one of the vehicle’s negotiations still in progress with Arun Motors, so does the Force carry out its own vehicles maintenances or do you also tender repairs to an outside source. Thank you.

MR I. LIGAIRI.- Thank you honourable Member. In the organisation, we have two sources of vehicles, one the purchased vehicles, the ones we are buy it out and that is bought for the organisation. The other ones relates to leased vehicles.

For the ones that we purchase outright, we are repairing those vehicles. Actually we have three garages; one in the West, one in the North and one here. So only those vehicles are repaired here in our garage. The leased vehicles, there is a different arrangement, it is with the Ministry of Finance.

MR CHAIRMAN.- Can I just follow that up, Acting Commissioner, so what proportion of your vehicles are owned or purchased, what proportion are you having on lease right now? You do not have to give the exact figure. Is it 50,50 or is it 60,40 or...

MR.I. LIGAIRI.- It is 60 leased and 40 bought outright. .

MR CHAIRMAN.- Just a follow up on the leasing because it is fundamental to understanding what is being identified in the audit report. I think what is happening and the Ministry of Finance can correct me on this, the trend is that you going more for leasing. One of the things that I have heard that police is having problems with leased vehicles is when the leased vehicles goes for repair, you do not get a replacement. So you call a police officer, the police officer says “There’s no vehicle”, and you ask him, why you don’t have vehicles, sometimes they say, “the vehicle is in the garage.” While you moving towards that trend of leased vehicles, I think the Ministry of Finance probably has to look at the actual lease contract. What is your view, Acting Commissioner, about leased and purchased vehicle?. Which one would the Force prefer? Maybe I should re-phrase that, not your preference, but which would be more in your view convenient to the Police Force and would serve the purpose?

MR. I. LIGAIRI.- Thank you honourable Chair. Sir can I ask the August House if I can be allowed not to answer that question. Thank you.

MR CHAIRMAN.- Ministry of Finance what is your view about leasing and owning, what do you find, I mean, what is the objective? I mean if the leasing does not serve the objective of the certain department and section, why lease?

FINANCE REP:- Sir, to a degree, leased vehicles are in good condition and normally looked after by the company that is leasing the vehicles to Government. When there is an accident, they repair it themselves and ensure that it is available to the Ministry.

MR. CHAIRMAN.- Have you done any analysis of the costs; purchased versus leased? Is it costing you less, is it more effective, is there value for money?

FINANCE REP.- We can enquire and come back to you on that, Sir.

MR CHAIRMAN.- I thought you would have done that analysis before switching from purchased to lease.

FINANCE REP.- One of the advantages of leased vehicles is the decrease on the allocation on Government maintenance. With leased, Government does not have to pay the insurance access ....

MR. CHAIRMAN.- That is why I am asking, do you have the figures to prove that since you moved to leasing, let us say in the Police Force – 60:40. Why not do an analysis to say, “what would be the budget for having all 100 per cent purchased, cost of repair in proportion to the 40 per cent they have and whether leasing actually saves you money, which includes people, personal everything. Unless you have an analysis to look at, you know sometimes we switch because we think we are going to do better, but we actually end up paying and carrying more than what you might have with the old system.

HON. A.D. O’CONNOR.- I think Mr Chair, from experience, I would imagine that, I think most ministries, not even that, even on commercial ventures, leasing would be more favourable. The fact is that the insurance cover is waived, the Force or the Ministry is not entitled to pay for the insurance. Secondly, with leasing, you have a replacement vehicle almost immediately one is garaged. Like I said it is an alarming amount of vehicle figures that are garaged within the Force pool and this came from the Minister himself in his comment in Parliament last week was the fact that there was a shortage of vehicles to address the rape case. If you are to lease, you get a replacement on that leased vehicle.

MR. CHAIRMAN.- Hon. O’Connor we were told that they actually do not get a replacement vehicle when the leased vehicle goes to the garage or gets damaged. That is what we were told. Is that correct, Acting Commissioner.

HON. A.D O’CONNOR.- I am surprised. Because within the lease agreement, there should be a replacement vehicle immediately.

MR CHAIRMAN.- Ministry of Finance.

FINANCE REP.- Sir, one of the advantages of leased vehicle is the drivers themselves. They are the ones who face this surcharge or for all Government vehicles, when it is involved in an accident, the driver have to bear the whole cost. If it is \$20,000, they will have to pay \$20,000. But for leased vehicles, they will have to pay only the access, the insurance access of the loss.

MR CHAIRMAN.- There is always a morale hazard to this these things, I mean you put a burden on the driver, you save some money, but other things that can happen. I am still not convinced. I think, unless the Ministry of Finance can produce figures over say a period of time to say whether leasing actually addresses the issue of cost, addresses the issues of efficiency, effectiveness, I am not sure. Some ministries leasing might be more appropriate than the others. That is something that the Ministry of Finance may want to undertake, do a small study, because I know that sometimes the process might appear to be cost saving but when it actually comes to the real actual figures on the ground, I mean how the leasing is done, whether there is a market you are creating where the companies who are leasing the vehicles know that they can actually charge you more. All that, I think put together will ultimately determine whether leasing is best or leasing is not good. In some departments it might be good and in some departments it may not be good, depending on the cost and the nature of the work that they do.

FINANCE REP.- Sir, we can request our Vehicle Control Unit to provide you with the analysis that they have done, and to identify the advantages and disadvantages in both leasing and owning vehicles outright. I believe various analysis have been done, it is just that we were not prepared to hand you the information right now.

MR. CHAIRMAN.- We should be provided with those analysis.

HON. S. PATEL.- Mr. Chairman, just looking at the replacement car during repair, I think it is very important especially Police and Health, they have to have vehicles provided because they cannot wait for the vehicles to come back after the repair to do their work. As raised by honourable O'Connor, most of the leased cases, there is a replacement policy. I do not know how the contract was drawn but very important to look into it, and if that can put to attention that a replacement vehicle be given so that the services does not hinder. Otherwise, it defeats the purpose basically.

HON. B. SINGH.- Thank you Chair. I would just ask the Commission how far is the salary reconciliation? Are you on par? I could see that there are some issues in the 2011 and 2012 audits.

MR. K. CHAND.- Mr. Chairman, we have reconciled up to the month of May and submitted to the Ministry of Finance and the Auditor- General's Office, we are in the process of doing June at the moment.

HON. B. SINGH.- So all your reconciliations are on monthly basis and week-ends are being submitted to Ministry of Finance and is current.

MR. K. CHAND.- It is timely and up to-date.

HON. B. SINGH.- Just on the other issue, I would like to raise is on the unrepresented cheques. In 2012, it was alarming - \$2.8 million , is this because of the uneconomical purchases at the end of the year? If you look at Table 19.11 - 2012.

MR. CHAIRMAN.- I think that is a good question and I can also add that we talked about the unrepresented cheques yesterday, total of about \$150 million for the whole department. The reason why we are concerned is because when we have this very high unrepresented cheques at the end of the year, then it puts pressure on the Government's cash flow at the beginning of the next year, first one or two months. The Government then has to issue promissory notes or treasury bills to raise cash and obviously Government has to pay interest on those, so in the end the taxpayers are the losers and this is why I think the Auditor General quite rightly points out the problem of unrepresented cheques. Ultimately, it is a cost to the taxpayers so we are trying to create a situation where we avoid that. So that is why I think honourable Singh is asking that question.

HON. B. SINGH.- Yes, chair because for short term, ways and means is the way to get the funding and is unnecessary burden on the State's financial and cash flow.

MR. K. CHAND.- Thank you, Sir. Actually, this is not the stale cheques. Unrepresented is not a stale cheque due to the systematic errors, that has been taken into account with the whole of Government approach with assistance of the Ministry of Finance and FMIS, we have managed to reconcile and make adjustment for the errors detected. Actually, it is not, directly we can say "stale cheques", it has been some incomplete transaction has been done during the process which we have rectified with Ministry of Finance through the FMIS.

HON. B. SINGH.- I have not mentioned about stale cheques, it just about unrepresented cheques and is that due to the uneconomical purchase at the end of the year.

MR. CHAND.- This is part of the unrepresented cheques, is part of the systematic errors, which has been incomplete in the FMIS. That is normally has come up, so the whole of Government approach has been taken to reconcile these errors, to see whether a cheque has been unrepresented or not; or gone to the system or not. So, they were systematic errors.

MR. CHAIRMAN.- I have a question for Ministry of Finance. Your system is as good as it generates reports, how is the FMIS, is it able to generate all kinds of reports so that you are able to check on these things?

FINANCE REP.- Yes, Sir. The FMIS can generate reports that outlines all cheques that have not been presented and so is the Ministry concerned, they do have access to generate all those reports and inform their Heads.

MR. CHAIRMAN.- Thank you.

HON. B. SINGH.- Yes, just on Table 1 - 19.17 – Statutory Trust Fund Account. If you could look at Employee FNPF, these are the FNPF's that has been deducted from employees, are to be paid to statutory bodies, and is been held back and I think the officers are being deprived of economic leverage or benefit because of late submission of FNPF to the statutory bodies and also you might have incurred unnecessary expenditure because of late payment. Can the Commissioner advise what is current status?

MR. K. CHAND.- Thank you, Sir. We have reconciled our FNPF and the dues has been paid to the Board. The ones which are unidentified is \$5,690.72, we have internally put a publication on the Force Routine Orders to enable us to identify these officers. If we still do not identify them, then we will put in the newspapers to identified these people so that they members accounts is being credited to. So, we have a system and process to identify these payments. As far as the FNPF reconciliation is concern, we have worked with FNPF Desk Officers and they are quite satisfied with the dues paid to them.

HON. B. SINGH.- Yes, once you deduct FNPF from a salary, you should be aware that which persons should be credited, would you be able to identify the \$5,600 and the officers who are eligible for any benefit or economic leverage through FNPF interests, are being deprived of that economic benefit. That is why I am trying to bring up because holding back this type of payment is also putting some force on the FNPF cash flow, anticipated by FNPF that this much money would be coming from all these Government departments or agencies and holding back any of the these statutory payments would also have difficulty in the cash flow of the other organisation. So, that is why I am trying to bring up this issue if this could have this addressed.

MR. CHAIRMAN.- Thank you, honourable Singh. I think it is a very good issue and we have the Acting Commissioner identified this across different Ministries so it just not the Police Force. There has been reconciliation problems with respect to VAT and FNPF and this is like for every ministry. What we are hoping that with the FMIS and the effort by different Ministries, this would resolved, and so it is an important issue that the Public Accounts Committee has been raising with every ministry and department. Can I just ask the Ministry of Finance, is the FMIS going to resolve this VAT and FNPF reconciliation problems? What is happening in 2014 and what do you expect?

FINANCE REP.- Please, Sir, I allow me to just respond on the unrepresented cheques as being raised by the Police Force Accountant. As claimed by the Police Force Accountant that the result of the unrepresented cheques might be the system error, and I think that will be a great concern to the Ministry of Finance, and also Internal Audit and also to the august Committee, if cheques has been presented in error and that can be a red flag if it is happening with the Police Department. With VAT reconciliation and FNPF reconciliation, Accounting Heads and the Force Accountant is well aware of this, there has been continuously advise by the Chief Accountant to update their reconciliations with VAT and FNPF.

MR. CHAIRMAN.- Thank you, Ministry of Finance. You better check that system error. I think that is a valid point, it could be a bit of a red flag there as well, to check why the errors are taking place.

FINANCE REP.- Sir, just to highlight, this error is very unusual, we have not write-off such things to be coming from....

MR. CHAIRMAN.- What I suggest, Krishna is for you to deal with the Ministry of Finance and see where the issues are, so that you can resolve that as quickly as possible before there are audit issues.

HON. B. SINGH.- Mr. Chairman, just a last comment for the Acting Commissioner and just to add to the investigation. I know investigation is tracing back the foot prints and as you are aware, I was in FICAC and we have done the magnitude of the case that we done was huge, tracing back the documents, we have got a bulk of documents, we have gone through about 18 , 20 to 50 cartons depending on the voluminous, but what is your timeline for this investigation that you embarking on.

MR. I. LIGAIRI.- Thank you, Sir. Because of the magnitude we cannot come with the timeline at this point in time. Probably, we will go back because it is in investigation and very difficult, unlike other tasks we can have timeline but for investigation, when there are a new leads, we cannot come with an exact timeline for that, thank you, Sir.

HON. B. SINGH.- I know, voluminous is there but then you also at the legal consequences, five or six years and more than seven years the documents in the private commercial sectors are being discarded and if we have to retrieve the documents, you will not be able to retrieve so there should be some urgency put to this. .

MR. I. LIGAIRI.- Thank you, Sir, we will surely do that with urgency.

HON. A.M. RADRODRO.- Mr. Chairman, on the issues raised in 2011, “19.17 Diversion of Funds”; the audit report says that a significant sum of money has been allocated to some sections but they were not spent according to what it was intended for and the Force has commented that appropriate disciplinary action be taken against the officer; can you just advise us on the status of these comments whether disciplinary action was taken or not?

MR. I. LIGAIRI.- Honourable Member, thank you, to be honest with you, there were no action taken against those who were identified, as I speak, thank you.

HON. A.M. RADRODRO.- On a second similar situation on 9.19, “the failure to obtain competitive quotations”, why were there no competitive quotations obtained and what situations does this allow the Force to conduct this exercise?

MR. I. LIGAIRI.- Thank you, Sir, in that year, yes, and in that particular instance, there were no competitive quotes received. We did not really ask for quotes from the suppliers, however, at this point in time the corrective action we are following, is the requirement of having three quotations in every purchase that we make.

HON. A.M. RADRODRO.- Just a follow-up question on that again, the Force Accountant was supposed to take appropriate disciplinary action for the non-provision of competitive quotations; was this process or exercise undertaken?

MR. I. LIGAIRI.- Thank you, Sir, for the information of the Committee, we were not there at that point in time on these things but as far as we know, there were no actions taken.

MR. CHAIRMAN.- Thank you, Commissioner, for that response. You may want to pursue that but thank you once again for coming over. I think we have had a very good interaction and we look forward to be in conversation with the Police Force as and when it is necessary. Hopefully, when we look at the 2014 Report and with all the improvements that you have highlighted, I would like to emphasise what the Ministry of Finance said with respect to your Force developing a risk-management plan, because I think it is very important for you

to do that and work closely with the Ministry of Finance to see how you can put that in place as soon as you can because I think that would be helpful to the Police, but thank you once again and I wish you well in your role as Acting Commissioner of Police now.

**The Committee adjourned at 12.45 p.m.**

**VERBATIM REPORT OF INTERVIEW CONDUCTED BY THE PUBLIC ACCOUNTS COMMITTEE ON THURSDAY, 16<sup>TH</sup> JULY, 2015 IN THE COMMITTEE ROOM, WEST WING, GOVERNMENT BUILDINGS AT 11:00 A.M.**

**Interviewee: Office of the Prime Minister**

In Attendance

1. Mrs. Peniana Lalabalavu - DS Policy
  2. Ms. Susan Kiran - Secretary to Cabinet
  3. Mr. Moape Rokosuka - Actg. Director, Corporate Services
  4. Mrs. Asena Raiwalui - Actg. DS OPM
  5. Ms. Salote - Accounts Officer
- 

MR. CHAIRMAN.- Honourable Members, let me, on your behalf, welcome the staff from the Prime Minister's Office. Thank you very much for appearing before us this morning.

Before we get honourable Members to ask you some questions, let me just lay down the work of the Public Accounts Committee so far, so you have a sense of what we are trying to establish, by having key ministries and departments who appear before us, so that we can clarify, and have a sense of what is going on, how you are seeing things from what had happened in the past so that we can reflect those in the Report that we will do for Parliament. The idea is that, the report must reflect, not only what happened in the past, but also what might be happening at the current time and your plans for the future.

As you know, we have already submitted to Parliament a Consolidated Report for 2007, 2008, 2009. What we are doing now is looking at 2010, 2011, 2012 and 2013 altogether and especially 2010, 2011 and 2012 where we find that there are closure issues that need a bit more clarification. There are things in 2013 but I think we can discern what might have happened there from the answers that you give for those other years.

We understand that some of the things that may have happened in previous years, some of you may not be directly responsible and be involved, nonetheless I am sure you have done your homework in terms of looking at the Auditor-General's Report and identifying for yourselves and for the Office of the Prime Minister things that you might want to change and improve on.

Last time when we had the Prime Minister's Office, we were very pleased with some of the changes that we had were being done to adopt proper evaluation, monitoring and oversight of issues that emanate from the Prime Minister's Office, a very important office for the country, so what we want to do today is get a sense from the Auditor-General's Office first as to the issues, not only in the past but what are they discerning from the work already in 2014, to give us a sense of the trend and then I will ask the Ministry of Finance to make a quick response, and then I will ask you to make your opening statement and also respond to the Auditor-General and the Ministry of Finance and then we will open up to the honourable Members for specific questions, is that fine?

FINANCE REP.- Yes, thank you, Mr. Chairman.

AUDIT REP.- Honourable Chair, for the audit of the Office of the Prime Minister, from 2010 to 2012, from 2011 we qualified the accounts of the Office of the Prime Minister, basically based on the issue of grants, the reconciliations of the main trust grants and on the revenue.

Those are the main issues that led to the qualification of the accounts. In 2011, both qualifications were based on the arrears noted in the Taiwan Grant and the Chinese Grant. Other than that, issues in the three years seem to be recurring over the three years mainly on the reconciliations of the drawings, underlying accounts and the main Trust Account.

The other problem also that we saw there was having an agreement for the grant that we provided to those that had received grants from the Office of the Prime Minister.

The other major issue raised in there from 2010 is the engagement of the consultant without tender, thank you, Mr. Chair.

MR. CHAIRMAN.- Thank you, Auditor-General's Office.

Ministry of Finance, can you comment on those issues and your role in terms of oversight in dealing with the Prime Minister's Office to address those issues?

FINANCE REP.- Thank you, honourable Chair, in regards to the Prime Minister's Office, Sir, the reconciliation is now updated, the unrepresented cheques have been increased from \$25 million to \$89 million in 2014. The Ministry has also received some of their write-off requests and we have a list with us here today, Sir.

MR. CHAIRMAN.- Can you just clarify what those requests for write-offs are for - write off for what?

FINANCE REP.- These are for variance, Sir, from allocations in reconciliations and we have planned to audit the Prime Minister's Office, Sir, in the third quarter of 2015.

MR. CHAIRMAN.- So that is 2015?

FINANCE REP.- Yes, Sir.

MR. CHAIRMAN.- What about 2014?

FINANCE REP.- No, we did not audit the Prime Minister's Office, Sir.

MR. CHAIRMAN.- In 2014, you did not?

FINANCE REP.- Yes.

MR. CHAIRMAN.- But the Auditor-General's Office did?

FINANCE REP.- Yes. That is all from us, Sir, thank you so much.

MR. CHAIRMAN.- Ms. Peniana, can I invite you now; thank you?

MRS. P. LALABALAVU.- Thank you, honourable Chair, and good morning to honourable Members of the Committee. I would like to really just overview briefly our background of performance of the Office of the Prime Minister from 2010 up to 2012. Before I proceed further, Sir, I wish to convey the apologies of the Permanent Secretary who has accompanied the Prime Minister on his State visit to China.

At the outset, as the Committee is well-aware that the past eight years were challenging years for Government in getting the government machinery rolling 24/7. Apart from the key functions of the Office of the Prime Minister, from 2010, there were a whole lot of government initiatives which the Office of the Prime Minister had to oversight which included the monitoring and evaluation of the Roadmap for Democracy, Social and Sustainable Economic Development (RDSSED) which is the strategic development framework that had been handed down by Government to ministries and departments. This required the Office of the Prime Minister's staff, in particular the Strategic Framework for Change monitoring staff to assist the ministries and departments in the translation of these into their SAPs at the same time, they were also devising the monitoring mechanism which had established the platforms for monitoring of Government performance.

The OPM had also been extensively involved in the awareness process, programmes of the Peoples' Charter for Change, Peace and Progress at all levels of society with an aim of facilitating a thoroughly informed and knowledgeable society of Government's initiatives, processes and systems.

The establishment of the Strategic Framework for Change co-ordinating office has a new division within the OPM now known as the Implementing Co-ordinating Office had put a totally new dimension in to the Operations of the Office of the Prime Minister because it was tasked with a vigilant role of monitoring the whole of government performance by way of looking at government outputs, outcomes and even the case strategies and activities that were being undertaken by ministries and departments. In fact, this was the first time ever that the whole of government performance was being monitored and evaluated by Government over the last decades.

With the establishment of these initiatives, the structures and systems of the operations of the OPM had also shifted as we tried to develop capacity quickly to be able to undertake the new work that was being introduced specifically given that the required skills and competencies were unavailable at that point in time, therefore we were multi-tasking and maximising allocated resources as much as we can within the given budget. With these few changes taking place, we continuously made an effort to improve our internal processes to ensure compliance in the stipulated procedures, and at the same time, trying to continuously deliver our services effectively. I just wish to highlight some of the major initiatives implemented which I know have also been highlighted, maybe some of them.

In terms of raising awareness within the Ministry on financial compliance, there were in-house refresher courses that were undertaken vigorously by the Ministry. This was really emphasised from the senior most office, from the Permanent Secretary for all staff to have a more understanding and be informed of the accounting requirements in terms of their actions

and policies. Consistently, review our finance manual to ensure alignment to the changes being brought about by the Ministry of Finance as well as our processes that we were moving on with.

Each OPM staff were also issued a copy of the OPM finance manual. In terms of inclusiveness where the office had moved on an inclusive culture from the top most right down to the junior most within the organisation. There was establishment of internal committees at all levels to address critical issues and this was emphasised in budget focus, HOD forums. We had forums with the Deputy Secretaries as well as disciplinary forums for committees and our service actions systems.

Financial statements and critical emerging issues were presented to HODs on monthly basis for management information and decisions. Management also attended the Fiji Institute of Accounts Forum and other major accounting and financial forums.

Ongoing process improvements: We continue to do this.

Annual review of our standing operating procedures: we vigorously pursue the quarterly performance assessment, at the individual level, at the unit level, as well as at the organisation level and this had been complimented well by the monitoring of the whole of Government that was undertaken by our strategic framework for change. We had a learning development plan and its implementation to address training needs within the organisation for personal development as well as meeting organisational skills and competence.

There is development of MOU for small grant projects with contractors, monthly preparation of vehicle returns, quarterly monitoring of budget for capital projects and the Chinese technical grant be approved first by Cabinet.

The major drawbacks for our implementation: one is the migration from manual to automated system and where we had to develop as I said earlier, we were trying to develop, quick development of our staff capacity to manage the new system that was being brought in.

One factor that contributed to the recurring of some of these issues, was the transformation period from the manual to automation of the Government accounting system. The migration of data from manual to the FMIS system supported by the staff capacity and the accounting cadre, managing the accounts of Government, was a challenge for management.

We also wish to highlight that the Accounts Office of the Prime Minister's Office also facilitated accounting functions for the Office of the Supervisor of Election, the President's Office, the Office of Accountability and Transparency and the Fiji Roads Authority.

Staff Capacity was quite a challenge during that time in terms of managing the accounts of all these other officers. Most staff are accustomed to manual processes and the FMIS system, the complexity of FMIS system took a lot of time that it sunk-in and for it to flow smoothly within the Accounting Division.

The second most constraint was the insufficient budget appropriation. This was another major factor in terms of meeting our operational costs. Management will have to resort to the

limited resources to meet the operation and in most cases, always fall back on savings identified to meet procurements and payments.

In some instances, requirements of processing guidelines were not adhered to especially on cases where urgent requests have to be facilitated.

With the Prime Minister handling more than one portfolio in most cases, all of his commitment irrespective of which ministry he officiates in, all costs are borne by the Office of the Prime Minister.

In responses to the identified queries by the Office of the Auditor-General , in terms of the FENC Fiji Absence Grant, this was an initiative of Government to assist the poor of the poorest families of Fiji with their children's education.

We admit that there was no grant agreement done when it was initially implemented but our Office has put in place a mechanism of getting quarterly updated report in terms of utilisation of budget and where Budget has been sufficiently provided for in terms of the poor, and those who have benefitted.

Today, we have put a grant agreement in-place. In terms of the payment to Agility, our Office has acknowledged the recommendation given by the Office of the Auditor-General but as we responded earlier and you may have seen in our written response, the urgency at that time to put this monitoring and evaluation mechanism and process in place was crucial as it had dragged on for almost a year before we finally managed to put a mechanism in place.

We also have an attached matrix in which we have highlighted all the issues that have been given to us which we will give you after our presentation.

In conclusion, Sir, we would like the Committee to note that our Office has over the years treated the Report of the Auditor-General, the recommendations with high importance and respect. We are currently working with the Auditor-General's Office as well as the Ministry of Finance to continue to improve our financial prudence practices.

The team will be happy to respond to any further queries or clarification that the Committee may have; thank you, Sir.

MR. CHAIRMAN.- Thank you, Peniana, for that very good overview and included in that, your response to some of the queries in the Auditor-General's Office, and I am happy that you now have a grant agreement with Friend Fiji which was one of the issues that the Auditor-General queried. You also talked about the Poverty Monitoring Unit, when you were talking about the Monitoring Unit, were you talking about the Poverty Monitoring Unit? Where is the \$300,000 for the Integrated National Poverty Eradication Programme that was allocated? I think the Auditor-General pointed that out.

Auditor-General, what was the specific issue on the Poverty Monitoring Unit?

AUDIT REP.- Honourable Chair, the issue here was in regards to the diversion of funds for other purposes other than intended or budgeted for.

MR. CHAIRMAN.- So the \$300,000 was allocated for Poverty Monitoring Unit but was diverted to something else?

AUDIT REP.- Honourable Chair, the amount there is \$22,000. At the moment that was diverted - \$22,770.

MR. CHAIRMAN.- That was out of the \$300,000, so you are concerned about the \$28,000.

MRS. P. LALABALAVU.- Sir, if you want us to respond, then I will request the Principal Accountant Officer just to clarify that transfer.

MR. M. ROKOSUKA.- Thank you, Chair, in terms of the diversion of funds, as has already been mentioned by our Acting PS, the budget constraint that we have in the Office of the Prime Minister in terms of facilitating procurements and payments for our office and especially for other portfolios that the Prime Minister is responsible for. If I may recall in 2010 to 2012, the Prime Minister held about 4 to 5 portfolios and all of his travelling in terms of locally and overseas were met from our office. As already mentioned, in terms of budget constraint, our work at the Office of the Prime Minister in facilitating the PM's travel is to ensure that we deliver as requested. So, when we have some kind of request coming in, and we look through our budget, we do not have funds for overseas travel, we look through other means within our budget because most of the time, Mr. Chairman, when we request MoF for assistance, most of the time we usually get this response, "You look within; you source from within." That is the most common answer that we get. So, in doing that, we look at the grant for poverty, we see that they have savings, they do not have anything to do with that money, so the best thing for us to do is to facilitate the other purchase that is being listed on the agenda. It was done year end, and it was done in consultation with the Monitoring Unit, they said that they will not utilise the funds, so we proceed with those purchases. I think our main problem is to try to correct that measure in terms of journalising the transaction, to put back money into that allocation. But as I already mentioned, there was no fund in the overseas travel. So, we cannot do that transaction. That was how we managed to proceed with that process.

MR. CHAIRMAN.- Thank you. That is an understandable explanation. We are not concerned about, I think sometimes you do have to divert funds from one to another. But I think it also reflects on budgeting as well. I hope that you have an appropriate now. From what I get, you do not seem to have the appropriate budget and therefore, as you highlighted, you are having difficulties in doing what you are required to do.

That takes me to this other in 2010 where the engagement of one of the companies to implement the Performance Management System, the audit is saying that there was no tender board, no PSC approvals for appointing consultants and no contract agreement. Basically there was no cost benefit analysis carried out. Probably the explanations fall within that ambit as well, so you may want to just explain that a little bit.

MRS. P. LALABALAVU.- Thank you, Mr. Chairman. Yes, as I had alluded in my opening remarks that these were new initiatives, particularly with the monitoring and evaluation. The roadmap was totally a new dimension of work for the Office of the Prime Minister. The fact that the skills and competencies required for that particular work was not really strong in the Office of the Prime Minister, we sort of looked of a mechanism and a system

in place. There were consultations that were being undertaken and this has been thoroughly documented in our written response. We had consulted with the ITC, because this Agility system was referred to us by the Ministry of Finance. As we listened to them, we knew that they were able to do our framework, but for the whole period of 2010, for most part, we were trying to get ITC to work with Agility, we could not. But because we were being pressured to have the monitoring system in place, it went ahead. The time was on our side, we had to put in place that mechanism as we needed to start monitoring Government performance. But we must say that right now, that system is still very much in place. We are finished with that system after the first two years, and we are finding the impact now in terms of what we have been able to gauge at the office as well as the Government in terms of measuring Government performance.

MR. CHAIRMAN.- Thank you, Acting PS.

HON. A.M. RADRODRO.- Thank you very much, Prime Minister's Office officials for the very good explanation and clarity on some of the functions of the office, and some issues that have been highlighted. However, on the FENC Agreement, you mentioned that there is now an agreement in place. In this particular payment, can you advise us what was the outcome of the grant that was given to FENC?

MRS. P. LALABALAVU.- Are you meaning, Sir, the impact or is it the ....

HON. A.M. RADRODRO.- Yes, whether the \$450,000 that you paid out to FENC achieved its intended objective, and that was the reason why you made that payout to FENC.

MRS. P. LALABALAVU.- Yes. It did achieve. In fact, we have a tabulated report which we will provide later, in terms of the utilisation of those funds, and where it went to in terms of the students who have benefited. It has been distributed nationwide to the four (4) divisions, and we have the list of the names of the students as well as a detailed aspect of how it has been distributed in terms of what each recipient have been able to benefit from, in terms of this grant. But we will give the report on that.

HON. A.M. RADRODRO.- Secondly on Agility, this is a company; is it a local company and who are the stakeholders of this company?

MRS. P. LALABALAVU.- No, it is an overseas company. In fact, as I said that it was referred to us by Ministry of Finance. Initially because I think there were also trying to establish a monitoring framework for financial and output performance of Government, but as they came on board at a time when we were looking for a system to put in place, with ITC not being able to meet the bandwidth of the detail of our monitoring, Agility came in. Agility is an Australian consultant firm.

HON. A.M. RADRODRO.- Whilst making the payments, the Office of the Prime Minister should be able to know who the stakeholders of Agility company are. Can you be able advise us on who are the stakeholders of this company, even though you mentioned it that has been referred to you by Ministry of Finance.

MRS. P. LALABALAVU.- Can we provide that in a written response, please, Sir, as we have the record.

MR. CHAIRMAN.- Thank you. A written response would be appropriate. Honourable Radrodro, are you finished with 2010?

HON. A.M. RADRODRO.- Would the Ministry be able to answer the questions from 2011, 2012?

MRS. P. LALABALAVU.- Yes.

MR. CHAIRMAN.- Maybe I will give the floor to honourable Singh then revert back to honourable Radrodro on 2010?

HON. B. SINGH.- 2011 and 2012.

MR. CHAIRMAN.- Just before we go onto 2011 and 2012, you are probably aware already that we asked the Ministry of Finance on Tuesday, 14th July, 2015 with respect to the salaries of Cabinet Ministers in 2010, and we said we want to bring a closure to that issue. The Ministry of Finance said the Prime Minister's Office provided only a letter and that they are not in possession of any of the documents which is what the Auditor-General highlighted.

Auditor-General, you were concerned about this specific documentation. What we have asked the Ministry of Finance to do is to talk to the Prime Minister's Office and bring to the Committee a report by 25<sup>th</sup> July, 2015, so you may not want to comment on this today but you may deal with the Ministry Of Finance. So, I just wanted to raise that as a matter that you may want to help Ministry of Finance resolve those documentation issues with respect to that particular matter. Auditor-General's Office, you want to add anything to that?

HON. A.M. RADRODRO.- Mr. Chairman, you said that they are not going to answer the ....

MR. CHAIRMAN.- What I have said was we have already asked the Ministry of Finance to consult the Prime Minister's Office, get the documentation and provide the report to us. So I just wanted to inform the Prime Minister's Office that that is what we had decided, and I hope they will work with each other and get us that report by 25<sup>th</sup> July.

HON. B. SINGH.- Thank you, Chair. Acting Permanent Secretary, thank you for the submission this morning, a summary of the events, activities and initiatives that Prime Minister's Office is embarking on and would be also taking up in due course. It is good to hear that new initiatives are being embarked on, and with that with this new Financial Management Reform, there will more control and monitoring in place. My question will be on Item 2.9 – 2011 Report – Non Submission of Acquittals by Stakeholders.

MR. CHAIRMAN.- Which stakeholders?

HON. B. SINGH.- people who are being given money.

MR. CHAIRMAN.- Is there a specific example there?

HON. B. SINGH.- No.

MR. M. ROKOSUKA.- It is a project – grants for project.

HON. B. SINGH.- How are you managing it now? I know it is 2011 and we are now in 2015. We do not want to dwell on the past, but still there is laxity on your part that acquittals were not submitted on time. Are you managing that well now, we also would like to know the current status. We know of the past, but then acquittals is a must, because we want to know what happened to the grant, how it was utilised because the grant has an intended purpose. It must be value for money, and we will like to know what happened and how far you have gone with the acquittals.

MRS. A. RAIWALUI.- Honourable Chair, on the acquittals for our projects, we have in place a Memorandum of Agreement with our stakeholders, where it is part of the agreement they are required to provide acquittals at the end of the project. But there are some projects where we do it in phases; at the end of a month phase, they would provide us with acquittals and then we would pay them. So we have that established and we work with our key stakeholders in terms of construction in ensuring those acquittals are submitted on time before we go to a new accounting year. Thank you, Sir.

HON. B. SINGH.- On the second issue is on 2.13 - Monthly Return – Reconciliations; salary reconciliation, FNPF, VAT and Trust Funds.

MR. M. ROKOSUKA.- As already been highlighted by MoF, the variances that been occurring from the past years, we are having problems with that. I think last year they did one exercise in terms of write-off. That write-off managed to clear these variances and reconciliations are now in line, commencing from this year. As I already mentioned in the brief, that the migration of data from the manual to the FMIS, for the Office of the Prime Minister, as I had already mentioned, other offices come under us – Elections Office, Transparency Office, President’s Office and even Public Service Commission is coming under Head 2. So we experienced some problems in terms of the migration of those data into the FMIS. We managed to clear that in 2012, some of the PSC’s accounts were consolidated with our accounts in the FMIS. So we managed to clear that with the assistance of MoF. As of to date, our reconciliations are in order, Sir.

HON. B. SINGH- So, you telling us that for 2015, you are on June reconciliation now?

MR. M. ROKOSUKA- Yes, Sir.

HON. B. SINGH- Thank you. Also for the Revolving Fund Account?

MR. M. ROKOSUKA.- All the accounts, Sir.

HON. B. SINGH.- Can we know what was your write-off amount and how many years back?

MR. P. ROKOSUKA- We may provide that later on in a written response, Sir, on the amount or maybe, the Ministry of Finance and Auditor General may also know the write-off

amount and can highlight that to the Committee. Otherwise, we can come back to the Committee with a written response, Sir.

HON. B. SINGH.-Can we have a response from the OAG.

AUDIT REP.- Thank you, honourable Member. We cannot confirm the total amount of write-off right now.

HON. B. SINGH.- Mr. Chairman, the other issue is the bond held over the quarters. I know that all the quarters used to come under PM's office because PSC was under PM's Office then. The bond held against all those who are on rental premises. How do you account for the bond and which account has it been deposited to?

MR. M. ROKOSUKA- Sir, we will not be able to answer that question because that relates to PSC. They have a separate accounting Unit that manages PSC's accounts but we were under the same Head 2. They have their accounting team that looks after all those. They will be in a best position to answer your question.

MR CHAIRMAN.- The PS, PSC is coming this afternoon, so we can ask him that.

HON. B. SINGH.- Mr. Chairman, just on dishonoured cheques. I have seen that in 2011, there was about \$83,000 something dishonoured cheques. People who owed or it would be a revenue for the State but due to their inability to cash the cheques so the cheques bounced from the banks and came back to the Ministry. That shows the inability of that payee who was not able to pay the Government. What actions have you taken or has these been written off?

MR CHAIRMAN.- You mean to say people who owed money to the Prime Minister's Office or Government, cheques were dishonoured by the bank which means they did not have funds but they wrote cheques.

MR. M. ROKOSUKA.- In terms of cheques not presented, as we all know, six cheques are given to be presented to the bank, so when it is dishonoured...

HON. B. SINGH.- No, it is not dishonoured cheques but stale cheques, like payments made to the Government.

MR. M. ROKOSUKA.- For us at the Office of the Prime Minister, we do not receive any revenue. In terms of what we receipted, these are from people who were given advance and they retire the balance or when staff are given OPR payments, some of them prefer to pay in cash, so those are the kind of revenue that we receive. Apart from that, we do not sell anything, we do not do anything that we will get money in return but otherwise, those are the forms of revenues that we get.

HON. B. SINGH.- OAG, if you refer Tabled 2.5 for 2012, Posting and Miscellaneous Revenue. Dishonoured cheques - \$74,000.

AUDIT REP.- Mr. Chairman, the amount that we have here is also a basis for qualification of the account. They did not provide us with supporting documents for these adjustments.

MR CHAIRMAN.- Can we sought that out later on or would you like to make some comments?

MR. M. ROKOSUKA.- Sir, as I have already mentioned, in most cases, what we have receipted back in terms of those dishonoured cheques, sometimes cheques are not cleared within six months, so they have been returned to us. We receipted those and we also re-issued another cheque. Those cheques that maybe, Suppliers forgot to cash it but in cases, those are the things that we receipted back - the stale cheques, unused accountable advances, manual payments, are part of the items listed in the Table.

HON. B. SINGH.- I do not understand about stale cheques but the item classified here is dishonoured cheques. We know stale cheques are stale cheques but this says “dishonoured cheques”. Is that classification wrong?

MR. M. ROKOSUKA.- Can we come back to the Committee with a written response on that, Sir?

MR. CHAIRMAN.- I think we will let you sought that out and maybe, just inform us what those dishonoured cheques were and whether the classification provided by the Auditor General is correct and what does it mean? As you have said, you do not collect revenue in the Prime Minister’s Office. So, we need some clarifications there.

The 2011 Report also talks about Operating Trust Funds. In 2011, the Auditor General’s Office is saying that 18 of those Operating Trust Funds were overdrawn. The question is; how many Trust Funds do you have in the Prime Minister’s Office and what is the status of those funds today and what is your response on the overdrawn Trust Funds in the past?

MR. M. ROKOSUKA.- Mr. Chairman, in terms of the Operating Trust Fund, we only have one account but we have two Trust Accounts, namely the Chinese Trust Account and the Taiwan Trust Account. They are accounts kept for funds been given to the OPM for community projects given by those two countries. They are open separately. However, as we already mentioned, throughout the years, we have variances occurring, especially on the Operating Trust Account and we have managed to clear that by 2014 in terms of the over and under-utilisation of those Operating Trust Accounts. We have managed to do that with the exercise that was done in terms of the write-off that was done in 2014.

MR CHAIRMAN.- Auditor General’s Office, can I get a sense of what is the situation with the Operating Trust Funds now, and from what you are discerning from 2014 and what happened in the past?

FINANCE REP.- Yes, we have mentioned the operating trust accounts were overdrawn in the previous years and now, they are trying to rectify with the adjustments and write-offs.

MR. CHAIRMAN.- There is another specific issue; the FMF Engineers did not submit progress reports, acquittals and final reports for the two projects undertaken by them, totalling \$275,435. Has that been sorted out? Do you have the acquittals and reports?

FINANCE REP.- Sir, we managed to obtain acquittals for one project and the other one, we are liaising with them so that they provide it to us. However, the one that we received, we can provide that to the Committee. The other one, we are still liaising with them to provide us that acquittal report.

HON. A.M. RADRODRO.- Mr. Chairman, on 2011, there is an issue the on credit card payment and it is mentioning that the payments were made without supporting documents. Why were these payments made without supporting documents?

FINANCE REP.- Mr. Chairman, maybe, I will enlighten the team regarding the introduction of visa card or the credit card. The introduction of these cards by the Ministry of Finance, for us at the Accounts, it is really helpful, especially when we do payments.

If I can brief the Committee, in previous years and previous Prime Ministers, we usually give them accountable advances when they go overseas. It ranges from \$15,000 to \$30,000 hard cash, which the Private Staff Officer (PSO) has to take with him to pay for accommodation, meal and incidental costs of the Prime Minister's whilst in overseas. During that time, we always have problems of the acquitting of advances but with the introduction of visa card, on the one hand, it really helps the Accounts team, even with the late submission of the acquittals from the private staff of the Prime Minister. For us, at first sight, we look through the statement relating to the travel and if it is in line, then we do the payment but as already been stated that, that is not the way it should be done. The receipts or acquittals have to be submitted.

I would like to point out to the Committee that the PSO, the officers accompanying the PM, have multiple roles to play when they go out. Most of the time, they do not take this issue seriously or may be because of the role that they are playing in arranging logistics and other things for the PM while he is away. So, this is one of the areas they have problems with when they return. For us at Accounts, our focus is to ensure that the visa card which is the only source of funding for the PM when he goes out, we have to quickly settle this account before month end and before the interests are charged,. Then we would await the provision of the receipts by the PSO.

The trend or initiative now is that we consult them before they leave, for them to take note of this issue because it has been highlighted. Also, in case that they might not provide the receipt, we submit the statement for them to identify whether the charges are actual charges or not. One good thing with the current PM, Sir, is, he always settles his personal bills, if it is charged from the card. That is something that we never experienced before with former Prime

Ministers in settling personal bills when they return but as I have already mentioned, this is the area that we are trying to improve on. We are doing reconciliation on the bank statement, sometimes with the receipts on it or sometimes there are no receipts but as I had mentioned, we need to top up the card before month end and before the interests are charged, and also to prepare the PM for his next trip.

In 2010 to 2012, I think the PM travelled overseas around close to 30 times, not only for leisure but as we already know, we had trying periods and the PM is trying to ....

MR. CHAIRMAN.- I think we are not trying to justify why the PM should travel or not. I think the Prime Minister's Office is important and he needs to travel but what we want to know, and you are kind of alluding to that, is that the staff in the Prime Minister's Office must understand the process. The process is that when the visa card is used, you need to have proper acquittal and the payments need to be made. So, there should not be any excuse for them to come back and say; "look we cannot provide this".

The other thing that I may suggest is, now we have debit card instead of visa card. You can have debit card as well and that may not attract charges that visa cards might attract, when you need more time to resolve that. So, the issue is not the justification for the Prime Minister's trips, I think the staff need to understand that the Auditor General points out that those documentation needs to be provided. I think a lot of the issues that we confront, has to do with documentation, and if the documentation is done properly, then there would not be audit queries. Audit is really not questioning the motivation and the need for those kind of expenses, what they are questioning is really the documentation - the process and how it is recorded. I just want to make that point.

MRS. P. LALABALAVU.- Mr. Chairman, to add on to that, this was one of the initiatives that I had earlier alluded to when I said that our systems and some of our major processes which we were working on. Noting that this was 2010 and 2011 issues, I think the Office of the Prime Minister as of to-date is one of the offices that has very high documentation level. You can walk in now and look at anything, it is documented. We have tried to work on our Human Resources (HR), we have tried to work on every aspect of our system as we work towards our excellence level of delivery. I just thought that I need to highlight that. So, from 2011 until now, that has improved and we have seen some impact on the changes.

HON. A.M. RADRODRO.- Mr. Chairman, I would like to add on to your statement earlier, it is the process that has been highlighted here. I hope now, the payments are done with the supporting documents, if credit cards are still being used.

FINANCE REP.- Yes, Sir.

HON. B. SINGH.- Mr. Chairman, in 2012 - Table 2.10 , it is also Revolving Fund. I know it is normally the advances which were not retired on time but it also shows dishonoured cheques. One of the employees paid and the cheque was dishonoured upon retirement of the advance.

FINANCE REP.- I think we might need to come back regarding the dishonoured cheques. What is it about, and if we can come back to that in terms of its clarification. However, in terms of the advances, the accountable advances given to staff is an issue not only with us but across Government. When they are given money, they go and use it, then they come back and forgot to retire or maybe other things but right now, we have put in place measures like deducting it from the officer's pay. Some of the officers now in the PM's Office are feeling the brunt of this right now, we are deducting the money that they owed they were supposed to retire. Those are some of the initiatives that we are doing now in terms of addressing accountable advance issues.

HON. B. SINGH.- I understand but then sometimes, when an officer like PM's PSO when he accompanies the PM and he comes back, he is supposed to retire those advances before the seven day. However, he is required to go again but before the seven days, so he faces that difficulty but then, he might have the supporting documents with him. So, I think deducting from his pay is not a way forward. It is better just to give more awareness to the officers on this issue rather than deducting from their pay.

The second issue on dishonoured cheques, I would like to say it has become regular, if we could stop accepting the cheques in future because they are the external stakeholders .

MR. M. ROKOSUKA.- Your comment is noted, Sir, thank you.

MRS. P. LALABALAVU.- Just to clarify an issue, Mr. Chairman, I think with the PSOs, they do not receive any advances. They are given *per diem* which is calculated in terms of accommodation, et cetera.

MR. CHAIRMAN.- Thank you for that clarification. Honourable Radrodro.

HON. A.M. RADRODRO.- Just going back to the Agility Consultant and the PMS, is that system still working now? Is it also used by other Ministries and Departments or is it only isolated to PM's Office?

MRS. P. LALABALAVU.- Mr. Chairman, it is a monitoring and evaluation system for performance of Government. The initial purpose was to have it de-centralised as well to Ministries and Departments where they could just feed in data and we have a systematic monitoring system in place. Given that the resources were not available, it was solely being managed by the Office of the Prime Minister.

For the last say, seven years, the monitoring of Government, I may say that now, at least, there is a culture within the Public Service that the mindsets of the civil servants know that now there is a monitoring of their performances in place. As you know that Government has always emphasized their Strategic Plan and Annual Co-operate Plan but there has been no follow up on implementation and monitoring on the impact of implementation. This has been done and it has been very effective now with information and I know Ministry of Finance, we

have shared this with them for the last how many years with the Permanent Secretary. The information that has been derived from the monitoring system is now used. We can use that as a platform to determine Ministries' effectiveness in the performance of their outputs.

We are also able to gauge the challenges that they have in terms of the strengths they have in the Ministry and the challenges that they face. I think on a positive note, I would like to say that the last two years, the Office of the Prime Minister has moved on capital budget monitoring. The Honourable Prime Minister viewed that, that was important because during performance every year, towards the end of year, a whole lot of unutilized budget gets back into the Government funding system (Consolidated Fund) without being utilized. So, the effectiveness of this process has really made Ministries to try and track their performance level. We are doing that quarterly and we have this networking going on. The Office is networking with the Central Agencies, Strategic Planning Office and Ministry of Finance, together with Ministries. In our office, apart from our work, we have to work with the monitoring team in terms of, not only outputs in the corporate plan, we work on the budget utilization because we know that has not been strongly emphasized in the Government system. So, that is what this system has brought about.

MR. CHAIRMAN.- Thank you. You just referred to capital expenditure. I see in the 2012 Report that the Auditor General talks about an over-expenditure of capital expenditure of more than a million dollars. Do you still have capital projects funded through the Prime Minister's Office? What is the situation with the issue identified in 2012? To be exact, I think the capital construction expenditure allocation was overspent by about \$1.2 million in 2012.

MRS. P. LALABALAVU.- Mr. Chairman, I will ask my PAO to talk on that. What I was referring to was the capital expenditure for Government Ministries in terms of utilization rate, in accordance with the requirement that had been established. So, it is for Ministries and Departments.

MR. M. ROKOSUKA.- Mr. Chairman, I refer back to our comment that has been highlighted in the Auditor General's comments. Maybe, I can just read it out again, "the over-expenditure highlighted is not the Office's fault, but there was a re-deployment done during that year. We had already committed funds on that allocation so when the re-deployment was done, we were not concerned about the amount that was re-deployed from our Ministry. So when the re-deployment was done by the Ministry of Finance with the approval of Cabinet, funds taken from that vote and bearing in mind that we had already committed funds, that caused the over-expenditure.

MR. CHAIRMAN.- But do you still have expenditure sitting in the Prime Minister's Office for capital construction that you manage or as the acting PS said, it is all now outside of the Prime Minister Office with different Ministries?

MRS. P. LALABALAVU.- I apologise, Sir, I think I need to clarify that, what we are monitoring as part of the Ajility process, the monitoring has included the monitoring on budget

utilization for Ministries. That is what I meant when I talked about the capital expenditure utilization by Ministries and Departments; whereas in the Office of the Prime Minister, we only have the small grants.

MR. CHAIRMAN.- That is the question I was asking, whether the Prime Minister Office has separate funds for capital construction?

MR. M. ROKOSUKA.- Yes Sir, we still have, under the Small Grants Scheme, we have funds for that.

MR. CHAIRMAN.- Since there are no other questions, honourable Members, I want to thank the Acting PS in the Prime Minister's Office and her colleagues. Thank you very much for being forth right in answering all the questions, and I hope that we will continue to have the conversation in the future with the Prime Minister's Office about issues that would be highlighted by the Auditor General's Report. I also encourage you, as I have said earlier, to work with the Ministry of Finance on resolving the issue of the salaries in 2010, so that we can bring some closure to that. However, thank you very much.

I wish you well, I know it is a very busy office, a very important office and we encourage you to keep up the good work and look forward to any communication whenever it is necessary. Please, have some tea and coffee and something to eat before you leave.

**The Committee adjourned at 12.00 p.m.**

**The Committee resumed at 2.25 p.m.**

**Interviewee: Ministry of *iTaukei* Affairs Board**

In Attendance

1. Mr. Savenaca Kaunisela - Permanent Secretary
2. Mr. Saimoni Waibuta - Deputy Secretary
3. Col. Apakuki Kurusiga - Deputy CEO. *iTaukei* Affairs Board
4. Mr. Tomasi Volau - Director Corporate Services
5. Ms. Sereana Matakibau - Principal Accounts Officer
6. Ms. Finau Niumataiwalu - Senior Accounts Officer

---

MR. CHAIRMAN.- Honourable Members, let me welcome you back and also welcome colleagues from the Ministry of *iTaukei* Affairs. Thank you very much for coming over and my apologies for the delay with starting the proceedings.

Just to give you an overview and an idea of where we are in the Public Accounts Committee. We appreciated that you are able to come before us when we are looking at 2007/2008 and 2009 reports. I am pleased to say that we were able to produce a consolidated report which has been tabled in Parliament. The report is being looked at by different sections of Government, especially, I am pleased to note that the Ministry of Finance is taking on board a number of the recommendations, and I am sure that the Ministry of Finance is working with all the different ministries, government departments to implement some of the recommendations from the report. We are establishing very good relationship between the Auditor-General's Office, Ministry of Finance, other agencies like FICAC, Police and giving this whole institutional setup a boost in terms of how we can all together move forward and improve things in the use of Government funds. So, with those remarks, what I will do is invite Auditor-General's Office to give us a quick snapshot of the issues in the 2010, 2011 and 2012 and maybe 2013 as well, if you want to. Because what we are trying to do is to produce a consolidated report again for 2010 right up to 2013, so we can clear the backlog and get ready for 2014 next year.

Auditor-General's Office if you can give us a snapshot of those years and what you are finding also in your 2014 audit and whether the issues are recurring and what is your sense of what is coming in 2014.

AUDIT REP.- Thank you, honourable Chairman. For the Ministry of *iTaukei* Affairs, the account for the Ministry was qualified in 2010, basically they did not submit their statement of loss account. For 2011/2012, the account has been unqualified, there was a green report afterwards. Highlighted in the Auditor-General's Report over the three years, especially in 2012 are control issues, mainly relating to reconciliations of the underlying accounts, the operating trust account in including accountable advances. It also includes a lot of issues on the *iTaukei* Affairs scholarship. This function is no longer with the Ministry, currently the

only issue that we have with them is that the recovery of bonds, revenue is still coming into the Ministry's account but the function is now with the new body, Tertiary Scholarship Loans Board. The other major issue highlighted in the report include the grants, acquittals and the quarterly reports for the grants. I believe that also relates to the audit of the *iTaukei* Affairs Board account and the provincial councils. For the audit of the *iTaukei* Affairs Board, we have completed audit up to 2002. The audit report will be issued this week, we have signed the accounts for 2001 and 2002. The accounts that we have also received from the Board is 2004 to 2007. We have taskforce group, they are now dealing with those overdue accounts.

MR. CHAIRMAN.- Thank you, Auditor-General's office for that update Ministry of Finance, you want to make some comments now before we ask the Permanent Secretary to respond and then get the honourable Members to ask some specific questions.

FINANCE REP.- Mr. Chairman, with the *iTaukei* Affairs Board, their reconciliation is up to-date. Their unrepresented cheque list, it has decreased from \$1.1 million in 2012 to \$246,000 in 2013 and further decreased to \$45,000 in 2014. The Ministry had a total of 5 write-off in 2014 amounting to \$2.13 million. Mr. Chairman, it is worth to note that we have a good relationship with the Ministry of *iTaukei* Affairs in regards to auditing. When they normally take our auditing very seriously and they normally recommend our recommendations. We normally follow-up on all our recommendations. Our latest audit was done in the first quarter of this year, it is the same issue on bond not recovered on time, there are just a few issues on that and JV's not authorised but adjustments were made on allocations, there are a few other administration control issues such as leave without permission and overpayment of salaries. Those are just a few for the Ministry of *iTaukei* Affairs. *Vinaka*.

MR. CHAIRMAN.- Thank you, Ministry of Finance. I am pleased to note that there are notable progress and improvements in the unrepresented cheques, I think it is a huge improvement. From \$1.1 million down to \$246,000 in 2013 and further down to just \$45,000 in 2014 is a very good trend.

Ministry of Finance on that five write-offs - \$2.13 million. What were those write-offs for?

FINANCE REP.- Mr. Chairman, it is the same issue as the Office of the Prime Minister, the variances on allocations from the reconciliations.

MR. CHAIRMAN.- Can I now invite the Permanent Secretary to make some overall comments and then maybe respond to those specific issues from both the Auditor-General's Office and the Ministry of Finance, and then we will have some more specific questions.

MR. S. KAUNISELA.- Thank you, honourable Chairman and honourable Members for giving us the opportunity to come before the Committee this afternoon. As we have heard, first I would like to say that the Ministry and the *iTaukei* Affairs Board since 2011 has been doing a lot of improvements in its systems and processes within the two organisations. We

have tried our best to comply with the audit process and also the recommendations that have been mentioned this afternoon.

On the scholarships, honourable Chairman and honourable Members, as you will know that is out of our hand at this point in time, but one of the issues that was brought up this afternoon is on the bond recovery which was at one point done by the Ministry. Now, it is with the TELS Board. We do not have much to do, in as far as bond recovery.

On the grants that we have been provided with, and also to those we are providing grants to, we have also improved on that by having a Memorandum of Agreement with them and as far as the allocation of grants, not only to the *iTaukei* Affairs Board, but also to the Reserve Commission – that is another arm that we are also providing grant, which comes through from Government to them.

On the issue of leave and overpayment of salaries, we are also addressing that issue which is something that is recurring, for example, on the leave, especially those who are carrying forward leave during the year. At this point in time, we are addressing them by scheduling our staff to go on leave, to at least try and utilise all their unused leave during the previous years.

Now on that note Mr. Chairman, I do not have anything much to say, but we will be responding to questions as they arise. Thank you, honourable Chair.

MR. CHAIRMAN.- Thank you PS. In the 2010 Report, the Auditor-General said that there were no annual reports for the last 20 years. So at that point in time, that would have meant no annual reports from 1990 right up to 2009 and 2010. It says that the last audited accounts for Fijian Affairs Board were for 1996, but I am pleased that the annual reports for 2002 has been audited. You also have 2004 right up to 2007 being considered and I am hoping that the rest of them would be made available soon.

Let me ask you also this other question and the Auditor-General's Office may also add to it. Provincial council accounts not up to-date. How far are we, in terms of the provincial council accounts? What is the update? The Auditor-General's Office, are we going to have all the provincial councils backlog reports available to us by the end of this year or do you have a timeline? Maybe I will ask the PS to respond to that first, and then the Auditor-General's Office.

MR. S. KAUNISELA.- First, honourable Chair and honourable Members, I will respond to the Annual Reports as you mentioned on the non-compilation of the Ministry's annual reports in the last 20 years. In fact that is correct. What we have been told that there have been drafts annual reports around, but were not published.

But having said that, honourable Chair and honourable Members, since 2011 the Ministry has managed to produce annual reports right up to 2014, and we have copies here of our annual reports as evidence.

On the accounts for the *iTaukei* Affairs Board, I will ask Col. Kurusiga to respond to that, honourable Chair.

MR. CHAIRMAN.- Thank you PS for that update, and I am pleased that we now at least have an up to-date (up to 2014) and I think that is very helpful. We may not get the backlog but that is not an issue, as long as I think you are now up to-date, that is a very positive sign. Thank you.

COL. A. KURUSIGA.- Thank you honourable Chair. As for the questions for the 14 provincial councils, we are planning to have their accounts up to 2007 submitted to the Office of the Auditor-General this year.

As for the *iTaukei* Affairs Board, accounts up to 2013 will be submitted to the Office of the Auditor-General this year and next year it will be 2014 and 2015. Thank you, honourable Chair.

MR. CHAIRMAN.- Thank you for that update. We appreciate the effort that you are making to make these reports up to-date and bring to a closure these outstanding reports and audits.

Auditor-General, what is your timeline? What are you looking at in terms of bringing provincials councils and *iTaukei* Affairs Board, the ministry is now producing reports, they have produced right up to 2014 , so that is not an issue anymore. How do you plan to deal with this?

AUDIT REP.- Honourable Chair, at the moment we have a task force but there is a limited capacity. We also contract out audits as we have done in the past, even for provincial councils, but I think now we will wait until they submit the accounts then we will decide how we will move on from there.

MR CHAIRMAN.- Can I ask the Ministry of Finance, how can you leave these things pending, obviously I think it is an issue of capacity and I can see that the Ministry of *iTaukei* Affairs has made a lot of effort to address all those pending issues. But do you not think that you have a responsibility to ensure that annual reports, audited accounts of agencies funded by Government are made available? How can you leave these things for too long? That is an obvious question that I would like to ask, and whether you are providing enough support to these ministries to actually update and provide timely reports and accounts.

FINANCE REP.- Thank you honourable Chair. It is the line ministry's responsibility to monitor the provincial councils. It is under the Finance Management Act that they are required to provide the annual report.

MR. CHAIRMAN.- But when they do not, then what do you about it?

FINANCE REP.- Sir, we are trying to find ways to improve our systems. We have come up with Table 5 and we are hoping to review it, and perhaps look into ways on how the PS can be monitored as part of his Key Outputs.

MR CHAIRMAN.- So what are you saying, that are some of these will become KPIs of Permanent Secretaries which would include, Annual Reports, Audited accounts, et cetera. Are you suggesting that?

FINANCE REP.- Yes, Sir, in table five, it list out all the indicators that need to be measured.

MR. CHAIRMAN.- PS, you want to add to that? Is it to do with capacity? I know you are almost updated now but was it due to capacity, the lapse in providing all these reports? The Auditor General is sort of lumped with a lot of these backlog, they are talking about capacity. How do you intend to deal or work with the Auditor General's Office to bring this to closure as soon as you can? Do you have some plans there?

MR. S. KAUNISELA.- Mr. Chairman, as far as capacity is concerned, I think that is one of the factors within the Ministry that we require, not only in terms numbers, in terms of human resources, but also in training the staff to actually know what they are doing and also understand what they are doing. Not only that but in as far as reporting, there are deadlines also that need to be met but I think maybe through either oversight or staff not really adhering to the timeframe that is provided, that is why some of he reports are either not provided or collated and submitted on time. That is, honourable Chair, what I think in as far as the Ministry of ITaukei Affairs is concerned.

Mr. Chairman, for the last few years, we have doing a lot training within. I think that really assisted us a lot, in working together between the Ministry of ITaukei Affairs and likewise, the I Taukei Affairs Board. Not only that, in terms of recruiting our officers, we are looking at highly qualified officers, especially from the Provincial level where we have the Roko Tuis, who are highly qualified on the understanding that they will assist in the administration and also understand what we are trying to do from our Corporate Plan, Strategic Plan or our strategic direction from the Ministry of I Taukei Affairs that is also taken down by the I Taukei Affairs Board, honourable Chair.

MR CHAIRMAN.- I noted two things in the 2010 report and I was interested in your comments on those and whether there was any review of those issues, that, "no monitoring or review of grants to TLTB for the implementation of Fijian Administration Reform which involved of about \$4.6 million and the TLTB Committee on Better Utilisation of Land which involved of about \$5 million", the Auditor General is saying that there was no monitoring of those grants for those reforms. I am just wondering whether you have any additional information on those and give us an update as to how those reforms went and whether that allocation was used for those reforms.

MR. S. KAUNISELA.- Mr. Chairman, in terms of monitoring that was in 2010 but I think from 2011 and onwards, we have been doing that. As I said earlier on in terms of grant agreements, that is another way ensuring that we monitor the funds that are provided by Government and it is allocated to the two organisations that are provided with the funds. One is the Reserve Commissioner which is with the TLTB and the other arm is the Taukei Affairs Board which is with us at Nasese.

Not only that, Mr. Chairman and honourable Members, in terms monitoring, there are also reports that we collate every quarter from both organisations, including the ministry of ITaukei Affairs, that also provide us with data and also what is really happening on the ground and the utilisation of funds by both organisations that is under the Ministry of ITaukei Affairs,.

MR CHAIRMAN.- Thank you PS for that clarification.

HON. A.M. RADRODRO.- Thank you PS and the officers from the ITaukei Affairs Board for the explanation and clarity into the Ministry's activities. , Just on the Annual Reports, you admitted that your 20 years report will not be prepared or submitted by the Ministry.

MR. S. KAUNISELA.- Well, Mr. Chairman, and honourable Members, thank you very much for that question. As it is, I think it will be very difficult for us to compile the annual report, however we have been told that there are draft reports in some of the files which I have not been able to locate myself.

The Ministry has also been moving around in the last few years. At one time, it was merged with the Ministry of Provincial Development then and Maritime, then there was a separation again, and now it is back on its own. The movement of officers and the movement of files and also the staff who were then at the Ministry, who would be able to actually provide a better background on the Annual Reports for the last years, as I have said, it would be difficult. As I had already mentioned, from 2011, we made sure that that we provide annual reports, learning from the experience for the last past 20 years, there was no report from the Ministry of *iTaukei* Affairs.

HON. A.M.RADRODRO.- A further question to that, Mr. Chairman, who was responsible for the non-production of this Annual Report as highlighted by the Auditor General?

MR. S. KAUNISELA.- Mr. Chairman, I cannot blame the administration. Perhaps, I think the senior staff or the staff that were there were supposed to compile the Annual Report at the end of every year, maybe those are the ones who were not doing or did not achieve their responsibility. I think the Annual Report must be done every year, not only for the sake of compiling but there should also be some trend data that must in the Annual Report, that will enable the Ministry or Government to trace a few years back on what data we have. That is what we have reflected in our Annual Report, the ones that we have compiled so far, Mr. Chairman.

HON. A.M. RADRODRO.- Mr. Chairman, just on the grants to Provincial Councils; the auditors highlighted the years in which provincial councils have not submitted their audited accounts. What has the Ministry done to assist the timely provision of audited accounts?

COL. A. KURUSIGA.- Mr. Chairman and honourable Members, it is only in 2012 that we started recruiting qualified accountants to become Treasurers and also to work in the Headquarters. It was only then that we started to organise things fruitfully, and that is why we are having speed up on the backlog of work, not only the Accountants but also the Administrators – the Roko Tuis and the Assistant Roko Tuis. They are now all qualified.

HON. A.M. RADRODRO.- Further to that, is the Ministry still funding the Provincial Council offices?

MR. S. KAUNISELA.- Mr. Chairman and honourable Members, we are providing grants to the ITaukei Affairs Board from which the actual salaries of the Roko Tui's and other staff are being met on an annual basis. That grant too has decreased over the last few years but we are trying to maintain to a certain level, to ensure that Provisional Councils, especially the human resources part of it, is functioning well, and maintain the high qualified staff that we have. In fact, we are trying to recruit to assist in the running of Provincial Councils.

HON. CDR. S.T. KOROILAVESAU.- My apology, Mr. Chairman, for being late. I might have no knowledge on the background on what has been discussed, it is quite apparent to me that there seems to be a lack of coherent information here. The Auditor General has some background knowledge on why the reports have never been highlighted in the past audit and they realised now the non-existence of those reports? The Public Accounts Committee have been sitting for decades and this is the first time we are discussing these things. Is there any background knowledge of the issue by the Auditor General's Office on the issue?

AUDIT REP.- Mr. Chairman, mainly it is the submission of the accounts. I remember in 2002, we were auditing Bua's 2001 but soon after that, the accounts stop coming for our audit. There were also some re-organisation within the Board on how they produce accounts. May be they were directly from the Provincial Councils, and they try to centralise the production, that might have also caused the delay but other than that, we are conducting operational audit where we go in. For example, when they do not submit their accounts, we go in and do our audit for Provincial Councils and the Board.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, we have to be practical on the issue. We have to establish a platform and then come to a consensus on how we will deal with the previous years, lay the scenario from 2012 going forward, then let the Ministry work on that platform. As Auditor General, you have to be sure that there is consistent information leading up to what we are trying to ask the Fijian Affairs this afternoon. If there is no consistency, there is no basis for the Ministry themselves to actually carry on the work. This is basically a new scenario that we have to establish now. We lay a platform, we inform the

Ministry this is what we want you to do from now on and let us work forward because otherwise, we are really talking on issues that have no basis.

MR. CHAIRMAN.- I think, honourable Member, sort of, summarised the issues very well which I had stated earlier. I think there are two issues, the first is the sorry state and the sad revelation that these things were not done in the past, I think there was clear lapse of responsibility on people who were supposed do to that, and I must also say a clear less on people in the Ministry of Finance and probably, the Auditor General's Office as well of not insisting that there reports are made available but Ministry of *iTaukei* Affairs is probably not the only Ministry where Annual Reports and Audited Accounts had been delayed, there have been many others, not as bad as probably what we see with the Ministry of *iTaukei* Affairs but I think the positive news is that, the Ministry has now established some platform , in terms of, for example, the Annual Reports from 2011 to 2014 are there. I think going forward, we are expecting the Ministry to be totally up-to-date in terms of providing Audited Accounts and Annual Reports. I think that is a more positive news.

What I suggest in relation to what honourable Koroilavesau said is for the Auditor General's Office, the Ministry of Finance and Ministry of *iTaukei* Affairs to perhaps, sit down and see what can be done with the backlog. I mean, I am expressing disappointment that this was not done but I am not too worried if you come up with a plan, to deal with the issues of the past, bring a closure to some of those issues, and take on the positive aspect of what the Ministry is now doing and what you have been able to produce for the last few years, and bring a closure to all these and have them updated, so that going forward, we all on the same page and producing reports as we are required to do so, according to the guidelines. So, I would suggest that and I hope that the Ministry of Finance and the Auditor General's Office will work together with the Permanent Secretary (PS) and deal with that as a separate report, while you are continue with the updated work that you have already done. I think that is a pleasing part, the positive side of the story.

HON. A.M. RADRODRO.- Mr. Chairman, a further request to the Ministry on the grants to Provincial Councils, can you advise on whether you have now reviewed the grants to the Provincial Councils since you mentioned that the Ministry is only funding the resource part of the operation of the Provincial Councils?

MR. S. KAUNISELA.- Mr. Chairman and honourable Members, as far as the review of the grants that we received from Government, there has not been any plan to either increase or decrease but what we are trying right now is to maintain the level that we have. Even though we had tried in the last two years in terms of requesting for increase of grant for Provincial Councils but we were given the same amount, except from this year, we were given additional grant to cover the shortfalls in terms of its human resources within the *iTaukei* Affairs Board.

Perhaps, honourable Chair, with the honourable Koroilavesau's comments, let me just explain a few points as far as the management of the provincial councils. We would understand that over the last many years, the provincial councils were managed in a different type of

management leadership and so forth. From 2011, we managed to restructure the provincial councils with the recruitment of qualified *Roko Tui* who are now on the ground.

Not only that, with the implementation of technology, we have tried to link all the provincial council offices to the headquarters, to assist in the communication. Also in terms of the accounts, honourable Chair, one major improvement that has assisted in bringing up the accounts much more quicker is the implementation of a database. We have already implemented the accounting database to assist us in collating all the financial information from the provinces which was not there before. It was done manually. As I said, a few things, one is technology, recruitment, the training of staff and the actual proper planning that we also had with the Ministry and the *iTaukei* Affairs Board in terms of strategic planning and corporate planning.

With that honourable Chair, the improvement of reconciliation of financial accounts in the provinces has dramatically improved and as alluded to by the Deputy Secretary of the *iTaukei* Affairs Board that we looking at updating all the accounts from the Board by 2017 (at the latest).

AUDIT REP.- Honourable Chair, I just want to go back to the comments made regarding the reporting of this issue - Unaudited Accounts. Now we are looking at the general reports from the ministries and departments. We also have general reports on statutory authorities under which *iTaukei* Affairs Board comes under. We also have general reports on provincial councils and municipal councils. Recently we have followed the concept of “following the dollar” and we have tried to report on the grants. Otherwise, for the Ministry of *iTaukei* , all that is required for them is to get an acquittal from the Board.

MR. CHAIRMAN.- Thank you, Auditor-General’s Office for clarifying that.

HON. A.M. RADRODRO.- Thank you, Chair. Just on the grants on the CIBUL and the Fijian administration reform, what is the intended output that you are trying to achieve or was there any report provided on the disbursement of these grants to these two organisations? In 2010 there was a grant to CIBUL and Fijian Affairs Administrations.

COL. A. KURUSIGA.- Honourable Chair, we do not take part in the CIBUL Committee, so we cannot answer those. For the *iTaukei* Administration, perhaps it is part of what the Permanent Secretary had alluded to earlier where it was provided to the *iTaukei* Lands Commission for the improvement and demarcation of *iTaukei* lands and the villages. Perhaps it is that one that has been questioned here. Sorry we cannot provide you with the CIBUL information.

HON. A.M. RADRODRO.- Lastly, the Ministry has significant investments in the local business economy, how is the Ministry monitoring those investments and whether it is part of its recording in the annual report?

COL. A. KURUSIGA.- Honourable Chair, it is really the *iTaukei* Affairs Board that has investments, as you would have heard about the \$20 million investments in Fijian Holdings Limited. Those are also being monitored and others which we can say, they are in savings with other financial institutions. These are monitored on a daily basis.

HON. B. SINGH.- Chair, I would just like to apologise for being late. I was running from Nausori this afternoon.

Thank you PS and Deputy PS for the comments and the improvements that have been done that the Ministry is undertaking and I hope that you are on the track of monitoring your performance. Like in 2011, there was only a one-page audit report, and in the near future there will not be any. From your Ministry, I know, with the capabilities of your staff and PS being very energetic and always on the run, I hope that will continue. You covered well on the bond recovery and how the bond is being recovered and now being transferred to TELS. My question is on the fixed assets register, how is the Ministry maintaining its fixed assets register?

MR. S. KAUNISELA.- Honourable Chair, in as far as fixed assets register, right now we are compiling our register to that effect. Thank you.

MR. CHAIRMAN.- Thank you PS. If there are no other questions, honourable Members, let me just conclude, I think there are two issues that probably remain and need to be addressed. One, of course is the backlog and the inability in terms of the resources and because of the timeline involved to produce some of those annual reports of the past. I think it makes sense and we really do not want to go back 20 years now. So much time has lapsed, people have moved on, but we are pleased that you are looking at reports of the last few years. Just to bring some closure to what is still there in the books and open for scrutiny, what I suggest is that the Ministry of *iTaukei* Affairs, Ministry of Finance and the Auditor-General's Office come to some sort of agreement and as honourable Koroilavesau said earlier, put out a platform from which we can deal with things beyond that. that will close the matters that are there.

The second issue, of course, I think because it involves large sums of money - \$4.6 million for the Fijian Administration Reform and about close to \$6 million for the Committee on Better Utilisation of Land. Maybe the Auditor-General's Office in conjunction with the Ministry of Finance and Ministry of *iTaukei* Affairs produce a report as to what was done, if there was any report as to what was done, if there was any report on the basis of those reforms and a closure on those grants in terms of what was done and how it was used to be provided to the Committee maybe within the next 3 or 4 months, or by the end of the year. That will help the Committee, that will help us, and what we will do is, put these two things as part of the recommendation in the Consolidated Report so that the Parliament is also informed that this what the Committee, Ministry of Finance, Ministry of *iTaukei* Affairs and the Auditor-General's Office has agreed to do that. Would that be a reasonable thing to do?

COL. A. KURUSIGA.- Mr. Chairman, we have already met the Acting Auditor-General and we have put out a plan on what to do and I am glad that they have formed a Task

Force to look after us. That will really be helpful and we have also asked them if by 2017 if everything could be cleared.

MR. CHAIRMAN.- Thank you for that and if we have some reports by the end of the year progress, it would be very useful, which is what we are suggesting.

Thank you very much and let me on behalf of the honourable Members take this opportunity, Permanent Secretary to thank you especially and your colleagues for coming over and as I said, this conversation is likely to continue in the future when we look at other reports but in the meantime, I wish you well and thank you very much for providing us with all the information and answering all our questions. *Vinaka vakalevu.*

**The Committee adjourned at 3.18 p.m.**

## The Committee resumed at 3.35 p.m

**Interviewee: Public Service Commission**

### In Attendance

- |                             |   |  |
|-----------------------------|---|--|
| 1. Mr. Parmesh Chand        | - | Permanent Secretary                        |
| 2. Mr. Iliesa Lutu          | - | Deputy Permanent Secretary                 |
| 3. Ms. Joana Koroituinakelo | - | Director Corporate Service                 |
| 4. Mr. Sanjeshwar Ram       | - | Director- Office Accommodation and Housing |
| 5. Mr. Vuli Ledua           | - | Team Leader – Finance                      |

MR. CHAIRMAN.- Honourable Members, welcome back. Let me on behalf of all of you welcome the team from the Public Service Commission. Thank you all for coming over. This is the first time we have invited the Public Service Commission to appear before the Public Accounts Committee. This might be the most simple and straightforward session we will have with any of the sections. Before we get into some of the issues that we would like to raise with you, give you an overview of how far we are in terms of the work of the Public Accounts Committee. You would recall that we started with looking at 2007, 2008 and 2009, we have done that and we have already presented a consolidated report to Parliament and we are pleased that some of the recommendations from that report are now being implemented, and we hope that, as a result of those recommendations being implemented and adopted, there will be some positive changes. What we identified in this report, obviously was a set of systemic issues and repeats that continued to take place year in and year out. Many of those repeats are again noticeable in the Auditor-General's Report from 2010 to 2013 which we are looking at now. What we hope to do is to again produce a consolidated report for 2010 right up to 2013 and our hope is that, we would be able to conclude this by the end of the year so that come next year, we will have only 2014 to look at.

With respect to the Public Service Commission, we know that it was part of the Prime Minister's Office, we had some discussion earlier this morning with the Prime Minister's Office and there were some references to the Public Service Commission and its work. We also understand that under the 2013 Constitution and obviously there are different views about what the role of the PSC would be and how they are going to deal with some of the issues that they were dealing previously with. We ourselves are not clear as to the operating relationship between PSC and individual ministries as a result of the 2013 Constitution. So, the Permanent Secretary may wish make some comments on that.

But before I invite the PS, what I will do is, I will ask the Auditor-General's Office to give us a snapshot of what roughly are the issues between 2010 and 2013 that have been identified by the Auditor-General's Office. Also after that, we have comments from the Ministry of Finance as to how they saw their role with respect to the Public Service Commission and in dealing with some of the issues identified by the Auditor-General, especially I think in relation to human resources, disciplined staff and issues in relation to leave and recovery of dues that were rightfully identified by the Auditor-General as people owing to the Government as a result of their own actions or certain activities that might have taken place within a particular ministry. So, Ministry of Finance may be able to comment on that.

AUDIT REP.- The accounts for PSC is combined with the Office of the Prime Minister. In 2010 we issued a unqualified opinion, in 2011 and 2012, they were qualified based on the trust fund maintained by the Office of the Prime Minister. Other than that, the other issues that have been included by the Auditor-General in his general report include reconciliations, the outsourcing policy, variations for contracts and likewise the on-going issue of their lending fund for the scholarships that they maintained.

MR. CHAIRMAN.- Ministry of Finance, in relation to what I said earlier, how do you relate to the Public Service Commission and what are the issues that you feel are important?

FINANCE REP.- *Vinaka*, honourable Chair. In regards to the Public Service Commission, for reconciliation, majority of their accounts have been reconciled and up to-date. However, they have some accounts that are yet to be updated.

For unpresented cheques, there was a decrease from \$1.7 million in 2013 to \$889,000 in 2014. The Public Service Commission had one account written off amounting to \$27,509 in 2014.

The normal audit conducted since 2008, within that 7 years, we carried out 5 audits. The current one will be undertaken during the third quarter of 2015.

The Public Service Commission had two special investigations in 2013, this is in regards to the renovation of quarters at Ratu Kadavulevu School (RKS) and there were allegations of corruption dealings with the staff of Public Service Commission.

We concur with the issues raised by the Auditor-General in regards to the recoveries of scholarships of the loan scheme recipients and the recovery of rent in regards to occupation of quarters.

MR. CHAIRMAN.- Thank you both Auditor-General's Office and the Ministry of the Finance for that update and also the issues being raised.

Now I will invite the Permanent Secretary for the Public Service Commission to maybe make some opening remarks and respond to some of the issues, and feel free to add whatever you want, in relation to the issues that have been raised.

MR. P. CHAND.- Mr. Chairman and honourable Members of the Public Accounts Committee, it is a pleasure to be here this afternoon and we hope to provide disclosures to the fullest, to address any concerns which may prevail. I also acknowledge the presence of the Office of the Auditor-General and officials from the Ministry of Finance.

Firstly, I wanted to clarify something raised by the Ministry of Finance. This is the first time I am hearing about the issue of corrupt dealings at RKS quarters' renovations because I do recall that there were issues about procedures, but to call it "corrupt" is another step. So I am not aware of what those corrupt dealing were, and I would be more than happy to take immediate steps to deal with it. But, yes, I know there was a special report which had findings

about procedural issues, much of which was the manner in which we disbursed funds to a group of ex-scholars who took responsibility to oversee the renovations.

I took comfort in the fact that the Permanent Secretary of Finance was also one of the scholars in the team and the issue raised was that it is not the right medium to disburse the funds, because RKS had its own vocational school and the Old Boys and the Committee felt that we should use the students to give them some training to do the renovations. So we looked at a medium for disbursement of funds, and it was the Chairman of the RKS Old Boys who took responsibility, which was Mr. Alipate Naiorosui at that time, and there were some prominent members in the club. So, I doubt there were any abuse of funds. It was largely the medium of disbursement of funds and the oversight role. Anyway, that is just to respond to that one.

The audit normally happens based on our audit plans which gets approved by the Permanent Secretary or the Ministry which gets audited and then the audit happens where officers do come to look at your books and much of the time, it is to find mistakes rather than looking at constructive processes to improve on. Then there is a draft report which gets done and then there an exit interview. We take the exit interviews quite seriously because that is where a lot of issues get ironed out, and despite putting our own story and our own reasons why such and such things happen in our exit interview, if it still appears in the audit report, then obviously there is some major issues.

Rather than just focussing on the recurrent issues, honourable Chairman, I just wanted to highlight the link between the audit report and the recurrent findings and governance from a Permanent Secretary's perspective because that is what a Permanent Secretary focuses on, to see what steps he or she has taken to ensure those recurrent issues do not feature again.

In terms of PSC, some of the governance's bigger picture issues we have put in place and I will standby those as they appear again in the future as to whether or not they are working, there is a working group headed by the Deputy-Secretary who looks at the recurrent issues in the audit. Then they deal with it in terms of things which can be addressed.

We also have a policy-formulation group which looks at the formulation of policies to link the gaps so that there is exercise of good governance in the future. For example, obviously issues on leave which have been raised, so now we have a policy on taking leave. There are issues on government housing and office accommodation raised, we have a clear policy on office accommodation. That arose largely because of these audit findings. Thirdly, .....

Thirdly we also have a full disclosure and unrestricted circulation of the audit reports within the PSC itself, so staff can have a look at it, with the view to make their own comments on it, and those comments come through Divisional Heads in our Divisional Heads Meeting which gets held on a regular basis.

The other issue we also looked at was risks because to ensure that there are minimal recurrent issues, or there is a minimal loss, one has to also look at a risk management policy. So Public Service Commission has got a risk management policy and I am sure Ministry of Finance can vouch for that and an audit and risk committee which continuously sits to look at audit and risk issues which is headed by the Deputy Secretary.

We also encourage our staff to participate in continuous training, you would be aware that the H1 and H2 exams which existed have been brought back and I release as much staff as possible from PSC to participate in the “H” exams. The “H” exams are largely the do’s and don’ts of Public Service. They are our induction to Public Service and the honourable Prime Minister has made it compulsory that everyone does that exam at some point of time in their tenure in Public Service. So for each Permanent Secretary, it is how best we can encourage more numbers of staff within our establishment to do “H” exams, and Ministry of Finance and the Office of the Auditor-General are also instructors in “H” exams.

There is, as I mentioned, continuous awareness and we take seriously the training provided by the office of the procurement. The Fiji Procurement Office runs a series of training on procurement and procedures for procurements. So, those are the bigger picture issues to deal with governance and hopefully in the future, there would be less and less of those recurrent issues. Those are some initial remarks I wanted to make, honourable Chairman. Thank you for listening and we would be happy to go line by line, items raised in the report and what we have done to address those matters.

MR CHAIRMAN.- Thank you PS. I think you have provided a very good overview of the processes that you adopt in dealing with the Auditor-General’s Report and I think that is very good. The Public Accounts Committee obviously does not take everything that comes to the Committee from the Auditor-General. We look at the findings of the Auditor General, but we also look at the comments provided by respective ministries and their responses to the findings of the Auditor-General. Part of the reason why we invite the different sections to appear before the Committee, is exactly or precisely to establish the relationship between the findings of the Auditor-General and their comments or response that is given by the respective sections to make and form our own opinion as to how we deal with those issues. Some, we may suggest to the Auditor-General, despite the fact that they may disagree with the comments and response of the ministries, to say that the matter has been dealt with, but it also helps us to formulate our own report to Parliament reflecting the views of the respective departments and ministries.

I think you dealt with the issues that have been identified with Public Service Commission, but I think a lot of the issues are also relevant to other ministries like leave, ability to resolve issues and ask civil servants to take on board areas where they need to respond, surcharges or recovery of money that is involved. I think, having a risk management policy and audit in this Committee are good examples of governance, transparency and accountability mechanisms that you have put in place.

I note the introduction of H1 and H2 exams. No doubt that is useful and we all heard from different ministries the training programmes that they have put in place and I think it ties in with what the Public Service Commission is involved in doing. As I said earlier, we did not find too many issues for Public Service Commission, in fact in 2012, there was nothing mentioned about Public Service Commission and there are few things in 2010, 2011 and we are hoping that some of the systems, like the use of FMIS, Electronic Fund Transfer (EFT) would resolve the issues of reconciliation like VAT, FNPF that we see a very systemic, recurring and repeat issues throughout different ministries. I am very pleased that you are dealing with those issues in a way that we feel may not be repeated in the future.

I also note that the issue of unrepresented cheques, while you made some improvements – a reduction from \$1.3 million to \$889,000, it is still a significant amount. Yesterday I said that whole of government as of 31<sup>st</sup> December, 2014, had about \$150 million in unrepresented cheques and obviously that is a cost to the taxpayers when government finds that the beginning of the year, there are pressures on cash flow and Government has to resort to short term treasury bills and promissory notes, which also means that Government has to pay interest on those. I think the Auditor-General is right in identifying this large amount of unrepresented cheques at the end of the year, and I hope that they will continue to improve. I think part of the improvement will come from the systems – EFT and FMIS, but the trend is towards improvement. So thank you very much for that overview, I will now invite honourable Members to ask any specific questions that they might have from 2010 right up to 2013.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, you had stated the different role the Public Service Commission is playing in accordance to the 2013 Constitution. I am looking at 2012, there is no serious issues in there, I just wanted to ask if Mr. Chand could explain the difference between them and the responsibility of the Public Service Commission now. It gives us a better background on how it was and how you are playing your role now in accordance to the new Constitution.

MR. CHAIRMAN.- Thank you, honourable Member. That is a good question and it will be in the interest of the Committee to have some views of the Public Service Commission.

MR. P. CHAND.- Thank you, Chairman. In terms of the financials and the financial delegation and procedures, nothing much changes. Prior to 2013, the Permanent Secretaries were Chief Accounting Officers and they continue to be Chief Accounting Officers following the devolved powers in the 2013 Constitution. The only substantial difference, however, is in the area of controlling of establishment and some of the delegations in that regards. The Permanent Secretaries under the devolved powers are totally responsible for their own establishment in terms of numbers, recruitments, terms and conditions of employment as well as in terms of discipline.

The PSC steps back from all those responsibilities from a central co-ordinating or personnel authority role to a devolved role to Permanent Secretaries. That is evolving at the moment and we have a World Bank team to allow for technical assistance and advisory services to fully implement those provisions. It is not to say that they are not fully implemented, they are fully implemented, however the coaching, advisory and counselling capabilities will be

develop by the World Bank in collaboration with Ministry of Finance, PSC as well as, of course other relevant agencies as to how those powers would be best utilised, at the same time ensuring there is good governance, transparency, accountability and controls right throughout the Public Service.

So the biggest area is in the area staffing and the authority over staffing. The Permanent Secretaries are now fully in charge of their own establishments, financials wise, they were in charge of financials before. The Ministry of Finance, I am sure, will be able to tell what flexibilities are given in that regards, but they were Chief Accounting Officers before and they continue to remain chief accounting officers now under the new constitution.

MR CHAIRMAN.- Thank you PS. Any other questions? Just to add to what the PS said, I think the establishment of positions is one thing, the recruitment and promotion is another. I think the recruitment, my reading of the 2013 Constitution, while the PS does it, the final authority rests with the Minister for all appointments within a particular Ministry.

MR. P. CHAND.- It all gets done in concurrence with the Minister, that is correct.

HON. A.M. RADRODRO.- Thank you Chair, just on the outsourcing policy. Now that the Public Service Commission is also into the business of looking after the Government quarters, there is the issue on the breaches of outsourcing policy that was highlighted in 2010. Can you just elaborate on the reason why and also whether this process is still continuing to coincide with the role that you are now taking over?

MR. P. CHAND.- Thank you, honourable Chairman through you. The outsourcing policy and procurement procedures largely go hand in hand. You cannot have a modern outsourcing policy and an outdated procurement policy; that will not work. The Major Tenders Board provisions were still aligned to what the whole of Government tender process used to be, without a full-fledged outsourcing policy. Now with the outsourcing policy, obviously there did arise some conflicts and we are pleased to say that continuous improvements have happened and there is a much more modern practice between the two. Specifically talking about tenders, for example the Government Tenders Board initially only focused on an open tender, and much of the outsourcing policy was brought in to speed up things and allow for the best supplier, on time delivery as the most efficient supplier or contractor to perform those services, so that you save costs in times of good on time delivery, as well as efficient delivery.

The open tender process had a lot of time lag in terms of advertising, short-listing, weeding out the unnecessary ones and then coming to the serious ones. There has been good developments in this regards, now there is obviously a selective tender process also adopted by FPO which blends in very well with what we were trying to do, and which was seen as a breach at that time, but it would not be a breach now. The selective tender process allows for setting up of a panel of contractors using the Fiji Procurement Office and then restricting the tender to those selected panel, so that you have weeded out the rest of it and not waste as much time in going through the whole lot which will come into the open tender process. So the selective

tender process is working well for the Government housing because one of the main reasons why outsourcing from PWD to outside contractors was embraced, was to allow for good contractors to come in and with quick turnaround time in the delivery of those services.

The other thing which the Office of the Auditor-General and Ministry of Finance did not like was the exercise of flexibility by departments to go to the Minister of Finance and seek a waiver from the tender process, which was allowed under the amended Finance Act. Obviously this is what is being highlighted here saying that PSC deviated from advertising and going to the Major Tenders Board, but we followed the procedures. We did go to the Minister of Finance and sought a waiver because you cannot be waiting for 3 months to get your processes followed, by the time a Government quarters would probably go down to the ground. So if Government quarters is to be maintained and run in a business-like manner, there had to be some changes to the way we procured contractors and went about doing things. But all in all they were still within the processes, I do not see that we breached and went outside the guidelines. Even if you were to look at the waivers, we went and got waivers for each quotation which may not have necessarily met the tender guidelines and the provisions for waiver were brought into allow for reforms and Government Quarters was one of the reformed areas. That is the background to that.

MR. CHAIRMAN.- Thank you, PS, I think this whole issue of selective tender process and also tender waiver, and in some sense you are right that it is a transitional provision and I think Public Accounts Committee would not like to see that as a normal process or a process that becomes the norm in the Public Service. So I would see that as transitional process where you undertaking reforms and you needed immediate attention to the construction and renovation of some of these buildings. I think that happens in most of organisation, they do have tender waiver process selective, tender processing and I think that make sense, but I do not think it should become a normal thing in Government and I think that has been understood generally.

Auditor General, would you like to make any comments on that, just specifically on the selective tender process and tender waiver? Do you think it is a problem, do you think it is too widespread or do you think it is been applied judiciously?

AUDIT REP.- Thank you, Mr. Chairman. The provisions allowed, apart from going to the tender, we can approach the Minister for the waiver. The issues highlighted here, because it has been tendered and for the Commission to again seek the Minister for a waiver, that is the issue that we brought up.

HON. B. SINGH.- Thank you, Mr. Chairman. Thank you PS for your opening remarks and the vast changes coming up and the reforms that PSC is embarking on, and aligning Ministries performance management, we know that you are really working hard.

But nevertheless, just a few questions I would like to ask regarding the reconciliation of bonds on the quarters held by your Ministry. How do you reconcile and what is the current status of that bond held for the quarters?

MR. CHAIRMAN.- You mean rental bond?

HON. B. SINGH.- Rental properties.

MR. P. CHAND.- Mr. Chairman, obviously as I mentioned, this area is an evolving reform area. Before we were not in the practice of renting out Government quarters to the private sector, or outside in the market but as part of the reforms, surplus quarters at least here in Suva gets rented out to outsiders at market rent. That makes good business in economics sense. Those are the clients which pay a bond for a tenancy. The bond monies are deposited directly into a separate bank account. We have a Trading and Manufacturing Account (TMA) for running of Government quarters, so the rents come directly into that account and bonds are separately accounted for.

Now, we are also moving a step ahead to look at those staff who get to stay in Government quarters by way of their eligibility, to also come up with some sort of bond because they were notoriously unpaid water bills as well as electricity bills left behind before. They also sign a tenancy agreement, now. These are civil servants who stay in Government quarters and through the Ministry of Finance, we get them to deduct a bond over a period of time. So that area is now being tightened up, there were some lapses before but we should not see any problems in that area now.

HON. B. SINGH.- Just on the same topic, there were few civil who were not eligible but they were paying for these rental properties. What is the outstanding and what measures are being taken to recover those funds?

MR. CHAIRMAN.- You mean those who were not eligible? I think what the PS was saying that the eligibility criteria is not only restricted to civil servants, anyone can rent Government quarters now.

HON. B. SINGH.- Yes, but what has happened to those, for example, in 2012, there is a list of rent outstanding and they were not supposed to be renting properties or they were not eligible for rental properties.

MR. P. CHAND.- That is an issue which we had to deal with. There had to be a cut-off point where the criteria, the clearly defined criteria for eligibility came into being. If someone was occupying on a non-eligible basis, we could not go back and recover rent from them, if they were occupying on a non-eligibility basis based on a new criteria.

We started off from a point in time and this is always a humanitarian issue involving housing, because once you start with the cut-off time, you just cannot tell people to move out if they do not have the house to go to. There was a time lead in that, people were allowed to vacate Government quarters with sufficient notice. Having done that, if there some which we allowed to stay based on the understanding they pay rent and still they did not pay, we are following that up now and PSC is also on the Credit Data Bureau. We put them on a data

bureau listing as well. The other option options is to go to Small Claims Tribunal to register a claim and much of the time we are successful, but it takes a bit of time to recover.

HON. B. SINGH.- Mr. Chairman, why I brought up this issue because one of the doctor's, if you could recall in 2003 or 2004, he accumulated \$70,000 plus and till to-date we do not know what has happened to the recovery. He is still around and are you pursuing any actions against him, because he was given notices, he did not vacate.

MR. P. CHAND.- Yes, that doctor did occupy the quarters for a while. We were aware of that, and it was quarters given to him by Ministry of Health earlier, and when the transitioned happened for PSC to look after all the quarters, we did discover in that case. Ultimately, he did vacate. The recovery action is between PSC and Ministry of Health to pursue on that one.

MR. CHAIRMAN.- Honourable Singh, another question?

HON. B. SINGH.- Yes, Mr. Chairman. On the training, this goes to the Auditor-General's also because they cannot see nay audit on the training. PS, can you tell us what is your HR Succession Planning for the current status?

MR. P. CHAND.- Thank you. Through you, Mr. Chairman, PSC is at the forefront of succession planning. In fact, we are pleased that I think close of a dozen of our staff work for Parliament now. They came out of PSC directly to feel in senior posts within Parliament, and must of our staff can be seen in different Ministries across the Public Service.

We do train good staff by nature of our work in HR. If Ministries snatch our HR people we feel proud of it because in a way we are helping Ministries to beef up their HR capabilities by allowing our staff to move on. So, we have good PSC staff all over the place, and much of the programme comes through a good Graduate Trainee Programme where we recruit graduates from servings within the Emoluments Vote. They are not necessarily occupying line positions. They are paid from a pool for graduate trainees, and as and when positions become vacant, either in PSC or elsewhere they get absorbed.

Then, as part of our HR deliverables, we are all required to prepare a Learning and Development Plan of which Training Plan is an integral part, and also Succession Plan. Each Permanent Secretary is supposed to prepare these as part of the Performance Management, and that goes a long way in addressing the gaps which exist by way of staff leaving the establishment.

MR. CHAIRMAN.- Honourable Singh, last one for you.

HON. B. SINGH.- Yes, Mr. Chairman. It is not a question, but a comment. PSC is working with the Ministry of Finance on the accounting cadets, which the Ministry of Finance have alluded to in the last two days, that they have a very good Programme and they also up skilling through further education. Is PSC in line with that?

MR. P. CHAND.- Mr. Chairman, this area has gone through transition. Before, the accounting cadres staff were looked after by Ministry of Finance, and the Ministry of Finance used to run its own training programme for those accounting cadre staff. Now, with the devolved powers, the Permanent Secretaries have their own authority over accounting staff, but I am sure the Ministry of Finance works closely with those and Ministry of Finance does coordinate with PSC from time to time to run programs for accounting cadre. But, much of the training programs are run by Ministry of Finance itself for accounting cadre, and the onus is on each Permanent Secretary to release their critical staff to be trained through that process. They also convene regular Accounting Heads Meetings, and our Accountants get released to attend the Accounting Heads Meeting through which they also bring in training needs.

We also release our Accountants to go and attend the Certified Public Accountants (CPA) Conference, as well as the other Fiji Institute of Accountants Conference, as well the Fiji Institute of Accountants Congress on a regular basis. So, really the onus is on each PS, but we do collaborate with MOF.

MR. CHAIRMAN.- Honourable Radrodro?

HON. A.M. RADRODRO.- Yes, Mr. Chairman, just follow-on from the Succession Planning of the PSC. We have acknowledged that over the years PSC have done some successful Succession Planning, from the PS level right down. Can you inform the Committee or elaborate more on why does the Public Service Commission find the needs to now advertise for outside firm to do the recruitment of PS rather than just utilising the existing machinery that has been working over a period of time?

MR. P. CHAND.- Well, that decision, Mr. Chairman, was independently made by the Commission, which is an independent body, and it is in line with modern practices to hire or outsource this work to HR firms to conduct the initial processes, including advertising, shortlisting and screening to the point it is ready to be presented to the employer, and the employer takes the lead role in conducting the interviews and making the selection.

Firstly, it is the Commission's independent decision, but it is in line with also modern practices. I also get to Chair the Fiji Roads Authority (FRA) on an interim basis and we have also outsourced it to the HR firm to do the recruitment. It allows arm's length role in advertising and providing all the information to the applicants before finally it gets brought to the body itself to make a decision. But, the Commission, as an independent body might wish to shed some light on it.

MR. CHAIRMAN.- Thank you, PS. I think there are some big political questions that honourable Members can pursue this in Parliament. I have my own views about the role of the Public Service Commission and Public Service in general, but those are more political questions for us to pursue in Parliament. But, I will give honourable Radrodro the floor again, for another question.

HON. A.M. RADRODRO.- Mr. Chairman, thank you. On the Scholarship Award (overseas) discrepancies highlighted in the 2010 Report. Has the Commission attended to the anomalies that are noted there?

MR. P. CHAND.- Mr. Chairman, the selection of candidates for scholarships both locally and abroad were done by our Scholarships Committee, an inter-agency committee comprising PSC, Ministry of Finance, Ministry of Works, as well as National Planning and a few other agencies which were on that Committee. The Committee would screen the applicants, with the Secretariat being the PSC, and also even conduct interviews. So it was the Committee's decision but if there were any discrepancies, we would have of course, taken those discrepancies into account. But now that process is redundant because the work of scholarships is conducted by the tertiary scholarships and loans board. So, PSC is not involved in this area, and those discrepancies which you had highlighted, I am not sure what those specific discrepancies were but I am sure it would have been addressed at that time and the due process followed with the selection criteria, established by the Committee. I would leave it to that and I would be happy to provide any further clarification.

MR. CHAIRMAN.- Thank you, PS. I think honourable Singh has one last question.

HON. B. SINGH.- Thank you, Mr. Chairman, just on the FRA.

MR. CHAIRMAN.- You are asking PS as Chairman of the FRA or Secretary of the Public Service Commission? But anyway, I will let you ask the question nonetheless.

HON. B. SINGH.- Just on the Performance Audit of FRA. I have been really concerned about the output and the achievements to-date and then this year's budget of \$653 million being given to them. PS, are you the Chair to the Board? The monitoring part of it, and what is the capital against operation being deployed because according to some sources Prime Fiji is also involved and changing a light is \$35, Prime charges \$116. So, these are some of the issues we would like to know from your high office, the monitoring part, the capital and the operation budget.

MR. CHAIRMAN.- PS, you have the liberty not to answer this question. This will obviously come as part of the 2014 audit of some of the issues. I think the issues, honourable Singh is raising are important, but I am not sure whether this is the time to ask the PS, in his other role. So I will leave to the PS and he can choose not to answer.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, I beg to differ. I think we should call the FRA.

MR. CHAIRMAN.- That is what I said. I meant that this is not the questions for the PS in this session, that is for FRA and I think we will have to call the Chairman of the FRA Board in his capacity as chairman and we should formulate some specific questions, that is exactly what I was saying, and I agree with honourable Koroilavesau.

If there are no other questions, then I would like to take this opportunity to thank the Permanent Secretary and your colleagues. I think we have had a very useful conversation. I do hope that in light of the change in role of the Public Service Commission under the 2013 Constitution, the Public Service Commission would continue to play an important role in the recruitment, training and ensure that the public servants remain independent, neutral body and institution for governance in this country. I think that would be very useful from the point of view of the work of the Public Accounts Committee in understanding and dealing with issues of use of public funds by public servants throughout the different government ministries. So I wish you people well. Thank you.

**The Committee adjourned at 4.35 p.m.**

**VERBATIM REPORT OF INTERVIEWS CONDUCTED BY THE PUBLIC ACCOUNTS COMMITTEE ON FRIDAY, 17TH JULY, 2015 IN THE COMMITTEE ROOM, WEST WING, PARLIAMENT COMPLEX AT 9.50 A.M.**

**Interviewee: Ministry of Education**

In Attendance

- |       |                      |   |                         |
|-------|----------------------|---|-------------------------|
| (i)   | Ms Alumecei Tuisawau | - | Director Technical TEST |
| (ii)  | Mr Aseri Vatucicila  | - | PEO (Asset)             |
| (iii) | Ms Kelera Daunibau   | - | Senior Admin HR         |
| (iv)  | Ms Makarita Fuata    | - | A/Director Finance      |

MR. CHAIRMAN.- Honourable Members, let me welcome Alumecei, Aseri, Kelera, and Makarita,; thank you very much for making yourselves available this morning. I also note the apologies from the Acting Permanent Secretary and I wish she gets well sooner than later.

Just to update you on the work of the PAC, as you know, we called you people the last time when we were looking at the 2007, 2008, and 2009, and I am pleased to say that the Committee has tabled a consolidated report for 2007, 2008 and 2009 to the Parliament, The recommendations and the identification of the systemic issues and the repeats of issues are now being taken on board. We are now progressing on to looking at Reports from 2010 and right up to 2013, although we had asked you to respond to only 2012, and what we plan to do is to provide a consolidated report for 2010 right up to 2013 to Parliament, and this is part of the consultation that we are doing and asking people to appear before us, to answer certain questions so that we are able to reflect the issues in our report to parliament.

Let me also just say that this Committee has the same privileges as when we speak in Parliament and people who appear before the Committee have the same privileges. So, you should be able to speak without fear and favour and not be held accountable for what you say in front of this Committee, I just want to make that known as well.

What I want to do first is to ask the OAG to give us a snapshot. I know that you have provided a response for 2010 and 2012 and thank you very much for this, your efforts are appreciated. However, as you will know, there are still questions that we would like to ask.

First, I will ask the OAG to provide us with a snapshot of what were the issues between 2010 and 2013, and what are some of the issues that they continue to identify in the 2014 Audit that needs attention, because what we would like to see in the future is some of those repeats and recurring issues to quieten down, or to be reduced in a way that is manageable.

After that, I will also ask the MOF to provide their views on what they are looking at, and then I will ask you to make some statements and respond to some of the issues that the OAG and MOF would have identified, and then I will ask honourable Members to ask certain

Interviewees

- Ministry of Education
- Ministry of Agriculture

specific questions, and some from me as well. Can I now invite the OAG to speak on the Ministry of Education issue.

AUDIT REP.- Thank you honourable Chairman. As far as the audit is concerned for the Ministry of Education, and has been asked, the following are some of the issues which were present in the 2010 and 2012 Accounts, and as far as the 2014 or the current audit is concerned, some of the issues are still there, in particular, we have been noting consistent issues as far as the over-expenditure in payroll is concerned.

We have noted that given the Ministry of Education has the highest number of budget for payroll, however, we have noted that the payroll, which is SEGs 1 and 2, is continuously overspent and it has been overspent by a substantial amount.

The other issue that we have noted is the bus fare scheme. We still have concerns and issues of how the bus fare scheme is being administrated, and issues go as far as the lack of reconciliations, which stands to give a risk of double payments made to bus fare service providers, and there has been inconsistent formats or reporting methods used by various schools, as far as the reporting and the acquitting of the bus fare scheme is concerned.

The other issue that we have noted is the misallocation of expenditures. This is a concern to audit and there has been instances noted whereby funds have been diverted to this one allocation, which is normally not budgeted for. Items are being purchased or procurements done from this allocation, which is not budgeted for, it is not coming through the budget and the funds from the approved budget is being diverted to this allocation.

The major concern for audit at the moment is the procurement of goods and services. We have noted that the Ministry tends to ignore the standing rules and regulations as far as the internal control for procurement of goods and services is concerned, and some of the recurring issues range from unsubstantiated delivery of goods and services, amendments to invoices and amendments to purchase orders, and we view that these issues to be fraudulent in nature, and we have raised our concerns. From audit point of view, it is a serious concern from us.

Also, we noted the segregation of duties, as far as the procurement is concerned is not there. There tends to be overlapping responsibilities in procurement of goods and services.

The other one we have also noted that the alteration of dates on invoices and delivery dockets is happening and also some instances we noted where the tender processes were not followed, the standing rules and regulations pertaining to tender was not followed.

The other one is given that the Ministry is now doing tuition-fee grant and we note that the tuition free grant is also an area of concern for the audit and the schools which receive grant, they continue to divert grants for purposes not intended for the using of grant.

MR. CHAIRMAN.- Can I ask just ask; for what purposes are they diverting? How is it being diverted? Let us say, tuition- fee grants are given direct to the schools, into the bank

Interviewees

- Ministry of Education
- Ministry of Agriculture

accounts, for the purpose of use by that school. How are grants being diverted? What is happening there?

AUDIT REP.- Mr. Chairman, what we have noted is, for instance, if the Ministry has a certain allocation on how they have broken it down in terms of the percentage of grants to be used. For instance, what happens is the school or the management normally divert grants. For example, if it is given for building maintenance, that funds is used for other purposes, i.e. the buying of stationery and using administrative expenses. We have also noted instances where the management are giving loans to other institutions under their umbrella. We view that as giving loans, for instance for the other branches amongst the school body, the management body.

MR. CHAIRMAN.- Would that not be illegal, fraudulent for management to give loans out of the grants to that school for some other activities?

AUDIT REP.- Mr. Chairman, first of all, it is not part of the standing rules and regulations for the administrative of grants, so any affairs or any expenditure which is done outside the standing rules and regulations is viewed as unauthorised and unwarranted diversion of funds. It was there in the years of the reports being discussed and we still believe that this issue is still present and I think the Ministry needs to seriously look into this area.

Just to add on, Chair, on the same issue, some of the schools in Fiji are run or administered by a parent body. The grant is supposed to be given to the schools but the grants are collected by the parent bodies. These parent bodies they have an administrative unit which administers the tuition-fee grant. Part of the grant is given to the school, but we have noted that a significant portion of the grant is also diverted to the parent body. One of these parent bodies is also running a university in Fiji and the tuition fee grant has been diverted as a loan to this university and it is given on an interest rate but we do not know where the interest is going - whether the interest that is collected is absorbed by the parent body or is given back to the school as part of the grant or rightly it should be given to the Government. That is something that is not cleared with us. But we have noted that the tuition fee grant is being misused in this way but there are some other ways that tuition fee grant are also misused. Members here and representatives available here may also be knowing that the Ministry of Education is now getting out a nation-wide audit for the tuition fee grant. That is something that was part of our audit recommendation and we are very appreciative of the Ministry for pooling the dollar in this audit. Thank you, Chair.

MR. CHAIRMAN.- We will give the opportunity to the Ministry of Education, especially to Dr. Lal but let me first hear from the Ministry of Finance, just the broad issues and then we will get into some of those specific issues.

FINANCE REP.- In regards to the Ministry of Education, we normally audit the Ministry for the past five years. We have a team, specifically assigned to audit the Ministry of Education. They normally conduct their audit quarterly.

In regards to the UP listing, the un-presented cheques, honourable Chair, it has significantly increased from \$1.3 million last year in 2013, to \$5.8 million in 2014.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

In regards to their reconciliation, majority of their recon has been updated as far as the month of May.

In regards to their right offs, the Ministry of Education has a significant amount of \$6.8 million that was written off in 2014.

Mr. Chairman, I would like to invite the Principal internal auditor of the Ministry to elaborate more on this.

MR. CHAIRMAN.- Thank you, please do.

FINANCE INTERNAL AUDIT.- Sir, as your office is aware, the key internal control mechanism is the reconciliation. It is now up-to-date and it is balanced. However, this came about through the cleaning up of the Ministry of Education's books, which includes writing off certain dormant accounts and unsubstantiated balances. These were mainly in the drawings account, and it stood at \$6.8 million. Perhaps the Ministry for Education would be able to explain as to how the reconciliations were done previously in which they showed a balanced reconciliation prior to us rectifying the problems. Thank you, Sir.

MR. CHAIRMAN.- Thank you for that clarification and Ministry of Finance, thank you for that update.

Of significant concern is the increase in un-presented cheques, which is government's wide problem and we have been talking about it. It is not only the Ministry of Education, in fact the total for the whole of government as of 31<sup>st</sup> December last year, was about \$150 million and we keep emphasising that un-presented cheques are a cost to government because it puts pressure on cash flow. Government has to issue short term promissory notes and treasury bills to raise cash for which they have to pay interest so the more un-presented cheques, the more it is going to cost the taxpayers in the form of interests. So, that is why I think the Auditor-General's Office rightfully talks about quite prominently about un-presented cheques, and we have also heard from the Ministry of Finance that this new system - FMIS, Electronic Fund Transfer, EFTR is all likely to improve that, so hopefully, in the future, we will see less of that.

But can I now invite the Ministry to respond generally to some of the issues and then I will ask honourable Dr. Lal to say something on some of the issues, and then we will have some questions from us.

MS. M. FUATA.- Mr. Chairman, I will start off with the query that came from the Auditor-General's Office about the over expenditure in SEGS 1 and 2. For this SEG, we have not quite, we have requested for additional budget, because it covers location allowances and other allowances that the Ministry pays, as well as the positions, establishment and the Ministry but we have not always got what we requested in the Budget to counter the over expenditure each year. So this year, we are really going to put it down with all the additional positions that we have, to make sure that the P-to-P exercise in the Ministry is allocated the correct budget. That is the over expenditure that always happen in SEGS 1 and 2.

For the bus fares scheme, the lack of reconciliation, last year, we have set up the Transport Assistance unit, and I think they are really looking into this, the reconciliation of the bus fare vouchers that have been sent to the schools and they also request for the return at the end of the year because the lack of reconciliation reflects the variance that is held at the schools,

Interviewees

- Ministry of Education
- Ministry of Agriculture

as well as the unused vouchers at the school as well as the district offices. So they are looking into it and we will amend this from now onwards, getting a correct report from the schools as well as the district offices.

For the allocation that the Auditor-General's Office raised, there is an allocation that we set aside, funds that we can cut from other allocations to address the Ministry's initiatives that is always mainly unbudgeted for and the unforeseen circumstances like if you have cyclone and all, these budgets cover those expenses. We started it in 2010 and the Ministry of Finance is aware that we do vire these funds, it is done in the correct process to cover these unforeseen expenses that come up during the year.

The procurement of goods, I know it has always been an issue with the Ministry, and we have had workshops for all the buyers, as well as the senior staff to address this incorrect procurement procedures, and we have sent out the procurement regulations to everyone so everyone knows what is happening, but this does happen that they overlook the processes, normally sometimes it is addressed at the Accounts Section before they process the payment. But, we are looking into carrying out a lot of awareness to the staff of the Ministry on the procurement processes.

HON. MEMBER - (inaudible)

MS. M. FUATA.- I am sorry, but I have not heard about the amendments done to the vouchers. We know that amendments are done to the Purchase Orders, we do not make amendments to the invoices that come from the suppliers because we assume that is the correct figure, but if the Purchase Order is above or below, it is adjusted through the debit or credit memo in the FMIS system. That is the only changes that I am aware of. I am not aware of the changes made on to the invoices, and we are now looking at all the tender processes ensuring that anything more than \$50,000 goes through tender process, and if need be, then we request for waiver of tender process due to urgency. And, like they said about the Free Education Grants, we are aware of some of the controlling authority, diverting some of their funds to the University of Fiji. It is being addressed, and we are withholding all their grants, and now it is being managed from the Ministry. After meetings with Arya Pratinidhi, we were informed that it is done directly from the bank, I do not know how true. But, if the Accounts sees that there is some lack of funds in any of those schools under them, it automatically transfers funds. They say that when the institution gets the funds, then it is repaid. But, we have not seen most of the repayments into the individual accounts. It is not fully accounted for, and is being investigated.

MR. CHAIRMAN.- So, let me get this right. So, what they are doing is they are putting grants that are meant for the schools into a consolidated account.

MS. M. FUATA.- No, the schools have individual accounts.

MR. CHAIRMAN.- Alright, the schools have individual accounts, so how does money out of those individual accounts get to another account?

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MS. M. FUATA.- What we were told by the organisation was that the bank does automatic transfers. They do not withdraw from here and put it there, and we have seen statements of that happening and some money returning....

MR. CHAIRMAN.- Yes, but that can only happen at their instruction. Management would not do that automatically.

MS. M. FUATA.-Yes, not automatically.

MR. CHAIRMAN.- That is what I am saying. What they are doing is actually illegal. I mean the grants are for the schools, and for the management of that school to administer those grants. That means that the services that those grants are meant to provide to the schools are not being provided.

MS. M. FUATA.- Yes, Mr. Chairman.

MR. CHAIRMAN.- And, if I here correctly from the Audit Office, they are saying that they are also being loaned out. So, is there any agreement? You are saying that money just gets automatically transferred. So, where is the agreement if there was a loan, what is the basis on which the money is going to, and when is it being paid back to the school management? These are some very serious questions.

MS.M. FUATA.- Sir, we have sighted some of the bank statements from the schools and we have seen money coming back in to, but it is not the full amount that is taken away from all the schools that is returned. But, any agreement and all would be with the controlling authority and the bank. We do not have that. That is why the schools are being investigated, and their grants are being withheld.

MR. CHAIRMAN.- Alright, we would be interested in seeing the result of that investigation, and if the Ministry could provide us an update on the investigations, what are the findings and when it is all rectified, because it is about the process and the procedures. Otherwise, other schools will start giving loans to other people.

Alright, carry on!

MS. M. FUATA.- From the Ministry of Finance side, Sir, for 2014 I know there was a write-off of \$6.8 million, but the Drawings Reconciliation, because it was a new format, the Ministry of Finance took over the reconciling the Drawings account for the Ministry. And, at the end of the reconciliation, we only got information that this was the amount they had written off, they had requested to write-off.

In the past years, we have done our own reconciliations. We have not requested for any write-off because there were verifications that needed to be done, and we were not sure whether these were part of the 2014 Expenditures which could not be rectified, that needed to be adjusted manually, but the reconciliations were done by the Ministry of Finance, FMIS Unit.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR. CHAIRMAN.- Honourable Dr. Lal, I know you wanted to add to the original discussion, and being a former Permanent Secretary I am sure he has some insights to offer.

HON. DR. B. LAL.- Thank you, Mr. Chairman. I am not here to defend the Ministry of Education, but would just like to clarify one or two things. The first is, the abuse of grants that has been talked about. When Fee-Free Grants are given to the schools, there is certain percentage to be used for various things. There is provision there that the school can ask to divert that into some other use. For example, if 15 per cent is given for IT, and they already have all the computers and everything, they can say, “We want to use 10 per cent of this to paint all the buildings”, for which they will have to write to the Permanent Secretary who will give the approval. Where that is not done, then I would say that that is abuse. Otherwise, that provision is there, but there will be committees that will try and play around with something of that nature.

On the Bus Fare Scheme that is with the Ministry, I would like to salute the Ministry for what they have done. We were given just two weeks to start the programme at the beginning and we were giving out cash at that time. We were carrying bags and bags of money from the bank to the schools and all that to meet the requirement of the Government, and as time went on, we switched on to tickets, vouchers and other things, and the Ministry has learnt how to be more programmed with the systems, processes, and so forth, including, a Special Unit was set in the Ministry and we liaised with the Ministry of Finance to come and check every now and then so that everything is done to the best. But, there will be still some ups and downs, which I am sure that the Ministry is carrying on.

MR. CHAIRMAN.- Yes, I agree on the bus fare. I mean, it was an initiative, the Government just dropped it out of the hat and the Ministry of Education had to look for about \$12 million to fund that scheme, when they had not actually budgeted it. So, I understand what Dr. Lal is saying that the Ministry was lumped with this policy without any money, and therefore, they had to look for that \$12 million to get that sorted out.

I understand the allocation within the school. I do not think that is too much a problem where schools request for diversion from one allocation to the other, but within the school. I am more worried about this other story, and I think as a Committee, we would like to have a continuous update on the investigation, and why grants were loaned out, on what conditions, and who were the people involved in this sort of activities. I think we need to get to the bottom of that and understand why grants from schools are diverted or loaned out for some other purpose by managing authorities.

Just one or two things, from 2010-2012, this thing about the Ministry, “paying a total of \$230,000 to Telecom Fiji for e-ticketing cards which were not received by the Ministry, a contract between the Ministry and Telecom Fiji was not produced for audit, the purchase order and the cheque was signed by the senior accountant in excess of his authorised limit of \$3000.”

I note the Ministry’s response, “the payment was approved by the then Deputy Secretary of the Prime Minister’s Office, processed by the Accounts Section, through the Senior Accountant. The Ministry had written to the Telecom Fiji Limited for reimbursement

Interviewees

- Ministry of Education
- Ministry of Agriculture

but no response has been forthcoming, the case has been referred to TAU (Transport Assistance Unit) to pursue but to no avail. The case will now be referred to the SG's Office to instigate legal action against TFL."

There is another payment, "the Ministry paid a total of \$376,000 to Foneology, as cost of a top-up for bus-fare cuts without a valid contract." The decision to award, the question levelled by the Ministry - I think the e-ticketing is a much broader issue, I think it is to some extent a failure on the part of the Government to resolve that, but can I just check with the Ministry of Education on what happened to that, what is the update? You were saying you referred to the SG's Office to instigate legal action against TFL. Why are they not refunding the money when it was paid to them?

MS. M. FUATA.- Mr. Chairman, we had written two or three times to TFL. At one time, they did not respond. The other time, they called was to ask for more time and the only thing we got was a response from a lawyer. I gathered it would be TFLs lawyer, we had written and allowed them time to sort this out but they did not come back. I sent another letter for a reminder but it was to no avail, and then the Transport Assistance Unit (TAU) had been set up and the case was referred to them to pursue with their lawyer, but it seems that nothing has been done, and we will now refer it to the Solicitor-General to help us get back that \$230,000.

MR. CHAIRMAN.- Well, you should also refer it to the Police and FICAC because you know, if the payment was made and the tickets were not received, some people out there in TFL should be responsible. They cannot be treating the Ministry of Education like this, where payment was made and where things were not supplied. I mean, that is bordering on abuse of government funds. I think the Ministry should pursue this actively. What happened to this Foneology issue? Did you get the top-up cards? Was that delivered?

MS. M. FUATA.-Yes, we got the top-up cards where the students' fares were topped up into the cards and they were using it till the end of the year when it had started. This money was owed to them because the students were using the cards. The fares were fed into the cards while they kept it on to the card-ticketing machines in the buses.

MR. CHAIRMAN.- But that did not happen, right?

MS. M. FUATA.- No, it happened when they launched that.

MR. CHAIRMAN.- Then it stopped?

MS. A. TUISAWAU.- Yes, that was what was owed to the students had used while they were tapping it on to the card-ticketing machines in the bus.

MR. CHAIRMAN.- So that has not been sorted out yet?

MS. A. TUISAWAU.- It is already paid to them.

MR. CHAIRMAN.- It is already paid to them?

MS. A. TUISAWAU.- Yes, that was what was due because they had used it.

Mr. Chair, can I just ask Kelera to answer that, she was in the Transport Department.

MS. K. DAUNIBAU.- Thank you, Mr. Chair, the cards were given free to the Ministry by Foneology and the Ministry just had to top up the cards for the students' fares and at the end of the year, there was \$100,000 that was refunded back to the Ministry. That \$100,000 was the money that was topped-up to the students' cards that were not used during the year.

HON. A.M. RADRODRO.- Is the smart card the same as the M-PAISA, or are they different?

MS. K. DAUNIBAU.- They are different, but the card is similar to the M-PAISA card, but it was only used for the students' fare.

HON. A.M. RADRODRO.- Sir, just an issue on the purchase of smart cards. There is a lot of anomalies that have been noted by the Auditor-General on this exercise. The first one is on the TFL invoice. It was issued on 9/11 and the Purchase Order was on 4/6/12, so that means the services were rendered before the order was given, and it says there, it is seven months; why did that happen?

MS. M. FUATA.- Can you, please, repeat the question?

HON. A.M. RADRODRO.- If you see the same issue on the purchase of smart cards on 2012, 20.10.3; the first anomaly that was highlighted by the Auditor-General is that the TFL invoice dated 9/11/11, and the purchase order was issued on 4/6/12; why was that scenario allowed to happen? It looks like the services were rendered first before the Ministry issued the order.

MS. M. FUATA.- Thank you, I think an agreement was done between TFL and at the time it was Telstar. It was a company that was given the contract to make the smart cards for the students and there were a lot of discussions going on that whenever they did those cards, they would return it to the Ministry for distribution to the students, and while that was going on, I think there were talks about getting the smart cards done and we were then advised by the Deputy Secretary to come and raise the purchase order when it was time to pay them. We had not sighted any contract for them to go ahead, when the smart cards were to be done and delivered, but those were supposed to be delivered to the Ministry and when it was time for payment, that was the time that the purchase order was raised.

HON. A.M. RADRODRO.- Thank you, Chair. I think with this exercise, you are involved with a lot of other ministries. Another issue that has been highlighted is the Ministry of Works. It is stated here that the contract has been signed but the contract was not made available for audit. Is that contract now available?

MS. M. FUATA.- We still have the unsigned contract. We have not seen the signed one. The unsigned contract was attached to the payment voucher, but there was no sign when it was sent to the Ministry.

HON. B. LAL.- When those cards started, the agreements were signed between the Ministry of Transport and the company that was going to do this - Telstar and TFL. Education was only given instruction, yes, everything has been done, start asking for all that, so that is where we were, that is why we got the instructions and that was how things were happening. I just wanted to clarify that.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR. CHAIRMAN.- I think you are right and we can see that.

First of all, the bus-fare policy was dropped out of the hat by the Government without providing the budget, and then you had other Ministries making agreements.

On the mechanics of providing bus-fare subsidy, we do not hold the Ministry of Education responsible but what we want the Ministry to do is to pursue this payment to TELECOM, because that money was diverted from tuition fee – grant to primary schools and secondary schools and it is really unbecoming of TFL not to refund that money, and how long has it been with them? Almost more than two years – yes.

HON. A.M. RADRODRO.- Honourable Member, just an additional question to VAT payment, Chair. Why did the Ministry take that long to respond that you are now, you are still yet to proceed on the exercise to the Solicitor-General, why did you not explore these options at the time when they were not refunding the payment that has been made through?

MS. M. FUATA- Thank you, at the time that we were pursuing it, they had form up a Transport Assistance Unit, that was in 2013 when we started writing to TFL, and in 2014, the case was referred to the Transport Assistance Unit for them to pursue with TFL but I think until now nothing was done then we decided when we saw this. We did not know where else and how to pursue it so we thought we would refer it to the Solicitor-General's Office to take legal action but then now, Mr. Chairman, have come up with the idea and we will refer it to FICAC too.

MR. CHAIRMAN.- Yes, I think it is important that you do that.

Can I just ask you, what is the situation now, I think this issue that have happened, we will deal with that, but what is the situation now with the bus fare, are you handling it well. What is happening there and then I will ask the Audit to respond what they are finding out in the 2014 Report?

MS. A. TUISAWAU.- The Unit was established in 2013 and from the report that we received from the OAG, the unit is currently working towards a better way to improve the issues that were raised in the OAG's Report, and also at the moment, the unit is now under the Finance Department of the Ministry of Education, which the Finance Department are currently trying to improve ways to move forward in regards to the bus fare assistance by the Ministry of Education. However, currently the Ministry is still issuing the bus vouchers and the Ministry has already submitted a Cabinet paper, I think the Honourable Dr Brij Lal is aware of that the Ministry has recommended that we move into using the e-ticketing but currently we are awaiting the SG's Office, it is still with them to move forward in using the e-ticketing.

MR. CHAIRMAN.- We note that, and I really think this whole e-ticketing is a bit of a mess, and we hope that it will be sorted out soon because what has happened of course is a process where things have not been done properly, and what we have ended up with is losing money because the approval was initially given and the expectation was that the e-ticketing will be implemented as soon as possible. So I sympathize with the Ministry, but I think it is the responsibility of the relevant Ministry in charge of introducing e-Ticketing, to quickly deal with these issues so that we can resolve some of these problems within the Ministry, and especially in relation to bus fare.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

Just before I ask honourable Radrodro, at the moment the voucher system, in your view, is manageable? Can I ask the Auditor General's Office to make some comments on their current findings, what is happening there?

AUDIT REP.- Thank you, honourable Chair, the Ministry I believe have tried their best in the absence of smart card and whatever limitations they have and what resources they have at the moment, they have tried their best to act on our recommendations to at least try and ensure that the controls are there working. But I believe at the end of the day it is still the nature of the scheme is such that it is bound to have problems as far as the internal control and the reconciliation bit is concerned and the Ministry would agree, the students on this scheme keep on increasing every year and then the scope is increasing and on the other side the smarter way of doing things is not coming as far as you have mentioned, the smart cards and the e-ticketing. However, we have seen almost the same issues which we have been raising in previous years as far as the reconciliation is concerned, the acquitting and the responsibility on the schools side to tell the Ministry that, at the end of the term, this is the number of vouchers we have left and this is the additional we need. So those checks and balances it is still a challenge for the Ministry.

MR CHAIRMAN.- You are saying that the number of students on bus fare scheme is increasing, can I ask the Ministry, the process of determining obviously there will be a means test of whatever that you are using to determine who is eligible for bus fare subsidy. Can you tell us a little but about that, how you are managing that and why, is it because more people are falling below the threshold, more people are asking for assistance, what is happening there and how do you determine that?

MS. A. TUISAWAU.- Mr Chairman, the Ministry receives application forms from students and those students who are eligible are the parents total income, both combined income salary is \$15, 600 and below. Those students are eligible to be assisted, and when the application comes in, it comes in with the necessary documents like both the parents salary slips, that is how we assess those students who are eligible.

MR CHAIRMAN.- What would be the total number that are assisted now, out of the total number of students, in say schools?

MS.A. TUISAWAU.-Currently we have more then 90,000 students assisted.

MR CHAIRMAN.- 190

MS. A. TUISAWAU.- 90, 000

MR CHAIRMAN.- 190, 000 out of a total of?

MS. A. TUISAWAU.- It is 90, 000.

MR CHAIRMAN.- 90, out of a total of?

MS. A. TUISAWAU.- 211,000 students

MR CHAIRMAN.- 211, 000, that is a very good statistics, we can do our mathematics of what percentage, these are households kind of thing. So you really looking at 90, 000

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

students and if you are looking at an average of 2 or 3 kids out of a family, we will do the sums but thank you for that information. Honourable Radrodro.

HON A.M. RADRODRO.- Mr. Chairman, thank you very much Ministry officials for the descriptions on the bus fare schemes. What is the possibility now that the verification process you said that you are relying on the forms filled by the students or the application forms, what is the authentication process that the Ministry has to authenticate whether those forms are genuine? Do you have any process in place because there is always a possibility that the vouchers will also go to students who probably do not apply and the teachers hand out the vouchers to students who are not applicants in the first stage?

MS. A. TUISAWAU.- Thank you honourable Radrodro. The forms come in to the Ministry after it has been assessed and processed through the school heads, and it comes to the District Education Officers and then it comes to the headquarters for us to process and approve and issue vouchers out to the schools.

Issuing of vouchers to the students, we have a system in place which we had started using it last year, which is now online. The students application forms are processed and it is updated online. The schools, they can access those students who are approved from headquarters to issue vouchers to the students. So vouchers given out to the schools are only given out from the approval that we have in headquarters.

HON A.M. RADRODRO.- Chair, just in addition to that, to the Ministry of Finance internal audit. I think the bus fare process assistance scheme has been now in existence for more than three (3) years. Has your Department planned to assist the Ministry of Education in their verification and reconciliation process?

MS. K. DAUNIBAU.- We did a review for bus fare, I think way back in 2011 or 2012, upon that review the ministry had implemented a lot of our recommendations. At that time they used to dish out cash. One of our recommendations was to issue vouchers, which they are now implementing.

In 2014, in regards to the Ministry itself, the Unit had reviewed about three (3) projects. The primary and secondary free education which we work together with the Ministry, reviewing their processes, reviewing their guidelines before it was submitted to Solicitor General. They engaged us right from the initial stage of the free education scheme, whereas for the bus fare and these are projects.

One of the root causes that we have noted so far is that when these projects were handed over to the ministry, there were no additional resources, additional human resources, so the existing human resources that were there within the ministry had to undertake these responsibilities. .

MR CHAIRMAN.- Honourable Lal you want to say something.

HON. DR. B. LAL.- I just want to say that according to your question there was another thing there. If parents said that their income was below \$15,000, and they were unemployed then a Justice of Peace, or a senior civil servant or someone had to certify that. So that is another process of verifying, apart from the school principal, head teacher and so forth.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR CHAIRMAN.- Honourable Radrodro, any other questions. Honourable . O'Connor

HON. A.D. O'CONNOR.- Thank you honourable Chairman. I divert from the issue on bus fares and so forth, but I read with interest and I would like to mention about quotations. I read with interest the report and on various items such as office equipment, IT equipment and also into your vehicle maintenance and repairs. Perhaps, the Ministry and the Office of the Auditor-General, probably advise us about what is the norm before we go into purchases, maintenance and repairs.

On the same token, we do have a Government Printery, and why is the Government Printery not being utilised for this, that is probably the reason why, that is what I would like to ask .

MR. CHAIRMAN.- Auditor General's Office, I know we have had some serious discussions before about the pros and cons of Government Printery and I think Government is moving away from Government Printery to more private printers. So, we have had that argument before but you want a quick response. I think the question that honourable O'Connor is asking about - the process of tendering and you do identify is an important one, so if I can get your response on that.

AUDIT REP.- Thank you honourable Chairman.

As far as the procurement is concerned, the standing rule is that, any expenditure which is beyond \$50,000, then there has to be a tender called, unless there is other provisions, say if there is only one supplier then there will be waivers and other stuff done, and which is below \$50,000 then the normal three (3) quotations rule applies. Sometimes what happens is, for example, if there is a tender awarded, then there is no quotation obtained because it is already a tendered company which is supplying.

As far as the stationery is concerned, I believe that there is a pool of stationery suppliers that has been approved, where the Ministry can procure from, and we have also noted in our reports that, as I have said in the beginning, the procurement of goods and services and the internal controls are not adhered to, as far as quotations are concerned and the repair and maintenance of vehicle is also, we have noted instances where, it is been repaired by companies which are not of that good in the market with reputation, but at the bottom line is that the ministry needs to get approval and prove that, if for example there is no need for a quotation or there is some limitations then there has to be a proper documentation and explanations given why they could not obtain quotations and what is the reason for it, but the bottom line is the rules being approved in the Finance Instruction and the Ministry of Finance Manual should be followed.

MR. CHAIRMAN.- Honourable Radrodro.

HON. A M. RADRODRO.- Sir, just in 2012 there is an issue on Salami slicing, 20.11. Now, I heard in our introduction that, there is always a shortfall in your SEG 1 and SEG 2. But I do not see that as part of your Salami slicing in the table that has been shown there. Can you explain why, why did this slicing of fund do happen in the ministry?

Interviewees

- Ministry of Education
- Ministry of Agriculture

MS. M. FUATA.- Thank you Honourable Member. You will not see Salami slicing going into SEG 1 and SEG 2 because we are not supposed to put funds into SEG 1 and SEG2. We can take funds out of it but we cannot vire funds into to offset the over expenditure. And like how I explained earlier, these are taken from other allocations where we can identify some savings and the sections are advised that we are cutting these much and then it is put to into this set up allocation for the Ministry's initiatives where un budgeted for items or expenditures come into play.

HON. A.M. RADRODRO.- Is this a norm, or is this a continuing process? It is happening in the ministry on a yearly basis?

MS. M. FUATA.- Yes. It started from 2010 and the Ministry of Finance is aware because the virements go through them, to put them into the special allocation. This happened because from 2010, we had a lot funds in SEG 1, but came 2010, they had corrected and removed all the additional funds, so no other funds that we could have identify, so we set up this buffer allocation to cater for requests from schools and every other ....

HON. A. M. RADRODRO.- On the TVET Programme, a lot of audit issues here is the unauthorised purchases of items for TVET and anomalies in procurement.

There is one particular staff that has been regularly mentioned in this process - Elizabeth Logavatu, and there is no comment been received from the ministry on these 2012 Audit report. What is the status of this staff, and how has the ministry attended to these anomalies, in particular to the staff?

MS. M.FUATA.- Thank you honourable Member. The staff was suspended when they carried out investigations and she has now been terminated for all the things that were mentioned in the Audit Reports. But now processes have been put in place so we are now aware that all the processes must be adhered to from all the directives for expenses that come from the unit.

HON. A .M.RADRODRO.- Just a follow one question for that, what has now happened to the computers that were purchased by her?

MS. M. FUATA.- Honourable Member, maybe I will ask the Director TEST to respond.

MS. A. TUISAWAU.- Thank you honourable Chair. The computers were purchased upon the request from the honourable former Minister, then those were the purchases and it has been distributed to schools - the purchase of 60 computers for Nakelo and Queen Victoria Schools.

MR CHAIRMAN.- Auditor General's office, you want to make some comments on that.

AUDIT REP.- Thank you honourable Chairman. We would like to point out one issue here, as the honourable Member has rightly picked up, what was happening in TVET. So we believe that the Ministry needs to really, really look into this because these issues are there in

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

the 2012 report and the audit which we have just completed. Our current audit has also resulted that some of the issues are still there and it has some of the areas which is moving onto the red flag and to the red zone, I would say.

Like the Ministry is not making sure that what is being picked out in the previous years, like for 2012 needs to be rectified, the internal control needs to be sorted out. Also, the other comment that I would like to mention here is that the Ministry of Finance said something about the initiatives been brought to the Ministry without increase in staff establishment. But for the record we have seen that the SEGs 1 and 2 has been continuously over spent, which means that people are there, been paid from SEGs 1 and 2.

As the internal audit has also mentioned that they also been looking at specific projects for example the Tuition Free Grant and the other aspects.

I would also recommend the Ministry, for internal audit to also carry out a thorough person to post audit on the Ministry to see whether they have the required number of resources against the budget because we believe and we have seen that the magnitude at where SEGs 1 and 2 has been overspent is quite alarming at the moment.

I think it is very important for the Ministry and the Ministry of Finance to seriously go in and carry out a person to post audit, to see if the people are there against the post or there have been increase in establishment, so that we get a correct budget for the Ministry, and these kind of issues does not recur.

MR CHAIRMAN.- Welcome honourable Koroilavesau. Honourable Koroilavesau must have just given a lecture in a conference and he is back. We are just about to conclude the Ministry of Education. Any other questions honourable Members or Ministry of Finance?

MS. A. TUISAWAU.- Thank you honourable Chair, in regards to the comment that I made in the additional resources, that is for the project itself, it is not for the whole Ministry. So the projects that have been given to the Ministry, we have noted that there were no additional human resource given to look after these bus fare and the free education, especially the bus fare. The bus fare is quite a big exercise so it needs additional resources. In regards to the payroll, the team will be auditing the payroll in fourth quarter, they have plans to audit that in the fourth quarter this year. Thank you.

MR CHAIRMAN.- Honourable Radrodro you got another question and then honourable Lal.

HON. A. M. RADRODRO.- Just on 20.12 in 2012, on the Tuition-Free Grant. The auditors highlighted that only 21 or 13 per cent of secondary schools did not submit their Annual General Meeting of the Ministry. The second issue is 79 per cent out of 158 schools did not submit audited financial statements. How is the Ministry going to improve on these anomalies that are noted and whether the Financial Statements that is required from the Ministry are really true audited financial statements or just the statement of acquittals?

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MS. K. DAUNIBAU.- The Financial Statements are true audited that should come from the schools. The schools that do not submit financial audited statements do not get the grant from second term, until they do so.

HON. A.M. RADRODRO.- My meaning of “true audited financial statements” is that the accounts to be signed by Chartered Accountants, whether all schools do comply with that requirement, or they can get normal ordinary civil servants or accountants in their respective Ministries to do that.

MS. K. DAUNIBAU.- Most schools do send in audited financial statements from Chartered Accountants and this year, a circular has been sent out for anyone who has accounting background or accounting degree, they can audit school accounts, thank you.

MR CHAIRMAN.- Thank you honourable Lal.

HON. B. LAL.- Thank you, according to the Constitution now, the budget is given to the Ministry and the PS is in charge, and he decides how many people to employ and make decisions. How is it going on now?

MR CHAIRMAN.- A very good question because we had the Public Service Commission yesterday and the Permanent Secretary for Public Service Commission did point that out that the Ministry’s Permanent Secretary decides on the establishment, they decides on the recruitment and finally they need to have the concurrence of the Minister. I think Doctor Lal’s question is, how is that working?

MS. F. FUATA - Thank you Chair. There have been a lot of appointments done this year through the Permanent Secretary in concurrence with the Minister. I think they are looking at person to dollar, instead of person to post, so there has been a lot of recruitments this year.

MR CHAIRMAN.- Can you explain that, person to dollar and person to establishment?

MS. M. FUATA.- Sir, there have been some positions that have been traded in and they have created alternative positions to recruit new and more members. It is like that the teachers who they have put in ED 9A, they have increased that number. But there are positions that have been given but they have counted that, instead of one position for one person they have employed like two, to cater for the dollar value.

MR CHAIRMAN.- I am sure that the Auditor General’s office would be looking at the processes and we hope to hear that probably in the 2015 audit more than the 2014, but let me conclude unless honourable Koroilavesau has comments to make. But my comments are as follows.

Firstly, the Ministry of Education is a big Ministry, it has a big budget. One thing that I would like to say to the senior officials of the Ministry, we have had this before. We understand some of the things that have happened in the past, but we do not want Ministries and officials to come before the Committee in the future and say that “We had to do this because we had to rush”.

[Interviewees](#)

- [Ministry of Education](#)
- [Ministry of Agriculture](#)

I think the Public Accounts Committee would be very concerned about any Government Ministry in the future, coming before the committee and justifying waiver or tender process or purchase of goods and services or anything as far as the policy is concerned. We would like the Ministries to take that into account and I would urge Ministry of Education in particular to stop rushing in the use of public funds and ensure that procedures are followed at every step.

One thing identified, and I am happy that you are pursuing that. I think that it is sad that the TFL and I think the board should be held responsible for not refunding the Ministry of Education, an amount of more the \$200,000 that rightfully belongs to the Ministry of Education where the service was not delivered. So I think your stance to pursue that matter through various means is commendable and we appreciate your responses on that.

The other big issue that we would like to have progress report on the ones that I mentioned already, plus this one, is the diversion of the school grants outside of the school for other purpose and the Audit office has made this very clear, and we would like to know the progress on the investigation of that and hopefully the PAC is sitting from the 4<sup>th</sup> to 7<sup>th</sup> of August, 2015, and if possible if it is within your means, we would like a report on these two issues for the Committee to look at in that meeting.

The third very important and serious issue that the Audit office is identifying in the current moment is of course in relation to TVET, and the purchase of equipment and other procurement processes that are being adopted there. I think the Audit office is saying that is bordering onto the red zone, so we would like the Ministry to provide us also, on update on how you arresting the issues and how you can avoid the red zone in the future.

The last point of course is the use of SEGs 1 and 2, the over expenditures there and we would like the Ministry to also give us an update on the processes, procedures and the determination of positions; whether it is complying with the financial rules, principles of accountability and transparency in the recruitment of staff within the Ministry, which might have implications on the over expenditure in SEGs 1 and 2.

Those are the issues that we would like to continue to follow up and we look forward to your report. Before I conclude, I see the Ministry of Finance want to make comment on that and then I will make the final point here.

FINANCE REP.- Sir, a request for clarification. When Ministries are given projects to undertake, there is a timing issue that needs to be undertaken. Sir, I am not sure whether the PAC is recommending that prior to the implementation of a project or programme that certain due diligence is done and processes are put in place, in this case, like bus fare prior to the scheme actually being implemented. Sir, is this the recommendation from the PAC or am I being mistaken because Ministry of Finance will also be affected, as we need to ensure that monies are disbursed by a certain period of time and certain processes are also checked.

MR. CHAIRMAN.- We could make that recommendation in our Consolidated Report, so if you have some recommendations or suggestions to make, what we could do in the report, I would appreciate that.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

I think your point overall is a correct one that the Ministry should do due diligence before they embark on any project. I think that is taken, that is probably understood but we are open to your advice on the recommendation.

The final thing for the Ministry of Education, and we understand a lot of the mass that the Ministry ended up with was partly because of the way in which the whole e-ticketing issues was handled, and you had to make these payments, so we hope the e-ticketing would be resolved as soon as possible, in the meantime, you pursue those issues with TFL.

We appreciate your written response. The Ministry of Education is a big Ministry, we understand the challenges that you have as senior officers in managing, but we all in the game together, and we hope to continue the conversation in the future. What we would be, of course doing as a Committee is to come on very hard when we look at the 2014 Audit Report, partly because individually we would like to arrest and address any issues that might be there, so you have the chance between now and maybe next year when we look at the 2014 Report, to prepare yourselves, to explain and also make the improvements that you need to between now and next year.

Thank you very much and we appreciate your time, please have some tea or coffee with us before you go and I look forward to your reports and answers to some of the questions that we have raised today.

The Committee Interview adjourned at 11.06 am.

The Committee Interview resumed at 11.35 am

**Interviewee: Ministry of Agriculture**

In Attendance:

- |                         |   |  |
|-------------------------|---|--|
| 1) Mr. Uraia Waibuta    | - | Acting Permanent Secretary             |
| 2) Mr. Tomasi Tuinabuna | - | Director, Animal Health and Production |
| 3) Mr. Colin Simmons    | - | Director (WRM)                         |
| 4) Mr. Paula Tuvore     | - | PAO                                    |
| 5) Ms. Mereseini Bou    | - | Director (HRFI)                        |
| 6) Mr. Sikeli Baleisuva | - | Acting (PAO)                           |
- 

MR. CHAIRMAN.- The honourable Members, let me welcome you back and also welcome the colleagues from the Ministry of Agriculture. Thank you very much for appearing before us this morning.

We had some conversation with your Ministry when we were looking at 2007, 2008 and 2009 and just to give you an update of the work of the Public Accounts Committee. We have now presented to Parliament the Consolidated Reports for 2007, 2008 and 2009 based on the appearances, questions and interviews that we had with the different Ministries, and we are pleased that the Ministry of Finance has taken on board many of the recommendations, and I hope that your Ministry has also looked at that report and the recommendations and the repeats that we had identified in addition to the systemic issues that are found in the Ministries across the Government.

What we are doing now is to look at 2010 right up to 2012 and 2013 as well, and we hope to present a consolidated report for 2010 right up to 2013 to the Parliament once we have gone through this exercise of talking to various Ministries and Government departments.

Today, what I will do is ask the office of the Auditor General to give us a snapshot of the issues for the Ministry of Agriculture between 2010 to 2012 and also perhaps 2013, and in doing so, also highlight whether some of the issues that we had identified from 2007 and before, and the last 4 years are recurring in your 2014 audit, and what are some of the big issues that you think needs to be raised now, so that the PS and his colleagues are alerted on issues that we may want to look at, when we are dealing with 2014.

We understand that we are looking at a backlog, things have happened, people may not be there, some issues have been dealt with, some still pending, but going forward we will be very hard on 2014 and beyond, and we will be looking at reports with a view that we would want to avoid repeats and recurrence of the same issues that we had identified in the past.

That is a sort of game plan and we hope that we can all do this together, honourable Members of the Committee feels that our duties as Public Account Committee is to ultimately

**Interviewees**

- Ministry of Education
- Ministry of Agriculture

achieve the objective of improving things, so that taxpayers of this country get the best value for their money. So, we all have the same objective.

I would like to invite the Auditor General but before that thank you very much for a very comprehensive response that you have provided, we may have no time to go through all of it now, but it will be very useful for the Committee and for me as a Chair to look at those responses while we are formulating our report to Parliament. Thank you very much for that. You may find that honourable Members would ask question that you might have already responded, in this document but, nonetheless, I think it would be useful for the Ministry to go over some of those things again. I now invite the Auditor General's Office to give us that snap shot.

AUDIT REP.- Thank you Mr. Chairman. For Ministry of Agriculture 2010 to 2012 Reports, probably I would start with the accounting issues affecting the Agency Financial Statement. For the three years, the financial statement of the Ministry of Agriculture has been qualified, basically on the basis of lack of evidence to support the balances reflected in the accounts, mostly their Trade and Manufacturing Account. This issue will be also included in our 2014 Report, the Ministry has yet to resolve those issues.

For 2012, we also qualify the statement of losses because of the fixed assets register have not been updated, and the BOS have not been carried out and these has also recurred, and will also be included in the 2014.

What we have been advising the Ministry is the importance of keeping proper records with their property, plant and equipment. We understand that the Ministry is very large, if you do not keep proper records of your property, plant and equipment, it is very easy for someone to just walk away with, I am not sure whether the Ministry should be able to provide information on how many laptops they currently have or who has those.

That is an important issue that has affected the qualification of the financial statement for the Ministry of Agriculture.

There is arrears of revenue; from 2010 and 2011, was \$3.9 million, and this was reduced to \$0.8 million in 2012; there was an approval for write-off of \$3.1 million, but this \$0.8 million has remained constant up to 31<sup>st</sup> December, 2014. Although it has been decreased through a write-off of \$3.1 million , it still remains at \$0.8 million from 2012 to 2014.

As discussed previously, from 2007-2009, recurring issues on control issues on account reconciliation, reconciliation of underline accounts, you will see recurring issues, payroll issues, overpayment of salaries and wages, procurement issues, procurement done without LPOs, advance payment of goods and services, delivery dockets not kept as evidence of goods received.

These are issues that we have been raising, and you will see the same issues appearing in the 2014 Report.

Specific issues from 2010, just acquitting of operating grants and capital grants, the Ministry pay out capital and operating grants to a number of government agencies, we have

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

issues with regards to the monitoring of the utilisation of these grants. For example, in 2010, grants were paid out to the Agriculture Marketing Authority (AMA), to Food Processor, Coconut Industry Development Authority, to name a few.

Our issue also is because some of these agencies, their audits have not been audited. We also audit these agencies. For AMA, the last audit done was for 2009, 2010 to 2014 have not been audited, Coconut Industry Development Authority, the last audit done was in 2007, but this Authority has been taken over by the Ministry of Agriculture in 2009, so the 2008 and 2009 audits have not been done.

For Food Processor, the last audit was for 2007, we have a draft Financial for 2008 and 2014 have not been submitted for audit.

That is the reason for our concern with regards to acquitting of these grants.

MR. CHAIRMAN.- Can I just a quick question. Why are you having difficulty auditing these agencies? For example, you are saying AMA, the last audit was in 2009, and nothing has been done between 2010 and 2014. Coconut Development Authority, no audit; Food Processor, no audit since 2007, what is the problem? Are they not supplying you information? They are not allowing you to audit. What is it?

AUDIT REP.- Some of these agencies, we attend the stocktake, but for us to do our audit, they need to submit us their draft Financial Statement. The draft Financial Statement have not been submitted to the office of the Auditor-General for audit.

For AMA, we are planning to do an operational audit. We understand the increase in Government grant that is now going to AMA. We are planning for an operational audit in 2015. Most of these agencies, Chair, we carry out an audit when they submit their draft Financial Statement. Those are the specific issues that probably we want to highlight for 2010 and 2011.

For 2012, the main issue highlighted was the audit on the rural and outer island programmes. We extended this audit to cover the whole demand-driven approach programme in 2013. So for 2012 and 2013, we physically verified about 105 farms, with the value of about \$1.8 million.

There are issues with regard to proper assessments of farms, documentary evidence, we physically verified some of the items that have been delivered to the farms since 2008 and 2009, they are still sitting there and we have taken photographs of these as evidence, and there is a lot of money that has been utilised, this is also included in our 2013 ....

HON. CDR. S.T. KOROILAVESAU.- Just stop there. I would like to at this juncture ask the Ministry of Agriculture the capability of overseeing and looking at these issues that the OAG is highlighting now. Is there difficulty because of the human resources within? I just want to clarify that because it seems quite daunting, an issue that is quite daunting, and before she continues, do you see is there any recommendation or any suggestions by the Ministry of Agriculture to state this deficiency that is now? Have you been able to identify the areas? It is a huge area, and I just wondered if we can just see if have you have been able to identify the gaps and what is your recommendations, and if you can just tell us now?

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR. CHAIRMAN.- You may want to give a quick response and then we will give you the full opportunity to respond to all the issues that the OAG made?

MR. U. WAIBUTA.- Thank you very much honourable Chair and Members and our colleagues from Ministries, just a quick response. Yes, we are definitely aware of the issues that have been highlighted and as said, it is quite a big Ministry, so it is just looking at the processes and the systems - turnover is an issue, so these are some of the areas.

Our responses to specific issues had been highlighted in the various areas that had been covered, but we cannot deny the fact that staffing is an issue.

HON. CDR. S.T. KOROILAVESAU.- Have you been given the support to be able to quantify these issues, going forward? Have the MOF or other Government Departments responsible to make sure that you can stand on your own two feet, monitor these issues? Have you been getting the support? I just want that to be put into proper context now?

MR. U. WAIBUTA.- Mr. Chairman and Members, yes, the support came our way from the MOF. We have some of the audit teams even within Ministry of Agriculture that is sitting there and that shows the level – and when we deal with financial issues and technical issues, this is where sometimes I think it is totally difficult for the Ministry as we progress in trying to implement some of the progress.

MR. CHAIRMAN.- We will spend a bit more time on the issue that the honourable Koroilavesau has raised and we will give you an opportunity to respond to that. I think what is highlighted is very important but before that, I will ask the Auditor-General to continue and then ask the Ministry of Finance and then we will come back to the Ministry of Agriculture.

AUDIT REP.- That was the last issue that I was going to discuss.

Sir, there were quite a number of issues in the 2012 Report with regards to the TMA stores and I think the issue on a farming machine that has been purchased, but for example if you look at the 2012 Report, a number of machines which cost quite a lot of money were sitting idle when we visited the Lakena Station. We were informed that they were not used because they are not suitable for the purpose that they were purchased for. That is another issue that we would like to highlight to the Committee and we would also like to state that we stand ready to work with the Ministry of Agriculture to resolve some of those issues, especially the accounting issues with regards to the agency's financial statement. I hope that probably in the near future, we will have an unqualified report for the Ministry of Agriculture. That is all from the Office of the Auditor-General.

MR. CHAIRMAN.- Thank you very much for that very straight forward articulation of the issues.

Just one issue for the Auditor-General's Office before I switch to the Ministry of Finance. Remember the last time when the Ministry of Agriculture appeared before us, we actually did talk about projects and the Committee had specifically asked the Ministry of Finance and different Ministries to look at the way in which projects were managed. Could you make some comments on projects because I think the Ministry of Agriculture does manage a lot of projects. As the honourable Koroilavesau said earlier if they do not have the capacity

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

for project management then you would end up with a lot of these issues. Are you looking at specific projects as well; do you have some plans in 2014, 2015 to look at that?

AUDIT REP.- Chair, specific projects with regards to the demand-driven programme that I just talked about. We did comprehensive audits for 2012 and 2013. We have just wrapped up to 2014 audit. We did not cover this area but we have planned to do a special audit just on this in September, October for this year and probably will also cover right up to the date, up to 2015, probably September 2015.

As discussed previously, our difficulty in auditing this is, we really have to beg the Ministry of Agriculture for the records. The farms that we visited, it was just on *ad hoc*. We go to the outer stations and just look at the records and said “alright these are the farms that we will look at.” So we spend a lot of time doing this. So we did not cover that in our 2014 Report, we are going to have a special audit done on that.

We have requested the Ministry of Agriculture to probably, the same request that we have been giving them for a couple of years, to give us a list of all the projects, and it would be good to have a record of the projects that are successful, those that were not successful and probably learn from why they failed. Most of these projects are small projects like \$5,000, \$10,000 grant but when you add up the amount of money that you are giving out, it is quite a lot.

MR. CHAIRMAN.- Ministry of Finance!

FINANCE REP.- Mr. Chairman, in regards to the Ministry of Agriculture, we have a team decentralised into the Ministry itself, a team of two officers who conduct audit in a quarterly manner – to audit the functions sections of the Ministry.

For the period 2008 to 2015, the Ministry had audited the Ministry of Agriculture. In 2008, 2010, 2011, 2013, 2014 and 2015. We decentralised the team in 2011. So, you will see that we did conduct all audit throughout but in 2012, we did a review in one of the projects which is the export promotion programme. Our relationship with the Ministry of Agriculture, is quite good because whatever that we recommend in our audit report, they take it seriously and they implement the recommendations.

I would like to thank the Permanent Secretary who takes the lead role to make sure that our recommendations are implemented. In regards to their un-presented cheques, they have three drawing accounts. The first drawing account, which is Westpac, they had a decrease in their un-presented cheque list, from \$2.1 million in 2013 to \$104,000 in 2014. The second account is still stagnant, it is about \$597,000. For those two periods 2013 and 2014 in regards to the accounts of the agricultural tribunal, there was a decrease as well from \$128,000 in 2013 to \$4,146 in 2014.

Their reconciliation, it is up to date, majority of their reconciliations are up to date until May this year.

In regards to the write-off, they had written off \$3.2 million in 2014.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR. CHAIRMAN.- Thank you, Ministry of Finance. I now ask the Permanent Secretary to provide a response to some of the issues raised and then we will have some specific questions from the honourable Members. Thank you.

MR. U. WAIBUTA.- Mr. Chairman, first of all, thank you so much Auditor-General's Office for highlighting specific areas and also the comments from the Ministry of Finance. I will not really go into the agricultural sector as a whole and its importance. I know that this is something that we are all aware of and the specific roles that we do undertake in trying to address some of the basic goals of food security and income-generating activities out there in the field. This is where all activities are focussed upon, but we will just highlight a few internal issues in terms of some of the changes that we are trying to undertake, looking at some of the issues being highlighted and the need to address some of those issues.

Restructure within the Ministry has been happening for the last years. We have been trying to work out a structure that is suitable for us, trying to see on how well we can improve some of the processes and the systems. We have decentralised some of our accounting people into the Divisions so that we ensure things are addressed at the Divisional level, be it in the North, West, Central or even at the divisions. But, I know we are fully aware it is a mixture of technical activities and this administration and financial activities. Sometimes, we have more technical staff and less admin, but technical people have been engaged in financial, admin issues and the procurement component, quotation in trying to facilitate the process. However, this is something that we are working on, in trying to ensure that we decentralise and empower so that we can avoid some of the specific issues that has been highlighted this morning.

Mr. Chairman, we definitely cannot deny those facts. Yes, we have challenges within but we are trying our very best to improve on some of the areas highlighted in terms of reconciliations, payrolls, the procurement and the delivery docket issues. Definitely, this is something that we are always looking at to try and improve some of these systems.

As highlighted, in terms of the technical component in the implementation of our projects, this is the challenging area for us, and what has been termed, the 'Demand Driven Programmes' in which bulk of our programmes are under and we implement programmes under what we have called the DDA.

Mr. Chairman, yes, we have tried our very best to try and improve this particular process, and whatever project proposals that is required by the communities, the farmers, groups or be it whatever stakeholders, it is taken through a process. Then for project proposals to the technical working group, to the National Steering Committee, then through the RIE for Ministry of Finance to approve. That is the process that we have to follow in the implementation of DDA.

Mr. Chairman, we have seen some loopholes in this areas in terms of disbursement and procurement in the previous years' report, and that is why we have sought clarification with Solicitor-General's Office and we are now developing MOUs in terms of facilitating some of the implementation of those particular programmes.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

We have criteria, as mentioned already, but even some of our stakeholders are saying that this criteria takes too long to get it processed, so these are the challenges that we have. But, we want to ensure that we have to follow the proper system and avoid whatever might come up that will not allow us to move that far. Yes, we are trying to accommodate all, in meeting what the farmers or even the stakeholders needs and also look at the process that exist.

Our records, this is a challenging area, but that has been addressed. We have developed SOPs for specific areas, and we have also even established a Monitoring and Evaluation Unit now that monitors projects and also ensures that records are in place.

Basically, these are some of the major areas and improvements that we have done up this far, but there is still a lot of improvements and definitely we are working towards seeing how well we can get ourselves better organised in addressing especially the TMA issue which has been coming up every now and then in the reports.

Otherwise, Mr. Chairman and honourable Members, basically that is just the initial comments from the Ministry.

MR. CHAIRMAN.- Thank you, PS. I want to specifically ask you this question. It is not very good to hear from the Auditor-General's Office the use of the word, 'beg'. They have to beg you to provide records and information on which they can base their audit. What is the problem? Why does the Ministry not provide information to the Auditor-General's Office?

MR. U. WAIBUTA.- Thank you, Mr. Chairman and honourable Members. Maybe it is just communication breakdown, but definitely we are there to accommodate and try and facilitate. Maybe, the issue during those years was the records, but we have sorted out records and we have them in place from 2007 as of now on the initial inception of what we call the DDA Programme. So, definitely the Auditor-General's office are most welcomed to select and pick whichever project they wish to visit, we should be able to accommodate.

MR. CHAIRMAN.- Another question. What is the problem, that the Ministry cannot with these organisations that receive Government grants, and which are not providing financial statements for audit by the Auditor-General's office? I mean, where are you with them? Are they on-board, providing the information now and are their financial reports updated? And, if they are not providing financial statements for audit, then they should not be receiving grant? That should be the issue.

MR. U. WAIBUTA.- Mr. Chairman, in a few of these boards, they directly report to the honourable Minister for Agriculture. The Coconut Industry Development Authority (CIDA) had been dissolved, so now it is back to the specific programme within the Ministry as Coconut Development Programme. Otherwise, we have also other areas where we crosslink with the Public Enterprise. Sometimes Public Enterprise look at certain components within that particular organisation and the funding is with the Ministry of Agriculture. As highlighted, this needs to be really cleared out.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

We have Food Processor which is in Batiri. Our sheep is there, but the land is run by them, so when we want to improve or do something, it is two Ministries within one.

MR. CHAIRMAN.- Thank you, PS. Honourable Members would agree that we had discussed this issue, and that is why I asked. I think we can identify the problem. I mean, it may not be entirely your Minister's problem, but I think the Committee is concerned that these organisations, whether they come under the Ministry of Public Enterprise or Ministry of Agriculture, have been identified as organisations which have not provided financial statements for audit, and some of them since 2007. And, I think this is not acceptable, and we asked the Ministry of Finance to work with Auditor-General's Office and we will be calling the Permanent Secretary for Public Enterprise to ask him these questions as well. So, thank you for that response, PS.

MR. CHAIRMAN.- Honourable Radrodro?

HON. A.M. RADRODRO.- Thank you, Mr. Chairman. Thank you very much PS for the information. I just wanted to get a feedback from you. Since 2010, your Ministry was known as the Ministry of Primary Industries, and it was demoted to Department of Agriculture in 2011. And, in 2013 it was upgraded to Ministry of Agriculture. How has that impacted on the output of the Ministry as a whole, and the respective departments within your Ministry?

MR. U. WAIBUTA.- Thank you, Mr. Chairman and honourable Members. Yes, there had been a lot of changes within Ministry names. When it was under the Ministry of Primary Industries, we were together with Fisheries and Forests, having one Permanent Secretary. Through the years they thought that because the Sector had grown, it was decided to separate the two Ministers, which has now become Ministry of Agriculture and Fisheries and Forests. But otherwise, the impact of the work that we do has not had any implication on their outcome of what needs to be achieved.

HON. A.M. RADRODRO.- In some of these audit reports, you have some issues that were highlighted in the cocoa development, and also other similar livestock development and dairy development, can you just enlighten us on what are the status today that developments have occurred?

MR. U. WAIBUTA.- Thank you, honourable Chair and honourable Members, I just wish to highlight and to reiterate the fact that anything in Agriculture involves risk, so we are risk-takers ourselves, because we are dependent on other people on some of the outputs that we need to achieve. We have weather and we have farmers who implement certain activities that we want achieved.

So this is the biggest challenge that we have. We may plan for cocoa development and establish nucleus projects, but when it comes to implementation on planting, that is it. It is the farmers that are doing it. If the market falls, definitely that particular crop will also fall and especially the nature of the production system that we have. Fiji is being driven by the subsistence sector, so the criteria and the mentality of such producers we all understand, as they said, when the weather changes, we shall change too. They keep changing every now and then

Interviewees

- Ministry of Education
- Ministry of Agriculture

so this is the challenge that we have, honourable Chair and honourable Members in regards to the production, the system and that is why there are some negative implications on the cocoa development, the written off of some of the funds.

There was the issue of the European Union providing certain funds, that is why we have so many farm rules now and it was because even some of those roads have turned into public roads now, it was done by the Cocoa Development Fund initially, and they are opening up new areas but when the world market price for cocoa dropped, that is it, farmers neglected all these cocoa plantations and that is the very reason why the cocoa industry collapsed during the '80s but we are trying to revive that. Now, cocoa is coming back into the market, so these are some of the challenging areas that we do face. It is happening with rice, now it is happening with dairy in New Zealand, so these are the implications of that, definitely we will feel it here in Fiji.

MR. CHAIRMAN.- But PS, that is fine, I think we all understand the risks associated with climate, the farmers incentives, the prices. These all determine the ultimate production but just to get back to what honourable Koroilavesau was trying to suggest earlier, and listening to the Ministry of Agriculture, is it to do with the lack of research, extension, training the technical people? I mean, farmers will produce more if they have an incentive to produce more of course, but they also will produce more if the appropriate infrastructure support in terms of farmers complaining that they do not have veterinary officers in any of the extension centres in most parts of Fiji, maybe that is an issue that you need to address, rather than looking at the other side, where the farmers are involved.

Just the capacity, I think that question honourable Koroilavesau was hinting at, I think is an important one unless you have the people who can provide that kind of technical assistance, you are not going to achieve the objective you could continue to waste money, provide guidance to farmers, but if the farmers do not have the technical assistance, research assistance then they could be wasting those resources.

HON. CDR S.T. KOROILAVESAU.- I just wanted to add to the honourable Chairman's comment.

I think for agriculture, the way we look at it, should be the most important and significant for Fiji. More so, as a developing nation, we seem to be concentrating on building nice roads, but it is the basis of our livelihood in the rural areas. We need to really work out what can be done, because if you look at it, the emphasis on agriculture should be the most huge to our economy, because lacking in our agriculture basically means we are importing a lot of food as a substitute for what we can produce here. This is why I am so eager to make sure that agriculture gets what it wants to be able to facilitate an agro-focussed economy will help all our rural areas and rural dwellers who can produce this on a more economic viable option for their livelihood. I think it is important for us to understand that, and if we can understand that and then focus our attention towards improving it, it will be a good start.

MR. CHAIRMAN.- PS, do you want to respond to my comments?

Interviewees

- Ministry of Education
- Ministry of Agriculture

MR. U. WAIBUTA.- Thank you, Mr. Chair, honourable Members, yes, capacity is really an issue with the Ministry, be it in extension or be it in research, this is something that we had been working on and we are trying to improve on, we have sent people for studies, when they come back there are always greener pastures elsewhere so the ability for us to retain is an issue. We have Vets who move out from the Ministry and joined SPC and other organisations, and even technical people are moving out. It is the ability to retain, we have structures within the systems in terms of salaries, this is something that we are trying to work on as part of the restructuring plan. The retaining ability of the technical people, but otherwise all the Ministry staff are doing so well in the organisations that they have moved to, and the Ministries are just incapable in terms of research, and in terms of providing that extension service, so with capacity building and also the linkages that we have with the institutions that exist.

The FNU and the universities, the courses that they provide should be related to the demand of the industry. This is something that we should seriously be looking at. Sometimes we are receiving students and we have to retrain them and it takes a lot of our time to get these people to a certain level that is required to carry out basic extension service or research activities but yes, capacity is an issue which we cannot deny and we are always working on that.

On the honourable Member's statement, yes, we know the budget for the Ministry, we are all aware of. Luckily, it has increased a little bit but it was going down over the years but that is determined by Government but despite that, Agriculture will remain the backbone but that is, it is totally the opposite of what is happening when we do receive the budget and other resources but we are thankful now that emphasis has been put in to the Agriculture sector.

MR. CHAIRMAN.- Just a related question to the issue that you are trying to highlight earlier about the farmers' ability to move from subsistence to commercially-minded agriculture. Remember there was a programme by Government where they were giving scholarships to students to train as farmers and then when they get out, they get \$70,000 to go and start. What is happening to that scheme, how much money has been spent on that?

MR. U. WAIBUTA.- Thank you, honourable Chair and honourable Members, the programme is being run in collaboration with the Ministry of Finance, Agriculture and FNU. People have been identified, criteria had been set by FNU, the first lot had gone through and they have completed nine months of training and for those people to become commercial farmers.

But that is it, after collaborating and sitting with FNU, you cannot train a commercial farmer within ten months, so we are reviewing that particular programme as of now so how well can we improve but ....

MR. CHAIRMAN.- Did any of those who got trained, get any money to go and start a farm or the scheme was just abundant? Because it means resources.

(Laughter)

Interviewees

- Ministry of Education
- Ministry of Agriculture

We will ask that in Parliament too. But thank you, I can understand the PS not answering that. PS, you do not have to answer that.

HON. A.M. RADRODRO.- Thank you, Chair, just focussing on some audit issues in 2010; the audit has highlighted the sum of \$2.570 million was allocated as milk subsidy price. The Department made instalment payment of \$1785 to Fiji Dairy Limited, the question is relating to first, whether the full amount was paid out to Fiji Dairy because I know that your comments stated that \$3.2 million was approved by Cabinet, and how has the Ministry monitored this pay out to Rewa Dairy, to ensure that it has achieved its purpose of milk price subsidy?

MR. U. WAIBUTA.- Honourable Chair, can I just request the Director (AH&P) to respond?

MR. T. TUINABUNA.- Thank you, honourable Chair and honourable Members, I wish to brief you very briefly on the process that was taken for the milk subsidy for that particular year. The two entities were separated. We were requested to provide some assistance to farmers who would have been affected and the most effective way, we were to try and assist farmers as requested by the Board. We provided subsidy to the milk price that they were given so we increased the milk price based on a certain percentage which was close to 15 cents, an increase from the original price of milk, so we were just going to pay, based on the litre that they produced, even though there was a substantial amount.

HON. A.M. RADRODRO.- Just a clarification; what was the increased new rate that you were proposing to pay out?

MR. T. TUINABUNA.- The rate that was proposed then was 15 cents from the 57 cents that was initially the first grade for the price of milk for Rewa Dairy.

MR. CHAIRMAN.- There was only one grade.

MR. T. TUINABUNA.- There were a number of grades, but for the highest grade, I think it was 57 cents – from 57 cents, and then we had 15 cents topped up on the 57. We could not finish all the money because we only paid out according to the volume of milk that was delivered to the factory from farmers.

HON. A.M. RADRODRO.- Mr. Chairman, just in addition to that, Cabinet had approved \$3.280 million but the payment is only \$1785 that was paid to Rewa Dairy. That was my first part of the question whether the full amount that was approved was initially paid out and how does the Ministry monitor that the pay-out received its intended purpose?

MR. T. TUINABUNA.- Mr. Chairman, I did mention that the amount that was paid to Rewa Dairy, even though we were allowed to pay \$3.280. million, we only issued them the amount to the milk that they received. Basically the amount that was paid was done according

Interviewees

- Ministry of Education
- Ministry of Agriculture

to the milk that was received and when we received the record of the milk the farmers received, we dispatched to Rewa Dairy the amount equivalent to the value of milk.

HON. A.M. RADRODRO.- Just in addition to that, the amount that you pay out, does it really trickle down to the actual farmers, or just the pay-outs only up to the Fiji Dairy?

MR. T. TUINABUNA.- The money was paid direct to farmers.

MR CHAIRMAN. – Honourable Lal.

HON. DR. B. LAL.- My concern is on the write off of \$3.1 million, it always paints a bad picture of why did you write-off, and what are these projects that have been written-off?

MR. T. TUINABUNA.- Honourable Chair and Members, if I am right, the bulk of the fund that was written-off was on the Cocoa Development Programme.

AUDIT REP.- .Honourable Member, are you talking about the arrears of revenue that was written-off - \$3.1 million, that was approved by Cabinet for write-off. The reason for the write-off, probably the Ministry of Agriculture can comment on.

MR. T. TUINABUNA.-.Definitely, honourable Chairman and Members it was on the Cocoa Development Fund. As I have alluded to earlier, a lot of emphasis were put in when the level of investment, but again the return on investment was not there and it has been with the Ministry for the last ten-odd years so then we followed the process of trying to request Cabinet decision on that and it has been approved to be written-off, but bulk of that was the Cocoa Development Fund.

MR CHAIRMAN.- Honourable Radrodro, and then Honourable Koroilavesau.

HON. A. RADRODRO.- Just on another audit issue, on 2011 on the anomalies for the engagement of Senior Agriculture Officer, Joape Waqabaca. The Audit has highlighted a lot of issues regarding this particular person's engagement and even paying not according to the Public Service salary scale. What is current status of this particular agriculture officer?

MS. M. BOU.- Honourable Chairman, and honourable Members, MOF and OAG officials, just to answer that question, yes, we have sought SG's opinion on the salary that was given to Mr Waqabaca. He was given a contract agreement, the salary that was given to him is not according to the post that was given to him. It was supposed to be a Senior Agricultural Officer; whereas the salary that was given to him was for a Senior Research Officer. The Senior Research Officer's salary is more than the Senior Agriculture Officer's salary so we had sought PSC's opinion on that, and they had agreed to recover the difference of salary from Mr Waqabaca, and later when we asked for SG's office for opinion on that, since we had an agreement with Mr Waqabaca and it is legally bound, SG's Office has given their decision that we should not recover the difference from Mr Waqabaca, so we have refunded the money that had been recovered from his salary to him.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR CHAIRMAN.- Honourable Koroilavesau.

HON. CDR S.T. KOROILAVESAU.- I just wanted to ask on the grants provided by the Ministry of Agriculture. Some of the grants that are given to farmers come under a social obligation for it to be given, or just directly on the basis of viability?

MR. T. TUINABUNA.- Mr. Chairman and honourable Members, yes all programmes that we implement in the Ministry of Agriculture is economic activity - income generating activities. There is no social projects.

MR CHAIRMAN.- Indirectly it might be, because the idea to generate income is to help them improve their quality of life. I guess honourable Koroilavesau, it could be part of that as well.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, I just have a comment. What I had seen over the years, just during the years that the audit has been carried out now, in the number of projects that have been abandoned or left aside. I would make a plea to the Ministry of Agriculture, in association with the Ministry of Finance and the Auditor General Office, clean these projects - either as you have done, may have written off but it does not have to carry on from this, because the reports will continue to be included in the audits over the years to come for 2014 and now we are entering 2015. Can I request that you clean the books, just look at the projects that are uneconomical or unviable to continue and then with consultations try and do a process that will reduce the number of these outstanding projects.

MR CHAIRMAN.- Very valid point, but before I ask you to respond I will ask Honourable O'Connor too.

HON. A.D. O'CONNOR.- Again, because of my grey collar background, I am very much concerned about not only your ministry, but all the ministries, the amount of vehicles that have been garaged. On this 2012 report, my first question; Are these numbers still in the records of this 2012 audit? Secondly, the office of the Auditor General did mention about equipment that was purchased and not being or are left dormant for the factors it does not suit the purpose that it was initially bought for.

MR CHAIRMAN.- PS

MR U. WAIBUTA.- Thank you honourable Chair and honourable members. Just to respond to the initial question on the time frame for projects. When our technical people write a project proposal, we ensure that there is a cut-off date. That is now happening with some of the cash flows that are being prepared by them, and the closure time period for all projects. It depends on the crops that they plant so if it is not three or even five years. So the closure of project is something that we are implementing now.

Just to respond to the second question, yes we really carried out an intensive boarding exercise, although it may be appearing in number within the reports that we submit, but as of late last year and this year, we have a substantive number of vehicles that has been boarded,

Interviewees

- Ministry of Education
- Ministry of Agriculture

together with the Ministry and the Ministry of Finance, and we are just looking forward to the replacements of all these vehicles, in order to allow us to carry on with our normal work activity.

On the third question in relation to the equipment, yes, sometimes, maybe this is in reference to the Lakena Swamp Dozer. Honourable Chairman, yes, we have a process to follow. The specification of the machines, we put it across to tender board, but when the machines comes our way, it is totally not what we require. So it is the process. So Clyde supplied us with these particular swamp dozer , that got sunk into the swamp. So it is the tender process, because it is a bit cheaper so they opted for that, but it is beyond the Ministry of Agriculture's control.

MR CHAIRMAN.- Honourable O'Connor.

HON. A.D. O'CONNOR.- Perhaps, it would be to your advantage if you have a technical person on that board to ensure that you are getting in the proper equipment. Just a food for thought. Thank you.

MR CHAIRMAN.- Just a follow-up. We discussed this issue of leased versus purchased vehicles used by different ministries. What is the proportion in your ministry - of leased vehicles as opposed to purchased vehicles, and what is your view on the efficiency and effectiveness of either leasing or purchasing vehicles for use in the ministry?

MR U WAIBUTA.- Thank you honourable Chair and honourable members. All the bordered vehicle has mentioned, these are all State-owned vehicles. So we are losing all our State-owned vehicles and we have only about two per cent of the vehicle fleet that we have are State-owned. Otherwise, it is all leased vehicles that are coming in.

MR CHAIRMAN.- You not answering my question. You have answered the first part, the second part is, is it serving your purpose – 98 per cent of leased vehicles, are you finding that appropriate; is it efficient; is it effective; and whether you are saving cost as opposed to when you were using all purchased vehicles? Have you done some analysis of that?

MR U. WAIBUTA.- We have done some analysis, honourable Chair. Yes, it is serving our purpose; we are getting new vehicles; we are doing what we supposed to be doing; maybe additional will be required once these are boarded, but maybe it is the cost factor that needs to be looked in, and we really have not analysed the details but we thought that repairing some of these vehicles maybe a little bit too expensive, as compared to the State-owned vehicles.

MR CHAIRMAN.-We suggest that you do some analysis. We have suggested this to Ministry of Finance, Auditor General's Office, because I think there were issues with the Police Department when they came, for example where they had about 40% of the vehicles were purchased, State-owned and 60% were leased, and the issues about the lease contracts and whether they were getting value for money and maybe your Ministry of Agriculture should do that as well.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

HON. A.M. RADRODRO.- Just in addition to that on the vehicle provision. You know that in Vunidawa, there is no vehicle provided to the Agriculture Officer there. With the geographical location of the whole Naitasiri Province, whenever we want the vehicle, for your information, whether we come and pick up the Agricultural officer if he is not in the office, or we just wait for the vehicle to be provided from Nausori, his timetable of visits or availability to visit the areas is limited because of the limitation provision of vehicle.

The other issue that I would like to ask is, we have not had floods, but we have had experiences in the past like the big floods in Nadi and also in other areas of Fiji. How is the Ministry looking into this flood prone areas, especially in the areas of dredging - what is its plan?

MR.U.WAIBUTA.- Thank you Mr Chairman and honourable Members, on vehicles, yes, definitely we cannot deny the fact that our demand is always higher than what we receive, but we have to await what comes our way. It is not only in Vunidawa, in most of the interior that we have, we do not have vehicles within some of the stations that exist. However our request is there with the Ministry of Finance and we look forward to them fulfilling those requirements, and one of the processes for providing these new vehicles is the boarding process. So we had tried our very best to board all that, and we are looking forward to new vehicles coming our way and hopefully Vunidawa should be in our priority list to get a vehicles across. However, we are also opting for motorcycle. We purchased 20 motorcycles already, but again that is it - it is sitting there somewhere and people are a little bit reluctant to ride on these cycles but this is a way of us trying to ensure that we get out to our farmers and mobility is really an issue.

MR. CHAIRMAN.- I hope you do not get down to the scooter that I saw someone introducing in Fiji.

HON. A. D. O'CONNOR.- Mr. Chairman, I think that they are better off with the horse power, the natural horse power - horse

(Laughter)

HON, A.D. O'CONNOR.-- Mr. Chairman, can I just request the Director, Land and Water to respond on the mitigation issues to flood.

MR. C. SIMMONS.- Mr Chairman and honourable Members, just in relation to the dredging. Governments programme currently in the Central Division, we have one dredging equipment working in the Rewa River. We also support programmes in the drainage works that we actually do drainage works on the farms that support that programme.

In the North there is one dredge in Labasa working out there and currently in Ba River, there is a contractor working out there to-date.

Plans ahead for us for next year, some of the areas that we are looking into is also trying to get into Sigatoka River next year is basically some of the programmes that we put in, but the main programme that it is currently going on in relation to land improvements is the drainage works. These are some of the minor issues that we are dealing with.

Interviewees

- Ministry of Education
- Ministry of Agriculture

HON. A.M. RADRODRO.- Thank you for the explanation. Just a further clarification on the dredging as some exercises had been conducted in the Ba River and are yet to commence in the Sigatoka River also. Is the Ministry having any economic return on the sledge that are being dredged out of the river?

MR. C. SIMMONS.- The sand that is dredged out has economic value. This is handled by the Ministry of Lands, they are dealing with actual royalty payments and commercial sales of sand.

MR. CHAIRMAN.- Honourable Members any other questions? Honourable Radrodro.

HON. A.M. RADRODRO.- Mr. Chairman, one last question on the projects. The Auditor General's Office have highlighted that there is a lot of discrepancies on the projects that has been funded by the Ministry of Agriculture. What I would like to ask is, whether the Ministry have put in place some measures to avoid continuation of these failures or discrepancies in projects and also on whether it has undertaken diligence exercise, conflict of interests, in terms of people being funded by the Ministry on the farming projects?

MR. U. WAIBUTA.- Thank you Mr. Chairman and honourable Members. In response to the question, yes, we fully understand the importance of what has been highlighted and as I have said already, we have just established the Monitoring and Evaluation Unit. The Senior Principal Officer had been appointed, together with the team, to look into these particular issues - monitor projects, ensure that whatever activities need to be undertaken is undertaken and all the processes that is involved.

These are also accompanied with SOPs on what needs to be done and also the processes in terms of some of the MOUs that we signed with whoever is implementing the projects. Yes, we are trying our very best to get ourselves organised in terms of implementation in that area.

On the conflict of interest, people should be declaring their interest but we are looking at it as an economic activity, be it a working farmer, or a full time farmer, this is something that we have to determine. It is someone that can produce what is required from the land, that is the bottom line, if you have to declare your interest, yes, you have to, but we are looking at everyone as a farmer.

MR. CHAIRMAN.- PS, the bottom line is important, but I think conflict of interest is a very important issue. I think the bottom line should be the conflict of interest, not what the person does. if a person has a conflict of interest that is the problem. Conflict of interest has to be declared and should be above board, transparent, and I think since it has been raised, this Committee would be very concerned if the issue of conflict of interest is not taken seriously.

However, one last question, if honourable Members do not have any other questions, was your Ministry involved in the restructure of Rewa Dairy, because we are pursuing an issue with respect to Rewa Dairy restructure, and obviously that comes under the Ministry of Trade and Industry, but was your Ministry involved in the restructure process in anyway?

MR. U. WAIBUTA.- We will request Director, AHP, in a short way respond to that.

MR. T. TUINABUNA.- Thank you Mr. Chairman and honourable Members. We all believe that restructure is a good thing.

#### Interviewees

- Ministry of Education
- Ministry of Agriculture

MR. CHAIRMAN.- I have not asked you to say whether it is a good thing or a bad thing. I am asking you whether the Ministry of Agriculture was involved in the restructure process, tender process and how it was done.

MR. T. TUNABURE.- Unfortunately, during the process of consultation, leading to the restructure, we were never involved in the whole process.

MR. CHAIRMAN.- That is all I want to know. Thank you, honourable Members, any other questions? Ministry of Finance.

FINANCE REP.- Mr. Chairman, on honourable Koroilavesau's issue, I just need a clarification; will that recommendation of the Ministry of Agriculture and Ministry of Finance to review programmes that are not performing to expectation, will that request or recommendation be part of your recommendation in your report, or would you like us to inform our Ministers and PSs verbally because usually the operations are managed by the PSs, in concurrence or in agreement with Ministers.

MR. CHAIRMAN.- That is the idea. This conversation will help us to make our recommendations but it does not stop you in the Ministry of Finance, if you feel that some of the issues that have been discussed and the recommendations that honourable Members are making makes sense, you do not have to wait for our recommendations, you can go ahead and pursue that as Ministry of Finance with the other Ministries, so you are at full liberty to do that. We will make our recommendations which will go to Parliament, and obviously that is another process but it does not stop you from understanding the issues discussed, recommendations being made by honourable Members, if it makes sense, if it improves things, please go ahead and take that on board.

HON. CDR. S.T. KOROILAVESAU.- Basically, my comment reflects on the Auditor General's Report, and I cannot emphasise much more than on what I am saying, is this that when the Reports for 2014 and 2015 comes, I do not expect those unattended projects to continue to be highlighted in the report, because it reflects badly on what this Committee has done. The Ministry of Finance should put their input, the Auditor General's Office should put their input too to help the Ministry of Agriculture reduce this level of abundant projects. Why I am saying that is, when the next audited accounts come to the Public Account Committee, we do not see the same reflection being stated again in the next audit report.

MR. U. WAIBUTA.- Thank you, Mr. Chairman. Yes, definitely the point is taken on board and we will improve on as we progress.

MR. CHAIRMAN.- Honourable Members, any other questions, Ministry of Finance, Auditor General's Office any additional comments?

If not, let me on behalf of the honourable Members thank the Ministry of Agriculture and PS and his team for coming over and answering a lot of questions. Obviously, you have a lot of work to do, given the issues that are in the Auditor General's Reports from 2010 right up to 2013, and you have got some snapshot of what you might expect in 2014 from the Auditor General.

What we want to emphasise is a very good working relationship between the Ministries - Ministry of Finance and the Auditor General's Office, so that the Auditor General has

Interviewees

- Ministry of Education
- Ministry of Agriculture

available in front of them all the information that is necessary for them to do thorough audits, and present their reports to Parliament and which then comes to Public Accounts Committee for perusal.

I wish you well, I know it is a very important Ministry, and a lot rests on the Ministry in terms of developing agriculture and its potential in Fiji, and I hope that we will together push this ahead and we look forward for further conversations when we look at further reports but in the meantime, thank you very much and you all have a good weekend, and we will see you at some point in the future. *Vinaka.*

The Committee Interview adjourned at 12.52 pm

Interviewees

- Ministry of Education
- Ministry of Agriculture

**VERBATIM REPORT OF MEETING CONDUCTED BY THE PUBLIC ACCOUNTS  
COMMITTEE ON TUESDAY, 4<sup>TH</sup> AUGUST, 2015 IN THE COMMITTEE ROOM  
(EAST WING), PARLIAMENT, GOVERNMENT BUILDINGS AT 10.05 A.M.**

**Present:**

Hon. Dr. B.C. Prasad	-	Chairman
Hon. B. Singh	-	Member
Hon. Cdr. S.T. Koroilavesau	-	Member
Hon. S. Patel	-	Member
Hon. A.M. Radrodro	-	Member

**In Attendance:**

Ministry of Finance

Mrs. Mereani Naisara	-	Director, Internal Audit Unit
Mr. Sailosi Sawana	-	Actg Principal Auditor

Office of the Auditor-General

Ms. Finau Nagera	-	Director
------------------	---	----------

Secretariat

Mr. Joeli Ditoka	-	Director, Legislature
------------------	---	-----------------------

---

**1.0 Welcome**

Honourable Members and the Secretariat staff, I welcome you all this morning. This is the continuation of the work that we are trying to do to consolidate the Report from 2010 to 2013. In fact, in hindsight, I want to thank the honourable Koroilavesau for suggesting that we include 2013 because when I looked at 2013, I think it was a very useful suggestion. So, based on the responses that we have so far and the ones that we will discuss today, I am already drafting the final report, so it will be 2010 right up to 2013. So, thank you, honourable Koroilavesau for suggesting that.

**2.0 Apologies**

There are no apologies.

### **3.0 Confirmation of Minutes**

Minutes of the meeting held on Friday, 17<sup>th</sup> July, 2015 was duly confirmed as the true record of the meeting.

### **4.0 Matters Arising**

#### **4.1 Page 2**

4.1.1 We have the Ministry of Education's response. It is provided to all honourable Members, please have a look at that.

4.1.2 We have the Ministry of Agriculture's response.

4.1.3 Honourable Members, that invitation is still there. If you feel, after today and maybe, tomorrow a discussion on the responses that we have on 2013 from the MoF. First of all, we want to decide if we want to call additional people, if not, then please suggest anything that you want to be included in the report, not only just 2013, right from 2010 to 2013. What I suggest, you look at this as a rejoinder to the report we have already presented, and anything that you feel we need to additionally put in this report for recommendation based on the discussion, then that would be very useful to me to include in the report. So, if I can implore on honourable Members to see if they want to suggest anything to me this week or by early next week, that would be very much appreciated.

4.1.4 On 6.2, honourable Members, I have been very disappointed with the Permanent Secretary for Industry and Trade because I think the Committee decided to ask him to provide a number of information and Mr. Ditoka has the letter that was written to him. Obviously, he has not responded. Today, I am told that he is not coming, someone else is coming. So, I want to express our disappointment that he has not provided that, and we may actually ask them to go back and find out when he is available to appear before the Committee. I think all the other PSs have shown a lot of respect and deference to the Committee, in terms of responding to the request that we have made. So, I just wanted you to note that disappointment from the Committee and I want that to be recorded in the Minutes.

#### **5.1 Any Other Business**

5.1.1 Honourable Members, I have made a response to the comments from the honourable Attorney-General and I forwarded my comments to all of you. I just want to leave it there, but I do want to say that it was rather unfortunate for the honourable Attorney-General to make public comments in a regional

workshop about how he sees the role of PAC. In fact, my response was very clear and I gave a lot of credit in my public presentation there, as well as in my public comments in the media about the role of Government Members in this Committee.

I want to reiterate and put this on record that as Chair, I could not have asked for the best co-operation, understanding and due diligence on the part of all the honourable Members, including all the three Government Members. I think we have worked as a very inclusive, flexible and understanding Committee in dealing with some very difficult issues in the report.

Honourable Members, thank you all once again for your co-operation and understanding, and we hope to continue working in that way to achieve our aims and objectives.

- 5.1.2 Regarding the visit to Wellington by honourable Singh and honourable Radrodro, this is a World Bank meeting of Chairs and PAC members from the Pacific. So, UNDP has funded those two visits and I am happy that both the honourable Members will be going there.
- 5.1.3 Our Malta Report is almost ready. I would like to thank Mr. Ditoka for completing that. I have looked at it, it is fine, and that will be submitted to the honourable Speaker but we will share it with honourable Singh for him to have a look at it and get his concurrence before we send it to Madam Speaker.
- 5.1.4 There is a visit and I see most of you are available to meet the Australian PAC that would be visiting Fiji, so I think that is sought out. All of you are available to meet the team.

I have not actually got official communication, but I was told by the Chair of the Indian Public Accounts Committee that they are organising, I think it is sometimes in September or October, a Commonwealth meeting of Public Accounts Committee Chairs and members. They suggested that they might invite Fiji, we have not got the invitation and so when it comes then we will decide who from amongst us could attend that.

The third one is, we were told by the Chair of GOPAC, there is a conference in Indonesia where they are trying to get Fiji PAC to be represented. I am not sure what, but he sent me some correspondence to say what the conference was, but I said that Parliament does not have any funding. Maybe Joeli can explore that and also explore the Indian one, check when they have and whether Parliament has funding and how many we can fund, so we just be prepared in case that dates come in then honourable Members can decide. Basically my approach is, we share these trips and visits, so that everyone is involved and also gets the benefit of study visits specific to Public Accounts work and some of it is very useful. I think the MALTA workshop was very useful as well, the one that we went to Adelaide was good, so it is useful in the long term.

Any comments on that members? None, thank you.

We have got the order papers for today. Now, we had the interview for Ministry of Industry, Trade and Tourism and Public Enterprise so the specific issue that we wanted to raise, and Joeli is getting copies of the letter where we wanted to ask them why they have not provided us those reports. We also want to ask them about the Rewa Dairy restructure. The audit report in 2010 makes it very clear that there was no documentation and that those issues were not resolved, so we need to ask them and I will ask honourable Singh to start that and then honourable Radrodro because they are familiar with the issues to follow up.

The second item that I had on the agenda is the response from the Ministry of Finance on the issues of Aliz Pacific, on the salaries.

HON. S. PATEL.- Mr. Chairman, coming back to Ministry of Trade and Tourism, I am sure that if the Permanent Secretary is not available, the system to him is okay to do the presentation, as long as they provide the information, because we are here to get the information, who presents it is secondary, as long as we get the correct information. We do not want to be seen as being unhappy with who comes to the meeting and then the media reports that the Permanent Secretary was not present at the meeting. It does not look good sometimes in public that it is made to look something else, so we do not want to make apolitical statement out of that.

MR. CHAIRMAN.- I beg to completely differ with your comment, honourable Patel. The issue was not about whether the Permanent Secretary should come or not, that is fine. If they do not come, then someone else comes but what I was referring to was, we had requested Permanent Secretary to provide information in writing and we have not got that information; that is what I was saying that we will ask whoever comes “why that information was not provided”, that is the point I was making.

HON. S. PATEL.- Coming back to that also, looking at today’s newspaper. There is a response from Chief Justice Anthony Gates regarding our limitations on what we can ask and what our limitations are, that also I think we should be very clear is what are the questions that can be asked by the Auditor-General and what are our limitations ....

MR. CHAIRMAN.- I did not see that.

HON. S. PATEL.- Today’s paper.

MR. CHAIRMAN.- Is he talking about PAC?

HON. S. PATEL.- No, there was a question on the Appointment of Judges through to the Solicitor General and PAC was mentioned.

MR. CHAIRMAN.-..No, can we get a copy of that article?

HON. S. PATEL.- *Fiji Sun*.

MR. CHAIRMAN.- I do not remember any reference to the Judiciary in any discussion of PAC.

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, let me correct that. The question aroe from the Auditor-General’s Office, asking the Chief Justice to provide information in the appointment of Judges and Magistrates and asking for the conditions of their employment,

contracts, salaries and all that. There is a discussion between the Chief Justice and the Auditor-General not the PAC Committee.

HON. S. PATEL.- There is an issue in....

HON. CDR. S.T. KOROILAVESAU.- Well, let them bring it and we can....

HON. S. PATEL.- ..Well, what I am saying is....

MR. CHAIRMAN.- I do not think we have asked any questions outside of our jurisdiction, if we did, we would be reminded and I am very careful as the Chair. Last time when we were asking about FRA, I kind of felt that that was not a question directly emanating from the audit, but you can also relate that to audit. So I do not think PAC has asked any questions outside of its jurisdiction and it is not for Ministers and the public to interpret what the PAC does.

The PAC is a Committee which reports to the Parliament and we do not report to the Executive. If there are issues with the report then the Executive is free to raise those issues in Parliament, but outside of Parliament, that would be considered as interfering in the work of the Standing Committee. I invite Mr. Ditoka to keep a watch on us and give us any legal advice that we might get if we are going outside of any.

MR. J. DITOKA.- Yes, his Lordship's issue is that if the Auditor-General audits, it comes within the jurisdiction of PAC and then PAC meetings are public, and he is questioning how that might affect the independence of the judiciary, not directly by questions asked by PAC but the fact that everything that comes before PAC is public.

MR. CHAIRMAN.- No, when we come to that issue, then as a Committee we will decide whether we want to hold that in public or a closed session but that has not come to us as yet. I think that is last year's audit that they are asking and I think the Auditor-General is probably correct in asking for that information. You are correct in asking for that information. How PAC deals with that when it comes to us in the 2014 reply, I think that what it means. So CJ is not saying anything about PAC. He is just saying that how PAC will deal with that and that is something we can discuss when it comes to us.

HON. A.M. RADRODRO.- Can I just make a comment on that? I think what we should understand as Committee members is our role in the Committee. We all have roles and we understand also our various limitations. I think the main issue that we are talking about is issues emanating out of the Auditor-General's Report and taking into consideration the newspaper article this morning. I think it also has limitations on the Chief Justice in pre-empting what the PAC will be doing on the audit issues that will be coming out of that department. I think that is the whole purpose why we are here, we have just been to an Anti-Corruption Workshop, we are here to make sure that public funds are utilised transparently and there is accountability in the processes of Government.

MR. CHAIRMAN.- We will not comment on what the CJ is saying now, as far as we are concerned. When the report is tabled in Parliament and referred to PAC and when we come to that issue, we will deal with it normally as our work and we will decide with the nature of the information, whatever recommendation the Auditor-General makes. If it is entirely to do

with the taxpayers funds and the management of it, the only thing that Standing Committees cannot publicly talk about is the actual judicial work but not how taxpayers fund are used by any Government department which includes FICAC or the Judiciary. Mr. Ditoka, am I correct on that?

MR. J. DITOKA.- Yes, Sir, that is correct. The only issue which needs to probably consider is if there is a case before the court, whether calling evidence before the PAC may prejudice an ongoing court case. Just like as in the House, *sub judice* matters should be avoided if possible.

HON. S. PATEL.- Just correct me. Like right now we are looking at the Auditor-General's Report and what comes out of it is what we can ask the 11 Ministries. Is there anything else that is not in the Auditor-General's Report can we ask the relevant authorities, because right now we are doing this, looking at the Auditor-General's Report. That is what I am saying that, if the Auditor-General has not picked up anything, can we ask anything to that? That is the question I want to clarify.

MR. CHAIRMAN.- That is a good question. The Standing Orders, Mr. Ditoka, if you can read that. It is very clear on the powers that we have.

MR. J. DITOKA.- (Inaudible)

HON. S. PATEL.- It starts from audit and we can go on if we want to.

MR. J. DITOKA.- (Inaudible)

MR. CHAIRMAN.- Thank you, Mr. Ditoka for that clarification. That is why I am saying that so far the Public Accounts Committee has been very clear in what it has done and it does not stop us, say you come e up with a suggestion that this Ministry has a problem, the Auditor-General's Report, honourable Patel is also a sample. They do not go and audit every Government section and activity. They do a sampling of activities in different Ministries, so that is why I think that those powers are there. If we feel that there are things that we need to go beyond in relation to what the Auditor-General has said, we could easily do that.

HON. S. PATEL.- Just to clarify, all the Permanent Secretaries of respective Ministries, Section 109 can that be sent to all the Ministries so that they are aware that they are not only confined to the Auditor-General's Report.

MR. CHAIRMAN.- I think that is a good suggestion.

HON. S. PATEL.- They should know that when they come here, it is not only what has transpired from the Auditor-General's Report, but anything beyond so that they do not have the idea, that we cannot ask. Sometimes, they come back and say, "you cannot ask this", so we can say, "no, we can." So it clarifies our position as to where we come from.

MR. CHAIRMAN.- I think that is a very good suggestion. Apart from circulating it to Members, I think Members have Standing Order, they should read that but it would be a good idea to circulate that portion of the Standing Orders for the Public Accounts Committee so that they understand the broad powers that this Committee has.

(Inaudible)

MR. CHAIRMAN.- Honourable Singh is saying that sometimes, the Chair sensors him.

HON. A.M. RADRODRO.- Mr. Chairman, on the FRA issue, is there any timeline given? I think we discussed the last time that we will be calling them in or what is the status on that request?

MR. J. DITOKA.- Also, we were awaiting confirmation from the OAG representatives as to whether they have done any audits and then from there, we were also going to ask. I did ask informally, as to the availability of the FRA chair. He is currently assisting in the facilitation of a workshop this week because we are not summoning at the moment, we have just been giving invitations. He had asked for a deferment. But subject to the Committee's decision, the Committee had suggested that he be invited to give a briefing, just to explain the processes, if that is still the intention of the Committee?

HON. B. SINGH.- Why the Chair; why can we not get the CEO? The CEO sets the accounts.

MR. J. DITOKA.- Apologies, I mis-spoke, I meant the CEO.

(Inaudible)

MR. CHAIRMAN.- So, maybe we can have some discussion later when we want to invite the CEO to the Committee.

Honourable Members, just before the OAG and Ministry of Finance come, I want all of you to look at the letter dated 27<sup>th</sup> July and the responses. Do you have copies of that from the Ministry of Finance? I think most of the responses are satisfactory. The two that I still think we need to pursue is (4) and (5) – the Minister's payroll. The review of Ministers salaries and benefits is a policy decision by Government and approved by Cabinet at its meeting on 16<sup>th</sup>. The Ministry of Finance is liaising with the Prime Minister's Office on the requested information. But if you look at the Prime Minister's Office response which is another letter on 23<sup>rd</sup> July, it says that the office has submitted its written responses and documents available with them to the honourable Minister for Finance. So, it does not help. All the Committee wanted was for them to tell us if they have the documents and the contract that was given to Aliz Pacific, how much that company was paid to pay the Minister's salaries and if there contracts done and if there was a tender process? We do not seem to be getting anywhere with it. What I suggest is, we might have to call Aliz Pacific to answer that question. So what I want is today when the Ministry of Finance comes, we will ask them to explain both of these and then if we are not satisfied, then towards the end, when we have another close meeting then we will decide what we want to do. Members, is that reasonable?

HON. B. SINGH.- Mr. Chairman, can I just say something? Calling Aliz Pacific would not make any difference because they will say "we do not have the contract" but the payment voucher that was being made to Aliz Pacific would give us a ....

MR. CHAIRMAN.- The other point is, if the Ministry of Finance and Prime Minister's Office cannot find any documents, then that company should have the documents. She, being

the owner of that company should be able to tell us, how much Government paid her to do that work and on what basis? But let us check with the Ministry of Finance ...

HON. S. PATEL.- (Inaudible)

MR. CHAIRMAN.- ... then we can call that company to appear before us because if we are not satisfied, and if they are not getting anywhere because we have to exhaust this and then make recommendations. We may not be able to resolve this, all we can do in the end is to make a recommendation on this issue to Parliament to have further inquiry whatever and it is up to the Parliament to decide what it wants to do. We would have done our job. Members, we just ask the Ministry to explain and then we will leave it there and then after the closed meeting, we will decide where to pursue that further.

HON. S. PATEL.- (Inaudible)

MR. CHAIRMAN.- Okay, thank you honourable Members for that. Can we get Ministry of Finance and Auditor-General's Office to come because we want to ask them a few questions.

**[Representatives from the Ministry of Finance and Office of the Auditor-General join the Committee for discussion]**

MR. CHAIRMAN.- Thank you colleagues from the Auditor-General's Office and Ministry of Finance, it is always good to see you and thank you for the work that you do.

I want to thank the Ministry of Finance for providing an update - letter dated 27<sup>th</sup> July on a number of issues that we raised. Can we get copies of that letter for the OAG as well? This is the response that we got from the Prime Minister's Office and the Ministry of Finance on a number of issues and we want to pursue that with both of you, to see how we can move forward with those issues.

Honourable Members, just look at the response from Ministry of Finance, Number 3 on the Ministry of Finance leased vehicles, remember we are not questioning the Policy of Government; to have a combination of leasing as well as owning vehicles. What we are more interested in your explanation that it only take two to three hours but I know in the Police Department, the Minister himself said that, they were having problems with leased vehicles for replacements. I do not know whether that is just a management issue but we also said that we wanted to know whether the costs, as opposed to owning as well as whether there was any report or analysis done as to whether the leasing arrangement was better. Have you looked at the implications on Ministry of Finance, but your response is fine. We understand that leasing is now a policy, but at some point the Auditor-General's Office would want to look at whether leasing is good value for money, as opposed to department's owning vehicles. OAG, have you looked at that?

AUDIT REP.- Mr. Chairman, I am not really familiar with the issue. Probably there was a performance audit done on the leasing arrangement, but I will have to find out whether that has been reported to Parliament or not.

MR. CHAIRMAN.- No. 4 - Ministry of Finance, this is a direct question to you; you are saying that the Ministry of Finance is liaising with the Prime Minister's Office on the requested information. We have a letter from the Prime Minister's Office dated 23<sup>rd</sup> July on the Minister's Salary which says, "The Office has submitted our written response and documents available with us to the honourable Minister of Finance." What we had requested the Ministry to go and prepare a report, get all the documentations and give us a closure on the issue, how it was all done because the Auditor-General has definitely queried that in a big way; what is the situation now?

FINANC REP.- Honourable Chair, in regards to the Minister's payroll, we kindly request if the Committee could liaise directly with our Permanent Secretary and the Minister himself.

MR. CHAIRMAN.- So what you are saying is that you are not in a position to get those documents, because this is a letter from the Permanent Secretary himself who says as I read earlier, "the Ministry of Finance is liaising with the Prime Minister's Office on the requested information", and this letter is dated, 27<sup>th</sup> July. The Prime Minister's Office wrote on 23<sup>rd</sup> July stating, "The Office has submitted our written response and documents available with us to the honourable Minister of Finance", so can I ask, as a message from the Committee to the Permanent Secretary, that the Committee is still awaiting a report from the Permanent Secretary with the necessary documentation and explanation to the queries raised by the Auditor-General's Office, and we would still await further response from the Ministry of Finance, because the Permanent Secretary is saying that they are still liaising and the Prime Minister's Office is saying that the information has been sent, so there must be some process of looking at those documents or responses. Honourable Members, we are just asking for further report? Is that okay? We will follow up with a letter from the Public Accounts Committee. The Secretariat will send a formal letter thanking the Ministry of Finance, Prime Minister's Office for providing this response but this response has not brought any closure to the issue and that we want further report and the documentation on the issue.

Number 5, I think, honourable Members, you would agree that we had asked for an analysis. What is the relationship between Head 50 and SEG 10? It says, "The increase in Head 50 over the years is largely attributed to the increase in new initiatives that are budgeted under SEG 10. These new projects and problems require the Ministry of Finance's close monitoring"; can you explain what that means? Then maybe the Auditor-General's Office can explain what they understand out of that.

The problem was, we were told by the Ministry of Finance that you have about \$100 million in Miscellaneous. We are not saying, "you do not put money in the Miscellaneous"; it is like petty cash for Government. However, we are also saying that \$100 million is a very large amount of money to be put in Head 50 without any corresponding budgeting, it also can

reflect poor budgeting. If you put large amounts of money in Head 50 and it is not budgeted in terms of where it is going, Auditor-General what was your concern there? What is your continuing concern on Head 50?

HON. A.M. RADRODRO.- Sir, the issue that we highlighted here is, we were asking the Ministry of Finance to give us the last ten or fifteen years trend analysis of the allocation in Head 50 because we noted that most of the payments that were highlighted were paid out of Head 50, especially issues of SEGs 1 and 2 which were highlighted in the 2010 Report. That is what we requested the Ministry of Finance to give us a trend analysis of the last 10 or 15 years because we want to see how the allocation to Head 50 had increased or decreased over the years.

AUDIT REP.- Honourable Chair, I must apologise. We are not prepared to answer questions on this, we do not know the background of this because there are different directors responsible for these audits. We are here for the Industry and Trade interview, so we were not informed that there is going to be discussions on this and we would not want to misinform the Committee on any issues that have already been discussed regarding the issue.

MR. CHAIRMAN.- We will get the Acting Auditor-General himself to come. Is he available tomorrow?

AUDIT REP.- I will follow up with him. It is probably the Deputy Auditor-General and the Director responsible for the audit of Treasury and the Ministry of Finance.

MR. CHAIRMAN.- Can you pass these documents to them today? Mr. Ditoka will liaise with them if they can come tomorrow and give us a bit more explanation on Head 50.

AUDIT REP.- We will do that.

MR. CHAIRMAN.- Ministry of Finance, you have not done your job in terms of what we requested. What have you got to say on that?

HON. CDR. S.T. KOROILAVESAU.- Mr. Chairman, I think in terms of the requirements now to make it more simpler, if the Ministry of Finance can just come with the commitments to Head 50 over the last 10 to 15 years, because it is better to come with figures now, tell us what it is and then we can ask further questions from there.

MR. CHAIRMAN.- I think that is a good suggestion. I suggest that the Ministry of Finance works on that as we have another two to three weeks before the Committee sits again towards the end of August.

FINANCE REP.- Sir, all the requests from the honourable Committee has been raised with management and this is the information that has been supplied by the Ministry.

The other issue is that, we would be grateful if the request from the Committee can be on an official letterhead and if the necessary response can be forthcoming.

MR. CHAIRMAN.- Mr. Ditoka, can you do a formal letter saying what was requested the last time and that we are not satisfied with what has been provided and that we give them until the end of August to provide us with that information?

Honourable Patel, you were the one who was concerned about the departure tax. Have you looked at those answers?

Can I ask, maybe the Auditor-General is not in a position to answer that, but that \$10 Environmental Fund, why is it going to Consolidated Fund? Auditor-General's Office, do you want to say anything on that?

MR. J. DITOKA.- (Inaudible)

It is the breakdown given in the regulations.

MR. CHAIRMAN.- So that is clear. We can ask that as a policy question if we are not happy in Parliament. Why is it \$200 and why is it allocated this way?

HON. B. SINGH.- On the same letter - Question No. 7 on surcharge. The response does not make sense. Looking at the FI 2010, the implementation of the FI, the effective date and looking at the write-offs, it says "five years"; the anniversary of the five years should be this year. Looking at the logic and the rationale behind it, I mean that does not answer what we had put forward to the Ministry.

MR. CHAIRMAN.- Yes, I think honourable Singh has a point. Ministry of Finance you want to say anything on it or you want us to explain that further?

FINANCE REP.- Sir, the FI 2010 is an amendment of FI 2005 so the surcharge had been continuing before that. The FI 2010 mentioned here because it is the amendment from FI 2005, it is correct, Sir.

HON. B. SINGH.- My question is because the audit report was for 2011 so where is the 5-year period then? If it is for 2011 surcharge, how can this be?

FINANCE REP.- Sir, this unrecovered arrears of revenue for surcharge, it is recurrence from past years.

MR. CHAIRMAN.- Honourable Singh, does that answer your question?

HON. B. SINGH.- I am still not satisfied with that answer. Looking at 2011, there was an increase from 2010 to 2011 on the surcharge amount. It is not sound to say that those were all from previous years.

(Inaudible)

MR. CHAIRMAN.- Yes, I think when the Ministry of Finance comes next, this is one of the questions that we can still ask them.

(Inaudible)

MR. CHAIRMAN.- Mr. Ditoka, maybe we can ask them to explain that further.

FINANCE REP.- Sir, can we try to clear it now?

MR. CHAIRMAN.- Yes.

FINANCE REP.- In 2011 the total unrecoverable surcharge was \$800,000 plus. So the unrecoverable we mentioned here is \$300,000 which is about 40 per cent plus. So, the recoverable one, where the process is still ongoing or still being deducted is about \$400,000 plus.

MR. CHAIRMAN.- So that is the only positive news that that is still recoverable.

HON. B. SINGH.- So what is the current status? How much more money has been recovered from the \$450,000 and before the lapse of that five years.

FINANCE REP.- The Unit is deducting the surcharge according to the contracts of officers. Because contracts now are in three years so the deduction is to be made within three years.

HON. B. SINGH.- Can we be provided with the figures being recovered from the amount being deducted?

MR. CHAIRMAN.- Thank you. We can make that note. Alright honourable Members I think Number 8 is fine.

HON. A.M. RADRODRO.- Honourable Chairman, on Number six. Just a matter of interest – how often does the payment period from the collection agencies to the consolidated fund are paid out?

FINANCE REP.- Sir, we do not have that information right now but we can provide it in writing.

MR. CHAIRMAN.- Maybe we can pursue that later. Yes, provide a written response.

Alright, thank you honourable Members the next item on the agenda is the Ministry of Industry and Trade. Before we invite them, from the Auditor General's office, we had written

to the Permanent Secretary on 19<sup>th</sup> March. We had written earlier then they said, “we need more information” and we wanted:

- a) a list of all Government Commercial Companies and their performance since 2007;
- b) rates of return for all these Government Commercial Companies;
- c) Government grants to each of the Government Commercial Companies;
- d) What the ministry has done about all the concerns raised by the Office of the Auditor General since 2007;
- e) All Government grant is for loans and how much to every Government Commercial Companies, Commercial Statutory, Majority Owned and Budget State entities.

So these were the information we requested but unfortunately we have not got that from the Ministry of Trade. We are also going to look at 2013. We have got the response, so honourable Members you may want to raise any questions on 2013 as well. But Auditor-General’s office what are your current concerns?

AUDIT REP.- Honourable Chairman, for the Ministry of Industry and Trade or Ministry of Public Enterprise?

MR. CHAIRMAN.- Public Enterprise.

AUDIT REP.- For Ministry of Public Enterprise, if you look at 2010 to 2012, the recurring issue is the monitoring of the performance of Government Commercial Companies and Commercial Statutory Authorities and compliance with the Public Enterprise Act. So that is the main issue that has come out from the reports for 2010 to 2012.

MR. CHAIRMAN.- What about issues that you are finding now in 2014?

AUDIT REP.- For 2013 and 2014, if I remember correctly, we did not raise any issue on the performance, because that has been recurring over the years so we have just highlighted issues specific to 2013 and 2014 but this issue on compliance with the Public Enterprise Act, it is ongoing to-date. Probably it will be best if we can provide information to the Committee, also the current status of audits of each agency. I am responsible for the audit of some, but not all, so I can update the Committee on probably some of the audits of Government Commercial Companies. There is a few that has been delayed for a number of years. I can give you some examples like, Fiji Hardwood Corporation Limited – the last audit carried out was for 2008, so 2009 and 2014 is still pending. I also discussed this when we discussed the Ministry of Agriculture, Food Processors; 2007 was the last audit, so 2008 to 2014 is pending.

MR. CHAIRMAN.- Can I ask why it is not been audited?

AUDIT REP.- The agencies have yet to provide us with the draft financial statement to audit.

MR. CHAIRMAN.- They have not ?

AUDIT REP.- No

MR. CHAIRMAN.- Fiji Hardwood Corporation?

AUDIT REP.- We have been working closely with the Ministry of Public Enterprises, for example, for Fiji Hardwood Corporation, we have been advised by the Ministry of Public Enterprises that one of their accounting firms is working on preparing their accounts and they will be submitted to us shortly for 2009 to 2014 account. Ministry of Public Enterprises have been following up with the relevant agencies on the submission of the draft financial statement. We cannot audit the financial statement if they do not submit us the draft.

MR. CHAIRMAN.- That is one of the issues we are going to ask them, why they are not able to provide financial statements to the Auditor-General's Office?

AUDIT REP.- Probably that will be a good question to go to the Ministry.

MR. CHAIRMAN.- Because that is why we had asked them to provide us with all these things. So if they cannot provide the Auditor-General's Office, obviously they cannot provide that to us and that is not satisfactory.

AUDIT REP.- Mr. Chairman, I think there is only a few that have been delayed for a couple of years but otherwise most have been updated to 2014. We can provide a detailed report on the status of the audits of all GCCs and CSAs to the Committee.

MR CHAIRMAN.- The other issue Members we have is the 2010 report on the Rewa Dairy and the restructure of Rewa Dairy. Mr. Ditoka, I am told that there is a case in court now. That case is really not against the Public Accounts Committee but it was against the newspaper reports. If I can get the Auditor-General's comment on that first, just what is your take on it and then I will get a legal opinion from Mr. Ditoka whether we can ask that question.

AUDIT REP.- Honourable Chairman, with regards to the issue concerning Aliz Pacific in the 2010 report, the restructure of Rewa Dairy, there has been a High Court proceedings issued by Aliz Pacific for defamation against the office so if you ask us any question regarding that, our answers will be confined to what we have reported. Because of that High Court proceedings against the office, we are requesting the Committee if there is any questions regarding, we might also have to get legal opinion on this on whether we can discuss openly because it is....

(Inaudible)

MR. CHAIRMAN.- I will ask Mr. Ditoka to give us some legal opinion on it.

MR. J. DITOKA.- Because the Common Law, if what is discussed in Parliament is covered by Parliamentary privileges, it can affect their ability to prosecute their case in Court. It can affect the defendants and it can also affect the plaintiff, so although the Committee has

jurisdiction, the practise, well in fact we learnt this in Malta, is that the Committee steps carefully to avoid prejudicing any cases before the Courts. This was also discussed with Robert Oakeshott, there are some question that are plausible but if the Office of the Auditor-General, for example we will say, we will just rely on what is already in our report, compelling an answer from them could have negative effects on their case.

MR CHAIRMAN.- Because the question in the Audit Report, correct me if I am wrong, the Auditor-General is saying that the payment that was made to that company was only for a workshop. The payment that was made after that, there is no documentation, it was not tendered. Am I correct Auditor- General?

AUDIT REP.- The issue that we want to highlight regarding the case is reported in the Auditor-General's Report to Parliament, detailing what was paid for the workshop, what was paid for the restructure and any issue regarding the tendering of the restructure of Rewa Dairy.

HON. A.M. RADRODRO.- May I ask a question to the Auditor-General as a matter of interest, what is the current status now of the Court case, has it been called, first hearing or second hearing?

AUDIT REP.- The latest update that we got from our lawyers is that we are waiting on the plaintiff's lawyer. We have provided all our evidence to the plaintiff and they are reviewing that. We did this in April and we have yet to receive any other update.

MR. J. DITOKA.- Even if it is still at discovery stage, honourable Chairman, it is still possibly *sub judice*, because even though the Committee is not specifically restrained from asking any questions, it could affect the case even inadvertently.

MR CHAIRMAN.- What I suggest Mr. Ditoka, you do for us, maybe put something in writing, sort of a simple legal opinion as to how we deal with that and then we will keep that in our file and if we have to wait for the Court case to happen, then revisit this case, we will do that. But it would be good for you to provide us with a legal opinion and also check the status of the case, where it is in terms of its progress. Honourable Members, is that okay?

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification from the Legal Director, could we ask if whether the Ministry has done any further work on the recommendation of the Auditor-General?

MR. J. DITOKA.- That could be asked but depending on how they might word the answer, I am repeating what was advised also by Mr. Oakeshott. If they answer in a certain way, how far the Committee will go in towards compelling the answer, that is where the Committee has to exercise a bit of discretion.

MR. CHAIRMAN.- Well, not really. You can ask what is there but what I think Mr. Ditoka is saying is that if they give an answer which sort of a PS to be *sub judice* then there

could be issues. So, maybe the best thing is not to, until we get a sort of written legal opinion on the issue and report on where the case is, then we can pursue that.

HON. CDR. S.T. KOROILAVESAU.- I was going to suggest something which may contradict to what you have just stated. My position is we ask them, they would have some legal advice on what to answer and what not to answer.

MR. CHAIRMAN.- Maybe that is a better way to and if they answer then is okay. So, honourable Singh you may want to pursue that question. You are a dairy expert so will get you to ask.

**The Committee adjourned at 11.16 a.m.**

**The Committee resumed at 11.35 a.m.**

Ministry of Industry and Trade

a) Mr. Shaheen Ali	PSITT/PSPE
b) Mr. Sujeet Chand	A/Director
c) Ms. Laisa Bolalevu	A/Director
d) Mr. Nitesh Chand	PEPO
e) Ms. Joy Khan	PAO
f) Ms. Meenal Khan	A/PAS
g) Mr. Faizal Khan	SEPO
h) Ms. Eta Boila	EPO

MR. CHAIRMAN.- Honourable Members, welcome back.

We welcome the staff from the Ministry of Industry, Trade and Tourism and the Ministry of Public Enterprise. Thank you all for making time this morning, apologies for late start. We also welcome members of the media, I thought you were also invited for morning tea.

What we are trying to do PS, we are looking at preparing a consolidated report for 2010 right up to 2013. As you know we have already presented a consolidated report on 2007, 2008 and 2009 to the Parliament. We identified a number of systematic issues, we made recommendations and a lot of those recommendations are now being implemented by the Ministry of Finance.

So from our point of view, what we want to do is to consolidate all the responses from different ministries and some of these responses are not just specific to what has been in the Auditor-General's Report on specific issues. We also want to have a sense of how some of those issues in the previous years and a lot of ministries are telling us that the recommendations that were made by the Auditor-General have been taken on board, implemented so we understand all that and we are trying to reflect those in our report, that we will present to Parliament. We are hoping that we can capture additional issues and recommendations that could be also pursued as a matter of improvement in policy, monitoring, evaluation but also pursuing some specific cases.

We have written to you, and especially on the whole issue of Government Commercial Companies (GCC) and their performance since 2007. We had also asked for rate of return for all these Government Commercial Companies. We had asked for information on Government grants to each of the Government Commercial Companies and also all government guarantees for loans and how much to every Government Commercial Company, Commercial Statutory Authorities (CSA), Majority Owner Entities(MOE) and Off-Budget State Entities. The reason we want that information is we want to use that information to reflect some of the recommendations that we might be making in our reports, so we are able to present a holistic picture of what is happening with those different entities and where taxpayer funds are given, or utilised and whether we are getting value for money.

So you may want to and hopefully we can get some written response, so that we can use those to include them in our reports. What I will do is ask the Auditor-General's Office first, to give us some overview of issues that they are addressing or looking for, based on some of the audit findings in the previous year's. Then I will get the Ministry of Finance to add to that then I will get the PS to respond to those and then we will have some specific questions from honourable Members. We have heard from you previously on overall presentation and which was very useful, so you do not have to do that today, so we can bring it to conclusion in a more efficient way. I will start with the Auditor General's Office.

AUDIT REP.- Thank you, honourable Chairman. With regards to the Ministry of Industry and Trade, issues regarding the Agency Financial Statement. We have resolved all the issues that have been pending from 2010 to 2012, from 2011 to to-date there have been unqualified opinion issued on the Agency Financial Statement of the Ministry. Basically, there are no recurring issues, but the issues that have been raised from 2010 to 2012 are one-off or relevant to the year that has been reported.

It has also been a practice of the Ministry to resolve the issues with the Office of the Auditor-General at the initial stage of reporting. We also understand that some of the issues that we have raised on the Trade Commission, probably have been resolved where the powers are delegated to the Permanent Secretary with regards to the appointment, termination of trade commissioners. At the time we reported the issue, we were of the understanding that the Trade Commission comes under the ambit of the Diplomatic and Consular Regulations 2005. The issue basically for the Ministry of Industry and Trade are those that we have reported but there has been no recurring issues with regards to the Agency Financial Statement or any other particular issue.

FINANCE REP.- Thank you, Mr. Chairman. In regards to the Ministry of Industry and Trade, we have just completed one normal audit in the first quarter of this year. In regards to their reconciliation, it is updated up to the month of March of this year. In regards to their unrepresented cheques, it is worth to note that that their UP has reduced from \$230,000 in 2012 to \$93,000 in 2014.

The Department of Co-operative - their UP listing has also decreased from \$53,000 in 2012 to \$90.00 in 2014. For MIT, there was no write-off in 2014 whereas there was a write off for Public Enterprise in 2014 amounting to \$182,000.

MR. CHAIRMAN.- PS, you want to respond to that and then we will get into specific questions.

MR. S. ALL.- Thank you Mr. Chairman. I believe it warrants minimal response from me, given the statement from the Office of the Auditor-General and Ministry of Finance. But to your initial request, Mr Chairman, we hopefully would give you something in writing on the list of Government Commercial Companies that was requested, the rates of return too, I will not go into detail, I have a detailed presentation which shows the general improvement in

the profitability of State owned enterprises, so which means that some of the public funds that have been expanded are being used in the right manner. Also, Mr. Chairman, you wanted the total to the Government grants and loans. We have our own record but we recommend that, that information should be obtained from MOF because there the authority as far as grant and loans are concerned.

MR. CHAIRMAN.- Can I ask MoF to provide that - all Government grants to each of the Government Commercial Companies.

MR. S. ALI.- Mr. Chairman, they would have the right record in terms of the grant given to each of the State-owned enterprises and also Government loans and guarantees. Ideally both our records should tally, but MoF would have the accurate information so it is best that we give them but from our side, with regards to things like net profit after tax, return on assets, return on equity, which SOEs are profitable, which are non-profitable we can provide you with the general information on that.

MR. CHAIRMAN.- Thank you PS if you can do that, maybe if I can give you some time line, maybe by the end of August, when we will be consolidating our report. it will be useful if that can be provided by end of August.

Just a follow up on what the Auditor-General's Office said, I know some of this may not be your responsibility, left-overs from the previous years, but I am told that some, like Fiji Hardwood Corporation, financial statements were not available for audit from 2009 right up to 2014. Can you tell us where we are on that? Do we now have the financial statement for audit?

MR. S. ALI.- For that particular entity, the financial statements are available but unaudited, so what Fiji Hardwood Corporation is doing at the moment is auditing those unaudited accounts.

MR. CHAIRMAN.- Because it is a serious concern that they have not been able to provide this from 2009, so because of that, the Auditor-General's Office has not been able to provide. What we are emphasising that we want to deal with all Government Commercial Companies entities, backlog of these audit reports, obviously the Auditor-General's Office will need time to audit those and then present it to Parliament and then it will come to us. So, If I can emphasise that Fiji Hardwood Corporation should do that as soon as possible, in fact, there should be no reason why it is being delayed for so long. We hope that that will be done soon, the other one that we had was Food Processors. PS, what is the status of Food Processors, have they provided their financial status for audit?

MR. S. ALI.- The accounts and statements are ready internally but they are yet to engage auditors, they are in the process of engaging auditors to get the accounts audited. Those are the only two entities that are falling behind in terms of compliance is concerned.

HON. A.M. RADRODRO.- Thank you PS. Just a matter of clarification, can you be able to inform us why was there a delay in the audit conduct of these two entities, especially for Fiji Hardwood Corporation Limited.

MR. S. ALI.- I would not be able to provide a comprehensive answer related to that. I think I have to consult the Board of Directors for each of the entities, there must have been some systemic problems related to the operations of the two entities. However, as to the specific reasons of the non-compliance, I cannot make any detailed comments

HON. A.M. RADRODRO.- While the audit as you said is now in progress, do you have a timeline for them to provide the audited statements?

MR. S. ALI.- As far as the Ministry is concerned they should have provided it yesterday, or day before or the years before. So we are on their backs to do that at the soonest. We have encouraged both the entities to engage independent auditors and get the accounts audited.

AUDIT REP.- Mr. Chairman, if I could make a comment on that, the independent audit for those two companies is the Auditor-General. Probably what the PS is alluding to is probably they are trying to audit before it comes to us, but the external independent auditor is the Auditor-General.

MR. CHAIRMAN.- Are you having your own internal audit right now.

MR. S. ALI.- Just to get the accounts ready, that is what I understand, before it goes to the Auditor-General.

MR. CHAIRMAN.- It is just the accounts and it comes to you for audit.

HON. B. SINGH.- Thank you, Chairman. Just on the investment, PS the merging of NATCO with Food Processors; how far you have gone and what is the share structure?

MR. S. ALI.- That specific question, I do not have answers to that, I am afraid. If it can be provided written, the purpose of today's sitting I thought it was to look at the Public Enterprise accounts; specific SOE questions would be a bit difficult. But I can consult my team, give me a second, Chairman? It would be best if we provide you with a written response, honourable Singh.

MR. CHAIRMAN.- I think a written answer would be appropriate.

HON. B. SINGH.- Yes, Sir, because following on from there would also be FINTEL – the acquisition of FINTEL by ATH and the Pacific Forum Line Limited also on the structure and how it was acquired. I think the market value at the point of sale was \$11.3m but FINTEL was sold for \$9 million.

MR. S. ALI.- Mr. Chairman, ATH does not come under the Public Enterprise Act at the moment, MoF would be the most appropriate agency when they were dealing with that transaction. But again, if you want us to provide answers, we will provide it in writing.

HON. B. SINGH.- Mr. Chairman, my questions were on the investments and the rate of return but as PS has alluded to that he is not in a position right now, so we might have to put in writing to him.

MR. CHAIRMAN.- I think we have got the general question there, where the PS already said that he is going to provide us with the rates of return for all Government Commercial Companies, we will get that in writing and then we can talk about that.

HON. B. SINGH.- Just an additional question, before I ask the question I would like to disclose my interest. We are the fourth generation in the dairy industry, so it is just out of interest that I would like to ask about the sale of Rewa Dairy and the due diligence process that was carried out on that sale.

MR. S. ALI.- The question is on Rewa Dairy and the due diligence process, Mr. Chairman, I think that is one of the issues that the OAG did pick up.

Mr. Chairman, I was not the PS at that time but nonetheless, I have looked into the records. There was a whole process that went into the dairy industry reform at that time and it was led by Rewa Co-operative Dairy Company Limited (RCDCL) that had firstly done a strategic planning exercise in 2009. From that strategic planning exercise, they had several meetings where they came up with the decision to further carry on the reforms of the industry. Those recommendations were brought to Cabinet. Cabinet had also approved in 2010 that the restructure should proceed.

Mr. Chairman, when the reform started, there was a lot of legacy issues at that time with RCDCL. It had huge problems; its net asset position as at 31<sup>st</sup> December, 2010 was negative \$4.7 million. It had also accumulated a debt of \$18 million which later on increased to \$22 million, and there was unexplained debtors of \$4 million that had to be written off to clean up the balance sheet.

Mr. Chairman, in terms of restructure, there was a decision made to separate the processing arm from the co-operatives arm, to ensure a much more efficient process. At the same time, the objective was to increase production and acquire self-sufficiency in, at least, liquid milk supply in Fiji. There was an Expression of Interest (EOI) that was advertised; 16 companies had applied and later on, two companies were short-listed. Out of that, Southern Cross Foods Limited (SCFL) was picked because their offer, by far, was better than any of the others. They had also agreed to the Government's condition of increasing production and increasing supply by also going into dairy farming, as well as establishing chilling centres.

At that time when the EOI and the process was completed, the final sale of the Government shares in RCDCL was sold for effectively \$27 million. So, what SCFL did was

take over the liability position which was of \$17 million, and also gave \$10 million also for 80 per cent of “A” Class shares of Government. Mr. Chairman, as you know, there was a condition - continuation of duty extension for another 10 years which had been in existence for 25 years. So, that was effectively the reform of the dairy industry to increase.

Also, Mr. Chairman, the price that the farmers were getting had also improved due to the reforms of the industry. Before the restructure, farmers were getting 55 cents which later increased to 62 cents and in addition to that, the 17 cents farm gate subsidy that came into effect in 2009. Now, FDL pays FCDCL, which is the co-operatives arm of the dairy industry, \$1 per litre. They have also increased production, Mr. Chairman, and I do not have the exact figures but now, in terms of the national milk supply, the Western Division is contributing to the national milk supply also because of the chilling centres that have been established in Lautoka and other centres. That is where the reform process was taken.

Mr. Chairman, questions were raised on the appointment of the consultant. On that one, what I could deduce was that, it was the RCDCL Board that was making the decisions as far as the reforms were concerned and they had made the decision to carry on with the reforms. When they presented their recommendations to Cabinet, they requested for funds. The Cabinet at that time directed that the Ministry of Industry and Trade and the Ministry of Agriculture to look from within and fund this exercise, and in particular, the National Export Strategy (NES) which was at that time not being effectively run perhaps, was identified as something, in a way, it would help our trade situation as increasing our milk production would go towards import substitution. So, the NES was considered an appropriate allocation to fund this.

When that recommendation was made, the Ministry also asked to be on the Committee of the restructure, so the Ministry was represented in the Committee of the restructure because the Government was funding the restructure. So, that is my explanation, Mr. Chairman.

MR. CHAIRMAN.- Honourable Members, do you have any follow-up questions on that?

HON. A.M. RADRODRO.- I would like to thank the PS for a very comprehensive explanation on the Rewa Dairy restructure. How is the Ministry monitoring the performance of the new restructured entities?

MR. S. ALI.- Of course, now FDL is a private entity. However, we have regular consultations with FDL because when the recommendations did go to Cabinet to approve the sale of the 80 per cent Government shares in FDL, there were certain conditions that:

- they have to increase milk production by a certain percentage;
- they also have to establish a number of chilling centres;
- there was also an undertaking that they would also buy some land and start their own dairy production; and additionally
- they would contribute to the general improvement of the dairy industry by having (well it is not really their role) their own vat, et cetera, to ensure that the quality of milk coming to the milk on supply is also of a better standard.

So, we have regular consultations with FDL, both as part of the Ministry of Industry and Trade and as per the reforms of the dairy industry. They have well surpassed those targets that were initially committed to.

HON. A.M. RADRODRO.- Another question that I would like to ask is the stakeholders (dairy farmers). As you know, the setup of the previous company, they were heavily involved in the company's operation. In the restructured entity, where are they now reflected or how are they reflected in the new entities?

MR. S. ALI.- They still have a major stake - 20 per cent of the processor (FDL) is owned by farmers and there is the new co-operative that has been created (RCDCL) which is a co-operative set up to look after the dairy farmers' interests. The production side has been separated from the processing side which is now privatised, but they do have a stake in both – 20 per cent in the private company and also through their own co-operatives which is their main supplier and there is an agreement that RCDCL will supply the milk to FDL.

MR. CHAIRMAN.- Honourable Patel?

HON. S. PATEL.- Thanks Mr. Chairman. PS just a quick one, the condition of the sales. One of the conditions was, there was a duty free concession given to the purchaser and you said previously that was the practice. Right now purchasing company, what sort of concession do they have from importing milk from overseas?

MR. S. ALI.- It was the Cabinet's decision to continue the 32 per cent production for 10 years and after that, review the domestic capacity and production. Sir, it was extended for 10 years and the tariff protection with only FDL getting concessions on the tariff protection.

HON. S. PATEL.- In the next 10 years?

MR. S. ALI.- 10 years from 2010.

MR. CHAIRMAN.- I guess you wanted to know the time and protection of 32 per cent because it is given to that particular company. Part of the condition for purchase, so every other company which imports milk will have to pay 32 per cent duty.

PS, one last question on Rewa Dairy, I think this is an audit issue, what we would like from you is to provide us the details of, you explained there was a consultant. We want to know the process through which the consultant was hired and how much was paid to the consultant? That is an issue that the audit report points out and I would request you to provide us with a written answer and appropriate documentation so that the Committee can bring a closure to that issue.

MR. S. ALI.- Sure, Mr. Chairman. I think that we can provide you with a written answer, supported by copies of the minutes of the board meetings and also the Cabinet Decision.

MR. CHAIRMAN.- And how much was actually paid in the end for the total restructure? Thank you.

HON. A.M. RADRODRO.- Mr. Chairman, just one last question to the PS on the purchasing of milk from the farmers. I do not know whether the Ministry is aware that milk is being graded by the purchase and why is that exercise being allowed to continue?

MR. S. ALI.- Mr. Chairman, that was always the case. There were three grades for milk - A, B and C. I guess perhaps, honourable Radrodرو is alluding to, as soon as the restructure took place, then there was a lot of milk that was being graded as C. But I think this was the teething problem as the new owners of the processes came into operations. Now, I think there is a better sort of relationship and there is also processes that are being understood by farmers and the processor to ensure that quality is maintained as much as possible, the premium milk is supplied and if the milk is of course not premium then they do not get that premium price, they get a lower price. So, the grading system has always been in place, it is not because of the restructure.

MR. CHAIRMAN.- Honourable Singh, I see you gunning for another question.

HON. B. SINGH.- Thank you Mr. Chairman. I know it's a liberty of the PS to answer or not to answer. The question is relating or continuing from honourable Radrodرو. They take a sample on Monday and if the grading is B or C or is not premium, the whole week is being victimised. But when they pick up the milk, the milk is in a bulk pick up, how they are separating this process? My milk is being is being graded B, I do not get a premium, my collection is also in a bulk collection with other farmers. Once it reaches the factory, how they separate it, mine should be premium because my sample is top premium.

MR. CHAIRMAN.- Let me get this right, what you are saying is that farmer 1 is graded C, farmer 2 B, farmer 3 A. What you are saying is that all the milk goes into one, is there a processing involved? The other thing that you are saying is that, if your milk is graded C on Monday, you get C grade for the whole week. Maybe this is not directly audit question, but I think it emanates from the previous questions.

MR. S. ALI.- Mr. Chairman, this looks like a very detailed operational question for FDL. We have always found FDL to be very accommodative when we requested for dialogue, and when we had complaints from farmers or FCDCL, whenever we asked FDL to come and explain or come and talk to us, they have been very accommodative. So similarly, Mr. Chairman, I think these issues can be addressed, of course I think the grading goes to the direct quality and production. I am not an expert, Mr. Chairman, but if the milk is C or have some sort of bacteria then it has the potential of spoiling the whole vat and of course there is milk particles involved and water of course. I think it is all commercially driven and based, Mr. Chairman, that is not to say that we should not encourage farmers to produce better quality milk.

MR. CHAIRMAN. – I will leave it to the two farmers to take this up with FDL and see what happens to the mixing of three grades. I suppose there is a processing stage there, but you may want to pursue that with FDL. Any other questions, honourable Radrodro?

HON. A.M. RADRODRO.- Thank you, Mr. Chairman. PS just one last question, since the restructure, what has been the trend like in terms of production compared to the import of milk with the 32 per cent tax or duty free that was given together as a condition of the sale.

MR. S. ALI.- Mr. Chairman, on the import figures, I will have to check but as far as production is concerned, I am very confident, I do not have the exact figures but that has markedly increased.

MR. CHAIRMAN.- Thank you. Maybe Ministry of Finance or if you are able to do that, provide us data on the actual milk production and imports. I think that would answer the questions for the Committee Members, but also it will help us to look at whether we can put something in our report.

HON. B. SINGH.- Mr. Chairman, just a last question to PS. While alluding, he said that \$1 is being paid for per litre, 10 cents is then being deducted by the Co-operative and then 15 per cent is the VAT component, so a farmer gets 78 cents per litre at the end of the day at the gate price. From my understanding, you are at liberty to answer or not to answer, I know it is a FRCA issue, VAT is once your process is complete, this is raw milk. Has the Ministry of Trade done some research on why VAT is applied to this commodity when it is still not a complete product?

MR. CHAIRMAN.- PS, let me just get that right as well. So what you are saying is farmers pay VAT on the raw milk.

MR. S. ALI.- VAT was an issue, however, we have resolved it. For the bigger farmers, VAT is being refunded and for the smaller ones, there was a call for exemption. So, we had asked FRCA to enter into dialogue with RCDCL to ensure that at least the VAT part is not a burden on the farmers. I do not know whether as a farmer, honourable Singh is saying that he is still not satisfied with it, but this issue came to the Ministry and we had a good dialogue or at least spearheaded the dialogue between FDL, FRCA and RCDCL. As far as the deductions, Chair, those are the deductions being made by the Co-operatives for the services they provide. We always encourage them not to be excessive in terms of the deduction. I think they charge for cartage and storage. So there is a mandatory deduction that is taken. But as far as the VAT issue is concerned, Chair, I was of the opinion that it was resolved but we can check and if it has not been, we can work on it.

MR. CHAIRMAN.- Thank you, PS, I think that is an important issue, if it is not resolved, farmers really should not be paying VAT and you are saying that it has been resolved. So, honourable Singh you may want to check your books, check your records and also check with the farmers and it might be your contribution to helping resolve that problem.

HON. B. SINGH.- Thank you, Chair, thank you, PS. I am a large scale farmer, but I am just thinking of the small scale farmers, I will check with the small farmers and come back to you.

MR. CHAIRMAN.- Thank you, honourable Members, any other questions?

HON. A.M. RADRODRO.- Mr. Chairman, on the 2012 Audit Report, there has been an audit issue on the Mindpearl Project regarding the total number of employees that is not meeting the target as it agreed in the Deed of 2,750 employees. At the date of audit, there were only 769 employees. I see that the Ministry had no comments to make, can the PS give us a brief update on that particular audit issue.

MR. S. ALI.- Sure, Mr. Chairman, I think I can. I am surprised at we have not provided our comments already. The wage subsidy was part of the deal that Government gave to Mindpearl at that time to encourage investment. Mindpearl was considering other destinations apart from Fiji and at that time, we did not have any business process outsourcing companies. So, as part of the package, the Government had agreed with Mindpearl to pay a subsidy \$1,200 for every employee Mindpearl employs for one year. Now, there was a schedule A that was attached to that, and of course, that schedule A had a number to it. I think that schedule A, Mr. Chairman, was not a binding schedule but a best endeavour clause.

However, when the Mindpearl started operations, it was slow - started only with two clients. Later on, it started to get more clients and after it established itself, it had clients like Swiss International Airlines, American Airlines, Home Direct, Coca Cola Company, Recoveries Corporation, Travellers Councils, Lebara Mobiles to name a few, but also with Mindpearl's entry into Fiji gave rise to other firms and companies to come and set up here. For example, ANZ shifting its business process headquarters from Melbourne to Suva.

The Ministry monitored the hiring of staff by Mindpearl and gave subsidies where it deserved to get subsidies. So, it had to employ an employee for one year and if it did not employ it for one year then it was on a pro rata basis.

During the three years of the agreement, payment was made for 2010, 2011, 2012 and 2013; only 428 employees were eligible at that time compared to, as honourable Radrodro has stated that there was a target on the Deed by 2,750. We gave that much subsidy only because they employed only that much and after that, the Mindpearl operations of course, increased far more. But that subsidy was important to get the initial investment to come in. After the three years of the subsidy when it was over, we also did a three year extensive report on whether Government should provide those sorts of things. The conclusion was, Mr. Chairman, basically that if it is a green field sector where no investment has taken place, then then only it justifies that some unique incentive be looked at to get the initial investor, and then after the initial investor is there, then of course, there is economies of scale, infrastructure being created and there are other competitors that enter the market. So, Mr. Chairman, that is the explanation, we only paid subsidy to a certain number because that is what....

MR. CHAIRMAN.- Can I just ask, in terms of dollars, what was the total amount?

MR. S. ALI.- Mr. Chairman, the total amount was \$565,626.05 during the three years but Mindpearl itself had contributed more to PAYE tax which was around \$360,000 and also FNPF contributions ...

MR. CHAIRMAN.- I suppose PAYE is employees contributions, so it was really not Mindpearl's contribution.

MR. S. ALI.- Which was about \$310,000.

MR. CHAIRMAN.- Thank you, PS, that is interesting. In fact, I think the unique subsidy to get Mindpearl into Fiji, in my view was a right decision, but I would be interested in knowing what is their status now in terms of employees and whether that subsidy has allowed sustainability, Mindpearl is now fully in place embedded into the system and employing enough people and has met the objective of the original subsidy that the Government provided for them to set up the company here.

MR. S. ALI.- Mr. Chairman, the answer is yes, yes and yes to your questions. The company is self-sufficient now. It does not need subsidy, it has over 13 clients, it is well established and as far as its employees is concerned, I understand is far more than what we had given subsidy for. We can provide you with all that, Mr. Chairman, we can have a discussion with Mindpearl and request that information but they are doing good.

MR. CHAIRMAN.- I think that answers the question. I think the only interest the Committee had is that whether we got value for money, which is the subsidy, and I get from you that Mindpearl is fully established, it is employing more people than it was originally targeted and that obviously makes sense. But if you can, as part of your total report, if you could provide us the exact details, that would be very useful. We could put that as an example in our report as well. Any other questions honourable Radrodro?

HON. A.M. RADRODRO.- Yes Chair. Thank you, PS. I think one of the departments in your Ministry is the Department of Co-operatives and it is a very critical and important one. How is the department fairing out in terms of carrying out its activity because there is a lot of interest shown in the setting up of the department and people are trying to locate the office of the Department of Co-operative. Whether you are part of the initiative of this programme that is involving other departments and ministries, so that the Department of Co-operatives can also become visible to the people especially in the rural areas, similar to your Micro Finance Enterprise, where they go visiting the villages and settlements. But I think there is a laxity in terms of visibility of the Co-operatives Department. So how can you improve on that particular exercise?

MR. S. ALI.- Mr. Chairman, that is a fairly general question. But I can appreciate the motive of that question. Co-operatives Department, of course, underwent a reform process where the size of the department was reduced, so it had to do more with less. In my last

presentation Mr. Chairman, I talked in details as to what was the new focus of the Co-operatives which was to come out from the mindset of the old types of co-operatives and encourage more value addition.

The Co-operatives Department now focuses mainly on training and support, whereas past functions that looked at audit and all that, we had to outsource those functions. However, Mr. Chairman, we also participate in Government roadshows. So, whenever there is a roadshow in a rural area, our Co-operatives Department, we ensure that resources are given to the relevant township or town where the Co-operatives office is, such as the Labasa office or the Lautoka office to be present on the roadshows. We are reviewing the Department of Co-operatives, firstly the Act. There are a number of lacunas that we fear in the Co-operatives Act that can be more streamlined and brought up to the current thinking of the Co-operatives Department, and of course with the Act, we need to look at the Department's operations also so there is greater visibility on the Co-operatives model.

MR. CHAIRMAN.- Thank you, PS. You might find a report that we did on co-operatives sometime back.

Honourable Members any other questions?

If not, let me thank the PS and his colleagues. Thank you for your time and thank you for answering all the questions as we agreed. We look forward to a written report on all Government Commercial Companies and their performance, rates of return and Government grants and guarantees. Government grants will come from Ministry of Finance, what I suggest, if you can co-ordinate between the two of you, so that maybe you know when PS does that, consolidate the grants as well in your report, but that information will be provided to you by the Ministry of Finance.

The second, of course, is the report on the consultant and how much was paid to her company, whatever in terms of what the Auditor-General highlighted. So if we get a written report on that, that would be useful and also information on Mindpearl and FTL.

HON. S. PATEL.- Sorry, just one last question that came to mind. I was looking for the question – it was in 2012, Ministry of Public Enterprise, Section 28.6 - Office Space Not Utilised During the Year. Can you elaborate on why that has eventuated because we noticed that in some areas where the offices are occupied but not enough staff, we are paying rents and not enough staff. There is a diagram given as well at the end as to how much space was occupied. Can you elaborate on that, please?

MR. S. ALI.- Mr. Chairman, thank you for the question. We note that, that was the issue picked by the Auditor-General's Report for both 2011 and 2012. There were genuine reasons as to why the third floor of the Civic Towers Building was under-utilised. Firstly, there was restructure of the Ministry of Public Enterprise and Tourism, where 14 positions were removed. There was a number of vacancies also, Mr. Chairman, at that time. There were at least 15 vacancies at that time. So there was some plans that because the third floor was semi-

vacant, that we could get South Pacific Tourism Organisation (SPTO) to be housed in that building. Because it is our obligation as per the establishment agreement of SPTO that the host government provides for their rent in Fiji. However, since then Mr. Chairman, all those positions were filled, the Tourism Department was strengthened, furthermore tourism became part of Ministry of Industry and Trade. So the Ministry of Industry and Trade officials were also occupying Civic Towers. In fact, Mr. Chairman, there is a plan....

MR. CHAIRMAN.- It is fully occupied now?

MR. S. ALI.- Fully occupied now, Mr. Chairman, in fact it is bursting at the seams, and there are plans for the Ministry of Industry and Trade which is at Naibati House to move from there and occupy Level 2. So the whole Ministry of Industry and Trade would be on Level 2 and Level 3 and Tourism, it will be a tight fit, Mr. Chairman, but we are going for an open plan type of setting. We have just approached all the vendors, in terms of the fit-outs.

MR. CHAIRMAN.- Honourable Singh, one last question.

HON. B. SINGH.- Just on the audit of 2013 on mobile calls. The Director Trade, his limit is \$720.00 and the amount used was \$8,631.00 for the year. That was 12 folds more than what the limit was.

MR. S. ALI.- Mr. Chairman, for that one, yes, that was a query on the 2013 MI (Ministry of Industry and Trade, 2013) Audit Report.

Mr. Chairman, we have noted the recommendations by the Office of the Auditor-General, the issue was that there was a limit set and that limit was exceeded but there was no written directive given, although there was a verbal communication, I was travelling at that time, so I had verbally asked that the limit be changed so the recommendation was to have a comprehensive policy on mobile phones and if there is any changes that that changes be instituted through the proper process which is through the written process.

So we now have a comprehensive policy on mobile phone usage and minimise, and authorisation has a process to follow and if there is any changes to where the limit needs to be changed or the person that should be using it, should not and if we want to give someone the privilege of using mobile phones that it needs to be through the written process.

MR. CHAIRMAN.- So that is being addressed. Any other questions?

If not, PS, thank you once again to you and all your colleagues. I hope that when we consolidate the report based on your answers, and the response that we have got from the Ministry of Finance, we look forward to the responses to those three or four things that we have requested. Hopefully, if we can get it by the end of the month, there should be sufficient time for you to compile those information, that would be very useful for us to compile the report, so once again thank you and have a good day.

MR. S. ALI.- Thank you, Mr. Chair.

MR. CHAIRMAN.- Honourable Members, we can have a closed meeting after a break of five or 10 minutes, it will not be too long.

**The Committee adjourned at 12.37 p.m.**



## STANDING COMMITTEE ON PUBLIC ACCOUNTS

# MINUTES

### Committee Meeting No. 1 of 2016

9.30 a.m. Thursday 12<sup>th</sup> May 2016

Committee Room (East Wing)

---

#### PRESENT :

Hon. Prof. Biman Prasad (Chairperson)  
Hon. Ashneel Sudhakar  
Hon. Aseri Radrodro  
Hon. Alex O'Connor  
Hon. Mohammed M.A. Dean

#### IN ATTENDANCE:

Mrs Jeanette Emberson (Deputy Secretary General)  
Mrs K. Takape-Galuvakadua (Committees Unit)  
Mrs Shobna Rani (Research Unit)  
Ms Lia Korodrau (Tables Unit)

---

#### PRELIMINARY BUSINESS

##### 1.0 Welcome

- 1.1 The Hon. Chairperson called the meeting to order and welcomed members of the Committee, media and the Secretariat to the meeting.
- 1.2 The Hon. Chairperson also extended a warm welcome and congratulated the three new Government Members namely, Hon. Ashneel Sudhakar, Hon. Alex O'Connor and Hon. Mohammed M.A. Dean.
- 1.3 In doing so, he thanked the former government members of the Committee namely Hon. Balmindar Singh (former Deputy Chair), Hon. Sanjit Patel and Hon. Semi Koroilavesau for their contribution to the work of the Committee.

##### 2.0 Apologies

- 2.1 All Members were present

##### 3.0 Confirmation of Minutes

- 3.1 Hon. Aseri Radrodro moved that the Minutes of the meeting held on Wednesday 5<sup>th</sup> August 2016 be confirmed. Hon. Prof. Biman Prasad seconded the motion. Minutes duly confirmed.

## 4.0 Matters Arising

### 4.1 Page 2, Item 5.0 MoF and OAG Representatives – 2013 Audit Highlights

- *The Hon. Chair informed the Committee that information had been received from the Prime Minister's Office and the Ministry of Finance on the issue of Head 50 (Expenditure) and the Minister's salaries, but they were unable to consider these responses as no meetings were being held. He was of the view that the reconstituted Committee would consider these responses during their deliberations.*

## GENERAL BUSINESS :

### 5.0 Election of Chairperson

5.1 In accordance with Standing Orders 117(3), the Hon. Chairperson mentioned that members could replace the chairperson or deputy chairperson and elect another member as chairperson or deputy chairperson, provided that the former chairperson or deputy chairperson had served in the position for at least 12 months during the 4-year term of Parliament.

5.1.1 In view of the above, notice had been given by the Government Whip that Government wished to move the name of another member to be chairperson of the Public Accounts Committee.

5.2 The Hon. Chairperson presided over the election of the chairperson in accordance with Standing Orders 117(4) and called for nominations.

5.2.1 Hon. Mohammed M.A. Dean moved that Hon. Ashneel Sudhakar be appointed as the new chairperson of the Public Accounts Committee.

5.2.2 Hon. Alex O'Connor seconded the motion.

5.2.3 As there were no other nominations, Hon. Ashneel Sudhakar was declared as the new Chairperson of the Public Accounts Committee.

5.2.4 The outgoing Chairperson congratulated Hon. Ashneel Sudhakar as the new chairperson and mentioned that he hoped the work of the Public Accounts Committee would continue.

5.3 Hon. Prof Biman Prasad mentioned that he would be calling a press conference to explain his position and the work that he had carried out during his term as Chairperson of the Committee and also announced his resignation from the Committee with immediate effect.

5.4 He called upon the new Chairperson to take the Chair and in so doing, he conveyed his appreciation to his colleague Hon. Aseri Radrodro, the Secretariat, Mr Dyfan Jones and his staff for their advice and also the media for highlighting the work of the Standing Committees, in particular the Public Accounts Committee.

### 6.0 Election of Deputy Chairperson

6.1 Hon. Ashneel Sudhakar took the Chair and thanked Hon. Prof Biman Prasad for the work carried out during his chairmanship of the Public Accounts Committee. In accordance with SO 117(2) he called for nominations for the position of Deputy Chairperson as the former Deputy Chairperson was no longer a member of the Committee.

6.1.1 Hon. Alex O'Connor moved that Hon. Mohammed M.A. Dean be appointed as Deputy Chairperson

6.1.2 Hon. Ashneel Sudhakar seconded the motion.

6.1.3 As there were no other nominations, Hon. Mohammed M.A. Dean was confirmed as Deputy Chairperson of the Public Accounts Committee.

6.1.4 Hon. Mohammed M.A. Dean thanked the members for their nomination and mentioned that he looked forward to working with the Chair and other members of the Committee.

#### **OTHER BUSINESS**

7.0 The Hon. Chairperson informed the Committee that there was a need for the new members to look through the previous minutes and other papers to familiarise themselves with the work that they would be undertaking.

8.0 As there was no other business to discuss, the meeting adjourned at 9.50 a.m. until further notice.



Signed as a correct record of proceedings \_\_\_\_\_  
(Chairperson)

Date : 29/06/2016