

STANDING COMMITTEE ON
PUBLIC ACCOUNTS

[Verbatim Report of Meeting]

HELD IN THE

**FIJI REVENUE AND CUSTOMS BOARD
ROOM, NASESE**

ON

THURSDAY, 28TH MARCH, 2019

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS COMMITTEE HELD AT THE FIJI REVENUE AND CUSTOMS SERVICE BOARD ROOM, NASESE ON THURSDAY, 28TH MARCH, 2019 AT 12.30 P.M.

Interviewee/Submittee: Fiji Revenue and Customs Service

In Attendance:

1. Mr. Visvanath Das - Chief Executive Officer
2. Mr. Fazrul Rahman - Director Revenue
3. Mr. Robeen Chand - Deputy Director Customs Revenue
4. Ms. Timaima Raiyawa - Team Leader, Legal
5. Mr. Shavindra Nath - Deputy Director, Policy
6. Ms. Shelini Kumar - Manager Tariff & Trade
7. Mr. Inoke Soqoiwasa - Chief Internal Assurance Officer

Office of the Auditor-General

1. Mr. Abele Saunivalu - Director
2. Mr. Amit Pal - Team Leader
3. Mr. Lote Naicavu - Auditor

DEPUTY CHAIRPERSON.- Welcome to the Public Accounts Committee hearing for the Audit Report on the Management of the Duty Concession Scheme (DCS), that is, Parliamentary Paper No. 96 of 2018, Fiji Revenue and Customs Service. Before we move further, I will request Honourable Lalabalavu to say a word of prayer.

(Prayer)

DEPUTY CHAIRPERSON.- Good afternoon everyone. Welcome to our Public Accounts Committee meeting and our business for today is Report of the Auditor-General on the Management of Duty Concession Scheme, Parliamentary Paper No. 96 of 2018 – Fiji Revenue and Customs Services.

(Introduction of Committee Members)

Our Secretariat team includes Mr. Savenaca Koro, Ms. Priya Chand and Mr. Amit Raj from the Hansard Unit. May I request the submittees to please introduce yourselves and then we shall begin.

MR. V. DAS.- Thank you, Honourable Chair and Honourable Members of the Standing Committee. First and foremost, thank you for giving us this opportunity and to be very honest, if I can say, gracing the institution itself, it does this work of raising revenue for the Government for the public goods and services. I here have my team with me. We will discuss the report and then provide some feedback.

(Introduction of Team from Fiji Revenue Customs Service)

DEPUTY CHAIRPERSON.- Thank you very much. At this point in time, we have in attendance officers from the Office of the Auditor-General; Mr. Abele Saunivalu (Director), Mr. Amit Pal (Team Leader) and Mr. Lote Naicavu (Auditor). So we shall begin the proceedings now.

MR. V. DAS.- Thank you, Chair. What we have decided to do is, we will give you a short presentation, an overview of the organisation and the works especially in the concession area. So with that in today's agenda, we will provide an overview of the macroeconomic environment indicators, overview of the strategic plans, compliance strategy on duty concession and of course, a little conclusion.

Honourable Members, we do note that this report relates to 2016 so if I can in the overall scheme of things, just share the good news around the fact that many of the issues, of course, that has been provided in the detailed statement. Each of the questions that were presented have been responded to in very much detail and we have circulated a matrix or table of that record. But all in all, the good news is, of course, this is 2016 and over the last three-year period, the organisation undertaking the transformation journey that we have taken on has improved and addressed many of the issues that were highlighted back then.

In terms of the strategic context, just putting the alignment of the organisation to the Government roadmap and of course, we have braced ourselves for being a world class revenue authority back in 2016 and of course, we are a service now, delivering excellence in revenue collection, border protection, trade and travel facilitation. Overall objective mission that we have is, we are here to play a role, helping Fiji grow. Of course, it is a complete mindset change within the tax office, move away from authoritative and more like imposing enforcement role to providing an environment of voluntary compliance, self-assessment and support. So that augurs very well with our name change and later this year, we will be having a rebranding of the organisation to really market the brand change.

Of course, we operate on the values of the organisation. One Organisation – very, very important for us in the context that we all know that FRCS deals with tax and customs. Of course, under the Fiji Revenue and Customs Service Act of 1999, we were brought together, the Customs Department and the Tax Department were brought together under one roof. Unfortunately, the history has been that we came under one roof, if I can say, we shared the same house but we did not share the same bed in that respect. There is so much opportunities, synergies and efficiency that can be brought in if we really put tax and customs together. That is what the organisation is doing in that transformation journey. Therefore, one organisation from customer perspective, FRCS is one organisation. To the customer it does not matter whether you go and give information to the tax counter or you go to a customs counter. For the customer what matters is FRCS. That is why we are very high on the agenda as one organisation, multiskilling our people, training our people that we truly are one organisation.

Leadership, of course, in the recent times we have seen changes in the leadership and the leadership, of course, you know, invested a lot in leadership development as well. We had all our leadership team go through the Pacific Leadership Development Programme. In terms of valuing

employees, again it is very, very important the high profile, if I can say, the organisation that we are, it is very important that we value our employees and of course, the integrity that is needed of the organisation at all times is very highly dependent on its people. The integrity of the organisation is the integrity of its people. Our value is result focus. We are not going to settle for a cent less or a cent more. We are not here to only maximise revenue but in the context that what is rightfully due to the Government in terms of tax and customs legislation. As we transition onto a service organisation, we very strongly believe in partnerships, forging very productive and effective partnerships. So with that, you know, just narrowing it down to 2017/2018 fiscal year results. If I can just showcase some numbers, what we have done. Of course, raised revenue of \$2.8 billion which is 9.67 percent growth over the previous financial year.

Our workforce, a total of 804 staff spread across 11 offices around the country. In terms of major revenue types, I think internationally following the global trend, the shift from income taxes to consumption taxes so likewise our value added tax revenue hovers around 32 percent whilst income tax is 26 percent. This is not the tax rates, this is the portion of the revenue and customs revenue is around 24 percent. Other taxes which includes Social Responsibility Tax (SRT), Environment & Climate Adaptation Levy (ECAL), Service Turnover Tax (STT) and other tax ties around 18 percent.

So this is our revenue distribution. Customer service satisfaction, the last formal survey that we conducted resulted or indicated 91 percent customer satisfaction levels. Sorry, happy or not survey results were 91 percent, overall is 65 percent. We do expect some customer dissatisfaction as well. Again, this is an area that we are addressing through customer education, taxpayer awareness programmes that we have. So all in all at a very macro level that being the context of the organisation.

Further on, I would like for the Committee to set the scene for the macroeconomic environment and I will invite my Director Revenue to take us a bit through that.

DEPUTY CHAIRPERSON.- Thank you.

MR. F. RAHMAN.- Thank you, CEO. Good afternoon, Honourable Members. I am going to talk you through the macroeconomic environment and how it really affects the business of FRCS. Basically FRCS is a Government agency that is primarily responsible for revenue collection but we equally have responsibility in terms of trade facilitation as well as looking at the broader economic objectives in terms of employment creation, export earnings and all those fundamentals. So FRCS is at the heart of achieving those objectives. If you look at the macroeconomic performance internationally and I will try to zero in into the context that we are here today which is in terms of duty concession. Internationally economy is growing. In some parts of the world, the economy is really showing a very broad-based growth and its impact on Fiji is very critical and very relevant.

If the rest of the world is growing so we expect some trickle-down effect into the Fijian economy. If you look at the international trade part of the economy, import and export side of things, there has been a surge in the growth and that growth has also been reflected in the customs duty collection that we have seen. One may argue that there is a rise in the customs duty concession on one part but it can equally be said that some of these customs duty concession actually creates more investment, more jobs which in turn creates more imports, more trade, more export so in the broader

scheme of things when we look at this high level numbers happening internationally, it has a direct impact on Fiji's economic performance and ultimately on Fiji's revenue performance as well.

If you look at it from the overall public finance management perspective as well, the numbers are quite clear. The real Gross Domestic Product (GDP) growth of 3.7 percent which is based on the International Monetary Fund (IMF) estimates as well, it is very positive. If you look at in the nominal terms, the present time GDP is around 6.7 percent so inflation is around three to four percent largely but the point that I would like to highlight in this particular slide in the context of the discussion that we are having today, from FRCS perspective, the economic growth worldwide leads to a lot of opportunities for tax revenues domestically. For example, it is going to create an environment, there will be a free flow of investment, free flow of capital and there will be lots of disposable income overseas so we will have a lot of tourists coming into Fiji. We will have an environment where people would like to invest more into Fiji because that environment of the capital movement is very simple. So broadly speaking, it is quite clear that the nine years of economic growth that we have seen in Fiji has also been largely propelled by the international trade as well and when I talk in that respect, I am talking about lots of foreign investment that has taken into the country and of course, that has also created opportunities in terms of exports because investment happens in Fiji and that is going to trigger the production. Some will be disposed lawfully, some will be exports so just to set the scene in terms of the world and where Fiji fits in, we fit in very well.

Actually we are doing better than some of the other countries in terms of the economic performance for over last nine years. Then I would like to zero in, into what FRCS has basically recommended to successive governments over time in terms of its fiscal policy so this particular chart shows that revenue is on the rise and if you will study the chart more closely, there has been a number of rises happening along the way. From 2012 onwards, we have seen significant tax policy reforms happening in Fiji. Tax rates have been reduced dramatically from 31 percent to 20 percent. Value Added Tax (VAT) regime had been subjected to a significant review. Now it is more into low rate broad-based as CEO has mentioned. VAT still continues to be a dominant source of Government revenue despite the rate being low at nine percent. It can be factually verified and said that VAT still is a dominant source of Government revenue. I think that falls within the philosophy of the global trend. It is difficult to introduce and articulate VAT reforms in any part of the world because it can be subject to a large amount of political discussion but I think the strong political will that we have seen in Fiji, that has seen a reduction in VAT rate and the broadening of base so in the process, we are trying to make the system very transparent.

It prevents opportunity of any evasion and avoidance so the chart that I am showing you is basically showing a pattern that we are just approaching about \$3 billion revenue mark. It took us as a nation about 85 years to reach the first billion dollar of revenue. Then it took us about 10 years to reach the second billion and the pace of organisational reforms, the policy reforms that is happening in Fiji, it is now taking less than 10 years to reach the next billion. So that in itself shows the efficiency that we are beginning to realise. An example as the CEO mentioned, the integration of the revenue and customs operations into a single authority. It is helping us to do our job better in terms of the administration of concession, in terms of holistic audit, in terms of the synergies that exist between customs and tax.

All these, we have seen a dramatic rise in the compliance revenue as well. If you study last year's FRCS numbers, there has been 101 percent growth in the compliance revenue itself. We have been able to showcase our strength in uncovering millions of dollars of revenue that was not collected in the past. We have taxpayers being able to, in a position FRCS is able to ask and able to prove that significant dollars were evaded and ultimately, it went through the normal transparent process, objections and what not. Of course, revenues were collected so the point being despite the tax rates coming down and despite some arguments around increased concessions if any, revenue is on the rise and it is very positive. FRCS is currently on the verge of introducing a world class IT system and we expect another revenue leap to happen in the next two to three years. So the point being, the shape and form of fiscal policies vis-à-vis the tax policy, the face and shape of FRCS is very positive. We are very much convinced and we are very much committed to ensure that this chart continues to be on the upswing.

HON. RATU N.T. LALABALAVU.- Is it to do with your efficiency alone or your aggressiveness as well?

MR. F. RAHMAN.- To answer that question, Honourable Member

MR. V. DAS.- Thank you, Honourable Member. I think we would not say it is only one fold and I think it is efficiency. Efficiency is the primary thing that we have done to increase those numbers and if not for any better word probably, I would not like to call it aggressive enforcement but probably a level playing field, you know, so it is really unfair for someone to be paying taxes and some for not to be paying taxes therefore I think creating that level playing field and the key thing that has happened in creating the level playing field is information dissemination and the compliance improvement strategy that for the first time in the history of the revenue office in Fiji, we came up in 2016, we launched the first compliance improvement strategy whereby the tax office came out very openly and publicly with a public document saying that this is what we see as high risk and this is what we will focus on. We invite our tax paying population to come on board, voluntarily declare and become compliant as opposed to we will audit, investigate and full brunt of the law will be enforced. I hear you out very loud and clear, Honourable Member. The general public's perception is that the tax office is very aggressive because of the fact that we have always been very lenient ...

HON. RATU N.T. LALABALAVU.- ... story.

MR. V. DAS.- Yes, so if it is very lenient so it appears, you know, we appear to be aggressive but we are not. I think what we are saying is, I think you can say we are ... if not aggression, I would say we have become more passionate about creating the level playing field.

HON. RATU N.T. LALABALAVU.- Thank you.

DEPUTY CHAIRPERSON.- Thank you.

MR. F. RAHMAN.- So this particular slide is about to connect FRCS business with the economic diversification. Basically this chart is showing us the economic performance by various sectors being categorised into primary industry and services.

I am trying to link this particular slide with the tax policies which the Fijian Government had introduced over the years and fiscal stimulus is very critical for economic growth. Like no matter which country's tax system we study, there will always be provisions around reliefs, around concessions, around subsidies, around rebates and I think we are no exception. But we are very much mindful of the fact that concessions should be meaningful. It should be given to the sector which really needs it and over time, we need to scale back to see that the business is sustainable because on one side of the equation is the public finance, so that the public finance is sustainable.

There is a lot of revenue collection which ultimately goes for the public spending which increases investment in a number of public goods, more roads et cetra, et cetra but as I have just mentioned, if I can repeat that concessions are equally important for businesses because it provides a fiscal stimulus, if you look at the dynamics of the Fijian economy, the remoteness from the rest of the world, if you look at the actual cost in terms of importing goods from overseas, the freight charges that we are seeing from the other end and what not. So ultimately this fiscal stimuli that the Fijian Government had introduced, as we will see shortly in our later presentations, shows that we do have tax and duty concession virtually for every sector of the economy at the present time. It is being administered in a more responsible way. It is being developed and designed in consultation with the business community. We do have a large engagement with the business community during the national budget process.

The Ministry of Economy and FRCS are actively part of that process. We are able to design meaningful economic packages and these yield economic result as well. For example, the success stories behind the film tax rebate. We have seen lots of jobs being created in that sector. We look at the story behind a lot of agriculture incentives. Basically everything is a duty free for agriculture sector. If you look at in terms of tourism sector, there are packages being developed in this regard as well. The Small & Medium-sized Enterprises (SMEs) which is the backbone of the Fijian economy has been continuously supported. We have ensured that the tax rules are very liberal in that regard for small businesses. Basically for incomes being earned up to \$500,000 in the selected SMEs sectors are not subject to tax.

VAT rules are very liberal. There are rules around voluntary registration and what not. So if you look at this particular chart and we see all the bars which are basically positive, it shows there is growth happening in all the sectors of the economy. But as tax officials we always do recommend, do advise the Government, if our on the ground intelligence suggest that we can tweak some incentives in another way which is going to yield positive result in that sector. We always do that during the budget process. So agriculture, fishing and forestry, if you look at it, we do have lots of duty concession in that regard. As I had just mentioned, the \$500,000 income threshold in that sector basically is not subject to tax. Industry sector is equally critical. Manufacturing base is something that we need to broaden in Fiji and we have seen large factories being set up around the country. If you look at the customs laws, some of the concessions that has been accorded to the manufacturing sector has been there for decades. Actually from that time of the introduction of the Customs Act that support was

there because of the fact that we need to ensure that our industry, our manufacturing sector is able to import raw materials cheaply.

They are in a position to import capital plant and machinery at a very low duty rate. In fact it is duty free and of course, if there is other support that is needed from the income tax viewpoint that is also being given. We have things around a number of deductions that exist in the income tax. We have a number of investment allowances that exist and if we look at for any sector of the economy for that matter, we have the Vanua Levu side of the island, if you look at Viti Levu like the northeast part of Fiji, it is all tax free zone so that applies for any sector. So these results, it resembles well with the fiscal stimulus around providing tax concession.

If tax concessions were not provided and I am sure there would be arguments to suggest that this growth might not have been like the level that we have achieved today, but on the same token as a revenue authority, we are conscious of the fact that concessions should not be abused. It should be used in a responsible way. It should be meaningful. In our later presentations, we will be able to demonstrate in line with the some of the audit query that was raised, that we have come a long way. We have significantly reformed ourselves in the administration of duty concessions. Perhaps some of the questions that we will see in the 25 questions that were raised basically, all has been addressed. The customs law re-write has taken a gigantic step. The SOPs have been updated. We have gone further to introduce things like standard interpretation guidelines. That gives more clarity to the importer and we have seen institutional reforms happening in terms of the governance side of things so that the officer that approves is not the same officer that implements. So we have got that demarcation done in system and I would like my colleagues to continue in that direction.

MR. R. CHAND.- Thank you, Director. Good afternoon Chair and the Members of the Committee. I will basically take you through the customs legislation part of the presentation. I think FRCS in a space, I think we are applying the risk management principles in order to control and actually have a better execution of our normal day to day activities. So in terms of the customs legislations, we have the Customs Act 1986, Customs Tariff Act 1986, Water Resource Tax 2009, Value Added Tax 1991 and Excise Act 1986.

In order for us to actually efficiently provide a service and governing the whole tax regime, we need to have robust legislation provisions in the risk management principle and we ensure that whatever incentives or duty concessions passed on to the consumers or the industry sector, it is utilised in a manner that it is actually supposed to be. Also we are engaging with our external consultants in terms of re-modernisation of the customs laws. As we go through the presentation, I will give you some details on that.

So on the law governing the duty concessions, if you look at the customs tariff itself, the tariff is divided into four parts. It is the schedule one which basically describes the importation, the duty rates on the importation of the goods. Part two determines the individual goods that are actually eligible for duty concessions and part three are the bodies and organisations where the duty concessions are envisaged. The governing of the Customs Act is the Section 10 in terms of the ad-hoc application that FRCS received from the industry sector, the organisations and other ministries for the support and assistance they require for duty relief together with other concessions they require.

So again, this Section 10, is not the power of the CEO to actually reduce the duty. It is the recommendation that goes from the CEO of FRCS to the Ministry of Economy. So the prerogative powers for any duty reduction lies with the Minister. We are not actually engaged in ... actually have no powers to reduce any duty or give the concessions. So again, Section 11 is also like, the prerogative powers are with the Honourable Minister for Economy and then Section 70 spells out details of any abuse of concessions or any non-compliance of the traders and the concessioners that have actually given the concession. If you look at the customs concession period, it is actually a period of five years which is 60 months so any disposal that needs to happen or any sales that needs to happen for the goods imported under concessionary regime and if the importer later wants to actually dispose of then he needs to seek approval from the CEO. He cannot do that but in case if we have found it, if we do the audit or investigations and if we see that there is non-compliance then we implement Section 17 effectively so that the power allows us to collect rightfully the correct duty if it is disposed and if it is not declared. Again, Section 30 under the Excise Act, this explains the provisions like for any excise duty, you know, like we have a large scale of excise production and we have companies who are engaged in the excise factory so any exemption, remission or relief of duty for the excisable commodities, it is also governed by Section 30 of the Excise Act.

Again, it is not reduced duty in any way but it is like the recommendation that needs to go to the Ministry of Economy with the Minister's discretion. Further on to the concession improvement strategy, if you look at the audit report that was compiled I think way back in 2016/2017, I think with the progress we have made to date is like a very rigorous progress we have made in terms of the customer service and outreach.

I think it is very important for the tax office, if we develop a tax policy or the Government develops a tax policy, incentives or duty concession, it reaches to the ordinary Fijians. It is our duty to actually embark on it, have awareness and outreach programmes about the industry sector, the industry partners and the agencies that work with us so that the message is clear for them. Also the modernisation of the customs and excise law as I mentioned earlier that we are actually engaging with the New Zealand Customs. The laws of customs and excise are very similar to what New Zealand applies in her jurisdiction and it is very well merged with what Fiji's modernisation aspects in terms of the customs law. So we are engaging very effectively with New Zealand Customs to actually help us and modernise our customs law.

In terms of the implementation of the infringement notice, these are some effective measures that we have actually come up with in terms of the law provisions where we know that the concession that is given from the tax office are passed down to the ordinary Fijians. How do we ensure that? We ensure that the price, the landing cost that is determined at the ... landed goods once it has landed and the price they put on the shelves when the goods go into the market, if there is any huge increase in the price or any unexplained increase in the mark-up then the tax office has the powers to actually get the taxpayer to explain or if the explanation is default then we actually issue the infringement notice because the duty concession is there for the benefit of the ordinary Fijians and not for the financial gain or business gain for that nature.

Also the establishment of the duty concession SOPs and the single administrative guidelines so any concession received by the tax office is actually applied through the SOP. So if you look at part three of the customs tariff, we have the conditions and those conditions are confined to the specific concession codes. What we are actually going for there . . . what we actually need to ensure is that when we process the applications or the concessions request is actually confined to the conditions or it is well explained, in turn covered in the SOP which is also visible to the taxpayers, the industry sectors, agencies, tax agents and the customs brokers.

Looking at the single administrative guidelines, this is another area that we have developed to capture the intent of the policies of the tax office. So any concession things that needs to be passed on, it is not only the policy unit, it is important that the every officer of the organisation knows the intent of the policies and the concessions so it is drawn down to the operations and other sectors of the business unit.

Automation of the duty concession in the Automated System for Customs Data (ASYCUDA World). We are using the ASYCUDA World system for the facilitation and enforcement of our laws, regulations and audit reports. So if you look at the progress done through the system integrations, I think we have come up with a very integrated risk management in terms of the concession monitoring and advisory so the automation of the duty concession is like something that we have actually created with the Tax Identification Numbers (TIN) of the taxpayers as well as to the industry, the business and the traders. We actually link this code specifically with the TIN. It reduces or supresses any misuse or abuse of the concession. This is a very good measure that we have come up with in terms of automation of the process and the system also gives the audit trail. So if there are any complaints or any issues that we have received or if we confirm that the concession has not been passed down or it has been misused, we have an audit trail. We have the report retrieval in terms of the specific concession codes with the Harmonized System (HS) codes. So any abuse in that area, we have the audit trail for the report and we can do a further investigation or audit of the company.

Furthermore the special audit and inspection team has been established so while we do the concession and advisory role, we were also able to ensure that there is a continuous review and monitoring of these concessions when the application goes back to the business sector. How do we do that? We do the review, like for every concession that was given, whether provisional or full concession. This also maintains the integrity and the transparency of the obligations of the traders and the industry sectors with the tax office. The continuous focus on revenue compliance, I think this is also a very critical area for us, the tax office to actually focus on in terms of the revenue compliance. Although we have a facilitative role but in order for us to facilitate, we need to ensure that there is a balance in terms of the enforcement and the facilitation. So we are continuing to actually enhance our investigation and audit in terms of the concessions given and the better utilisation of the concession purposes.

Also like compatible with the World Customs Organisation (WCO), harmonised system and international best practice. I think if you look at the customs tariff, the customs tariff itself has commodity codes in it. So it is very important that when we actually deal with the concession, we need to understand the goods, what are the raw materials that were actually utilised in the factory processing.

You know, like, if they are not actually importing a semi-manufactured products, in order to ...so one of the conditions under the Customs Act for the manufacturing sector is that the goods needs to be substantially transformed and it has to be a four-digit level. So if you look at the customs coding, it is eight-digit and then the six digit is the international coding system which is developed by WCO.

We ensure that any transformation, substantial transformation that happens through the chain of process is well actually articulated according to the requirements of the substantial transformation under the Customs Tariff Act so that is one of the principles that we are actually working with and it is very effective in terms of the control and the mechanisms we have in terms of the improvement strategy for the compliance management of the concessions we are giving or we are actually having with the stakeholders so that is basically ...

MR. V. DAS.- Thank you, Robeen. Thank you, Chair. Before we get into the question and answer session, if the Committee has any questions for us. I will just conclude the presentation and the detailed responses that we have provided in a matrix. Principally concluding, this being the audit report on Management of DCS, all in all, I just want to reiterate as part of the economic development, certain infant industries need support to grow in the early stages and depend on the Government's policy, export promotion and things like that so we need to provide support and thus the concession regime exists. Also, one of the very important and critical things that rests with the tax office or FRCS in terms of Management of DCS is a legislative provision and authority to be able to handle any abuse of concession. Of course, we do not have all the resources that we require to deal with each and every concession that has been given. So basically we have to rely on a risk management approach.

We can risk profile and look at whatever is high risk but at no point in time, the legislation provides a gap per say that there can be abuse that is detected and we cannot do anything about it. The law provides us to go for reassessment, retrospective assessment, audit investigations and when it is abuse of concessions in a fraudulent manner, actually it can go many, many years retrospective so I think that gives us a comfort to run business, we certainly need to adopt risk management to handle day to day business but also with FRCS.

We have a whistle-blower policy in place through which we get Intel and information. If there is abuse of concessions and things then we can investigate and retrospectively collect. I think one of the points Robeen tried to highlight and probably if it did not come across very clearly was, of course, the duty concession period being five years and if in the event of any abuse, it can all retrospectively be collected. So all in all, Members, as part of the Management of DCS, we acknowledge and take note of all the issues that were identified in the audit report and I am very pleased today to present to the Committee detailed responses.

You will see how we have in the modernisation of the organisation, effectively and efficiently addressed those gaps and I must say that with the technological support, legislative review and partnership approaches. There are four strategic focus areas for us. Of course, improving our people competency to be able to deal with things right, the first time around, you know, the best way. Forging better partnerships, stakeholders, better information access, networks and then having robust legislations in place. The customs re-write that is underway and finally using technology to increase

the efficiency so we are rightly focused on the four focus areas and it is very pleasing for us to report that we are making progress in huge leaps. The future is very bright for us in this aspect. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much, CEO for that overview. Just for your information, before we deliberate on the responses to the questions that were sent earlier by the PAC, the Members will interject from time to time and ask supplementary questions. Should at any given point in time, you feel that you want to provide written responses later on, you may seek permission from the Chair. In any event, you are allowed to do so and you may proceed with the deliberation now. Thank you.

HON. A.M. RADRODRO.- Chair, just a ...

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. A.M. RADRODRO.- ... regarding the presentation, CEO. It is quite pleasing to note the graphs that you are showing there. But since we are here in terms of the DCS, just on the very interesting part on the sectors that you have highlighted and the trend that you have also seen and shown us, we still see a higher income collection now from tax, from VAT. I just wanted to ask in terms of the sectors, how does your entity determine the areas that needs to be provided with duty concession?

MR. V. DAS.- Alright. Thank you, Honourable Member for that question. I think what we do is basically again, it is a collaboration between the Reserve Bank of Fiji (RBF), Bureau of Statistics, FRCS and of course, the Government.

The data analysis, the economic policy analysis that we do and then when you look at the sector diversification, we see, say for example, if I were to say take agriculture, fishing and forestry so basically then the focus to provide duty concession in that space comes from the fact that we got to understand the demographic of our population spread and what, where in, is the greater Fijian population involved. If you provide support in that space then it becomes sustainable growth for us. Just for example, if you looked at how we can all relate to the climatic challenges that we have so we certainly need development in the agricultural support and when you look at the economic sector diversification because of the climatic challenges that we have, you know, only focusing on agriculture could then pose a great threat to us so we need to diversify into the services. So when we look at services then we got to say alright ...

HON. A.M. RADRODRO.- Chair, just probably to guide, we were hoping to get some indication of current places or sectors where you are giving duty concessions at the moment.

MR. V. DAS.- Alright.

HON. A.M. RADRODRO.- ... because what you have also highlighted there, it has not addressed the issue that there are instances where it has been highlighted in the audit about the lost revenue generated out of the concessions too. It is the reason why the auditors also conducted a special

audit. How does that relate to these, how does the process that you have highlighted address these issues that has been highlighted?

MR. V. DAS.- All in all as I said, you know, the duty concession will have to be targeted or it is targeted with respect to the industry we want to promote in terms of the economic model that we are using, right. For example, Information & Communications Technology (ICT). How does it relate to it? We have got quite an educated workforce, a lot of educated young people with neutral accent. You look at them, the opportunities that exist in the call centre or the ICT space. Now to develop that we need ICT concessions. You look at manufacturing, what we can do to export, raise foreign exchange for us and therefore establishment of those industries. So in that respect it connects and therefore effectively it then amounts to the duty concession. If I can say in a layman's term, it becomes like the revenue forgone which is like an investment by the Government into establishing that industry. Then also in the establishment space, you need that support to build up, you have your normal and that is why globally the trend is shifting from income taxes to consumption taxes so when you look at VAT then VAT is whatever you consume. Then it creates a better revenue collection. When you take it at income tax, you do income, of course, you want to do sales and expenses then you get to only charge tax on the chargeable income. The profit that you make so generally that is the shift. That is how it happens and of course, as I said ...

HON. A.M. RADRODRO.- ... purpose of the audit because the current setup as at the date of the audit, there were discrepancies noted. Even in the infrastructure, even in the process that has been highlighted.

MR. V. DAS.- Yes.

HON. A.M. RADRODRO.- ... and that is how the audit came up with all these findings. So what we were hoping to hear from you today is, how has your entity addressed these and improved so that the purpose of providing the duty concession really generates the intended purpose.

MR. V. DAS.- Yes, so ...

HON. A.M. RADRODRO.- It creates economic activity and social upbringing of the general public.

MR. V. DAS.- Yes, yes. I think that is quite evident. That is why I tried to show the first slide on FRCS results. So basically that 9.67 percent growth that impacts the big number is the bottom line effect. If I can say the revenue numbers, it is a product of the support that has created the income generation which then creates the taxation so it propels the economic growth of which taxation then becomes a function. That is how we relate it. This support that we have provided on the ground has created the multiplier effects on which the four major tax revenues that we have, the streams that we have and that is how if I were to say ...

HON. A.M. RADRODRO.- That was during the period of concession. You said five years of the period of concession.

MR. V. DAS.- Yes.

HON. A.M. RADRODRO.- What happens after five years?

MR. V. DAS.- After five years then that concession is no longer available for that, to that industry. Then that means the industry must have and should stand on its own two feet to be able to be sustainable as in, in a free market.

HON. A.M. RADRODRO.- If it does not....

MR. V. DAS.- If it does not then of course ...

HON. A.M. RADRODRO.- ... assessment on that.

MR. V. DAS.- Yes. If it does not then the policy needs to be reviewed. For example, the Government has talked about it a number of times and again that analysis came from FRCS. If you look at the tourism industry being a billion-dollar industry but the support and concessions that has been provided to tourism or the hotel operators goes back to 1960 and 1965. It is real high time then that we do an analysis to say, it is a billion-dollar industry but only paying \$8 million of taxes. So that is where then a major reform happened in the space of hotel incentives, you know, eight year carry forward of losses, short line investment packages and all those things all reviewed. Of course, you see as for any change you initially experience, you can cry, but we have not had like any of the hotels sort of shut down and leave because they are making money. So again as you rightly highlight that after that support period, it is supposed to go away.

HON. A.M. RADRODRO.- Do you still provide the tax concession for the transport industry?

MR. V. DAS.- Transport industry, yes. We still have the fuel rebates, the duty free import of chassis or brand new so ...

HON. A.M. RADRODRO.- ... and that has been going on for how many years. More than five.

MR. V. DAS.- Yes. It has been. Again, it is the same thing. We can see the transport industry also sort of has evolved over a period of time. Before it was more focused on sugarcane cartage. Then when we got into the haulage and when the road infrastructure upgrade started then again it is different. We all see these big trucks on the road but before it was sugar-focused. Then people got into the container transport business. Also some of the reasons why some of these concessions may exist but you now, it may gradually be narrowed down to provide that targeted ...

DEPUTY CHAIRPERSON.- Honourable ... yes.

HON. RATU N.T. LALABALAVU.- Just a point of interest, CEO. Especially when you touched on the support, what comes out of it and then that is where you provide the necessary support

concessions et cetera. What about remittances? That comes under what in your sector that you have out there.

MR. V. DAS.- For remittances ...

HON. RATU N.T. LALABALAVU.- Let me just add a bit further.

MR. V. DAS.- Yes, yes.

HON. RATU N.T. LALABALAVU.- Especially for remittances, this is becoming one of the major revenue earners for our country now. People have gone out of their way, not so much from the Government, out of their own way, gone abroad, paid their own fare and then they send money back home. What sort of support do we have or are we kind of looking at so as to encourage the sending back of money because I understand you may have records with you that most of the countries in the Pacific region, Tonga, Samoa or Philippines, it is a huge revenue for the Government? So, what sort of support here in that particular sector? What sector does that come under?

MR. V. DAS.- That will go with ...

MR. F. RAHMAN.- Remittance is basically, it applies to any sector. For example, if somebody is abroad in whatever sector they may belong to, agriculture or forestry, they like to send money back to Fiji so that is called remittance. When that money is invested in other consumption or some investment good then that may trigger VAT collection and that may trigger import duty collection so it is like widespread. It falls in any sector basically.

MR. V. DAS.- But there is absolutely no taxation of remittance that when you send money, you have to pay taxes. It is not like that. Yes, you know, per say if you want to say that it is not that there is a requirement for support in terms of, we need to give some concession for remittances. Remittances are just the natural flow of funds and I think if I were to say that alright, we want to encourage people to go offshore, earn income and bring it back. If one little example I can relate to is, I think the current investment in government in terms of education of the young, you know, the Tertiary Education Loan Scheme (TELS) programmes so of course, in my recent tenure, handling the loans programme, as FRCS is tasked to, you know, recover, we have had cases where we have facilitated our young educated people being able to fund jobs offshore and we have facilitated that rather than having travel ban on them or to say, you cannot go, you need to pay first. I very vividly remember of a case that is currently on my books whereby a medical professional is employed in New Zealand and he is successfully remitting funds for his family. He is also repaying the student loan. I think that is a very honourable thing the student is doing because he has got a highly-paid job offshore which is good for him, he has got a job, good for Fiji in terms of remittances and we have facilitated that. We are not being hard and fast about the fact that you cannot leave Fiji because you owe us. So I think that kind of trust in relation to that we are able to develop and it assists and more directly to your question on remittances so remittances as you know, at this stage I can say, there is no taxation on remittance so that is, if you can say, that can be taken as a support that is there but there is no per say specific discount to say that because there is no charge against it any way so there is no point of ...

HON. RATU N.T. LALABALAVU.- ... because further to that, you know, you may understand that during the Australian Prime Minister's recent visit, he kind of floated the idea of having this agriculture visa. People being offered three or five year job contracts or visas to go and pick fruits up there in Australia. That is the angle from where I was kind of raising that question. What sort of support do we encourage because it is putting food on the tables for ...

MR. V. DAS.- If I can make a statement that would probably be more directly under per view of Ministry of Employment and not to being able to facilitate that in terms of tax and customs directly. It may not correlate to say that we can do a direct incentive to support and encourage people to go. I think that will be more immigration and a labour mobility thing which only the Ministry of Labour can ...

MR. F. RAHMAN.- That arrangement is itself an incentive because like the Australian Government is allowing Fijians to go and work, pick fruits so that itself is a support. That may have been possible through high level Government discussions so that is a reflection that that itself is a support. If that negotiation has not had happened then that support would not have been there. Again, the CEO has mentioned that there is no tax on people, on the particular arrangement, of course. If they work in Australia, they will be subject to Australian tax rules and of course, we have a double tax agreement with Australia. Whatever gets taxed there, will be given accredit here.

DEPUTY CHAIRPERSON.- Honourable Members, I close the question and answer session now. We will give you the liberty to provide your response as per the questions provided and proceed further.

MR. V. DAS.- So, Chair and Members, what would the Committee suggest as ideal. Go question by question or is it something that you note as very pressing and then we can ...

DEPUTY CHAIRPERSON.- I suggest question by question.

HON. V. PRAKASH.- Even though we have heard quite a lot from your side which has indicated that there is vast improvement that you have shown. Our interest still would be the questions that we raised and then in between we can ask how far you have reached and what areas need further ...

DEPUTY CHAIRPERSON.- At the end of the question, the Members have the liberty to ask supplementary questions and then we will proceed further. So you may continue.

MR. F. RAHMAN.- Thank you very much, Chair. I will start this discussion and my colleagues are going to also contribute. We have evidence as well, more information and whatever information that you would require of us to answer these questions to your standard and then we will be able to help you out.

So certainly in terms of question number one, I think we have noted that the question is basically around administration of concessions. It is more on legislation, SOPs and in terms of the

overall framework to administer so if I could start off, please, provide to the Committee, the records that indicate the actual date, DCS was established in Fiji?

So, DCS, like that word, Duty Concession Scheme, there is no particular code called DCS. We have duty concessions which are imposed on goods or which are imposed on ... sorry, duty concession applicable on goods or duty concession applicable on entities. Also, we have another set of rules which is subject to Ministerial discretion. So, to answer this question, the DCS has been there for ages. We have noted that the Customs Act was in place from 1986 and thereafter, we have reviewed the concession list. So it has been there since the date we have introduced the customs legislation in Fiji.

MR. V. DAS.- It has always been part of the Act so if you were to look at it specifically, it will be 1986 when the law came into being.

MR. F. RAHMAN.- Good and the question two is the one about the ...

DEPUTY CHAIRPERSON.- Sorry, was there any supplementary question?

HON. A.M. RADRODRO.- Yes, just a question to OAG since they have highlighted that. Is that sufficient because they also mentioned that in your audit report? Is that date sufficient as the date, the tax, the DCS was initiated?

OAG REP.- Thank you, Honourable Chair. We will take that as sufficient.

DEPUTY CHAIRPERSON.- Alright! Thank you very much. You may proceed to response number two.

MR. F. RAHMAN.- Thank you, Chair. The next one is on the progress on the Customs Act review.

I am pleased to say that we have a progress variable with the rewrite of the Customs Act and we have had a discussion with the New Zealand Customs Service. They drafted their customs laws recently and we have already got an in-house draft with us which is going through a further review in consultation with the New Zealand Customs Service. I am sure over the next year or so we will put that in public domain as part of the public consultation. So we already got a draft here with us.

MR. V. DAS.- If I were to just mention numbers in terms of that, we can say we are in phase two and internally we have had a total of 18 meetings to do that. So now what happens is, we need to take the document out for public consultation so that needs Cabinet endorsement before we can run something like the Income Tax Act consultation that we did. We did 15 drafts before it went to the Parliament for approval. So we expect a similar ... so at this point in time, we have a draft with us that we have submitted to the Government for endorsement before we take it to public consultation.

DEPUTY CHAIRPERSON.- Any supplementary question, Honourable Members. There seems to be none so you may proceed further.

MR. F. RAHMAN.- Thank you. The question three was all about the governance issue of the DCS. I must say that we have instituted good checks and balances so as I have said, the person who approves and the person who implements concession are two different individuals. If I would say, if I look at it from an individual perspective.

So we have separated the roles in terms of the tariff and trade functions. So concession is being processed at the policy level and the administration is done at the frontline. In addition to that I can also say that FRCS has introduced standard interpretation guidelines which gives further clarity, further checklists and further rules around that. I must also say that we do have a very strong area of intelligence. So whilst we are giving concession to the entities, on a day-to-day basis, we do pickup issues around abuse and what not, around that. All that is referred to our investigation branch. So at the time of the audit, perhaps we were trying to setup some of these governance processes but at the present time, I must say that we have all these frameworks in place.

HON. V. DAS.- If I can just add, Chair. At the time of audit, the FRCS organisational structure was that of taxation and customs. In the process what we have done, we have transformed to a functional organisation whereby we have now revenue and investigation, intelligence and compliance, and corporate.

So what happens is, at that time customs used to be a customs sort of directorate so we had a general manager customs and under him came all the customs function. So by going functional, there is automatically separation of duties now. So it is not that customs handle revenue itself, concession approval itself and monitoring itself. Now, the monitoring, it has gone into different directorates. So that again, it provides the control that we want and then because the question is also about the staff job description, so by sitting in different units, the auditor or investigator role is different whilst facilitating revenue or approval of the concession at policy level is a different job description any way.

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

MR. V. DAS.- Yes, I think what I can say is, by centralising the approvals, now we can see greater consistency and there is better record of things when the same principle is applied to every application.

DEPUTY CHAIRPERSON.- Thank you. You may ...

HON. A.M. RADRODRO.- ... when you said centralising of the approvals, can you just elaborate on that? Is it similar to this compared to what the previous process had been doing?

MR. V. DAS.- What happens was, previously it used to sit in the customs team, the customs operation team. Now it is all sitting with the policy team. So therefore the policy intent and how the legislation has been drafted, they do their analysis of the cases, they do the approval then it is passed on, the approval is then passed down to the people on the frontline to implement. That is where then the linking of the system and the concession codes are done, that when an importer tries to access it or manufacturer tries to access this, it is the linkages have been created by an independent person.

HON. A.M. RADRODRO.- This application process that is stated here in Figure 1.12 in the Auditor-General's Report. This is now being revised where the final approval is done by the Minister for Economy.

MR. V. DAS.- Yes, so it depends on the concession whatever comes in existing codes, we do it at this level. Where it requires Ministerial approval then the recommendation has to be made to the Minister that whether we support it or we do not support it.

DEPUTY CHAIRPERSON.- Any other supplementary question, Honourable Members. There is none, you may proceed further.

MR. F. RAHMAN.- Thank you very much, Chair. The next question is on non-sugar, agriculture sector. I am pleased to say that we do have a range of concessions for that non-sugar sector like beekeeping, greenhouse, hydroponics and floriculture. As I had mentioned during budget process, as and when submissions are received, we always review it and it get enacted.

Of course, in addition to this duty concession, we do have a number of tax incentives for the agriculture sector as well.

MR. V. DAS.- Also, we are saying there is support for tractors, harvesters, fishing and those kind of things as well.

MR. R. CHAND.- Chair, just to mention on the concession in this agriculture sector apart from sugar, one of the fundamentals of the process is that it has to be supported by the relevant ministry. So like it is not processed only with us. There needs to be supporting documentation and verifications that needs to be done by the Ministry of Agriculture or the Ministry of Fisheries. So even though while we do consider, there needs to be a formal response from the permanent secretaries of the ministries to support such concessions.

So that is a back-end check. I mean the check and balance that we have.

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. V. PRAKASH.- Yes, Chair, through you. We appreciate the duty concession that you are giving for other sectors that includes agriculture. Do the stakeholders which are the farmers, who need those concessions, aware about all these things? What outreach system do you have to see that at least farmers who are in these remote and other areas, doing quite well, are able to make use of those assistance to grow further?

HON. V. DAS.- Thank you, Honourable Member. I must say, generally I would say there is no limit to awareness. I think we can do, continue to do much more but I can also say that we do carry out sufficient awareness in terms of through the Ministries. So we do that through Investment Fiji. We do that through our regular writing in the *Fiji Times* and *Fiji Sun*. We do that and we have our incentive brochures as well. Also, through our website, we do. But I will still agree with you that there is still more that we can do.

We also have our regular talkback shows on the radio. Of course, you know, not everyone is on that and the FRCS is also utilising the social media platform. *Facebook*, I think that is one space, we are trying to explore and trying to put all these things there so that there is more awareness and the people can know that these things are there.

HON. V. PRAKASH.- Yes, it is quite pleasing, Sir, to note that because I think the Government policy is to take the technology right into the interior level and I think it would be very advantageous to those people to know what these duty concessions are. I am an interior dweller as well. I know that we do look towards those things and especially if it is well-organised, you know, and then advertised or the outreach is done, I think there will be more people. So I agree that there is more room for it and I urge you that those kinds of things should go through. You need to have feedbacks whether the officers of ... what you call that ... the provincial administrators, where people come and interact quite often and the *Roko Tui*'s office where people do interact as rural dwellers, are well-versed or there are some posters in the three languages where people who go around there, are able to know that these are the duty concessions that they can apply because I think these are the places where they have some limitations to go and for ask for assistance.

So if that can be improved, I am sure there are some potential and very good citizens of our country who are sort of trying to give a very strong input towards the growth of our economy through agriculture. They would be able to take advantage of those concessions. Thank you, Chair.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member. You may ...

MR. V. DAS.- ... certainly noted that. Thank you.

DEPUTY CHAIRPERSON.- Yes, Honourable Member. There is a supplementary question.

HON. RATU N.T. LALABALAVU.- A question, Honourable Deputy Chair. CEO, you are mentioning this, there is a need for support to be provided by the relevant ministries for concessions to kick in. But what is there, if there is a lack of support coming? Would you not be able to play a more, you know, catalytic kind of role there?

MR. V. DAS.- Thank you, Honourable Member.

HON. RATU N.T. LALABALAVU.- ... so as to trigger ...

MR. V. DAS.- Yes. I think you do raise a very valid point and I would say, you know, my interaction with the Government has always been in support of that. You will see that in the recent times, even in terms of customs concessions, we have tried to make amendments to the concession and the customs laws to sort of, you know, give as much as possible just within the codes so that there is less dependence on other bureaucratic processes.

So it should be very simple administration, say for example, it is agriculture. If the product is very easily, if you look at the conditions of the concession, it is very identifiable that this is agriculture-related. It should be easily processed for the support. But of course, you know, the other, the support letter that was just like from Ministry of Sugar, Ministry of Agriculture or Ministry of Forestry, you know, it comes. I think this also helps us take care of and just manage things around concentration, say for example, if you looked at sugarcane harvesters, you know, I do not think it would be ideal to have 15 harvesters in the same sector. You might not have enough farms to harvest cane on.

So that kind of guidance. But generally, you know, the principle is that it is within the code and it should be accessible to anyone who missed the conditions. Then people have direct access so we cut out all the bureaucratic, lack of support of things that may ...

DEPUTY CHAIRPERSON.- Thank you very much. You may proceed further.

MR. F. RAHMAN.- Thank you, Chair. The next question is revolving around the legislative gaps that has been suggested by the OAG in terms of the review process.

The first one is talking about, how to deal with the applicants' appeals in the event where the applications have been declined. The next one is talking about the import substitution side of things. What support is given to entities that are producing import-substitutable goods and of course, the next one is on the review process. I am pleased to say that in all tax law that we administer, we do have the provisions on objections, review and appeals. That also includes customs. What we have done further is that we have introduced this Standard Interpretation Guidelines (SIGs). That gives further clarity and it is normal that we cannot legislate every single scenario in the law. The law provides the generic basis and FRCS has gone a step further to ensure that we provide clarity so the first one is about, what happens when an application is declined?

Yes, we do note at times when a request is declined and again, it gets reviewed. So what happens is that the importer will write back and seek a review. We do look at that as well.

The second question is about import substitution. Yes, Fiji being a signatory to World Trade Organisation (WTO) rules, we are within the confines in terms of tariffs protection that we could accord and we are providing full support to local manufacturers of goods that we can also import so there are a number of items that attracts a high tariff rate of 32 percent in Fiji. The high 32 percent rate is within the WTO bounds. It is a bound rate of 40 percent.

So I am pleased to say that as and when the industry makes a request to say that I am going to produce something here, I am going to create jobs, please give me some concession in terms of tariff protection, we have supported that.

The next question is regarding the direction on the decision review process. Yes, the review process as I have mentioned is very open, very transparent and our law supports that as well.

DEPUTY CHAIRPERSON.- Any supplementary question, Honourable Members. There seems to be none, you may proceed further.

MR. F. RAHMAN.- Thank you. Next Question; What monitoring system is used by FRCS to ensure that DCS benefits are passed down to consumers?

I am pleased to say that in the recent Government budgets, we have legislated provisions whereby it is mandatory for the importers to pass down the duty concession benefit to the consumers. In addition to that we did introduce the infringement notice provisions as well. In the event somebody does not do it, to ensure that the penalty kicks in quickly, we have got that infringement notice provisions.

Also, we are working with the Ministry of Economy and FCCC as well to ensure that we worked together to establish all the facts before we go and take these actions.

DEPUTY CHAIRPERSON.- Honourable Members, any supplementary question.

HON. V. PRAKASH.- Chair, I have a question. Chair, through you, given the monitoring mechanism that is in place as highlighted. What is the success rate for monitoring all the concessions announced during the national budget?

MR. V. DAS.- I would say, I think certainly we had to have a very transparent process behind that and of the number of complaints that we have sort of recorded or been highlighted to us, some ... Shelini, how many? 23.

MS. S. Kumar.- Yes, the compliance figures that is portrayed at the end of the financial year or monthly, it shows that the effectiveness of the monitoring system that is in place as well as the audit reports, the number of concessions that we have revoked or repealed. So that shows the effectiveness of the concession monitoring unit and the compliance division performance.

DEPUTY CHAIRPERSON.- Thank you. Any other supplementary question, Honourable Members. There is none, you may proceed further.

MR. F. RAHMAN.- Thank you, Chair. The next question explores what happens after the expiry period of duty concession. What are the monitoring mechanisms?

I am pleased to say that our legislation provides for that. Section 17 is setting a clear rule around a five-year timeline. Of course, we do also have further intelligence gathering in terms of ascertaining what happens to that particular good, what are the contracts and what not, but generally speaking, we are protected from the revenue side of things because we have that five-year timeline in the rule. If somebody abuses it then of course, we mount an investigation and address that.

DEPUTY CHAIRPERSON.- Thank you. Any supplementary question in that regard. Yes, Honourable Member.

HON. A.M. RADRODRO.- Just a question in terms of the monitoring. Do you have the necessary infrastructure, facilities, staff and resources to conduct the monitoring of all these concessions that has been given or appeals that are being made? How does your entity fare in this?

MR. V. DAS.- We have established a concession monitoring unit. So that basically again is based on risk management and that approach, you know, we look after that. But if at any point in time we get any indication that there is a potential abuse of the concession then it is a full customs investigation. So that is how ...

HON. A.M. RADRODRO.- That comes from the public or do you initiate the ...

MR. V. DAS.- No, it is both ways. It comes from the public as well. The public highlights it and we also have our own, sort of in the ASYCUDA World, like the IT System, then, you know, certain periodic reviews can happen.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member. Any other supplementary question, Honourable Members. You may proceed.

MR. F. RAHMAN.- Thank you, Chair. The next question is explain why this SOP does not specify the treatment of ... for items given that the HS Code requires different treatment of items under duty concession. I am pleased to say that we do have a very smart system which is ASYCUDA, Customs IT system that provides all the linkages that happens so if somebody has been approved a particular duty concession, we need to know what are the exact goods the person is going to import and of course, we cannot specify those goods in our SOP because we have to study what is the business model, what goods are needed, it may be affecting different tariffs or different chapters of customs tariff, therefore we do have something called linkages of concession. So we activate it in our system and again, we do have checks and balances to ensure that something else does not get activated because it has to be a follow through with that initial approval, the approval letter. So all in all, I must say that this particular question perhaps may be allured into the fact that we were quite loose. In fact, we are not because it is all automated variable here. By the press of a button, we will be able to know who is importing what. What is the concession value? So it is all in the system.

MR. V. DAS.- Chair, through you. Again, it is the classification. It is in the tariff codes. So if you, if we intend to sort of include it in the SOP, basically it means to reproduce the tariff code into a SOP. So that is handled by IT in terms of that.

HON. A.M. RADRODRO.- Just a question to the OAG. Is that explanation sufficient for your observation?

OAG REP.- Thank you, Honourable Chair. The OAG would like to ... we will be carrying out a follow-up audit on this and we thank FRCS for the explanation. We would like to follow-up on this in our follow-up audit.

DEPUTY CHAIRPERSON.- Thank you very much. You are permitted. Any other supplementary question, Honourable Members.

MR. F. RAHMAN.- Thank you, Chair. Question 10; Elaborate on the statement with regards to the goods dealt with at port level and the treatment of goods being dealt in the tariff and trade section.

I think one of the significant reforms that we have done in Fiji in the space of trade facilitation is to ensure that when somebody imports something, it gets all the clearance as soon as possible. We do not want people to line-up at the Minister's office or the CEO's office to get the approvals on concessions. So what we have done, which is leading to the earlier answer that I gave, we are automating all the concession approvals in the system. That means if somebody is importing a particular good, they will fill a customs entry (Form) and in that they will be able to state if they are eligible for this concession code. It will all be processed in the system. When it comes at the port level, when they face a customs officer, they are able to clear goods at that point in time rather than coming back to Nasese and getting the approval here. So I think this port level statement is about making it easier for the business community.

HON. V. PRAKASH.- May I, Chair. It is very important that while we appreciate the efficiency that you have brought in but as a citizen of this country, we should ensure that the right thing comes out from the ports. Also, ensure that we do not have any of those kind of things in this system that they beat all of us and then wrong things end up in our nation whereby we all have to have problems later on. So please ensure that the right things ...

MR. V. DAS.- Thank you, Honourable Member. We absolutely agree with you. I think also the fact that it requires trade facilitation. Again, I always make this request to the taxpaying population. It is about honesty and integrity in terms of declaration. I could import this smart phone and declare in the customs. Approval will be given based on the declaration but when this is being released from the port, we cannot 100 percent check everything. I think if we did, we would cause a lot of clog in the system. But under risk management we do risk profiles, persons of interest, goods of interest, goods of origin, you know, if things are all coming from a particular country, we know this is the risk so then we make certain profiles.

DEPUTY CHAIRPERSON.- Yes, you may proceed.

MR. F. RAHMAN.- Thank you, Chair. The next question is about the tax and customs compliance unit. Does FRCS have any monitoring mechanism or unit that specifically monitors concession given at port level and approved under Section 10?

Yes, I am pleased to say that we do have mechanisms in place. In fact, for our reporting purpose as well when we do our board papers or advise to the Government, we do like to know. What is the value of the concession that has been enjoyed by different codes?

So we do produce those reports and whenever we see any unusual pattern, any spikes or any different type of behaviour, we do go and investigate at that level. But from an operational level, definitely yes. When a taxpayer or an importer is subject to an audit, his or her entire profile is subject to a review so that gets picked up at that level as well.

DEPUTY CHAIRPERSON.- Thank you. Honourable Members, any question. There seems to be none so you may proceed further on.

MR. F. RAHMAN.- Thank you. Question 11 is about timelines to review and process the concession. The timeline is between five to seven working days. We aspire to be as efficient as possible on the spot but again, this is very critical. We need to sight documents, contracts and invoices but I think five to seven days are generally a reasonable timeframe that we are able to deliver.

MR. V. DAS.- Chair, I would also like to take the opportunity here to just highlight and re-emphasise another point. I can might as well say, we can do it in three days. But, you know, it has to depend on the submission itself. The supporting documents that need to be there as well. Our experience has been, to be very honest, I have personally experienced this where documents are lodged by agents or lawyers or accountants for that matter, for the sake of receiving a received stamp by the FRCS. But then if it does not have the supporting documents, I am sure anyone sitting in our place would be challenged by the fact that you cannot, it is an incomplete application so we cannot make a process to finalise it. But otherwise, we do have the standard that we want to do it within five to seven days.

DEPUTY CHAIRPERSON.- Is that sufficient?

MR. V. DAS.- Yes.

DEPUTY CHAIRPERSON.- Thank you. Any other supplementary question. You may proceed further on.

MR. F. RAHMAN.- Thank you, Chair. Next question is about the SOP to be endorsed for the administration of Code 236 concession as well as Section 10.

I must say that yes, we have made significant progress to ensure that not only in customs but whole of the FRCS, we are able to have all the SOPs in place. SOP is a living document. I think that is something that will always get reviewed. So at the time when audit was done, it was felt that we need to strengthen it. I am pleased to say that we have done that and in addition to that, we have publicised it and then there are supporting SIGs as well. So this has been actioned.

DEPUTY CHAIRPERSON.- Any supplementary questions, Members. You may move on.

MR. F. RAHMAN.- Thank you, Chair. Similarly, Question 13 is about SOPs. Based on the recommendation from OAG, yes. All has been reviewed and we do have the internal review process as well. We do have an independent internal assurance section. We do have internal audit section. We do have FRCS internal board audit committee that also gets briefed independently in terms of these governance issues and I am pleased to say that we are tracking very well in terms of what is expected in the area of SOPs.

DEPUTY CHAIRPERSON.- Thank you. Any supplementary question, Honourable Members. There seems to be none. You may proceed further on.

MR. F. RAHMAN.- Thank you. Next question. Has the practice statements been finalised and issued to the applicants to provide guidance on their applications?

Yes, practice statement as I had mentioned, similar to SOPs, is a living document. We like to strengthen it and enhance it as and when situation arises. Yes, it has been actioned and SIGs are another development.

MR. V. DAS.- Also Chair, you know, we have sort of enhanced the quality of practice statements and we have rebranded it. So we no longer call it practice statements in the organisation. We call it the Standard Interpretation Guidelines. So that on a voluntary compliance basis, anyone can read it and know what is to be done.

DEPUTY CHAIRPERSON.- Thank you. Honourable Members, any supplementary question. There seems to be none so you may proceed further.

MR. F. RAHMAN.- Thank you, Chair. The next question is again talking about the review mechanism, the frameworks. I must say that yes, we do receive applications to appeals. We do look at it. It goes to the CEO's office. Some goes directly to the Minister and again, it comes back to us through that route. It gets looked at and again, in the process of review, we look at the reasons being given back to us or basically the grounds of appeal, why they are challenging it and then we do a holistic review based on facts and then we reply.

MR. V. DAS.- Chair, this is provided in the customs law itself that the Minister is only going to approve things once an assessment has been done by us and we provide a recommendation. So maybe at the time of the audit, maybe the team did not get to see probably a flow chart of how this works and thus this. But, you know, if you look at it in terms of the legislation, the process works within the legislation. So there are no direct approvals. The process would be that you have to write back to say, I do not agree and I object. I want a reassessment. Then if it goes to Ministry of Economy that gets referred to us to have a review. We do a review and then we provide ...

DEPUTY CHAIRPERSON.- That means there is provision for reassessment.

MR. V. DAS.- Yes, yes.

DEPUTY CHAIRPERSON.- Thank you.

MR. V. DAS.- Then only it works.

DEPUTY CHAIRPERSON.- Any supplementary question, Honourable Members. If none, you may move on.

MR. F. RAHMAN.- Thank you. Next question is about the timeline for the appeals decision. The answer is seven days, subject to information being fully provided to make the application complete.

MR. V. DAS.- Also Chair, once again, if it is being appealed, maybe the appeal has to be accompanied with additional or new information that would change the position. So that also needs to be ...

DEPUTY CHAIRPERSON.- Thank you. Any supplementary questions. Alright, you may move on.

MR. F. RAHMAN.- Question 17; What are the reasons for DCS applications being declined by FRCS and how they have been communicated to the applicants?

Again, when we write back, like if you look at the sample of the letter that we write, we do explain the legislative basis, we do provide our analysis in terms of how the application is not in line with the required provisions of the law in terms of all the conditions that has to be met. So, yes, I think we do clarify it very clearly to the importer, why your application has been declined. So in the event he challenges it then we are able to look at that as well.

MR. V. DAS.- Chair, again I think as a matter of evidence, I am sure the team, we can provide you the new format of response that we do. So we basically get a customer request, we make reference to the legislation, we provide our assessment of the facts, we will look at the facts, we will provide the assessment of the facts and then we will provide a recommendation as to whether it is declined or approved. So I think in terms of communication we have also enhanced the way we detail all the steps to say how we made an assessment based on the facts.

DEPUTY CHAIRPERSON.- Have there been cases where certain people have had their applications declined but later on, it had been approved.

MR. V. DAS.- Yes, we do come across situations and that is based on additional information, on new information. If I can give an illustrative example, you say somebody is saying, you know, I am doing manufacturing and the process does not, the current processes they have, does not amount to substantial transformation. Then they might appeal by saying that I am going to add this in my whole process and it becomes substantial. Then we verify that, alright, one more step that you do in the process, it makes it substantial transformation, therefore then we are able to approve your duty concession.

DEPUTY CHAIRPERSON.- Thank you so much. Any other supplementary question.

MR. S. NATH.- CEO, may I. In addition to our controls, what we have developed is conversational planners. So what happens before our recommendation is finalised, a number of decisions, it cuts across a lot of divisions within FRCS. So ...

DEPUTY CHAIRPERSON.- Excuse me, may I interject, please. Can you introduce yourself and ...

MR. S. NATH.- Sorry. My name is Shavindra from the policy unit. So what I was saying is that before any recommendation is passed onto the Ministry or before we provide any advice to a particular taxpayer, what we do, we have an internal control in place as well whereby this document, we call it the conversational planner. It has all the case facts, the laws and the matching of the case facts against the laws. Then finally recommendation. It has to be cleared within various directorates of the FRCS before it is submitted to the CEO's office. In that way we ensure that as the legal, the compliance unit, the policy unit and the revenue unit so all of it, once it is cleared by all the units then it is finally given to the CEO for his final clearance. So this is another internal control that we have in place. Like I said because all the decisions, it cuts across a lot of units within the FRCS so we have this internal control in place to maintain accuracy and ensure that the correct information is passed out.

DEPUTY CHAIRPERSON.- Thank you very much. Any other supplementary question, Honourable Members.

HON. RATU N.T. LALABALAVU.- I am really interested to know ...

DEPUTY CHAIRPERSON.- Yes, you may continue.

HON. RATU N.T. LALABALAVU.- ... any situation that you encounter when the applications are lodged externally and then internally as well or ...

MR. V. DAS.- Again, thank you, Honourable Member. I would say it is quite common that people will give an application to us and give it to Ministry of Economy as well. So because of the process that is in place, the Ministry of Economy will refer it to us to say, provide an assessment. So sometimes also, people would like to do it directly to the Ministry of Economy but then again it gets referred to us to provide ... because the Minister can only exercise his discretion based on the recommendations. So we have to provide analysis and recommendation.

DEPUTY CHAIRPERSON.- Thank you.

MR. R. CHAND.- Chair ...

DEPUTY CHAIRPERSON.- Yes.

MR. R. CHAND.- Chair, just to add on through that. Probably when we look at the concession applications, it is like when we do our assessment to the Ministry, we do a holistic assessment in terms of the revenue foregone and what is the intent of the policy. So the situations that we have come across in terms of the decline of the applications is that sometimes there is an agreement with the Government ministries in terms of the tender of a project, special projects that has been taken but it has been agreed by the vendor and the relevant ministry or maybe the applicant. So what happens is once your price is agreed, later on they come for concessions.

So we actually call for those agreements because once you have entered, the price has been determined or the cost has been determined by the vendor and the applicant then we cannot actually reduce. It is like sort of a double-dipping. So we also consider like, you know, there are no leakages from the revenue side of things, yes. So that is another area that we have looked into like calling for extra documentations, agreements for the projects so that we can substantiate what needs to be given and what needs to be controlled.

DEPUTY CHAIRPERSON.- Thank you for the explanation. Any other supplementary question, Honourable Members.

HON. RATU N.T. LALABALAVU.- I am still not fully satisfied with your ... as a politician you know.

DEPUTY CHAIRPERSON.- Probably the CEO can come in.

HON. RATU N.T. LALABALAVU.- ... external approval given.

MR. V. DAS.- No ...

HON. RATU N.T. LALABALAVU.- ... hardly we correct the names, you know, we just push.

MR. V. DAS.- I, to be very honest ...

HON. RATU N.T. LALABALAVU.- ... things that you know, where the internal mechanism ... play this.

MS. S. KUMAR.- If I may add to it, Sir. The Customs Tariff Act has a Section 10 provision which clearly states what the controller or the CEO is required to do in terms of providing a recommendation to the Minister for Economy in terms of making a decision. So when we do have a reassessment or a normal assessment on that matter that is referred from the Ministry of Economy, what they basically want us to confirm is that, are there any existing concessionary provisions within the customs legislation that can accommodate that request for duty concession and if the individual is asking for duty concession on the basis of economic development then they have to provide all their financial analysis.

What will be the economic contribution in terms of employment, the income taxations et cetera and what the development will prove to be, as a benefit to the economy or to the country as a whole. Based on that we provide a recommendation in terms of supporting or not supporting their decision. So when that application is referred to the Ministry of Economy, the whole case fact file is presented in front of the Minister by the officials of the Ministry of Economy and then the Honourable Minister makes a decision on that matter.

MR. F. RAHMAN.- So the process is very transparent. Actually our legislation requires the Minister to seek our recommendations from CEO, FRCS on any approval.

HON. RATU N.T. LALABALAVU.- It can be just but can be one-sided as well.

MR. F. RAHMAN.- Ultimately, Sir, is the ... the decision is up to the Minister and I think we provide recommendation.

HON. RATU N.T. LALABALAVU.- ... up to the Minister.

MR. F. RAHMAN.- That is something that can be ... like that cannot discuss with the Minister.

HON. V. PRAKASH.- Chair, we all know that. Chair, we all know that. I mean it is a pleasure to have been here today. We have the mother of all Committees and that is the PAC sitting here, Members. Also we have our Auditor-General and then we have the people who are pushing our economy and collecting funds to run.

At the end of the day, I think the matter rests with the Government of the day to try and make the decision because I think that mandate has been given by the public to try and look after the general affairs of the citizens of this country. So apart from wearing different political hats, it is the Government of the day.

HON. A.M. RADRODRO.- ... mandate should be given to ...

HON. V. PRAKASH.- ... for us to ...

DEPUTY CHAIRPERSON.- I think we can cut short this discussion and respectfully move on.

MR. F. RAHMAN.- Alright. Thank you, Chair. Next is Question 18; What is the approved policy framework for stakeholder objections?

Just like any other tax law that we administer, the Customs Act also provides Section 154 (g) whereby the taxpayers or importers could seek redress or object on any matter relating to customs. We also have provisions on seeking tariff rulings. So if somebody wants to import something, before the goods arrive into Fiji, they could write in prior and get a ruling. What is a duty rate? What is a concession and what not? So we do have those provisions as well to mitigate any disputes.

DEPUTY CHAIRPERSON.- Thank you. You may proceed further on.

MR. F. RAHMAN.- Question 19; What procedures, controls and measures are in place for self-assessment of DCS internal review system and to ensure staff are complying with its policies and procedures?

As I had mentioned earlier, we do have a well-sophisticated IT system that governs the administration of the Customs Act. Everything is in the system and we do have provisions where we link concessions. We do have, of course, internal controls in terms of printing out reports and seeing

outlays. We do have specific areas where can profile importers like some customs officer or somebody in FRCS may have picked up some information on a particular import and we can also profile it to ensure that when the next consignment enters the country, we need to open the container and check actually what is it and what is the description and what not. So we do have those checks and balances.

DEPUTY CHAIRPERSON.- Thank you. You may proceed further.

MR. F. RAHMAN.- Question 20 is specifically talking about a situation. Can you advise the Committee why the information listed in Table 3.10, Application process approved and declined, were not made readily available to the auditors?

So if I can read the response. All records are maintained in the database. So as I had mentioned, we do have a good system which captures all the information. The records are maintained according to concession types so we could print a report anytime, anywhere, about any customs concessions. A detailed report is now done weekly which shows applications received and the status which is concentrated in line with our recordkeeping IT system. The folders are stored on the drive which is on the server and not on individual PCs. So it is all protected. The folders are clearly separated by concession types, draft and final version et cetera.

So we do have the internal database as well whereby all approvals being given to anyone, it gets posted on our intranet page. So all officers at the FRCS are aware of a particular concession that was approved. But the bottom line is that everything is captured in the system. Nothing gets hidden away. Again, ASYCUDA World, the customs system is basically a paperless system. It is a ... but again ...

HON. A.M. RADRODRO.- Chair, just during that ...

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. A.M. RADRODRO.- I think the Auditor-General's recommendation, finding is pretty much clear in terms of what has been mentioned there.

The applications and the documents not provided for it despite the assurances that all the records are in the system. Maybe the Auditor-General can also advise on this particular finding where they cannot access or not provided with the necessary documents.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member. You may respond.

OAG REP.- Thank you, Chair. At the time of the audit, there were a number of files requested for as per our sample to check the names of the companies and concessions given to them. There were some files, not all found and discovered actually ...

HON. A.M. RADRODRO.- That is one that is highlighted here.

OAG REP.- Yes. Like ... and thus the recommendation came for a records management system to be in place so that once audit comes forward ... to check up these files. Those documents should be there. Thank you, Chair.

DEPUTY CHAIRPERSON.- Thank you very much.

HON. A.M. RADRODRO.- Through you Chair, just towards this, the FRCS and the Auditor-General. In 2017 there were 106 applications, 96 and 10. Then 2015, not provided for audit. That is the one that you are after. So when you say not provided to OAG, the applications were not in the system. What is the situation?

MR. V. DAS.- I would request, you know, Chair, through you and the Committee, please allow us to get back on this one because you know, I know by system, by process, it is there and I am, if I may say, I am surprised to say that ...

DEPUTY CHAIRPERSON.- Yes, you ...

MR. V. DAS.- ... absolutely no records were provided and ...

DEPUTY CHAIRPERSON.- You are permitted to do so.

MR. V. DAS.- Yes.

DEPUTY CHAIRPERSON.- ...you can come back later.

MR. V. DAS.- Please!

DEPUTY CHAIRPERSON.- We can move on now.

HON. V. PRAKASH.- Chair ...

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. V. PRAKASH.- A supplementary question. I think I am very impressed with the assurance given today that the FRCS has one of the best IT system introduced and I am sure that would be of a very high standard in terms of the global standard of IT systems.

Now normally when we go around, sometimes they say that, you know, we could not give anything because our system crashed. So the question that I would like to ask. What IT backup do you have? If your IT system collapses and then given that most of the information is stored in the databases, how you are able to see that no matter what happens to the machine but still you have ...

MR. V. DAS.- Thank you, Honourable Member. We certainly have a backup plan and also we do take ...

MR. I. SOQOIWASA.- Our IT system has backup tips. We are also working on disaster recovery and off-site storage for our IT system which has a similar recovery. That is where FRCS is heading so that if something happens to Nasese, our system is able to reboot itself and FRCS can be able to collect revenue on behalf of the State.

HON. V. PRAKASH.- Excellent, Chair. I think this is what we should also be advising to other departments and places where people come with the excuses that because of the crash in the system, there is hardly anything left. So thank you for that, Chair.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member. You may proceed.

MR. F. RAHMAN.- Thank you, Chair. Question 21 and 22 are on SOPs. Question 21; Has FRCS reviewed the SOPs for tariff and trade section?

Yes. As we have mentioned earlier, SOPs are a living document so that time when audit was conducted, perhaps there were some areas of improvement. That has been done. So I think Question 21, we have actioned it. It is all done.

MR. CHAIRPERSON.- Thank you.

MR. F. RAHMAN.- Question 22, Chair. Why were the applications and vetting process not in accordance with DCS, SOP?

I think there is a specific issue that has been mentioned on a particular case I suspect. But generally speaking, the concession code itself will provide the conditions. The documents that needs to be provided by the importer to enjoy the concession. SOP is an internal mechanism that requires what should be done by Officer A and Officer Two (2). I think we have modernised that process. As we have mentioned, there is a separation between the team that approves and the team that actually implements. So that has been taken care of.

DEPUTY CHAIRPERSON.- Thank you. I think you may move on.

MR. F. RAHMAN.- Thank you. Question 23, Chair. Does FRCS have a records or data management system for DCS alone?

As we have mentioned we got a sophisticated IT system and if I could comment further, the system is developed by the United Nations (UN). It is something that is implemented in many countries so our system is of the world-class standard so the information is secure, Chair.

DEPUTY CHAIRPERSON.- You may move on.

MR. F. RAHMAN.- Question 24, for the DCS applications that are received as listed in Appendix 1.2, please explain the absence of inspection reports and A,B, and C Forms. What is the value of duty concession listed in Annex 2 (two)?

MR. F. RAHMAN.- So if I could read our response. It is to be noted that Schedule A, B and C Forms are only filled by the applicant when applying for Code 236. So there are specific schedules that have to be filled for specific concessions. It is not across the board generally and the concession code itself has a straight out condition that has to be met.

So it is for this reason that we request for the company details, list of raw materials, machine et cetera. The second point to note is that the forms does not need to be filled when applications are for concessions relating to greenhouses, hotel equipment, lifesaving equipment, et cetera. So Appendix 1.2 is kind of revolving around those types of items. So in the overall spirit of ensuring that trade facilitation is improvised, we do not put too much requirements on people who import things. We do have schedules and information request on specific types of concessions where we feel it is important for us to know, what it used to be for, who is importing it et cetera. I believe Chair, this answers well.

DEPUTY CHAIRPERSON.- Thank you, you may move on.

MR. F. RAHMAN.- Thank you, Chair. Next one, Is FRCS looking into centralising its database to store, process, vet and approve DCS applications?

So I think we have already talked about the governance side of things. The separation between the team that approves and the team that implements. Our IT System is sophisticated and of course, we take on board, recommendations around the backup of data and what not. So I think we are in a very good space at the present time.

Question 26; Does FRCS have enough space capacity for filing of DCS applications?

In these three buildings, Chair, we do have a lot of space.

DEPUTY CHAIRPERSON.- Definitely, definitely.

MR. F. RAHMAN.- It is a very operational question, anyway. I think so we are safe in that regard.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. F. RAHMAN.- Question 27; Has FRCS considered investing in electronic data management system to receive, register and process DCS applications as recommended by the OAG?

Certainly there are various ways we could administer all the manual applications that we receive and I must say, as was alluded to, we have an intranet page and there are talks about the systems. The CEO can elaborate.

MR. V. DAS.- Thanks. Chair, through you, again. I am pleased to report and as the whole of Fiji knows, the FRCS is investing into a major IT transformation project, the new tax information system. So again, there is an opportunity where we are looking at, with the new IT system going paperless. So even the submission of applications will all be online. So no more paper trails to ... so

the lost applications, pending and where it is, so I think that will address this issue. Definitely the FRCS is very keen on a paperless environment.

DEPUTY CHAIRPERSON.- Thank you very much. You may move on.

MR. F. RAHMAN.- Thank you, Chair. Next question. Why is it that DCS promotion and awareness programmes were not undertaken by FRCS for the past five years?

I think that perhaps to some degree is an incorrect view that it has not been done. It has been done. We are in the news and media basically every second day. We have got some data for 2017.

We have done 105 awareness activities on radio, television and by newspaper articles. We are a part of the Government roadshows as well. Basically every second day, you will see us, Chair, in the news.

HON. V. PRAKASH.- We compliment you for that, Chair, but as I have said for rural people, the other mechanism like advisory councillors, *Roko Tui*, *Turaga ni Koro* and the other people who could take it down to the grassroots people where information can go quite easily. So we just request you to try and make use of those.

MR. V. DAS.- Certainly note that, Honourable Member.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. F. RAHMAN.- Thank you, Chair. Does FRCS have a communication strategy for DCS? If yes, please elaborate.

Similar to what we have responded, we do have mechanisms and of course, we take on board suggestions as well. We could do more in terms of reaching out through the respective provincial administrators. But certainly our strategy is to engage more. I think it is in the spirit of voluntary compliance as well. The more we inform the people, the more they will have to comply, the less penalty they will have and we can work together in achieving whatever is the obligation there, whether it is concession or whether it is paying of taxes. So it is working out quite well, Chair.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. F. RAHMAN.- How many consultation exercises for DCS has been undertaken with stakeholders such as importers and local manufacturers in the past five years?

Similar to what we have answered, Chair, there has been consultations and as part of the budget process as well, we do come across the business community. We do have sessions with the accountants, the customs agents and customs brokers so in that way we gather submissions. In that regard, awareness is taking place.

DEPUTY CHAIRPERSON.- Thank you. Any supplementary question. There seems to be none so you may proceed further.

MR. F. RAHMAN.- Thank you. What is the timeframe for DCS to address complaints registered with FRCS?

So similarly I think as we have said, we work with strict timelines, five to seven days. Some complaints are received in the morning and by midday we have to provide a brief to the office of the CEO. So basically we are very much mindful of the fact that we have to work with our customers and all the feedbacks that are received, whether it is positive or negative, that requires attention, we do have a dedicated team that looks at all these feedbacks. Then the CEO's office is appropriately briefed and response is given to the taxpayers.

DEPUTY CHAIRPERSON.- I understand there is also a hotline too.

MR. F. RAHMAN.- Yes, Chair. A hotline is also available.

MR. V. DAS.- We also have a small call centre in operation where people can complaint as well, find out about issues and also at this point in time, we are in the process of implementing a full on call centre in the new financial year.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. F. RAHMAN.- The next one is please, advice whether there is a complaints management system in place specifically for DCS. So again, we do have like the online portals around mySAY portal which we encourage the people to use. Not only for duty concession but to update any information about them to the FRCS whether there is a change in location, phone number et cetera. We are about to roll out a new IT system as well and we need all the help from the community in ensuring that all their information is with us so that we could serve them better. So I gave you an example of mySAY portal. We do have other means like social media. We do social media, we do *Facebook* posting, we do reach out to them, email, telephone and of course, we have a fully dedicated customer service centre. We have decentralised that to other parts of Fiji as well. We do have these offices in Nausori, Rakiraki, Ba, Lautoka and all over Fiji so we can reach out to everyone in the country.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. F. RAHMAN.- Thank you, Chair. The next set of questions are about monitoring and reporting of DCS. Is the FRCS considering undertaking a periodic review of the current practices on DCS? If so, please advice and the timeline for the review to be undertaken.

Certainly as we had mentioned it, this is an ongoing process, the review is an ongoing process anyway, whether it is a process to administer or to change some concession, duty rate et cetera. So yes, we do that and internally we do have the staff management system as well, the performance management system as well for the staff in terms of how long it took to process a particular application.

DEPUTY CHAIRPERSON.- Thank you. Any supplementary question, Honourable Members.

HON. A.M. RADRODRO.- Just on the comments that have been noted by the OAG on this. Where was it?

DEPUTY CHAIRPERSON.- Regarding

HON. A.M. RADRODRO.- What page are we ... Alright, if not, just carry on, I will ask the question later.

MR. F. RAHMAN.- Alright. Thank you, Chair. Next one appears to be a similar question. Has the FRCS finalised the SOPs as summarised by the Auditor-General? Yes, it has been done. Not only for customs but for entire FRCS business. 5.3 ...

HON. A.M. RADRODRO.- Chair, just a ...

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. A.M. RADRODRO.- I recalled my question. On the audit finding regarding the status of review. They have also highlighted this. The draft risk assessment and planning in January, 2017. Can we probably we provided with an update on this, on the SOPs for the risk assessment and planning? Whether they are still in draft form or is it in finalised form or what form is it in?

MR. V. DAS.- Thank you, Honourable Member. Again, we are pleased to update you on that. Again, the risk analysis and planning team had been a new team formed probably at the time of the audit and probably consisted of only two people. Today as we speak, you know, we have a whole team of 22 people now working in the risk assessment and planning team. So now it is more formalised, more structured and documentations around the processes are also in place.

DEPUTY CHAIRPERSON.- Thank you very much. You may move on.

MR. F. RAHMAN.- Thank you, Chair. Why is there no risk profiling done on the misuse of DCS? Please explain.

I must say that there is always profiling done. As I had mentioned, we do have what we call in the customs, ASYCUDA World system. We do have a profiling module on that. Anyone in FRCS picks up something about someone importing something that is questionable, we immediately come back and do profiling. We do a red flag on it. Somebody imports something into the country, it will enter either through green lane, yellow lane or red lane. We also have a blue lane for any audit.

So we do profile imports according to those segments. It is happening and we could provide a list to the OAG if they wish. The full list of profiles that we have. So it is there. It is working out. As soon as the profiles have been generated, the next time somebody imports something into the country,

it is automatically referred for inspection. The goods cannot leave ports without a customs officer checking it.

MR. V. DAS.- Just to illustrate with an example. We did the law to prohibit second-hand tyres so then our system gets updated that second-hand tyres are prohibited goods. So as soon as somebody imports it, it comes, you know, either it comes on document declaration, it will immediately be intercepted or if a false declaration has been done then upon inspection, it can be detected. So the system does provide for that.

DEPUTY CHAIRPERSON.- So there is adequate provision.

MR. V. DAS.- Yes.

DEPUTY CHAIRPERSON.- Thank you. Any supplementary question. There seems to be none. You may move on. Yes, Honourable Member.

HON. V. PRAKASH.- ... Chair, it has been assured by the learned officer that they can provide those things to the Auditor-General. I think that would be very ...

DEPUTY CHAIRPERSON.- Yes, you are permitted to do so. You may move on.

MR. F. RAHMAN.- Thank you, Chair. Next question. What is the current system in place to allow DCS in monitoring and checking successful applicants to not abuse and misuse?

So certainly I think this question is revolving around what are the checks and balance that we have. As we have talked earlier, we do have those mechanisms in place. It is all about information and we act on that accordingly. If somebody is misusing something, we can refer that for a quick tax audit. On the spot, get all documents and check or we could refer them for a full integrated audit. We will go and check full history of that person, income tax, VAT, customs, things around exchange control, how much money was remitted et cetra, et cetra. So it can go in that detail as well.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. F. RAHMAN.- Next question, Chair. Why has the FRCS not developed a monitoring programme to identify customs data to profile abuse of DCS. If not, why not?

So again, Chair, I think we can help the OAG with more information around how customs ASYCUDA World system works in terms of their profiling module because we do have a well-developed system that links everything. If you profile somebody, it could trigger an action for someone and certainly, I must in answering this question, I must say that we do have monitoring mechanisms. We do have checks and balances.

Again, we act on the information that comes to our attention. Maybe we could improve the profiles, we could improve the information that we need to add more quality to the profiles but certainly in terms of the mechanism and framework, it is in place. Also, we do have a very good relationship

with our counterparts, the Australian Customs Service and New Zealand Customs Service. Information is being given basically at the press of a button. When we require information from a country where the goods were actually imported from, we could drop an email. We have those contacts in place to ensure that we are able to trace where the goods came from and address queries that one may have.

DEPUTY CHAIRPERSON.- Thank you. That is very much appreciated. You may move on.

MR. F. RAHMAN.- Thank you, Chair. Question No. 6. It says the current tariff and trade section tasked of approving Code 231236, linking to ASYCUDA World system and process which are not done in the long room assigned to the senior customs officer.

So basically the question is revolving around no segregation of duties at the time of the audit. I am pleased to say that we have separated the duties. As my colleague has mentioned the approval is done at the policy level. The implementation is done at the ground level and even in the approval process some of the issues will cut across various units of the FRCS.

So we need to have support or recommendations from every single manager responsible before we make a recommendation to the office of CEO.

DEPUTY CHAIRPERSON.- Thank you. Any supplementary question in that regard, Honourable Members. There is none, you may move on.

MR. F. RAHMAN.- Thank you. Question 5.6 is about the constitutional and budget announcement obligation. It is talking about why a committee was not established to assess and make recommendations on customs tariff. Section 10, application, if it is outside the ambit of concession codes.

I must say that in terms of the committee, we do have discussions. We do have committees, we do have mechanism whereby we need to get full information on a particular application. We do touch base with the Ministry of Economy. We do touch base with the FCCC. In fact, by a recent change in the law, there is that economic intelligence unit being set up at the Ministry of Economy as well. So when it comes to concession review, we do have measures in place. We have signed a number of MOUs with the FCCC for example. We do share full information with the FCCC and they do give their information so in terms of monitoring, in terms of ensuring that whatever is outside concession codes, whether we need to discuss those matters, we do reach out to the relevant parties including the importer as well.

DEPUTY CHAIRPERSON.- Yes, CEO.

MR. V. DAS.- I would also like to take the opportunity to comment on this question. I am just trying to understand better, what we are trying to achieve by saying, you know, certainly either it is in the concession codes or under Section 10 or recommendation of the CEO. The recommendation of the CEO is guided by the fact that we have a conversational planner approach to it. You know, all the different directorates or relevant managers are involved so in that respect, it is all within the law. I think

there is nothing we can say that is not in the codes or not in Standing Section 10 or not as per Section 10.

So it is completely guided. There is no room, there is no opportunity that any of my frontline officers or the CEO or the Minister or anyone can give an approval of a concession without anyone else's knowledge. So concession codes, public knowledge is there. Standing 10 is public knowledge, the specific recommendation approvals under Section 10 only is again, case by case based on the application and of course, the process that goes for that.

DEPUTY CHAIRPERSON.- That means we have a guiding framework.

MR. V. DAS.- Yes, yes.

DEPUTY CHAIRPERSON.- Thank you so much. Is there any supplementary question?

HON. A.M. RADRODRO.- Yes, Chair. Just a clarification regarding this requirement. That is under the Customs and Tariffs Revised Act of 2010 as highlighted by the OAG. It is a requirement that is the basis of the concerns that has been highlighted. It is also a requirement that the FRCS should ensure that any waiver of customs duty and taxes is reported to the Auditor-General and ...

HON. RATU N.T. LALABALAVU.- ... constitutional requirement.

HON. A.M. RADRODRO.- Yes, constitutional requirement. So whether that is now being followed by the FRCS. It is all part of Section 139 and Section ...

MS. T. RAIYAWA.- Yes. Thank you, Honourable Member. I believe that provision is in the Constitution. Article 139 of the Constitution where it requires the FRCS to report to the OAG in a timely manner if there is any waiver or reduction in duty or tax.

So we have developed a draft SOP on that. That is still in the early stage so we will need further consultation and discussion with the OAG regarding the manner in which they want it to be reported.

We have already devised a template, a database which sets out the reduction, the reasons for the reduction or waiver in duty or taxes and how the OAG will want it to be reported to them. Whether they want it reported annually or whether they want it reported when the auditors come to audit the FRCS. So that has to be discussed further with the OAG before it is finalised.

DEPUTY CHAIRPERSON.- Thank you very much.

MR. V. DAS.- Chair, just to further sort of re-emphasise the point. You can be rest assured, the Committee can be rest assured that our IT system is capable of and is recording all the waivers that are being processed. So at any one point in time, it is available, the data is available.

DEPUTY CHAIRPERSON.- Thank you very much. You may move on.

HON. V. PRAKASH.- Chair ...

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. V. PRAKASH.- Just a request to take you back to Question 5.4. I would like to ask the management. What action has been taken against those businesses abusing the DCS?

MR. V. DAS.- Thank you, Honourable Member. I think the law around that is quite clear. If there is abuse of concession, the concession granted is taken away and then full duty becomes payable. So in the instances our investigations confirmed that there had been abuse then full duty is payable and we have recovered those duties. It could mean recovery in lump sum payment or depending on the business, time to pay arrangement but no loss of revenue to the State can be assured.

MS. T. RAIYAWA.- Sorry, can I just add on to that. In addition to the duty that is recovered, they are also charged with an offence under the Customs Tariff Act and that attracts a penalty, not exceeding \$25,000.

HON. V. PRAKASH.- And then ...

MS. T. RAIYAWA.- And then imprisonment of not less than 10 years.

HON. V. PRAKASH.- Of course, those companies would be monitored or they might not be given future concessions or ...

MR. V. DAS.- Yes, so basically then again the system is flagged. So that means the system can be flagged for every consignment they are now getting into the country. The consignment is inspected. So things like that can happen. There are other sanctions that can happen.

HON. A.M. RADRODRO.- Chair, just a supplementary question.

DEPUTY CHAIRPERSON.- Yes.

HON. A.M. RADRODRO.- In those instances where you have revised the duties and fully charged back. Have you considered the social impact to the general public? In terms of the decision that you take, where you now reimpose the duty. Is that part of your ... will be considered as part of your assessment of your review?

MR. V. DAS.- Thank you, Honourable Member. I think that does come as a sort of a mitigating factor submission, you know, they will say, you know, because we did not price our good at that time of the duty concession so now, it is ... we never collected that money, now you are wanting it back. It becomes a tough decision occasionally to make but I think at the end of the day, the law requires that it will be pinched out of their mark-up that they have made. So really they cannot go back and pass it to the consumer. But yes, it will be a part of the suffering they will have to take.

HON. A.M. RADRODRO.- mechanism in place to ensure that thing does not pass down or is not passed down to the consumer.

MR. V. DAS.- Generally, you know, you can say by observation, they will not be able to go and collect money on the retrospective sale but of course, going forward their model can change where they might try and buffer the mark-up a bit more so that they can do some recovery.

HON. A.M. RADRODRO.- That is where I am coming from. The social implications of those. Whether you have also taken that into consideration so that at the end of the day, the end-line users are not affected.

MR. V. DAS.- Yes, yes.

HON. A.M. RADRODRO.- By the entity trying to generate more revenue for the State.

MR. V. DAS.- No, no. I think we do take, Honourable Member, note of that. We do consider that in the mitigating and aggravating factors of the case.

HON. A.M. RADRODRO.- So it is not straightforward. You also have an appeals process.

MR. V. DAS.- Yes.

HON. A.M. RADRODRO.- Alright. I thought it is straight forward.

DEPUTY CHAIRPERSON.- Thank you very much. You may proceed further.

MR. F. RAHMAN.- Thank you, Chair. The next question is again on the SOPs. Can the Committee be provided with an update of SOP and waiver of customs duty and taxes?

Again, Honourable Chair, we have done all the SOPs. Perhaps we could supply all of these SOPs to the OAG for their benefit of appreciating the work that was done.

DEPUTY CHAIRPERSON.- Yes. That will be very much appreciated by the Committee. Thank you.

MR. F. RAHMAN.- Thank you, Chair. Question 9, 5.7; Can the Committee be provided with a copy of MOU between the FRCS and the FCCC?

Yes, we can provide. Actually we did, we do have all those information with us. We can supply it to them. But we did sign a MOU. Our laws also got amended as well to facilitate information exchange and we do have a very good partnership with the FCCC. When we go out in the field, inspections, price surveillance, audit in terms of the FCCC meeting, the objectives of their law, they need us to be part of their team and assist et cetra. So it is working out very well.

DEPUTY CHAIRPERSON.- Thank you very much. Any supplementary question. There seems to be none, you may move on.

MR. F. RAHMAN.- Thank you, Chair. How does the FRCS gather information on increase in exports and economical multiplier effect on duty concessions granted? Please explain.

It is a very interesting question. It is a very philosophical question. Maybe an academic question as well. I think the information is already with us in terms of a particular importer. How much was imported? How much was exported? To build economic models around that is not difficult because economic growth is a function of many things. One of that is a duty concession.

I am pleased to say that we are working towards developing economic models in FRCS whether it is forecasting revenue, whether it is forecasting duty concession or even if it is forecasting Fiji's GDP. So the point being we do have a lot of information.

How does FRCS gather information? Information is within the system and as we are venturing into the new IT system, in a few months' time, we will gather more information and more analysis. This particular team which the CEO has ... the risk assessment and profiling team, they are the ones, they do get not only internal information but external information too. That helps us to improve whatever we want to improve, whether we want to improve the quality of revenue forecast, whether we want to ... quality of audits, investigation. Not only for that. It is also in terms of the border control and national security side of things. We do receive information from various related agencies whether it is police or immigration. So all in all, yes. We do have information. We have various means of collecting that as well.

DEPUTY CHAIRPERSON.- Thank you very much. Any supplementary question in that regard. There seems to be none so you may move on.

Thank you, Chair. Question 11: What is the internal reporting framework adopted by the FRCS for price surveillance?

Yes, we do have a team that goes out, does this price surveillance and we collaborate with the FCCC and the Ministry of Economy which also has an economic intelligence unit. Report is prepared and discussed internally. The CEO's approval is required and then it goes as per the legislation, it goes to the Ministry of Economy. After the approval from the Ministry of Economy, it gets published in the news media. For example, for the motor vehicles, we do publish the landed cost, the chassis number and all these information. So we do have that internal reporting mechanism working out fine at the moment.

DEPUTY CHAIRPERSON.- Thank you very much. Any supplementary question, Honourable Members. There is none so you may move on.

MR. F. RAHMAN.- Thank you, Chair. Question 12; Can the Committee be provided with a copy of the report on the dates of surveillance as highlighted in Table 5.8?

Yes, Chair. Certainly we can provide the information. I think one thing we can note is that this particular initiative was new at the time when the audit was undertaken. We were very much in the process of getting the mechanism in place.

Actually the legislation, it got enacted at that time or after the audit was undertaken. But I must say that before any national budget announcement, there is a price surveillance exercise that happens but at the present time, we do have all the records. When was the surveillance taken, by who and on what goods?

MR. V. DAS.- Thank you. Thank you, Chair. Also I think these are the early days and we hope, we can appreciate the fact that price surveillance at that time would be as simple as going out in the market, looking at the prices, putting it in excel sheet and then just ensuring that the prices and the duty concessions, are sort of aligned and that it does not show some very abnormal trends, not *per se*.

At that time, we were doing a complete OAG kind of report to say, you know, today we went to 10 shops and hundred products were looked at and the whole analysis. It is in that detail. I think the price surveillance here we are referring to is just very simple on the shelf prices. What it is before the budget, after the duty concession or whatever and how things have been after the budget? Simple arithmetic kind of thing that was done. But I think, you know, now we are in a better structured format to handle these things.

DEPUTY CHAIRPERSON.- Thank you very much. Any supplementary question. There is none, you may move on.

MR. F. RAHMAN.- Thank you, Chair. I believe this is the second last question. Why was the price surveillance exercise not conducted in 2014 as announced in the 2014 National Budget?

Certainly yes, Chair. We are saying, we are setting the mechanisms and that budget announcement was around setting up an economic intelligence unit in the Ministry of Economy. As far as the FRCS is concerned we did mobilise people. We do mobilise resources. Maybe at that particular time we did ... as we have clarified, now we have a well sophisticated system on price surveillance. To completely say it was not done, I think that is something that we can clarify to the OAG. There were some form of verification done. Whether it is asking staff to get their receipts of every shopping that was done, whether it is mobilising teams on the ground or just trying to call supermarkets asking for some prices but if the information was needed as per the budget, it was provided to the Ministry of Economy. The Ministry of Economy did not give complaints to us that we did not provide any information that was required in the budget.

DEPUTY CHAIRPERSON.- It was all complied.

MR. F. RAHMAN.- Yes, Chair.

DEPUTY CHAIRPERSON.- Any other supplementary question. There seems to be none, you may move on.

MR. F. RAHMAN.- Thank you, Chair. I am pleased to say that this is the last question.

DEPUTY CHAIRPERSON.- We are all pleased.

(Laughter)

MR. F. RAHMAN.- Provide an update on the tax free regions inspected and preparation of its monitoring reports.

Yes, reports, we do carry out inspections especially if somebody has received a tax free region licence. Verification is taking place in terms of how much money has actually been put on the ground, how many jobs have been created and some of these information are naturally picked up through the FRCS system anyway. We check whether they have filed the income tax return, whether they have filed their employer monthly schedule in terms of people they are employing, whether they are lodging VAT returns so we do pick up those information naturally in any case but it is important for us to physically visit and see what is happening on the ground. We do have reports, information which we could supply to our ...

DEPUTY CHAIRPERSON.- So there is a team that ...

MR. V. DAS.- Generally, Honourable Chair, what happens is, you know, say for example, there is a project on the ground so certainly they would want to make refund claims. It is a new company, making the first VAT refund claim, the first refund will become subject to an audit inspection site visitation. We need to know what is happening on the ground. Is it happening on the ground or not before we can do a refund?

Also the process has provisional approvals, final approvals so then again it is audit, we got to justify that the total investment is such and such so that so many years of concession can be given or a tax holiday can be given. So there is an audit processes in place. Then you got to put it in the context of the project itself. It is not something that can be audited everyday. Maybe a project takes one year to complete, within 12 months or 24 months we do things so then you get certain audit teams, we have our ... that then goes into the normal audit process. We have our team. We will have our policy representatives. You know if it is Investment Fiji or someone else on the group.

DEPUTY CHAIRPERSON.- That basically falls under the jurisdiction of the OAG.

MR. V. DAS.- Yes.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members, any comments.

HON. V. PRAKASH.- Chair, generally people do talk that their VAT return is sometimes delayed. Now you are satisfied that you have got a certain mechanism to follow to say that the right amount is being refunded. But it should not be taking long to do that.

MR. V. DAS.- I would absolutely agree with you, Honourable Member. I think it is also in my interest too. Get the refunds going out sooner because the sooner money goes out, it gets spent in the economy, multiplier effects and I collect more tax. But at the same time, I want to talk a bit about the taxpaying population culture of dishonesty in Fiji. We have people that lodge VAT returns, they lodge returns for refunds only. So the months it is payable, they do not lodge returns and the months it is a refund, they want to lodge returns to get a refund.

Then our IT system will not allow the refunds to be processed because there is outstanding returns. So that needs to be sorted out. In the VAT audit space, we have discovered many times, people will create, will get VAT refunds and will make a claim for VAT refund. It will be a \$100 invoice. They would add another one before the hundred and make it \$1,100 to get a bigger refund. Again, it is fraudulent in nature so we cannot process the refunds. We need investigation to look after that. Thirdly, we have so many businesses out there also, reasonably small “mum-and-dad” which we certainly want them to grow, we have nothing against them but the point being that they are not registered for VAT yet they are issuing VAT invoices. So then for another taxpayer to take the invoice and make a VAT claim, no VAT has been collected on it or no VAT has been paid to the State on it and there is no refund entitlement on it. So again that is another challenge and that is why in consultation with the Government, on recommendation we have also taken on the VAT monitoring system that we have introduced now.

Gradually, the idea is that again, right at the point of transaction, the determination is already made whether there is VAT claimable or not claimable. So when you leave it to manual invoices, there is room for manipulation. So where it has been legitimate we have been facilitating all the VAT refunds but I think even when people raise issues about VAT refunds, they choose not to disclose that these are the situations. I have claimed VAT on something that did not have VAT. I have fraudulently manipulated the figure. These are the kinds of things people have been doing with VAT. But otherwise, I absolutely agree with you. That it is in my interest also to let the VAT money go out so that it can hit the economy and the multiplier effects come in.

DEPUTY CHAIRPERSON.- Yes, you may proceed.

HON. V. PRAKASH.- I must acknowledge that the Inland Revenue Department has done good progress compared to what it was in previous years.

At the same time, I would like to acknowledge those honest taxpayers because most of the time, those honest taxpayers are not acknowledged. There are some who even pay their tax in advance to see that the country runs.

Normally when you are talking about paying tax or getting the revenue collected, people do fear. There should be a time when people should be willingly able to come forward and I acknowledge there are some of the people who are doing that. I think we do appreciate that they are the ones who are a role model to try and move our nation and the economy. Those things also need to be exposed to the general citizens of our country so that we can take pride in their commitment. I would believe

that it is not something that you are asking from someone which is not to be paid, you are asking the right thing and the ones who are supposed to pay, they should pay the right thing.

That thing should come for every taxpayer, one day they should learn that it is something that is necessary and you have said about dishonesty. It can only be taken through honesty and I think you have reached quite an advanced stage in that. So I would like to acknowledge those taxpayers.

DEPUTY CHAIRPERSON.- Thank you, Honourable Prakash. Any other comments or supplementary question. Yes, Honourable Radrodro.

HON. A.M. RADRODRO.- I would like to thank the CEO and his team for the deliberation this afternoon and especially talking about the duty concessions.

However, I just wanted to make some comments in terms of your monitoring and capacity of the FRCS. You have mentioned about the reforms that are taking place and the period of concession is now five years. Then you will take the review, after that your review within the period of five years. In terms of monitoring, we have some instances where companies in the dairy sector that have enjoyed concessions from the FRCS. But in terms of those concessions being filtered down to ensure there is economic and social benefits derived out of it. The monitoring mechanism that you have. We have that company in Nabua, Southern Cross Foods Limited that is currently enjoying duty concession relating to the dairy sector.

HON. V. PRAKASH.- Fiji Dairy Limited (FDL).

HON. A.M. RADRODRO.- FDL, yes. But we see that the price of milk on the shelves keeps increasing from what used to be \$1, now it has gone up to close to \$3, say Life Milk for example. So we question, where is the positive impact that is supposed to be generated out of the concessions that has been given out to all these companies. That is one and similarly for the transport industry, the concession that you give out in those particular sectors. The question of monitoring in terms of the follow-on effect on the concessions that you give. Can you just assure the Committee regarding the questions of monitoring that has been highlighted? But we have also heard about the response that has been given. The reforms and what not that has been taking in the entity but we still see, we still question whether it is enough to ensure that these concessions filter right down to the end users.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member. You may respond.

MR. F. RAHMAN.- Thank you for that question, Honourable Member. Certainly it is a pricing issue. But customs concession like for any business should lead to lower operational cost that should give them that flexibility to reduce the price.

In terms of monitoring side of things, we do monitor concessions, not only for dairy sector but for everyone. When it comes to issues that are under price control, I am sure there are certain things that FCCC does as part of their price control items review. They do check with FRCS in terms of what is a concession, what are the subsidies et cetera. For example, in the recent bus fare review. We did

work with the stakeholders including the bus operators to ensure that we provide all the information around the concessions. The effectiveness of concession in terms of whether it yields the ultimate objective of sustaining the business, whether the business can stand on its two feet or not, I think that is where the concession plays an equal part. When it comes to the pricing side of things, equally the FCCC plays a role that we appreciate. So to summarise the response, when we do our monitoring and we uncover things that are relevant to agencies outside FRCS, we do provide information to those agencies.

DEPUTY CHAIRPERSON.- Thank you.

HON. A.M. RADRODRO.- Thank you very much for the answers. We hope that FRCS will continue to vigilantly monitor to ensure that such things really not only talks about the price factor but also in terms of social factors. Say for the dairy farmers, you know, this is the ripple down effect and talk about bus fares. There is a request now for bus fare increases so just the question of where is all these benefits of these concessions being given to and lastly, Chair, if you allow ...

DEPUTY CHAIRPERSON.- Yes.

HON. A.M. RADRODRO.- ... on the presentation that you gave regarding the economic sectors and the growth that is generated by FRCS in terms of collecting tax. We see that more tax is generated from VAT instead of PAYE. Would you be able to make a commentary to the Committee in terms of Fiji being included in the European Union (EU) Tax Haven Blacklist?

MR. V. DAS.- Thank you, Honourable Member. Yes, I think if you referred directly to the three issues on which probably EU has blacklisted Fiji, it is simply the first one being the export income deduction. The policy around export promotion that all those companies that export, they get a 50 percent deduction in their tax as a rebate. So EU considers that as a tax haven kind of operation.

The other one is the regional headquarters relocation. Again, it is not about global but just like ANZ had done regional headquarters relocation so therefore they enjoy a discounted tax rate of 17 percent and the third one being the ICT incentive. So to be very honest if you look at these three policies that we have, I think this is very, very crucial and critical for the economic development of Fiji. We certainly want to develop export industry. We certainly want ICT, that digital space to be developed and we certainly aspire Fiji to be the regional hub. Therefore, you know, regional headquarters. Everyone will agree Fiji is not in the space at the moment to have global headquarters relocated. Yes, I think there is still much more that needs to be done but in terms of regional, Pacific regional. So these are the only three things and we have been engaging with EU asking them that they need to have appreciation and understanding of this. We are all part of the dialogue engagements, still in discussion to the extent that we requested if EU can help us, come and do some gap analysis to say if we took these three things out, how it will impact. We very strongly believe that foreign exchange earnings from export, it is very, very important for us and therefore, just to say, no more of this thing will affect the export industries. ICT development again, if you look at it, the language neutral people we have, the potential that is in the call centres and other things you know that Kalabo Tax Free Zones and Quest are doing. There is lot of opportunities there so if you just take that out, we will lose that opportunity and some of the important business that we have been able to attract in terms of regional business to

Fiji as well. Also, I think that if we just take it out, there is a great loss to the Fijian economy. Not that we will not be in one day in the space that we can do without these things but I think as of now, it is not the right time and you know, there needs to be appreciation and support for us to develop to that stage. Very simply that is what is on the ground. Formally they have communicated to us as well that these are the three issues and we have been engaging in constant dialogue with them that even if they can help us sort of find substitutes like how do we still make up, give up these incentives and how do we make up the gap that is created. So ...

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members.

HON. V. PRAKASH.- Chair, I have got two simple supplementary questions here. Chair, one is regarding Fiji being a developing nation and as we have heard before that remittance plays a very important factor for our citizens and former citizens living outside Fiji. Like other nearly developed countries in the world now, the former citizens and citizen living away from that country have really played a very strong role in developing that particular nation like ours. Do you have certain incentives for former residents who wants to ... like the Government has given incentive for dual citizenship. If they would like to have businesses established here and they would like to grow the economy. Are you planning to give some incentive to those former citizens?

MR. V. DAS.- Honourable Member, I think under the dual citizenship programme, of course, if they formed corporates like limited liability companies, I think we are already in a very good space of 20 percent tax rate. So certainly they immediately get advantage of that. Other than that you know, under dual citizenship, the taxation of these individuals is again treated at resident level. They are given privileges as residents. So that in itself is an advantage over just being a non-resident in Fiji. So at this stage we consider this as sufficient support. I think although we can see a number of former Fiji citizens coming back, taking up dual citizenship and all these things, the advantages of Fiji as a country, it offers in itself, you know, the weather, the people and all these things. So all in all, under the dual citizenship programme these are all the advantages. They get taxed at local rates.

HON. V. PRAKASH.- Chair, through you. The last one to the CEO. CEO, how are your whistle-blowers and their assistance in revenue collection?

MR. V. DAS.- We must say whistle-blowers do play a critical role and I think some of very good cases. Again, I think we can all realise that the whistle-blower policy, it is not simply about making a complaint that I just believe that my neighbour has stored money under the bed or something like that. I think it is more evidence-based where people have been involved in and witnesses can come forward. We have a number of cases that we have dealt with and in the recent times, I think one of the biggest payouts we made was a \$350,000 reward for a multi-million dollar case. So that is still work in progress and we do ... I personally receive the whistle-blower complaints. My office personally handles it. So it is an influx, day in, day out. I basically get one complaint everyday.

DEPUTY CHAIRPERSON.- Thank you very much, Honourable Members. I have surely closed this session. On behalf of the Public Accounts Committee, the CEO, your team, thank you very much for availing yourself on a very short notice and we look forward for future engagements later on.

Also, I would like to thank the members of the media fraternity, OAG, Hansard and all those who are present here today. Thank you very much.

The Committee adjourned at 3.34 p.m.

STANDING COMMITTEE ON
PUBLIC ACCOUNTS

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (WEST WING)

ON

THURSDAY, 25TH APRIL, 2019

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 25TH APRIL, 2019 AT 1.10 P.M.

Interviewee/Submittee: **Fiji Corrections Service**

In Attendance:

- | | |
|---------------------------|--|
| 1) Commander Francis Kean | Commissioner |
| 2) Ms. Sala Racaca | Assistant Commissioner, Corporate Services |
| 3) Ms. Helen Koi | Senior Accounts Officer |
| 4) Mr. Livai Sakeo | Manager Information Technology |

Office of the Auditor-General

- | | |
|----------------------------|----------------|
| 1) Mr. Kuruwara Tunisalevu | Director |
| 2) Ms. Unaisi Namositava | Audit Manager |
| 3) Ms. Alanieta Nasilivata | Senior Auditor |

ACTING CHAIRPERSON.- Honourable Members, to the team from Fiji Corrections Service and the team from OAG I would like to welcome you all this afternoon to the Committee. We would like to also thank for your presence. We would also like to thank the team from Fiji Corrections Service for the very challenging and important task that you have ahead of you in interacting with citizens who need a change to their behavioural pattern and become good citizens of this nation. We know that you have been doing this through the Yellow Ribbon Programme that has been widely accepted by the communities in Fiji and we thank you for that.

I would like to introduce our Parliamentary team. We have Honourable Adi Lita Qionibaravi and Honourable Aseri Radrodro from the Opposition team, I represent the Government side. Both my colleagues are not here today, our Chairman is in North attending to another public consultation and our Acting Chairperson has fallen sick. We have our Parliamentary Secretariat team led by Mr. Savenaca and Mr. Mateo and also the reporter from Hansard.

I now the team from OAG to introduce themselves and briefly report on the Management of Prisoners Employees and Assets Management before we will give the floor to the team from Fiji Corrections Service. Thank you.

(Introduction of team from the Office of the Auditor-General)

The performance audit was conducted on the Management of the Prisoners Employees and Assets Management System (PEAMS). On Page 2 on the introduction has the overview where we look at the PEAMS, it is a web-based application developed by a local company in 2011 for use by the Fiji Corrections Service.

The PEAMS was expected to improve the data collection, storage, processing information of prisoners, employees and asset system. However, in 2016 the system was not used by the Department as intended prompting the conduct of a Board of Inquiry and in 2017,

the Commissioner of Fiji Corrections Service requested that an audit into the probity of the procurement of the PEAMS conducted. That is basically the overview.

ACTING CHAIRPERSON.- Now I would like to request the Commissioner of Fiji Corrections Service to introduce his team, make a brief comment and then take the floor. You may also have the right to give a written submission later, should you need to, we welcome that. Thank you very much, now we welcome Commander Kean.

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson for those kind words and we also thank the Honourable Members of your Committee. I thank you for the warm reception this afternoon. I also acknowledge the comments that has been raised by our counterparts from the OAG.

(Introduction of team from Fiji Corrections Service)

As mentioned by the OAG, I started at Corrections on 5th March, 2016 and at that moment in time there was an Acting Commissioner due to the investigations that were currently ongoing at that time with the Fiji Corrections Service. With any new person going into a new office particularly a high one like the Fiji Corrections Service there was a lot to go through, a lot to sift through and we took a little bit of time until I came across this particular document and also in relation to my interest as to how data collection was made, not only for our staff but also for those under our care. I came across this particular document which we dug into a bit deeper. We asked around as to the implementation of this software but as you can see through the answers that we have responded to, there was nothing in place. So, we decided to convene a Board of Inquiry.

The findings of the Board of Inquiry, I understand a copy is with you, Honourable Members, and from the findings of the investigation and in consultation with the team at the Fiji Correction Services, all of us sitting here came after 5th March, 2016. I started on 5th March 2016, the rest of my team started after 2016 and I want to thank them for coming on board and help us undertake the work at the Fiji Corrections Service. We then decided to request the Office of the Auditor-General to conduct a special audit in relation to this particular PEAMS Project. I believe the outcome of that investigation, Honourable Members, are before you. We have tried our best to answer all the questions that was posed to us. As I have said, the four of us here started after this project was actually initiated and we just wanted to get to the bottom of as to how this project was heading.

I would also like to inform the Honourable Members that as we speak, this afternoon we are scheduled to meet with the Ministry of Economy for our Annual Budget discussions. We are also putting in a request because we also went back to Datec with the guidance from ITC through the IT Manager and also from the Office of the Auditor-General. We have submitted a request for some funding to renew this software. The software needs to be upgraded. So, basically we are asking for another \$35,000 to upgrade this software so we can have this capability and capacity to help us with the data monitoring of not only our staff but also those under our care.

Maybe, Acting Chairperson and Honourable Members, I leave that for my introductory comments, if there are any other specific questions from the Honourable Members and the Acting Chairperson, the team is happy to respond to those questions. *Vinaka.*

ACTING CHAIRPERSON.- As for your meeting with the Ministry of Economy, we hope that it will be a success. We will now proceed with the questions and the answers.

COMMANDER F. KEAN.- Acting Chairperson and Honourable Members, you want us to go through all the questions here?

(Inaudible)

ACTING CHAIRPERSON.- The Auditor-General also will be able to assist if you need his assistance in clarifying some of the issues. So, we want you to continue with the questions that we have submitted from the beginning. Also we have the Hansard unit and they have to record it for parliamentary business.

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members.

Question No. 1 - Was there any feasibility study carried out on the need for the PEAMS? If so, please provide a copy of the Report to the Committee.

We could not locate any of the documents and if there was a feasibility study actually conducted into the genesis and the implementation of this particular project.

ACTING CHAIRPERSON.- Honourable Aseri Radrodro, do you have any question?

HON. A.M. RADRODRO. - Just a comment. I thank the Commissioner for the introduction that has been given and also Acting Chairperson, I think the answer to that question is very well explained by the Commissioner, as none of the team here were there at that time when the purchase was made in terms of whether proper feasibility study was undertaken and the records could not be provided.

I just ask the Auditor-General, is there any possibility whether you can assist the Fiji Corrections Service in terms of the feasibility study, whether there was any that you came across during the audit?

ACTING CHAIRPERSON.- Auditor-General's Office.

AUDIT REP.- Honourable Acting Chairman, we did raised the question to the former IT Officer. He had mentioned that a Project Management Plan was done and approved by the former Commissioner, but, we were not able to get the copy of the Project Management Plan. So in terms of feasibility study, we still could not get the records.

ACTING CHAIRPERSON.- Supplementary question from the Honourable Member.

HON. ADI L. QIONIBARAVI.- Thank you Acting Chairperson. My question is sort of related with the feasibility study that was asked by the Committee and the absence of any information on whether a feasibility study was conducted. My question is, was there a need analysis carried out by the Department for this data system to be introduced? What is the history of this system? How was the need determined? Is there anything on records as well?

ACTING CHAIRPERSON.- I request the Commissioner of Corrections to respond.

COMMANDER F. KEAN.- Honourable Adi Litia Qionibaravi, as highlighted by our representatives from the Auditor-General's Office, we could not find any documentation in relation to whether a feasibility study was conducted or not.

But, now Honourable Members, there is a need for it in Fiji Corrections Service because the data of prisoners they go in and out. It is a capability that we need in the Fiji Corrections Service to monitor the movement of prisoners, particularly our remand prisoners who are normally with us for a two-week basis before they go back to Court and go through the bail procedure again. So having something electronically captured will support the hard copies that we have. As I said earlier, we are making a request to the Ministry of Economy through our Annual Budget submission for the new financial year to try and upgrade this system and have a capability in place. *Vinaka*.

ACTING CHAIRPERSON.- With the introductory remark and the response heard from the Auditor-General's Office, I think this question is well taken care off. Can you continue?

HON. ADI L. QIONIBARAVI.- Please just bear with me, my question was on the need of the Department previously before the request for procurement was put in process. How did the Department come up with that request, there must have been some need. I understand that there is a need, but in your records, was there a write-up for a need for this, even though we all agree that there is a need, is there a write up there? In that write up there must be some sort of feasibility in that write-up, that is my question.

ACTING CHAIRPERSON.- Yes.

COMMANDER F. KEAN.- Thank you Honourable Adi Litia. As mentioned by our counterparts from the Office of the Auditor-General, there was no documentation sighted or found to show us that there was a feasibility study conducted. As I said earlier, the team before you this afternoon started in 2016. Sadly, we could not find any documentations to show us whether a need analysis or feasibility was conducted. *Vinaka*.

ACTING CHAIRPERSON.- Can you continue with other questions, please?

COMMANDER F. KEAN.- **Question No. 2:** I think this is self-explanatory – the tender process that was undertaken. As you can see in Column C, it states that it was designed to run in all Correctional Centres in Fiji for the trial period. That is basically in relation to the tender evaluation and work that was done.

HON. A.M. RADRODRO.- Acting Chairperson, just a supplementary question on this one. Was the assistance of the ITC obtained in the evaluation of the tender process? Whether they were part of the evaluation and if they were part of it, at what stage would they be coming in?

ACTING CHAIRPERSON.- I believe the IT Manager be commenting?

AUDIT REP.- Mr. Chairperson, in the report, Item 3.2.2, the Evaluation Committee composition, the sixth member is from ITC Services.

ACTING CHAIRPERSON.- You may continue with the other questions.

COMMANDER F. KEAN.- Thank you, Acting Chairperson. **Question No. 3** is in relation to the maintenance of records. I believe as mentioned in our response there was no trail of documentation in relation to this particular project. But I would like to reassure you,

Acting Chairperson and Honourable Members we have put in place mechanisms within the Fiji Corrections Service to improve and enhance our filing system and our documentation.

ACTING CHAIRPERSON.- Honourable Members, if you have any questions you can ask?

HON. ADI L. QIONIBARAVI.- Thank you Acting Chairperson. My question is on the improved process that you have instituted within the Corrections Service. Through you, Acting Chairperson, what exactly, is it through an SOP? How exactly have you put into place this improved process? I ask this question because it seems to be prevalent in other Departments and Ministries as well. So what exactly has taken place to allow you to say that there is an improved process in place?

COMMANDER F. KEAN.- Honourable Adi Litia Qionibaravi and Honourable Members like in any organisation Standing Operating Procedures are very central in the work that we undertake in Corrections and also policies which gives us guideline to the actual work that we undertake on a daily basis. But I think in relation to this particular project Honourable Member is the filing system, to ensure that documents are filed in the appropriate files and not leaving it to pile up. It is about efficiency and the effectiveness of the work that our staff undertake on a daily basis. That is left to the relevant leaders and supervisors of the divisions, the Officers-in-Charge of the respective Correctional Centres and the Heads of Department that lead, supervise and manage the respective divisions to see that some semblance of efficiency and effectiveness happens when it comes to filing and the documentation of documents, particularly our historical data.

HON. ADI L. QIONIBARAVI.- Thank you Acting Chairperson. I assume from your answer, Mr. Commissioner that there is a monitoring process as well, a checking system to ensure that the work that is necessitated to be done is actually being monitored and signed off to ensure that you do not come across the same problem in the future. *Vinaka*.

COMMANDER F. KEAN.- Yes, Honourable Member.

ACTING CHAIRPERSON.- You may continue with Question No. 4.

COMMANDER F. KEAN.- Thank you Acting Chair and Honourable Members. In relation to **Question No.4** as you can see it talks about a specific date which was in June 2011. As we speak today, we do not have this system up and running because the software is outdated and hence our request through our Annual Budget Process submission for some funding in order to upgrade the system so that we can get it working for us.

ACTING CHAIRPERSON.- Thank you very much for your response. Anyone would like to ask a question?

HON. A.M. RADRODRO.- Acting Chair, it is a concern to note that the system as it is today is not in operation. The question that I would like to ask is, what sort of redress options that FCS has in terms of the supplier of the system? Has it considered taking the supplier of the system to task in terms of what was the purchase from them? What is the agreement? There would be some sort of agreement in place especially from 2001, now it is 2019, eight years down the line still in operation. It is a concern especially the amount of money that has been involved in purchasing it and now we have just been advised that the Fiji Corrections Services has made additional requests for additional funding, which if that comes through will increase the cost of the machine. If the table if something to go by, that would not be the lowest, in

terms of the total cost of the project. Any sort of redress or action taken against the supplier by the Fiji Corrections Service?

COMMANDER F. KEAN.- Thank you, Honourable Radrodro. I thought you were going to direct that question to the OAG to give us some guidance as to what to take.

HON. A.M. RADRODRO.- Can you please elaborate on that?

COMMANDER F. KEAN.- Thank you, I understand you have perused through the document. The concern we had was that the contract was not vetted by the Solicitor-General's Office. So the legal binding aspects in regards to that agreement, I am not a lawyer, but I think there are questions that can be raised. But one thing we can take away from here Honourable Radrodro is, we can solicit the advice of the Solicitor-General as to advise us if there is any avenue we can take to task Datec or those who are working at Corrections at that time in relation to the implementation of this particular project. *Vinaka*.

ACTING CHAIRPERSON.- Thank you. OAG.

AUDIT REP.- We agree with the comments that have been shared by the Commissioner.

ACTING CHARPERSON.- We continue with Question No. 5.

HON. ADI L. QIONIBARAVI.- Acting Chairperson, another supplementary question. I understand that a contract was signed. I also understand that the Evaluation Committee comprised representatives from the Ministry of Economy as well. The Minister of Economy is also the Attorney-General. My question is, why was it, that even the Evaluation Committee did not review the contract and would have raised issues about the lack of redress mechanisms in that contract?

COMMISSIONER F. KEAN.- Thank you Honourable Adi Litia Qionibaravi. If I can just go back to the question raised by Honourable Radrodro, yes, there was a concern in Fiji Corrections Service hence the Board of Inquiry that was conducted and our request to OAG to conduct a special audit in relation to this particular project. As to why the contract was not vetted is beyond my understanding, as I mentioned, we started well after this project was implemented and it only came to light after we started to enquire as to whether there was a data system available that we can capture for our prisoners and also for staffing. *Vinaka*.

HON. ADI L. QIONIBARAVI.- Acting Chairperson, I just wish to make a statement that officials who sit in the evaluation committee have responsibilities and the two people from the Ministry of Economy should have asked for the copy of the contract and taken that issue up there and then before this project continued.

ACTING CHAIRPERSON.- Honourable Member, we also note the answers given by the Commissioner of Corrections Service and also I requested the OAG to respond. They said they have agreed with the response that was given by the Commissioner of Corrections Service and if you have got anything to say, I will allow you to respond. Otherwise we can leave it at that and you may continue with the other question.

COMMANDER F. KEAN.- I believe **Question No. 5**, Honourable Chair and Honourable Members is pretty straightforward. It was the IT Manager of Fiji Corrections Service at that time.

HON. A.M. RADRODRO.- Is the evaluation committee still in existence of this particular software or going forward, will there be another evaluation committee?

ACTING CHAIRPERSON.- Yes, please.

MR. L. SAKEO.- Honourable Acting Chair, just to clarify on the evaluation committee. As specified there on Table 3.1, Page 3, this is the evaluation committee that sits to consider the tender, the initial procurement. They decide on who gets the tender but it is not in the contract. They work until the award of the tender.

HON. A.M. RADRODRO.- The committee evaluated tenders based on administrative, technical and cost composition. What does that administrative mean?

MR. L. SAKEO.- That is for the awarding of the tender. The contract will be drawn up after the award of the tender. It is another document that is drawn up.

COMMANDER F. KEAN.- Honourable Acting Chair, if I can, having being Chairman of the Government Tender Board for some time, for all tenders, all ministries have to identify and convene a tender evaluation committee. As rightfully raised by Honourable Radrodoro the technical evaluation committee goes through those processes. When they finish their process, obviously it goes back to the head of the department who sends that across to the Fiji Procurement Office. The Fiji Procurement Office compiles this information and then submits it to the Government Tender Board. The Government Tender Board then deliberates and makes a decision as to whom the tender needs to be awarded to. Thank you.

HON. ADI L. QIONIBARAVI.- Honourable Acting Chair, from the point where you ended, Commissioner, the tender board has approved, whose responsibility is it then to ensure that the contract includes the necessary provisions to protect the interest of all the ministries, the Government? *Vinaka*.

COMMANDER F. KEAN.- Thank you, Honourable Adi Litia Qionibaravi. The responsibility lies with the respective department heads because when the letter comes from the Fiji Procurement Office, after the Government Tender Board has awarded the tender, they have to then consult the Solicitor-General's Office to formulate a contract and that the contract is also in agreement with the company that is bidding because they also have their lawyers. When they come to some form of agreement then the contract is actually signed. So that is the process that is actually undertaken and it is the responsibility of the respective departmental heads.

HON. ADI L. QIONIBARAVI.- Thank you, Honourable Acting Chairperson. Just one last question from me. If it is the responsibility of that Department, having gone through all that process with the various departments included from the valuation and the Tender Board et cetera, does the Ministry of Economy also have a say? Should the Ministry of Finance also ensure that the contract is vetted? Why is it left only to the Department, \$118,000, is there not a provision in the Procurement Regulation that it should ensure that the contract is legally vetted by the Solicitor-General?

COMMANDER F. KEAN.- Thank you Honourable Adi Litia and Honourable Members. From my understanding, all that processes, part of Fiji Procurement Office comes under the Ministry of Economy. All those due diligence is actually undertaken by the Fiji Procurement Office before they submit it to the Government Tender Board. Obviously, the members of the Government Tender Board too need to do their own due diligence. I believe, in the convening of such meetings, the Director of FPY, I do not know what the appointment is now, but his always present too in the Government Tender Board Meeting. Should there be any questions from the Government Tender Board, obviously all that advice from Ministry of Economy is with the Fiji Procurement Office. *Vinaka*.

HON. ADI L. QIONIBARAVI.- Thank you, Honourable Acting Chairperson.

ACTING CHAIRPERSON.- We will continue with the next question, thank you.

COMMANDER F. KEAN.- **Question No. 6.** Honourable Acting Chairperson and Honourable Members, some of the personnel of Fiji Corrections Service actually went through this particular training from the findings of the Board of Inquiry and also I believe from the special audit that was conducted by the OAG. *Vinaka*.

ACTING CHAIRPERSON.- Honourable Members?

HON. A.M. RADRODRO.- Acting Chairperson, just a question to the OAG. You highlighted about the Master Agreement. What are the contents of this Master Agreement? It was probably what we have discussed and alluded to earlier would have been contained in the Master Agreement. Do you have a copy of the Master Agreement?

AUDIT REP.- Yes, Honourable Acting Chairperson, we have a copy.

HON. A.M. RADRODRO.- Can you just have a brief highlight of that Master Agreement whether it contains all these things that we have discussed, especially regarding this training. So if training is there, then something else would be there.

AUDIT REP.- Honourable Acting Chairperson, contained in the Master Agreement, the general terms, penalty, extension request, supplier performance, payment, invoicing and taxation arrangement, licensing, warranty and other exceptions and exclusions. In addition to that is, is assignment, governing laws, notice, severability, waiver...

HON. A.M. RADRODRO.- Can you just advice the Committee between which two entities is the Master Agreement for?

AUDIT REP.- It is between the company and Fiji Corrections Service.

HON. A.M. RADRODRO.- You alluded to earlier regarding a penalty clause there, what is the penalty clause on?

AUDIT REP.- The penalty clause for the customer. The customer will penalise the supplier 5 percent every 10 days that of the project cost if the supplier fails to deliver the project according to the project plan without prior approval for extension by the customer or thereafter, they request for extension.

HON. A.M. RADRODRO.- Have you recommended to Fiji Corrections Service about that penalty clause whether it can be activated? Is the Fiji Corrections Service aware of that penalty clause?

ACTING CHAIRPERSON.- Office of the Auditor-General if you have not prepared for that response, you may also give that later in writing.

(Inaudible)

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members.
Question No. 7.

As the answers there are pretty straight forward, all the staff who were working on this project during this particular time and year have all left the Fiji Corrections Service.

ACTING CHAIRPERSON.- In 2012?

COMMANDER F. KEAN.- Yes, Sir.

ACTING CHAIRPERSON.- And you started in 2016?

COMMANDER F. KEAN.- Yes Sir.

ACTING CHAIRPERSON.- So the answer is very clear. Any questions, Honourable Members?

HON. A.M. RADRODRO.- Question to the Office of the Auditor-General, your recommendation, from hearing what the Commissioner had mentioned regarding the staffing status, you still recommended that the institute take appropriate action against staff. Are you aware that staff were no longer there during that time when you put in that recommendation?

(Inaudible)

AUDIT REP.- It says "where possible".

HON. A.M. RADRODRO.- ... as being mentioned by the Commissioner. How did you come up with this recommendation?

AUDIT REP.- Acting Chairperson, during the conduct of the audit and during the reporting, a lot of documentation was not provided. So the understanding is that they have to determine the root cause or identify who were the people responsible. As this time of reporting that could not be determined, whether they were still in the Force or not.

ACTING CHAIRPERSON.- The question was to continue with the investigation even if the people were still in the Force.

HON. A.M. RADRODRO.- So would your recommendation change if you knew that staff were no longer there during the time of your special audit?

AUDIT REP.- Acting Chairperson, can we come back to the Committee on that?

ACTING CHAIRPERSON.- Yes, in writing please to the Committee.

HON. A.M. RADRODRO.- Acting Chairperson, another question to the Auditor-General regarding this recommendation. Why are you not taking making a recommendation against the evaluation committee for not doing a proper work that lead to this because the starting of the process, it started with the evaluation committee as per the submission. They are the officers who should be taken to task but you sort of missed that part; the evaluation committee not doing their job properly, not giving the right technical advice that led the purchase of that software.

ACTING CHAIRPERSON.- Any response from the Office Auditor-General?

AUDIT REP.- Acting Chairperson, can we also come back to the Committee on this question?

HON. A.M. RADRODRO.- ... the evaluation committee members

COMMANDER F. KEAN.- Thank you, Acting Chairperson and Honourable Members in relation to **Question No. 8** in terms of recruitment of personnel. ,

As the answer states, yes, knowledge on the technical and in-depth support is required for the operation of this PEAMS software. Whether that recruitment was made at that time, we do not know Honourable Acting Chairperson and Honourable Members. But one thing I can reassure the Honourable Members of this Committee that we have now in place as part of our information technology team at Corrections a competent team and a team that knows its staff. *Vinaka.*

ACTING CHAIRPERSON.- Any response or any questions from any Honourable Members? You may continue with the next question.

COMMANDER F. KEAN.- **Question No. 9**, Honourable Acting Chairperson and Honourable Members. As we said earlier, the documentation of this particular project was not intact. There were a lot of gaps so we found it very hard to find out whether there was a feasibility study or needs analysis into the processing of this particular project. But, as I mentioned earlier, there is a need to have this capability in place in the Fiji Corrections Service and that is what we are pursuing at the moment.

ACTING CHAIRPERSON.- Thank you for that response.

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members. I think the team that we currently had, went beyond its means to assist the Auditor-General in trying to provide them all the necessary information in relation to this particular project and as to why it was not working at the time we had submitted this request to the Auditor-Generals Office for a special audit.

ACTING CHAIRPERSON.- Your next question.

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members.
Question No. 9 (b). Sorry I keep going back to the team who are present here today were not present at that time at Corrections. And we cannot speak on behalf of those who were working at that time at Fiji Corrections Service.

ACTING CHAIRPERSON.- And what is happening now in that area? And the improvement that you have done?

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members. Like I said, I recruited Ms. Sala, a very highly recommended Human Resource Manager who heads and leads our Corporate Services. She has worked for a very lengthy period of time within the Civil Service.

And I was very fortunate to have worked with her at the Ministry of Infrastructure and Transport for five years, she went across to USP before finally coming to join us. She is doing a wonderful job for us and that is why we are requesting through our Annual Budget process for some more additional funding to try and revive this actual software.

ACTING CHAIRPERSON.- You may continue with the next question.

HON. A.M. RADRODRO.- Acting Chairperson just a supplementary question. We note that the Strategic Development Plan that was mentioned here is only from 2011 to 2014. Does the Fiji Corrections Service have a Strategic Plan to cover this period and whether the same objective of the plan in terms of the networking of the Corrections Service is still in existence in that new plan?

COMMANDER F. KEAN.- Thank you, Honourable Radrodro, Honourable Acting Chair and Honourable Members. Yes, we have a Strategic Plan in place, we will only be too glad to furnish one to your office by tomorrow. We have tried to capture everything that hopefully we can implement in any Strategic Plan by the Fiji Corrections Service. In relation to your question of networking, we are now in the information age and it is very critical and important for us that we remain connected through all available means of communication. So all of our Correctional Centres except for the Southern Division, which is currently work in progress are connected on the net and the officers in charge, the Supervisors and all the Heads of the Department currently have access to internet services. *Vinaka*.

HON. A.M. RADRODRO.- Just a supplementary question. In that plan for IT projects, the development of the Human Resource Database, Prisoner's Database, LAN/WAN Networking, Computerisation and Video Conference Programmes.

Just a supplementary question. In that plan for IT projects, the development of the Human Resource Database, Prisoner's Database, LAN/WAN Networking, Computerisation and Video Conference Programmes, with the purchase of the PEAMS system that was supposed to address this. Now we have heard that PEAMS is not currently in operation. Is there another software that is currently being used apart from PEAMS or will the Fiji Corrections Service await for the additional funding to come through then to allow for the operation of PEAMS?

COMMANDER F. KEAN.- Honourable Radrodro, thank you for the question and Honourable Members, basically what our team is using at the moment is just Access because when we found out that this software was not working, there was no other alternative. So we

are trying to improvise and get the system working for us, so we now are just using Access to compile all our data. And as I have mentioned earlier, we really need this software to enhance and bring about efficiency in the work that our men and women undertake. *Vinaka.*

HON. ADI L. QIONIBARAVI.- Acting Chairperson, just one supplementary question. Does the Department now have a qualified IT Analyst in maintaining the system?

COMMANDER F. KEAN.- Yes, Honourable Adi Litia and Honourable Members. My IT Manager sitting to my right from Ra, he actually secured a Degree from studying in Malaysia. We are very fortunate to recruit him and have his services with the Fiji Corrections Service. I can mention confidently he is doing a wonderful work in relation to some of the items that were mentioned by Honourable Radrodro; our CCTV programmes, LAN/WAN system that needs to be implemented and all other IT works that are currently undertaken by the Fiji Corrections Service.

HON. ADI L. QIONIBARAVI.- Thank you for the assurance. *Vinaka.*

ACTING CHAIRPERSON.- Commissioner, inspite of the difficulty you face, still you have an alternative system where you are trying to keep up the record and we would like to acknowledge and thank you for that. You may continue with the next question.

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members.

Question (b)(3). Acting Chair and Honourable Members, maybe I will leave this to my Senior Accountant to provide us the relevant response. *Vinaka.*

MS. H. KOI.- Thank you Acting Chairperson. Yes, this was funded from SEG 8 which is our Upgrade of CCTV Telecommunication and the VAT portion which was 15 percent at that time was funded out of SEG 13 (which is the VAT portion).

ACTING CHAIRPERSON.- You may continue which **Question (b)(4).**

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members, in relation to this particular question, I can reassure the Honourable Members that we are taking very seriously good governance, transparency and accountability within the Fiji Corrections Service. And I am sure our counterparts from the Office of the Auditor-General can vouch for us in this regard. We have had two consecutive years of unqualified Annual Financial Reports. *Vinaka.*

ACTING CHAIRPERSON.- Honourable Members, are there any questions? You may continue.

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members. Maybe I will invite my IT Manager just to elaborate on some of the answers that we have provided. *Vinaka.*

ACTING CHAIRPERSON.- Thank you, you are most welcome IT Manager.

MR. L. SAKEO.- Thank you Acting Chairperson and Honourable Members. I would like to elaborate on the answers provided by Fiji Corrections Service. I would just like to elaborate further on the definitions.

Firstly, I would like to deliberate on what is done in an analysis of business processes. The business process analysis is the action of conducting a review and gaining an understanding of business processes. It involves reviewing components of the process

including inputs, outputs, procedures, controls, applications of data and technologies that at the end of their interaction to produce a result.

For the second dot point is, compilation of requirements specification.

This is a system in engineering and software development, it is a document that specifies the function that a system or component must perform. The documentation typically describes what is needed by the system user as well as requested properties of input and output. For example, software system. The function specification is more the technical response to a matching requirement document.

The third is the, System Design and Coding.

This is the process of defining the architecture module interphase and data for the system to satisfy the specified requirements or what is needed of a software.

ACTING CHAIRPERSON.- Honourable Members, any questions?

HON. ADI L. QIONIBARAVI.- Acting Chairperson, is this referring to the system that has been disbanded?

COMMANDER F. KEAN.- Honourable Member, yes.

HON. ADI L. QIONIBARAVI.- Would it be proper if I ask through you, Acting Chair, the views of the IT expert here on the system that has been disbanded in accordance with what you have explained to us today. You have tried to explain to us the meaning of all the (a), (b) and (c). Do you think that the system that has been disbanded had met the requirements (a), (b) and (c) that you have explained to us today? What is your view of the project that has been disbanded?

MR. L. SAKEO.- Thank you, Honourable Adi Litia. This could have been met if this software had been implemented fully. But as we all know that this is still not running, so all these facilities were not enjoyed by the Fiji Corrections Service.

HON. A.M. RADRODRO.- Supplementary question on this particular business processes. Who is supposed to keep an eye on meeting this process, is it the supplier, Fiji Corrections Service, both or the evaluation team?

COMMANDER F. KEAN.- Thank you, Honourable Radrodro. In every project, I think it is common knowledge that the Department concern must have someone to oversee the work of any contractor. Similarly for this particular project, I think the IT Manager at that time, the responsibility fell on his shoulders for him to monitor this particular project up until its implementation.

ACTING CHAIRPERSON.- Yes, any other question? You may continue with Question No. (b)(6).

COMMANDER F. KEAN.- Thank you, Acting Chair and Honourable Members. I will invite our Senior Accounts Officer to respond to Question (b)(6).

ACTING CHAIRPERSON.- Thank you. You are welcome to respond Madam.

MS. H. KOI.- Thank you, Acting Chair. The allocation of \$17,700 was also funded from the SEG 8 allocation which is our upgrade of CCTV and Telecommunication with the VAT portion also sourced from the SEG 13.

HON. A.M. RADRODRO.- We have got a correspondence here that has been supplied. Was this correspondence approved by the Fiji Procurement Office at that time?

MS. H. KOI.- Sir, this was based on the schedule of payments. This information was actually pulled out from the FMIS system because we could not obtain any documentation

HON. A.M. RADRODRO.- Whether it is approved or

MS. H. KOI.- Yes. So we managed to pull it out of the FMIS GL system.

ACTING CHAIRPERSON.- Thank you.

MS. H. KOI.- **Question 4.2 (7).** The basis of the payment, or completion of Phase 4. Currently payments are usually done through completion certificates by contractors and upon inspections done by the project team, we can assure you that we are improving, we have improved the payment processes in undertaking our contract payments. *Vinaka*, Sir.

HON. A.M. RADRODRO.- ... just the OAG to enlighten the Committee on the findings that you had regarding these payment that was made.

ACTING CHAIRPERSON.- OAG, please.

HON. A.M. RADRODRO.- 4.2: System User Acceptance Testing, Bug Fix and Implementation. Go to Page 7.

AUDIT REP.- Thank you, Honourable Member. That is explained on paragraph 4.2.3 which is, "... we could not establish what services were actually provided by the supplier for the system, user acceptance testing and the bug fixes since fortnightly progress report or minutes of meetings held, as required under the Agreement, were not provided for audit verification." So due to the lack of records, we were not able to determine whether those tests were actually being conducted and implemented.

If I may say so, the main problem with this project was the lack of documentation which was one of the hindrances to the audit. Thank you.

HON. ADI L. QIONIBARAVI.- Acting Chairman, the question on the same number as well. We have been told here that the contractor had issued the completion certificate. This is the company that was given the contract. Did someone sign-off that completion certificate? Was it verified by the department?

MS. H. KOI.- We are specifying the current process that we are doing now, that upon receipt of a completion certificate, that is when we are....

HON. ADI L. QIONIBARAVI.- It was not done then.

MS. H. KOI.- - It was not done then. No, Madam.

HON. A.M. RADRODRO.- Acting Chair, just another supplementary question to the OAG regarding your findings now. These are findings that you came up with in terms of the special audit that you conducted in 2017. The purchase was made in 2011. Every year after that you have been auditing the Fiji Corrections Service and you did not come across this issue at the time of your audit after 2011 to 2017, especially these being capital projects? Why did you not come across these audit findings at an earlier audit date?

AUDIT REP.- Honourable Chair, this has also been highlighted in previous years' reports.

HON. A.M. RADRODRO.- What year specifically?

AUDIT REP.- 2011.

HON. A.M. RADRODRO.- 2011 and no action has been taken from that time to now? This was not stated in your report that you also raised this issue earlier on.

AUDIT REP.- The issue had been raised in the 2011 Audit Report. Honourable Acting Chairperson, we can come back with the Audit Report for 2011.

ACTING CHAIRPERSON.- You may continue.

HON. A.M. RADRODRO.- It is also critical for the Committee to be made aware of the issue that has been raised and highlighted because this is a very serious audit issue that they have highlighted in terms of documentation that is missing. If it has been highlighted in 2011, it is not a new issue to be highlighted again in this particular special audit. Would you concur with that?

AUDIT REP.- Can we submit it in writing?

ACTING CHAIRPERSON.- Yes. Thank you. You may continue with your next question.

MS. H. KOI.- **Question No. 4.2 (8)** What documentation did FCS rely on? Sir, as stated earlier we could not obtain documentations of these payments for Phase 4 so we are

HON. ADI L. QIONIBARAVI.- The same issue but slightly different 4.2(7)and 4.2(8).

ACTING CHAIRPERSON.- **Question No. 4.3 (9).**

MS. H. KOI.- Thank you Honourable Acting Chairperson. The current management team was not present during this period but as a lesson learnt, Fiji Corrections Service is improving on its system and processes through close monitoring and schedule of payments with justification on the progress of work. Thank you, Sir.

COMMANDER F. KEAN.- If I may add, Honourable Acting Chairperson, referring to the last question, again we keep going back to the team at that time. They are not present here today, I think they would be the best people to respond to this particular question. Thank you.

Question No. 4.4 (10), can I hand over to Sala, please?

MS. S. RACACA.- Thank you, Honourable Acting Chairperson and Honourable Members. As being alluded to earlier, due to the documentation and all these records not properly kept then, we could not ascertain why the payment was done six months later.

(Inaudible)

MS. S. RACACA.- Yes we have improved. We have in place the systems and processes that had been said earlier in terms of payments on projects for any payments done on any phase of the projects.

ACTING CHAIRPERSON.- You may continue.

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members. I think this particular question was responded to by the OAG and they will be submitting a response in writing to your good office and Committee.

ACTING CHAIRPERSON.- Proceed to Question No. 12.

COMMANDER F. KEAN.- **Question No. 12:** Honourable Acting Chairperson and Honourable Members, as we have mentioned earlier, this contract was not vetted by the Solicitor-General's Office.

ACTING CHAIRPERSON.- Any questions, Honourable Members?

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members, as in our response highlighted we stringently follow the provisions of all contracts that are currently undertaken at the moment with the Fiji Corrections Service and if there are liquidated damages in relation to delays in the implementation and completion of projects, we seek the advice of the Solicitor-General who advises us and we go back to the relevant contractors and then obviously in most of the cases, we come to some form an agreement and then we go back to the Solicitor-General's Office where they advise us and then we actually sign off on an liquidated damages that is agreed by both parties in which the contractor is willing to forfeit.

ACTING CHAIRPERSON.- Honourable Members, any questions? You may continue with Issue 4.5 Payments, Question No. 14.

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members I wish to reassure the Members of the Committee that we have implemented systems and processes also within our Finance Unit to ensures that we comply to all financial regulations, Financial Act and also our own Fiji Corrections Service Financial Manual.

ACTING CHAIRPERSON.- Quite improved.

COMMANDER F. KEAN.- Yes, Acting Chairperson and Honourable Members, we have had two years of unqualified Annual Financial Reports.

ACTING CHAIRPERSON.- Thank you very much.

HON. A.M. RADRODRO.- ... to the Commissioner of Corrections, the terms of checks and payments that were made then, now that you have mentioned Fiji Corrections Service has unqualified accounts because it says here the reports were not given at the time of audit. So, have they now been identified and given to audit and probably after that I will ask the Auditor-General, with your audited unqualified reports. You have mentioned here that this payment was not provided during the audit (2018) as at the date of this report 28/03/2018 but you are giving unqualified reports. Can you advise the Committee whether the payment vouchers has now been identified and given to your office?

AUDIT REP.- Acting Chairperson, as the Commissioner has mentioned, he is referring to the recent audited accounts.

HON. A.M. RADRODRO.- 2016? Your audit report.

AUDIT REP.- 2016 and 2017, the figures that we are looking at here on that report is referring is for the year 2011.

HON. A.M. RADRODRO.- Your comment is stating that your conduct was done on November 2017 but as at 2018, the voucher was still not being prepared.

AUDIT REP.- The audit is conducted in 2017 for the 2011 records.

HON. A.M. RADRODRO.- Can you come back to the Committee on whether this particular voucher has been given to the Auditor-General's Office.

AUDIT REP.- Honourable Member, if I can just clarify. The audit was, especially for the procurement that was done in 2011 and payments went on to 2012, but we carried out the audit in 2017/2018. So, when we conducted the audit and we had our exit meeting in 2018, like I mentioned before, the problem is with the documentation. There was a lack of documentation which hindered the audit in actually establishing all that.

ACTING CHAIRPERSON.- Which year's account you are referring to?

AUDIT REP.- Those were for 2011 accounts and it will also be

HON. A.M. RADRODRO.- It should be there, records still not being provided

AUDIT REP.- That was 2011 and 2012, Honourable Member.

ACTING CHAIRPERSON.- You were auditing 2011 records?

AUDIT REP.- 2011 and 2012 records.

ACTING CHAIRPERSON.- Commissioner would you like to respond, please?

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members, if I may just assist in the response. We have had two unqualified years of annual financial reports

How we discovered this did not come up from an Annual Financial Report, it was through my taking over the office and sifting and looking through documents and then trying to find out if there was a software in place for data, because data comes to my office every Friday on the number of prisoners under our care. Then it came to light that there was a system that was attempted to be implemented but was not working, hence we requested the Auditor-General's Office for a special audit on this particular project. Thank you.

HON. ADI L. QIONIBARAVI.- Honourable Acting Chairperson, I thank the response given by the team from the Auditor-General as well as the Commissioner of Prisons. We understand that the certified accounts or the unqualified audit opinion was specifically for the two years.

My question to the officials from the Auditor-General's Office in their opinion whether they should have noted the serious defaults from 2011, and make the opinions subject to, for the year in audit, it was certified that it was unqualified, you did not find anything to be able to give a qualified opinion. It was unqualified or certified opinion, but, did you make it subject to some anomalies from the previous years that were recorded earlier, just a question?

ACTING CHAIRPERSON.- Auditor-General.

AUDIT REP.- Honourable Acting Chairperson, I need to clarify that the unqualified report is for the recent years that has been audited. That report is for those current years, whereas what we are looking at here is for 2011 and we have already raised that in our Audit Report; the issue about the procurement of the system in the 2011 Report.

HON. ADI L. QIONIBARAVI.- Acting Chairperson, we agree on two facts that the Department of Audit or the Auditor-General's Office issued certified opinion for the two years, we agree on that.

My question is, whether you should have made that opinion subject to the anomalies that were found earlier in 2011 which had not been addressed? Subject to those things, you still certified the audit of accounts for the two years that you audited? That is just what I am saying.

AUDIT REP.- That Honourable Acting Chairperson, cannot be done because the scope is for the current period and the assertions are for the current periods. So the audit opinion is on the assertions for the current period.

HON. ADI L. QIONIBARAVI.- Right, quite understood, but, the point I raised is just to remind Corrections and those that had participated in the award of the tender, evaluation et cetera, that that matter remains a concern. Thank you.

AUDIT REP.- I think, Honourable Acting Chairperson, the Auditor-General has discussed with the Committee on the follow-up audits that we are doing now and we will be reporting on, that we will be following up on all the issues that are raised. Like I said, it has already been raised in 2011 and again a special audit was carried out on this.

HON. A.M. RADRODRO.- Not in last year's audit issue, not in previous years audit issue after 2011. It was only raised once.

AUDIT REP The current process now that we raise it and then we follow up on the report that was tabled.

ACTING CHAIRPERSON.- Next question.

MS. H. KOI.- Thank you Honourable Acting Chairperson. **Question No. 16**, FCSO were unfortunate in locating these payment vouchers, but, were able to obtain payment information from the GL system. Most of these documents may have been destroyed but we can assure you that we are currently maintaining documents and our filing system has improved. Thank you, Sir.

ACTING CHAIRPERSON.- Thank you. You may continue with your next question.

MS. H. HOI.- **Question No. 17**: The next question is also on recording keeping. Yes, FCS can assure the Committee that we have done a lot of improvements and we are maintaining our record keeping of all our source documents. Thank you, Sir.

(Inaudible)

ACTING CHAIRPERSON.- Thank you, you may continue with your next question.

COMMANDER F. KEAN.- **Question No. 18**: Acting Chairperson and Honourable Members, I believe this question has been answered previously. There is no staff who were working at that time during this project that is still working with the Fiji Corrections Service.

ACTING CHAIRPERSON.- Question No. 5.1 (1)

MS. S. RACACA.- Thank you Acting Chairperson. On **Question No. 5.1 (1)**: No, as the current status of the hardware, we cannot give a sample record of the three systems. However, we have got the manual that I had just given the Secretariat before we walked in of which they have a copy because we cannot download anything from the system as of now.

ACTING CHAIRPERSON.- You may continue with Question No. 5.1(2).

HON. A.M. RADRODRO.- In terms of centralising information from all other divisions, that is currently being done on Access?

MS. S. RACACA.- Yes, Sir.

HON. A.M. RADRODRO.- And manually inputted?

MS. S. RACACA.- They do manually.

HON. A.M. RADRODRO.- From the respective stations or they have to submit the information to the central location?

MS. S. RACACA.- Our current practice they do keep their own records and then as and when we want the information, it is centralised at our operation centre.

COMMANDER F. KEAN.- Before I can elaborate Acting Chairperson and Honourable Members, every Friday a report comes to national headquarters (our national operations) to ensure that our data is correct particularly for those under our care. At headquarters with our

Rehabilitation Unit and also with the respective 15 Correctional Centres and the four divisions.
Vinaka.

(Inaudible)

COMMANDER F. KEAN.- Yes, Acting Chairperson.

ACTING CHAIRPERSON.- Thank you. Honourable Aseri Radrodro.

HON. A.M. RADRODRO.- Acting Chairperson, just a supplementary question in terms of information backup. Do you have a system backup in the respective station, respective division or only in the Central Division whether it is properly secured in case of disasters (act of God)?

COMMANDER F. KEAN.- Thank you Acting Chairperson and Honourable Members. Our current backup at the moment is just hard copy. We would love to store data elsewhere but we also have a server in place at our national headquarters that also helps us in storing some of these data.

ACTING CHAIRPERSON.- Thank you.

HON. A.M. RADRODRO.- Acting Chairperson, just a supplementary question. In terms of when PEAMS will now be utilised, probably after the budget submissions is approved, will you be considering having a proper backup in terms of information that is stored in that particular software or will you go into additional request for extra budgeted items in terms of the operations and the backup of the PEAMS software?

ACTING CHAIRPERSON.- IT Manager?

MR. L. SAKEO.- Thank you Acting Chairperson and Honourable Radrodro. At the moment, we have a server at the Fiji Corrections Service Headquarters at Gordon Street and that server stores all the information that we put onto our network. We have also gone to the govnet and our information is also stored at the Data Centre up at Berkley Crescent. So, if our information is lost or somehow destroyed from headquarters, we can go and recover it from the Data Centre at Berkley Crescent which is under the ITC services.

ACTING CHAIRPERSON.- Do you have all the information stored?

MR. L. SAKEO.- Yes, Sir.

HON. ADIL QIONIBARAVI.- The second sentence to the answer to **Question 5.1(2)** reads, “the hardware will require servicing and maintenance in order to run a sample record.” This is the hardware referred to the one that was acquired in 2011? How much more will it cost the Department for servicing and maintenance? Is it part of the \$35,000 that was mentioned earlier, the additional provision to make it work?

COMMANDER F. KEAN.- Honourable Acting Chairman and Honourable Members. Thank you for the question, Honourable Adi Litia Qionibaravi. Yes, from the discussions we had with Datec who currently own this software, we are requesting through the Ministry of Economy for an additional \$35,000 to upgrade this particular software.

HON. A.M. RADRODRO.- And will allow all the three modules in operation?

COMMANDER F. KEAN.- Thank you, Honourable Radrodro. We have consulted ITC, they are ones looking after all these IT things for the Government and they have also looked into this software, the one that is with us at headquarters and they are the ones that came up with this figure of \$35,000 required to get this software up and running again.

ACTING CHAIRPERSON.- Is that the standard that you require?

COMMANDER F. KEAN.- Yes, Sir.

ACTING CHAIRPERSON.- Thank you. You may proceed with your next question please.

MS. S. RACACA.- Thank you, Acting Chair. **Question 5.1(3):** As we all know that the system, I have three systems:-

- i) Prisoner's Information Systems;
- ii) Employee Information; and
- iii) Assets and Store Management System.

So, yes, all the information required is in the manual. If one needs to see, they can check the manual.

ACTING CHAIRPERSON.- Honourable Members, if you want to go through the FCS manual it is here with me.

HON. ADI L. QIONIBARAVI.- Acting Chair, I am linking my question to the answer that was given on Question 2, mention of Datec. Was that first tender awarded to Datec and they are still advising the Department at the moment on the servicing and hardware costing?

COMMANDER F. KEAN.- Sorry, Acting Chair and Honourable Members, thank you for the question Honourable Adi Litia. To answer your question, I will get my IT Manager to respond. When the special audit was made on the guidance that we had from the OAG and also for ITC on whether we could revive the system, we tried to use the current software but they said it was outdated. We had already started our talking because when we looked at the agreement and told them on whether they could help us activate the system. So, that is where the final advise came to us, through ITC and Datec to upgrade the system hence our requesting this additional \$35,000 from Government for the new financial year.

HON. ADI L. QIONIBARAVI.- Acting Chair, my question was whether the original tender was given to Datec and whether they are still advising. Now another part to that question to my question is, are you going to give this to Datec again?

COMMANDER F. KEAN.- Thank you for the question, Honourable Member. We will have to seek advice from ITC who will guide us as to where they got this \$35,000 from in order to upgrade the system. We will have to solicit the advice on whether we continue to use Datec or find a new service provider to help us upgrade this system.

(Inaudible)

MS. S. RACACA.- Thank you, Honourable Acting Chair. On Question 5.1(4). This is the status report of the data inputted into this asset management system that we are talking

about which generates the detail of those assets, for example, the vehicle. This is part of the input that we put into the system of the asset management system.

HON. A.M. RADRODRO.- Supplementary question. I think the question is directed towards specifically two vehicles which were recorded in the system but they were considered to be non-operational vehicles. That is the question there. What happens to those two vehicles that were recorded as non-operational vehicles? Have they been boarded or are they in operation? What is the current status in terms of the records that and the actual status of the vehicle?

ACTING CHAIRPERSON.- I request the Commissioner to respond to this question.

COMMANDER F. KEAN.- Thank you Honourable Acting Chair and Honourable Aseri Radrodoro. I believe this data was captured from 2011, I guess the system as a whole tried to capture everything, not only personnel but also information on vehicles. I am not in a position to give you an answer apart from what we have provided in the report this afternoon as to how these vehicles were inputted into the system as data.

HON. A.M. RADRODRO.- ... this vehicle.

COMMANDER F. KEAN.- 2011 vehicles, I believe, Honourable Aseri Radrodoro.

HON. A.M. RADRODRO.- OAG maybe you can enlighten us because you highlighted this issue too in the 2011 audit. Would you be able to? These vehicles, are they FCS vehicles and where are they now. It is a latest number, GM.

AUDIT REP.- Thank you, Honourable Member. These vehicles were picked up from the verification of the system. We were given access to the system that had been in place. However, I think inputting of data into the system just went up to 2013. I mean those were some of the things that we noted like those vehicles that were not operational.

HON. A.M. RADRODRO.- Fiji Corrections Service vehicle or other Ministry's vehicle.

AUDIT REP.- It is recorded in the system so ...

HON. A.M. RADRODRO.- ... or not backdated.

AUDIT REP.- ... because they were input by Fiji Corrections Service personnel at the time, so they could have been vehicle that were existent as at 2012, I mean that belonged to Fiji Corrections Service.

HON. A.M. RADRODRO.- Maybe you can do a further check on this and confirm to the Committee whether it is a real Fiji Corrections Service vehicle and not a virtual vehicle. Can that be given to the Committee, Chair?

AUDIT REP.- Yes, Honourable Member. We will do that.

HON. A.M. RADRODRO.- One model description as test. What kind of vehicle is that?

AUDIT REP.- Honourable Member, that was picked up from the system that

HON. A.M. RADRODRO.- ... to the Committee. It is a GM 777 but the description of model is test. It is a horse or

AUDIT REP.- The observation was on the multiple entries that were being done for the same vehicle and I think beside this vehicle number the description of this was decided.

HON. A.M. RADRODRO.- Can you come back to us on the issue that we have raised on whether they real vehicles or virtual vehicles?

ACTING CHAIRPERSON.- Please come back to the Committee with a written response so that we know. Thank you very much. Continue with the next question.

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members. As we have mentioned earlier, we made a submission to Government for additional funding to try and reactivate this particular software system, *vinaka*.

Just a response to **Question No.7**, Honourable Acting Chairperson and Honourable Members we have not enjoyed the system for the last three years since we have been in office. Hence, our earnest desire in seeking funding through Government to try and reactivate this system so that it can work for us and bring about some semblance of efficiency in our work.

HON. A.M. RADRODRO.- Honourable Acting Chairperson, just question to the Commissioner. Would it be proper to say that there is an existing penalty clause in place in the Master Agreement, whether the Master Agreement is still in existent till to-date now that you have considered additional budget funding? Why have the Commissioner of Corrections Service sought legal advice in terms of the Master Agreement that is in place and the penalty clause that is there in terms of the duty of the supplier to ensure that the system that was purchased at the time was actually in operation and in use? Now the additional funding is requested as being alluded to, is to ensure that the system is actually operated upon. But there is an existing clause in place in the Master Agreement where it states penalty descriptions. Has the Commissioner of Corrections Service also exercised that part of the Master Agreement to claim for the current status of the system not being in operation from the time of the last payment that was made till to date? If it is not, can that be advised to the Committee whether that option can also be pursued by Fiji Corrections Service? Thank you Honourable Acting Chairperson.

ACTING CHAIRPERSON.- Thank you, Honourable Member. Commissioner please, you may respond.

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and thank you for the question Honourable Aseri Radrodoro. Yes, we will definitely take on board that advice and we will seek guidance from the Solicitor-General's Office on what would be the best avenue for us to pursue this particularly failed project and what other avenues are available for us as you mentioned in relation to some sort of punitive action. *Vinaka*.

ACTING CHAIRPERSON.- Honourable Members, and submitters we have got **Question No. 5.2(8)** and the last question of this afternoon.

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members. For all ITC services for FCS and I believe for Government, we actually have to go through ITC. That is currently the process that our IT team at Fiji Corrections Service actually follows.

ACTING CHAIRPERSON.- Questions from the Honourable Members?

HON. A.M. RADRODRO.- Thank you Honourable Acting Chairperson. Just a question to the OAG. You had a recommendation there, specifically regarding the work that should be undertaken by FCS to consult ITC. Given the answers that has been provided by Fiji Corrections Service, can you advise the Committee whether you still stand by the recommendation that you have in there on page 14 of your report?

AUDIT REP.- Acting Chairperson, the Commission has taken that recommendation and currently we are liaising with ITC so they are actually conforming to the recommendation that is being provided here; to consult with ITC.

HON. A.M. RADRODRO.- So, do you still stand by that recommendation now?

AUDIT REP.- - Yes

HON. A.M. RADRODRO.- Or you need time to come back to the Committee?

AUDIT REP.- That is also the process with ITC in Government now.

HON. A.M. RADRODRO.- Are you still standing by your recommendation now that the Fiji Corrections Service has come with their answers regarding that particular question?

AUDIT REP.- Yes we stand by that recommendation that ITC should be consulted.

ACTING CHAIRPERSON.- Ladies and gentleman thank you very much for...

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

ACTING CHAIRPERSON.- Question No. 15

HON. A.M. RADRODRO.- Just for Hansard purposes

ACTING CHAIRPERSON.- **Question No. 15** on page 5.

COMMANDER F. KEAN.- Acting Chairperson and Honourable Members as we have said earlier, we were not present at the time during this project and all our avenues to try and find these particular documents were in vain apart from the ones we could capture from the FMIS system. Thank you.

(Vote of thanks – Acting Chairperson)

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

COMMANDER F. KEAN.- Thank you Honourable Acting Chairperson and Honourable Members. Thank you for those kind words and thank you for having us here this afternoon. We hope that the responses that we have made this afternoon is suitable and acceptable to you Honourable Members.

The visit to Correction Centres, you are most welcome at any time. We thank our Members of Parliament who have shown interest to come and see the work that the officers (both men and women) undertake in the Fiji Corrections Service. As you rightfully said, “it is a mammoth task” in trying to get someone back on track with their lives and we welcome you with open arms. My only concern, Honourable Acting Chairperson and Honourable Members, is that Naboro is quite a very big place, if you come down, you might only be able to spend your afternoon down at Naboro, because there are a lot of things to show you down there.

ACTING CHAIRPERSON.- Thank you very much. Honourable Members you may comment as well.

HON. ADI L. QIONIBARAVI.- Acting Chairperson, we endorse have you have said, we thank both the officers from the Fiji Corrections Service as well as the representatives from the Auditor-General for coming here this afternoon and for having the patience to answer our questions. Thank you very much, *vinaka*.

ACTING CHAIRPERSON.- Thank you very much, *vinaka vakalevu*.

The Committee adjourned at 2.54 p.m.