



APPENDICES – REVIEW REPORT ON THE AUDIT REPORT ON COMPLIANCE AUDITS RELATING TO COVID-19 RESPONSES ON:

- IMPLEMENTATION OF COVID-19 PREPAREDNESS AND RESPONSE PLAN
- PROCUREMENT OF BIO-MEDICAL EQUIPMENT AND QUARRANTINE ACCOMODATION AND STOCK MANAGEMENT FOR COVID-19
 - MANAGEMENT OF COVID-19 AID
- MICRO, SMALL & MEDIUM ENTERPRISES CREDIT GUARRANTEE SCHEME
- MANAGEMENT OF AGRICULTURAL ASSISTANCE-FARM RESPONSE PACKAGE, HOME GARDENING SEED PACKAGES AND IMPROVEMENT OF FARM GENETIC

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Responses from the Ministry of Health and Medical Services



MINISTRY OF HEALTH AND MEDICAL SERVICES

File Ref: 6/11-7/06

Date: 24th December 2021

The Chairman,
Public Accounts Committee,
Standing Committee on Public Accounts,
Parliament of Fiji,
P.O.Box 2353, Government Buildings,
SUVA

Dear Sir

Re: Clarification of Audit Issues - Ministry of Health & Medical Services

Reference is made to your correspondence dated April 2021 and an official follow up email dated 10th December 2021.

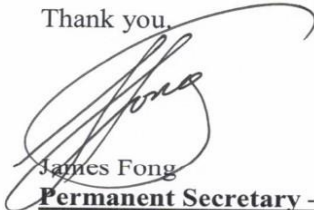
The Ministry of Health and Medical Services acknowledge receipt of the correspondence from the Committee to provide clarifications on the Ministry's audit issues highlighted in the three Audit Reports stated below:

1. *Remaining 2018 Audit Reports on General Administration Sector, Social Services and Economic Services Sector (PP No. 187 of 2020)*
2. *2018 Audit Report on Social Service Sector , Compliance Audits Relating to COVID-19 Response PP No. 270 of 2020) &*
3. *Audit Report on Follow-Up of High Risk Ministries/Departments (PP No. 271 of 2020*

The Ministry's written response with regards to the questions raised by the Committee is submitted herewith.

For further clarification and assistance, please do not hesitate to liaise with the Principal Accounts Officer on telephone number 3215718, or the Head of Finance on 3215711.

Thank you.



James Fong
Permanent Secretary – Health & Medical Services

Encl.

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**RESPONSES FROM MINISTRY OF HEALTH & MEDICAL SERVICES
FOR THE PUBLIC ACCOUNTS COMMITTEE QUESTIONS**

**Remaining 2018 Audit Reports on General Administration Sector, Social Services and
Economic Services Sector (PP No. 187 of 2020) and Compliance Audits Relating to COVID-
19 Response (PP No. 270 of 2020)**

Timeliness of draft financial statements, management comments and signing of audited accounts

1. What actions have been taken by the Ministry to ensure the timely finalization of the financial statements?

The Ministry has established a forum for all the twelve (12) Accountants (from the 12 different cost centres) to meet and discuss Accounting issues relating to their cost centres accounts and the preparation and finalization of the Ministry's financial statements. Before the financial year ends, a series of discussions and verifications are made which also include the verification of the Ministry's drawings reconciliations. The late submission and finalization of our drawings reconciliation has been one of the contributing factor for the delay in finalization of the AFS. Recently the Ministry has been submitting the draft AFS on a timely manner as per dates set out in the Close of Accounts Circular. The ministry does regular follow up with the respective responsible officers in order to submit the comment on the audit queries and ensure that these reach the auditors on a timely manner.

Records Not Provided

2. What action has been taken against officers who are responsible for providing documents to the audit team?

The officers responsible have been counselled accordingly, and have been requested to properly maintain the records of all request (of documents) and dispatch made to the auditors.

3. Does the Ministry have adequate space for safekeeping of its documents?

The Ministry have adequate space for safe keeping of documents, however, the maintaining of the very old records was a challenge as these records occupy a lot of space. The Ministry has now destroyed the old records from 2000 – 2012 as per the approval given from National Archives. The Ministry has again submitted the request to Ministry of Economy to destroy record from 2013-2014. Once this is approved from MOE, then approval needs to be also sought from OAG, FICAC, & PAC before National Archives can give the final approval.

Significant Payment of Overtime

4. The Ministry need to investigate the overtime payment made to the radiographer to determine the accuracy of the payment. Has the Ministry taken such steps?

The approval for the overtime was in order and the payment made was also according to the hours worked and the approval given. However, the issue was the staff shortage which forced

that particular officer to work that extra hours due to the demand at the hospital since it has operated twenty four (24) hours.

5. What mechanism has been put in place by the Ministry to ensure overtime payment is not abused?

The mechanism put in place is that all overtime requests needs to be approved by the respective Heads of Department prior to engaging in overtime work. Currently there is no overtime payment done as per the MCS Circular 10/2020 whereby the payment of overtime is suspended for all civil servants including salaried officers and Government wage earners.

Anomalies noted in Free Medicine Program

6. Have the Ministry implemented the four recommendations of OAG?
The Standard Operating Procedures has been designed to suit the revised model of Free Medicine Program (FMP) that is expected to be rolled out in phases commencing year end 2021. Funds have been utilized in the purchase of medications and in supporting FMP operations. Agreements have also been drafted and will be signed by the parties concerned prior to roll out of revised model of FMP. Stock-take is been conducted at the private pharmacies annually.

Anomalies in Main Trust Fund Accounts

7. Why are monthly reconciliations not prepared for the trust accounts?
The reconciliations have since been updated and are now cleared by management before submission to Ministry's headquarters accounts to verify before it is endorsed by PS and sent to MOE.
8. What actions have the Ministry taken on officers who do not perform their duties?
Officers that do not perform their duties are verbally counselled and also placed on Performance Improvement Program (PIP).

Significant Savings in Capital Purchases and Capital Construction

9. What actions have been taken by the Ministry to ensure that the approved budget for the financial year is utilized as approved?
The Ministry usually requests for budget on best case scenarios on execution of projects. However, this majority of the times is not possible due to various factors which lead to project delays – including inclement weather, supply of materials, labour, rework/defects noted, delays in approval processes, shipping delays, among others. The Ministry has now plans to complete part of the planning/procurement processing before the budget cycle begins (Capital Purchases). Capital Construction budgets are usually determined through the project consultants and project administrators – Construction Implementation Unit.

Use of Global Fund for Purpose Other Than Intended

10. Were any actions taken of the people responsible for the misuse of Global Fund?

There were not actions taken for the officers from global fund, as the fund was properly used and accounted for. Even though the payments were indirectly related to the program as raised during the audit, it is part of the expenditures for the program. The Global fund unit has also ceased their operations with the Ministry.

Fiji Pharmaceutical and Biomedical Services (FPBS)

11. Have the Ministry implemented the recommendations of OAG? Provide reasons if these have not been implemented?

The New Warehouse Information System (mSupply) currently now installed at Fiji Pharmaceutical & Biomedical Warehouse Services. These Information will monitor and appropriately address the value of stock balances after stock take, register all donations including cost configured in the system. The monitoring of stock level is an ongoing monthly activity.

The New Warehouse funded by World Bank under development with approved architectural drawings ready for Tender submission to initiate the construction phase.

Bulk Purchase Scheme (BPS) Trading and Manufacturing Account (TMA)

12. Have the Ministry been able to rectify the issues raised?

FPBS has reviewed the system and all duplication of codes, obsolete items and items with zero unit cost have been verified with the new M-Supply system. The cost of items sold are determined though the m-supply now and VAT is charged accordingly and posted on the sale price (VIP).

Operating Trust Fund Accounts Balances cleared to OPR in Previous Year Revenue Allocation

13. Have the Ministry carried out due diligence checks with entities to whom the amounts were owed before journalizing these entries to revenue?

Yes, due diligence checks are conducted before revenues are journalized.

Revenue Reports

14. Can the Ministry provide evidence that it is checking all revenue reports from divisional and sub-divisional hospitals?

The revenue officer based at Headquarters checks and provides updates on the revenue for the respective divisions and sub divisions. Also, now the Ministry has moved to SmartLink for posting of all revenues. This also helps in verifying sequences of receipt numbers. Regular visits are also made by the senior officers to the respective divisional and sub divisional offices to do checks on the records maintained and the SOP's.

Finalization of Financial Statements

15. What actions have been taken by the Ministry to ensure there is no delay in the finalization of the accounts?

The Ministry has been submitting the AFS on a timely manner as per dates set in the Close of Accounts Circular.

Arrears of Revenue

16. Apart from sending reminders, what other effective actions can be taken by the Ministry to recover the arrears which is almost half a million in 2018?

The latest Arrears of Revenue for 1st quarter 2021 indicated that some recoveries were made after sending the reminders and consistently following up with the respective debtors. The latest report shows that a total of \$29,534.50 is remaining for the arrears carried forward from the last 2-5 yrs and \$ 74,604.28 is the arrears carried forward from over 5 years. However, the Ministry is continuing sending the reminders and regularly following up with the companies to pay, and should there is a possibility to write off those that cannot be recovered, the Ministry will explore that option.

Non-clearance of balances in Revolving Fund Account (RFA)

17. Can the Ministry provide an update with evidence on the outstanding accounts receivable? Most of the balance in the revolving fund account was from previous years.

Variance between FMIS and Person to Post Listing

18. What actions have the Ministry taken to reconcile the records in FMIS and the Person to Post? Can the Ministry provide with evidence the results of the reconciliations conducted after the 2018 audit?

There is continuous collaboration between the HR and Payroll unit of the Ministry and payroll reports are matched with the Human Resource Information system (HRIS) report. However, there is still room for improvements which the Ministry is currently working towards to ensure that the variance between Persons to Post (HRIS reports), Payroll and FMIS is reduced and further eliminated in future. There is also a new reconciliation template currently established by MOE Salaries Unit which the Ministry is following. This will assist in identifying the difference between Payroll & FMIS as this is the whole of Government Issue which really needs to be addressed.

Expenditure Charged to Wrong Allocation

19. Can the Ministry provide evidence that reconciliation of the expenditures is carried out?

Weekly reports are prepared by SAO Ledgers and sent to the respective Cost Centre heads. Postings into non budgeted items, over expenditure details are identified and corrected by the respective cost centre accounting heads

20. With the layers of supervisory checks in the Ministry, have the Ministry taken action on officers responsible for the misallocations?

The officers are provided training and also access to other cost Centre allocations had been blocked.

Variance in Pharmaceutical Stock

21. Can the Ministry provide evidence that periodic reconciliation of stock is carried out?

The installation of the New Information System (mSupply) address process issues and strengthened monitoring aspect.

Fixed Assets Register not updated

22. Can the Ministry provide with evidence that fixed assets are now recorded in the Fixed

Fixed Asset Registers are kept at various cost centers who update these when purchases are done. Copies of these can are maintained at the respective facilities.

23. Assets register and is up to date?

Unfortunately the team from Ministry's headquarters have not been able to travel and verify the updating of these registers due to travel restrictions that were in place and availability of staff to do the same. The continuity and consistency of update is still a challenge which needs to be sorted at WoG level. The Ministry will be working with the Ministry of Economy (pilot program) to improve this issue as the same issues are faced by other Ministries.

Lack of monitoring in the Administration of Grant

24. Are all grant recipients submitting audited accounts to the Ministry?

Yes. All the grant recipients have submitted their audited accounts to the Ministry. However, the differences in financial year between the Ministry and the grant recipient have sometimes affected the prompt submission of the audited accounts for grant recipient.

25. As per the comments by the Ministry, has any grant been withheld pending the receipt of the audited financial statements?

Some of the grants have been withheld pending receipt of their audited financial statements. The Ministry had provided appropriate training (to officials of the grant recipients) on the financial regulations and requirements and all of them are aware of is required by the Ministry before and after the grant is given.

Anomalies of Sahyadri Trust Account

26. Has the Sahyadri Trust been closed and money transferred to Consolidated Fund?
The Sahyadri trust bank account have been closed and money have been transferred to the consolidated fund account. However, there were some adjustments which needs to be updated in the Sahyadri general ledger account.
27. Does the Ministry have records for the receipts and payments from this Trust Account for 2018?
The Ministry have the records for the receipts and payments from the Sahyadri trust account or any other trust account maintained at the Ministry. However some of the records for Sahyadri account were missing during the audit which was highlighted in the audit report.

Purchases made without Tender Board approval

28. Has the Ministry obtained the approval of the Tender Board for the supply of oxygen from the sole supplier as required under the Procurement Regulations?
The process for obtaining Tender Board approval for the supply of oxygen form the sole supplier is still in progress.

Board of Survey Report not completed

29. What was the reason for the incomplete board of survey? Was there any action taken against officers responsible?
The Board of Survey is to be undertaken by respective cost centers. This however is difficult as staff assigned/responsible does not have this activity/duty listed as one of their key tasks. These are general service staff, biomedical officers, accounts staff, nurses and other staff who have various other competing duties to complete. The recent COVID issues have also affected the board of survey (BOS). The cost centers have been doing the BOS, but unable to complete due the large number of inventory/assets with the Ministry.

There has been no action taken for those officers responsible for board of survey. A proper plan of action and KPI's will be set before any actions are taken against officers or cost centers.

Compliance Audits Relating to COVID-19 Response (PP No. 270 of 2020)

Implementation of COVID-19 Preparedness and Response Plan

6.1 & 6.2 Level 1 and Level 2 Action and Response Plan

1. Is the Ministry ready to continue to lead all other stakeholders if there is another pandemic outbreak?
Yes - MoHMS is the lead agency for pandemics, epidemics and disease outbreaks and therefore is committed to leading the support on this. The COVID-19 Preparedness and response plan, along with the Communicable Disease Guidelines supports this role.

2. What are top three lessons learnt that the Ministry has identified and adopted as part of its overarching strategy to handle any future pandemic?
 MoHMS conducted an intra-action review of its process and is currently working towards a inter-action review which will consist of lessons learned from all stakeholders in responding to the COVID-19 pandemic. The key lessons to date are as follows:
 - a. Effective decision making requires clarity of roles across the system
 - b. All stakeholders to understand how the IMT management approach works and, critically, *their* role.
 - c. Report highlighted a lack of awareness of, and/or understanding in, the role of IMT, or the role of key informants in the functioning of IMT.
 - d. Improve communications/flow of information for future events
 - e. Introduce more transparency in process, including approval processes, and communications - across the health sector; with key partner agencies, and to the public.

3. Does the Ministry know if the citizen of Fiji is willing to cooperate to achieve “state of readiness” to open its borders to regional/international travelling again?
 MoHMS has been working with various stakeholders to ensure that Border Opening to regional and international flights is undertaken in a safe manner. The high levels of vaccination is a proxy indicator of integration of Citizens on acceptance to manage risks for COVID-19. The implementation of the Public Health Infringement Notices regulations is also a tool to ensure compliance.

4. In case if the Level 3 is anticipated to occur once the border is open for travelling, does the Ministry have adequate resources to contain a community outbreak?
 MoHMS will require financial resources to look at surges in cases. Similar to the responses to the 2nd wave of COVID-19, subsequent outbreaks will require both internal and external support. MoHMS has mechanisms to reach out for such support.

6.3 Expenditure Framework Methodology

5. Has the framework recommended been used by the Ministry?
 MoHMS IMT develop a matrix for expenditure and 10 key objectives/indicators were listed. This has now been implemented for financial management of the COVID-19 funds

6. What benefits has the Ministry realized from using this suggested framework?
 The framework allows monitoring of expenditure according to key areas and assists in planning and forecast for expected spending.

Procurement Of Bio-Medical Equipment And Quarantine Accommodation And Stock Management Of COVID-19

The Incident Management Team of the Ministry should:

- a) **finalize the documents which are in draft; and**
- b) **prepare policies and procedures for the FEMAT warehouse and FPBS Vatuwaqa warehouse in relation to COVID-19 response**

1. The following were still being drafted during the audit, what is their status now?
 - (i) Standard Operating Procedures for Suva Civic Center Warehouse Operations
 - (ii) Terms of Reference for the Incident Management Team (IMT)
 - (iii) Policies and procedures for operations for the FEMAT warehouse and FPBS Vatuwaqa.

Many of these policies and Standard Operating Procedures are consider “living drafts” and are adapted and changed to meet the requirements of the pandemic response. The Civic Centre temporary warehouse has been closed and the FICAC warehouse in Raiwai is now being used for storage of IMT/COVID items with the Lami Warehouse used as a surplus storage warehouse. The AUSMAT and UNICEF technical officers has assisted the Warehouse staff develop protocols and processes in managing stocks. The M-Supply tool for FPBS has also been implemented/expected to be implemented at these warehouses. For the FEMAT warehouse, a new rented premises is now being used – located in Vatuwaqa and the FEMAT team has been undergoing internal stock takes and updates of its procedures.

2. During this COVID-19 pandemic, how has the ministry improved the reconciliation of passengers disembarking from repatriation flights and inbound passengers with the number of individuals accommodated at quarantine facilities?

The Border Unit at Nadi Airport and Medical Officer in-Charge is now counter signing the passengers managed at the quarantine facilities. There is continuous improvements of the online reporting system – with SORMAS and Tamanu tools to assist towards this.
3. Table 6.3: Details of Medical Equipment procured for the COVID-19 response shows a list of Medical Equipment obtained during the audit but were yet to be received. Have these items been received?

Equipment’s were received and distributed to the designated Facilities.
4. How are recording of Equipment received as Aid In-kind distinguished from those Purchased on stock records.

The records for Aid-In-Kind & purchased equipment’s are recorded separately.
5. During the audit, it was found that the inventory cards for Aid In-kind items stored at the Suva Civic Centre were not updated with movement of inventory for receipt and issue of stock but with cyclical counts amounts?
 - a) Has this method of recording of inventory changes or remained?

A new Warehouse Information System (mSupply) installed and operational at the IMT Warehouse.
 - b) If changed, please elaborate?

All entries are done systemically with stocks cards inbuilt in the software. All receipts and dispatch of items are electronically processed within the software system. Two new Warehouse set up at Lami & Raiwaqa that allows all donated items to be stored.

- c) Has the Ministry improved the process of issuing stock to ensure approved requisition forms are first authorized before issue of stock?

The Warehouse Manager now vet all orders before processed and delivered.

Audit Report on Follow-Up of High Risk Ministries/Departments (PP No. 271 of 2020)

- (i) Have your Ministry put in monitoring mechanism to monitor and assess how recommendation been implemented?

The current process at the Ministry is that when the audit report (internal or external) is received, and audit response is submitted to audit, a follow up email is then sent (by the Senior Accountant Audit, who is based at our Finance Unit) to those that are responsible to implement audit recommendations, to state the status of their implementation. Based on their responses, a follow up template is updated accordingly to indicate if the audit recommendation has been implemented, not implemented or in progress. These follow up template are submitted to audit when they conduct their audit follow up. However, audit always request for evidence of implementation which is also submitted to them.

The monitoring mechanism to monitor and assess audit recommendations will be properly and consistently done if an independent audit and monitoring & evaluation unit/team is established and this role/activity is added to them.

- (ii) What are the timelines to implement those recommendations not being implemented as yet?
There is no timeline to implement audit recommendations. However, when External auditors conducted their follow up on audit recommendations, then the responsible units/officers are requested to submit their update the Follow ups are made to those responsible to implement but the timeline stated in the audit responses is

- (iii) What is your view on Audit Committees and the plan to establish and their role to monitor the implementation of recommendations from external or internal auditors?

The establishment of the audit committee and an independent audit and monitoring & evaluation unit/team will be and added advantage to the Ministry, given the significant budget, number of personnel and different functions of the Ministry. Currently, the Ministry only have a position within the Finance department called Senior Accounts Officer Audit and it is the sole responsibility of this officer to conduct internal audits, special audit, special investigations, collating of Ministry's audit responses and responses to the Public Accounts committee and assisting the External auditors & internal auditors from Ministry of Economy. Follow ups on recommendations are also conducted by her, however there is lack of independence and authority for her to be able to strictly monitor and assess those that are responsible for implementing audit recommendations from external and internal auditors.

- (iv) Implementation status as in Table 1.1 (Page 11) outlines the percentage of implementations by entity. Recommendation below 50% of total recommendation yet to be implemented is an issue. How does the entity plan try to address these recommendations and its timeline? Who is to take responsibility to implement?The responsibility to implement audit recommendations lies with the respective officers and their unit heads/supervisors.

Responses from the Ministry of Economy



MINISTRY OF ECONOMY

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Ro Lalabalavu House, 370 Victoria Parade, Suva

2 November 2021

By Email: savenaca.koro@govnet.gov.fj

Honourable Alvick Maharaj
The Chairperson
Public Accounts Committee
Parliament of Fiji
Government Buildings
Suva

Dear Chairperson

Clarification of Issues – Compliance Audit Relating to COVID-19 Response (PP No. 270 of 2020)

1. We refer to your letter dated 6 April 2021 and on-going email discussions with your office in relation to the above-mentioned subject.
2. As requested, please find enclosed our written responses to the clarification questions for further perusal by the Public Accounts Committee.
3. We sincerely thank the Committee for their continued support and understanding in allowing our office the requested extensions in submitting the response as we endeavoured through this global pandemic.
4. Please do not hesitate to contact us should any further clarification or information be required.

Thank you.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Shiri Gounder'.

Shiri Gounder
Acting Permanent Secretary for Economy

Encl: i) Written-Response to the Public Accounts Committee

6.1 Receipt of Aid

Can the Ministry please confirm a timeline as to when there can the SOP and policy guidelines be finalised?

The Climate Change and International Cooperation Division (CCICD) has commenced a comprehensive review of core procedural documents to better administer the daily operations of the Division and manage all forms of Official Development Assistance (ODA) received. The following procedural documents are in the process of being finalised by CCICD:

1. Standard Operating Procedures for International Cooperation

The Standard Operating Procedures (SOPs) of the International Cooperation Section specifies the day-to-day operations for resource mobilisation and stakeholder engagement which includes the following processes:

- i) Recording all forms of cash grants and aid-in kind received; ii) Administering the release of ad-hoc (unbudgeted) cash grants to Ministries from development partners;
- iii) Formalising grant agreements between the Fijian Government and development partners; iv) Compilation of ODA estimates for the national budget in order to include cash and aid in kind pledges from donors for each fiscal year; and
- v) Monitoring and Reporting on utilisation of ODA.

2. Standard Operating Procedures for Disaster Aid Coordination

The Fijian Government is continuously improving disaster aid coordination between key players such as the National Disaster Management Office, Ministry of Health and Medical Services, Ministry of Foreign Affairs, and the Office of the Prime Minister. This SOP is an overarching document that will govern all forms of aid received during times of disasters, including those instigated by natural hazards, man-made events, or pandemics.

The purpose of this SOP is to establish a Disaster Aid Coordination Working Group that will guide aid coordination procedures during times of disasters. This SOP will administer aid received for humanitarian assistance and disaster relief (HADR) and health and environmental disasters. The SOP will also define the specific role of respective Ministries in the Working Group, channel of communication and reporting between relevant Government Agencies.

It is anticipated that the above documents will be finalised by **July 2022**.

6.2 Disbursement of Aid Funds

Can the Ministry provide an update if there is any monitoring mechanisms in place regarding the utilization of COVID-19 Aid? Has the Ministry prepared any monitoring reports on the utilisation of Aid?

The Ministry of Economy highlights the below procedures that were followed to monitor utilisation of COVID-19 aid:

- i. A total of FJ\$23,319,629.00 was received as cash donations from various development partners and individuals which was fully utilised to support the Fijian Government's immediate response measures for COVID-19;
- ii. In the 2019-2020 financial year, a total of FJ\$100,000,000 was budgeted for in the national budget for immediate COVID-19 response measures. Of this amount, a total of FJ\$67,533,100.00 was expended for response measures of which FJ\$23,319,629.00 was funded by the donors;
- iii. Accordingly, all Government agencies to whom budget allocations were provided for COVID19 response, had submitted acquittal reports regarding funds expended. As such, this also enabled Ministry of Economy to monitor fund utilisation and technically monitor and regularise donor funds;
- iv. Generally, aid funding has been utilised in accordance with all of the requirements as stipulated in the grant agreements, support letters and respective financial regulations/manuals;
- v. At present, monitoring of all forms of cash grants is done by instructing Ministries to furnish acquittal reports, project progressive reports and reconciliations of project budgets. This requirement has also been well documented in respective Whole of Government Circulars regarding Administration of Cash Grants.

6.3 Disbursement of Aid in Kind

Can the Ministry provide an update on the implementation of a register at whole of government level to keep track of all aid in kind received and utilised?

Will the SOPs and Policies be developed for Aid and to include the activities to be undertaken together with the relevant stakeholders such as the donors and civil society organizations?

Can the Ministry provide an update on their plans to seek technical assistance on the development of a system that support the monitoring and management of Aid in kind?

At present, aid-in kind is received directly and managed by recipient Ministries in line with relevant regulations and policies. It is the responsibility of the recipient Ministry to maintain a detailed registry of all items received and distributed.

However, the Ministry of Economy is in the process of developing a tool that will enable to capture aid-in kind at a whole of government level as a strategy to increase accountability of government Ministries and to ensure duplicity of projects and resource allocation is minimised across Government. This tool will come in the form of a tracking register linked to aid in kind received from development partners and ensure it is utilised for its intended purposes.

Furthermore, it is important to note that the SOPs for aid management will indirectly involve external stakeholders, such as development partners and civils society organisations through the respective Government Agencies. A number of Government Agencies have existing cluster committees which includes development partners and representatives of the civil society organisations, who work in conjunction to develop action plans to be implemented with the Fijian Government.

Moreover, a process has been initiated to develop an aid information management system at a whole of government level. This system will digitise a number of the current processes to enhance recording, management, and reporting of how aid is used. This is still however at a conceptual phase. Internal consultations and process mapping are currently being done to identify the scope and design of the system with guidance from Digital Fiji and UNDP. Additionally, technical support from UNDP will also assist in the monitoring aspect.

It is anticipated that the SOP for management of cash and aid-in kind will be developed by **July 2022**.

Responses from the Reserve Bank of Fiji



GOVERNOR

Our Reference: D21/1887

13 April 2021

Honourable Alvick Maharaj
 Chairperson, Public Accounts Standing Committee
 Parliament of Fiji
 Government Buildings
SUVA

Dear Honourable Chairperson

Re: Response to Issues Highlighted in the Audit Report Relating to the MSME Credit Guarantee Scheme (PP No. 270 of 2020)

We refer to your letter dated 6 April following your review of issues highlighted in the Auditor General's Report on the Compliance Audit Relating to COVID-19 Response.

We wish to thank the Public Accounts Committee for sharing with us the findings and issues highlighted and we are happy to provide our response to the specific questions as follows:

1. Can the Bank provide an update of new loans registered under the Scheme following the review of MSMECGS Guidelines in 2020?

Following the review of the MSME Credit Guarantee Scheme in 2020, the total number of new loans registered under the scheme from June 2020 to February 2021 have reached 49 with a total value of just below \$0.9 million. Overall, a total of 306 loans are currently registered under the scheme with a combined value of \$14.4 million.

2. How effective is the take up of the Scheme by the Commercial Banks?

MSMEs are important for our economy as they contribute around 15 percent to GDP. The Government's initiative to establish the MSME Credit Guarantee Scheme in 2012 has helped support access to finance by many micro and small and medium sized businesses. This is reflected in the increase in loans registered under the scheme over the years which has contributed positively to employment, tax revenue and economy. In our view, there is a high probability that these loans would not have been granted without the scheme.

The scheme is accessible through the commercial banks, licensed credit institutions (LCIs)¹ and the Fiji Development Bank (FDB). In terms of market share, commercial banks account for 68.7% of loans registered, followed by FDB at 23.5% while LCIs account for a smaller share of 7.8%.

Since the inception of the scheme, only 23 default loan claims were approved with a combined value of \$0.325 million, leaving \$8.675 million available for future applications. Over the past nine years, the scheme recorded an average of 2 to 3 claims

¹ LCIs include Credit Corporation Fiji Limited, Merchant Finance Limited, BSP Finance (Fiji) Limited and Kontiki Finance Limited.

... loss ratio of 0.77% (claims paid against total loans granted under the scheme) reflects positively on the high quality of loans and the success of the activities funded under the scheme. In fact, the loss ratio of the scheme is well below the overall non-performing loans of the industry.

3. Eligibility for Payments of Guarantee

Provide the progress on the actions taken by the Bank against the Licensed Credit Institution for failing to declare the effective interest rate resulting in the payment of the ineligible claim?

It is important to highlight that LCIs charge fixed interest rates unlike commercial banks which charge interest rate on a reducing balance. This means that their effective interest rate is higher than the interest rate that they quote. Overall, the higher interest rate that LCIs charge is a reflection of the higher risk customers they generally have.

With regards to the claim totaling \$36,066.57 that was paid out where the effective interest rate was higher than 10.0%, please note that this oversight was detected internally within RBF in our review and NOT by the OAG. This issue was clarified with the staff of OAG in the closing meeting. This particular LCI has since acknowledged that the oversight was due to an honest misinterpretation of interest rates rather than a deliberate attempt to misreport its data to the RBF and the loss claim amount has since been reimbursed in February 2021.

A total of 1,223 loans valued at \$67.5 million were de-registered from the Scheme in 2020 because the effective interest rates was above the 10% threshold. Why weren't proper measure put in place to ensure that only eligible loans are registered the scheme? What is the current practise now?

We wish to highlight three key points with regards to MSME guarantee scheme:

- i. The scheme guidelines was deliberately designed for ease of administration and to encourage the uptake for MSME loans. The RBF did not want financial institutions to submit large number of documents for initial approval to qualify under the scheme as this would discourage both the borrowers and the financial institutions. In submitting monthly returns of loans qualifying under the Scheme, the financial institutions were delegated the responsibility to verify that the loans meet the qualifying criteria.
- ii. However, when claims are made for actual disbursement of funds, the RBF requires all necessary documentation to cross check and ensure that the loans were processed as per the requirements in the guidelines. This means that the RBF will only check and approve those applications that are submitted by the financial institutions where the loans have been defaulted.
- iii. The lenders accessing the scheme are licensed financial institutions and the Fiji Development Bank. These institutions are prudentially supervised and provide banking services to the general public. Data submitted to the RBF from a supervised entity, in our view, is similar to a statutory declaration. Therefore, if the RBF is aware of deliberate misstatements or omission of information, this will be taken seriously. The RBF has not hesitated to sanction supervised entities in the past where we have concluded blatant disregard for policies or guidelines.

In 2020, the RBF revised the guidelines to ensure clarity on the use of interest rates and also issued a new reporting template for financial institutions to submit turnover data for their respective registered MSME business loans. Routine checks will be conducted more frequently with the respective financial institutions to verify information submitted and strengthen compliance.

4. Business Turnover Eligibility

Can the Bank provide an update on the recommendations of the OAG in regards to the issue of Annual Business Turnover?

As highlighted above, the RBF issued a new reporting template for financial institutions to submit turnover data for their respective registered MSME business loans from June 2020. This is to ensure the turnover of MSME businesses meets the maximum limit set by the RBF when the loan was granted.

It must be pointed out that the OAG report did not verify the turnover at the time the loan was granted but rather when the review was conducted. This issue was discussed with the staff of the OAG in the closing meeting. Hence, it is also important to point out that the turnover threshold only applies at the time when the loan was first granted and not during the whole duration of the loan. Routine checks will be conducted more frequently with the respective financial institutions to verify information submitted and appropriate action can be considered for any misrepresentation or noncompliance.

5. Effective Interest Rates

Can the Bank provide an update on the recommendations of the OAG in regards to the issue of Effective Interest Rate?

The clarification on the use of interest rates was provided to financial institutions during the consultative meetings since the roll out of the facility in 2012. Email clarification on the use of effective interest rate was also provided in 2015.

Following a review of the facility in 2020 by the RBF, only two lending institutions were found to be incorrectly applying the interest rate thresholds and appropriate corrective action was undertaken to deregister these loans. Given that LCIs have a common practice to apply fixed interest rates on their lending products, it is likely that the oversight was due to an honest misinterpretation of interest rates rather than a deliberate attempt to misreport MSME loans data. Going forward, the RBF will work closely with all institutions in promoting awareness on the MSME Credit Guarantee Scheme and strengthening compliance with the guidelines.

We submit these responses for the Committee's consideration. Please do not hesitate to contact me should you need any clarification.

Yours sincerely


Ariff Ali
Governor

Responses from the Ministry of Agriculture



File Ref: MOA 33/1

16th April 2021

The Chairperson
Public Accounts Standing Committee
Government Buildings
Suva.

Attention: Hon. Alvick Maharaj

Dear Sir,

RE: Clarification of Issues -Compliance Audit Relating to COVID-19 Response

Reference is made to your letter ref no: Parl 6/15-7/11 dated 6th April 2021. Comments to the various questions raised are as follows:

1. Absence of Standard Operating Procedures and Plans – Home Gardening and Farm Support Assistance

Can the Ministry please confirm if the policy guidelines and SOPs has been approved and is in use?

Backyard/Home gardening policy was signed by the Hon. Minister for Agriculture on 21 August 2019 to guide the implementation of the Home Gardening Initiative. The policy highlights the process for implementation which is Standard Operating Procedure (SOP) for the program that is currently in use.

The Farm Support Assistance policy has been formulated and submitted for Executive Management's endorsement which includes the SOP that is currently in use. The endorsed copy will be submitted to your office in due course.

Both policies are attached for your reference (Annex 1&2).

2. Short Delivery of Seedlings

Can the Ministry provide evidence whether the remaining seedlings were delivered by 30 November 2020?

All seedlings were delivered and received by the Ministry as of 30th of November 2020. Relevant tally cards for the two items are attached (Annex 3) as tabulated below. All seedlings have been delivered to the respective farmers.

Supplier	Qty Ordered		Qty Supplied	Surplus
Divesh Farms	80,000	papaya (pots)	80,033	33
Bula Agro	2,500	chillies (Trays)	2,500	-

3. Weak Control over the management of Planting Materials and Seedlings

Can the Ministry provide an update on the implementation of the system of tally cards?

Tally card system has been implemented for all seeds/seedlings. Tally cards are kept at all Ministry of Agriculture (MOA) stations throughout Fiji which is maintained by the station clerical officers.

Please find attached (Annex 3) the tally cards for seeds and seedlings for the Research and Extension division:

- i) Papaya Seedlings
- ii) Chilies
- iii) Cucumber
- iv) Chinese Cabbage
- v) Tomato
- vi) French Bean
- vii) Cauliflower
- viii) Water Melon
- ix) Bitter Gourd
- x) Radish
- xi) Seed packs x 6 (chilies, cabbage, cucumber, eggplant, capsicum, tomatoes)

4. Vetting and Assessment of Home Gardening and Farm Support Application

Can the Ministry provide an update if there are any mechanisms in place to ensure that the audit findings are not repeated in future?

The Ministry has a Monitoring & Evaluation (M&E) unit and a Risk & Governance unit that regularly checks the policies and procedures across the Ministry to ensure compliance. Also all audit findings are revisited and appropriate Divisional Heads are reminded to ensure no recurring issues with spot check systems in place for our current operations.

In the absence of necessary information regarding the assistance, how will the Ministry assess the impacts of the home gardening and farm support assistance?

The Ministry has a well-established M&E system in place which considers scope of all programs implemented by the Ministry. Evaluation and review of each program is not focused only on recipients but considers all areas of intervention such as location, funding, vulnerability, gender, income level and so forth.

A copy of our year one SDP and COP 2019/2020 which highlights monitoring of all of Ministry's annual program is also enclosed for your perusal. (Annex 4).

Furthermore, success of the programme is also evidenced from market signals and our internal market survey on prices and supply on vegetables where feedback from market

vendors is captured. In 2020, most market vendors had communicated that due to increase in home gardening initiative, there was an abundance of supply of produce in the markets.

delivered before 30 November 2020?

Dalo planting materials have a shelf life of 2 weeks therefore the Ministry needed to ensure that all identified recipients had finalized their land preparations before seedlings could be distributed to farmers.

All Dalo suckers have now been received and the respective tally cards are attached (Annex 3) as per below table:

Supplier	Tausala Ordered	Qty Delivered	Surplus
Peter Cheung	67,187	67,187	-
Jason Zhong	120,000	120,300	300

How does the Ministry ensure that government's interest is safeguarded in the case that there is short supply of planting materials in future?

MoA has established a database of its supply source and has good relationship with its potential capable suppliers. Ongoing dialogue with reputable suppliers and having multiple suppliers on board will ensure that the supply chain is not affected at any time. Also, the Ministry produces its own dalo planting materials which is then used for crop extension programmes. In extreme cases, the Ministry will work with Bio Security Authority of Fiji (BAF) to acquire seeds from other divisions. We believe that the risk however of planting material running out is low.

Selection of suppliers for Planting Materials – Northern Division

Can the Ministry please provide an update on the selection of suppliers of planting materials for the Northern division post Covid 19 assistance?

The Ministry has identified a pool of established vendors in all geographical divisions that have the capability to supply planting materials as these items are BAF quarantine items and cannot be moved between locations. The suppliers have been selected based on past performance, pre-qualifications, their capacity, capability and expertise.

Were competitive quotations obtained for the suppliers?

The Ministry in its database has a list of suppliers of planting materials. During COVID 19 pandemic our Agriculture Officers visited those suppliers and verified if they had in stock those required quantity. Suppliers who had the capacity were issued with quotation forms. A total of nine suppliers were identified for the Taveuni and Bua in the North region. Purchases were made from all of these nine suppliers as attached in Annex 6.

The Ministry is currently buying planting materials by EOI (Expression of Interest) through local newspaper advertisement. A sample copy of the EOI is attached for your perusal (Annex 5).

We trust that the information provided are sufficient for the purpose and should you need any further clarification please do not hesitate to contact us.

Yours sincerely,



Ritesh Dass

Permanent Secretary for Agriculture

ANNEX

Annex 1 – Backyard/Home Gardening Policy

Annex 2 – Farm Support Policy

Annex 3 – Tally Cards

Annex 4 – SDP Year 1 & COP 2019/2020 Monitoring Report

Annex 5 – Expression of Interest (EOI)

Annex 6 – Quotations for the Northern Division

Verbatim Reports

[VERBATIM REPORT]

STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDIT REPORT ON COMPLIANCE AUDITS RELATING TO COVID-19 RESPONSE (PP NO.270 OF 2020)

SUBMITTEE: Ministry of Health & Medical Services
VENUE: Big Committee Room, Parliament
DATE: Tuesday, 17th May, 2022

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (EAST/WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 17TH MAY, 2022 AT 10.15 A.M.

Interviewee/Submittee: Ministry of Health and Medical Services

In Attendance:

- 1) Dr. James Fong Permanent Secretary
- 2) Mr. Jeremaia Mataika Head of Pharmaceutical
- 3) Dr. Sam Fullman Head Of Border Health Protection
- 4) Mr. Vimal Deo Chief Health Inspector/Chief Operation Officer – COVID-19 Response for Fiji
- 5) Mr. Idrish Khan Head of Finance & Asset Management
- 6) Mr. Jese Vatukala FMAT Coordinator

Office of the Auditor-General

- 1) Ms. Finau Nagera Acting Deputy Auditor-General
- 2) Mr. Shadab Ali Acting Audit Manager
- 3) Mr. Esala Niubalavu Acting Senior Manager Audit

MR. CHAIRMAN.- Honourable Members, members of the public, media, secretariat team, dear viewers, submittees, Office of the Auditor-General, a very good morning to you all. It is a pleasure to welcome everyone, especially, the viewers who are watching this public hearing session today.

At the outset, I would like to inform everyone that pursuant to Standing Order 111, all Committee Meetings are to be open to the general public, which basically means that today's meeting is aired live through our *Walesi* platform, streamed live on Parliament's website and on our *Facebook* social media page. Any sensitive information concerning the matter before us this morning that cannot be disclosed in public, can be provided to the Committee either in private or in writing.

Please be advised that pursuant to Standing Order 111, there are only a few specific circumstances that allow for non-disclosure and this includes, national security matters, third party confidential information, personnel or human resource matters and Committee deliberation with regards to the report that is presented to the Parliament for debate purposes. All the information that is gathered in this particular meeting is covered under the parliamentary powers and privileges.

Please bear in mind that we do not condone slander of any sort, and any information brought before this Committee should be based on facts. In terms of protocol of this Committee meeting, please

minimise the usage of your mobile phones and all mobile phones should be in silent mode while the Meeting is in progress. I wish to also remind the honourable Members and our guests that all questions asked are to be addressed to the Chairperson, and also we would like to request while the meeting is in progress that there be little or no movement in the room as well.

Today we are going to hear the submission from the Ministry of Health and Medical Services led by the Permanent Secretary Dr. James Fong and before we go into the Audit Report itself, what the Audit Report is and what we are going to scrutinise today, I would like my Members to introduce themselves to the submittees so that we can familiarise ourselves to each other before we start the submission proper.

(Honourable Members of the Committee introduced themselves individually)

MR. CHAIRMAN.- Thank you everyone for that introduction. Before we get the Ministry of Health and Medical Services to continue their submission we will get the Office of the AuditorGeneral (OAG) to take us through the Audit Report in terms of what the Audit is, for the reference of viewers so that they know what we are talking about. You can introduce the Audit Report itself and why this audit was carried out? When the audit was carried and the rationale as to why OAG opted to carry out this particular audit.

AUDIT REP.- The actual volume of the compliance Audit Report, the audits were undertaken while the projects were in the process of being implemented. The ultimate objective of the audits were basically to verify or to check whether there are plans in place, whether processes and procedures are in place and most importantly, because we came in while the project was still at the implementation stage, whether there should be improvement to those plans, processes and procedures; that was basically the rationale for the audits - for the OAG to provide recommendations on how these processes, procedures and plans could be improved.

The audit was done, the plans were discussed with the Ministry of Health and Medical Services, findings were discussed with the MOH and we followed the normal process approved by the OAG for conducting audits. For the first Report on the Implementation of COVID-19 Preparedness and Response Plan, I will ask my colleague Senior Manager Audit, Mr. Esala to basically take us through the Report and the significant findings and the recommendations and after that the Audit Manager, Mr. Shadab Ali will give us a brief snapshot of the findings for the second one. Is that alright with you, Mr. Chairman or do we go one by one?

MR. CHAIRMAN.- We go on the first one and then from there onwards we will see how

AUDIT REP (Mr. E. Niubalavu).- With reference to the first Report that we will be deliberating on, the rationale has been mentioned by the Acting Deputy Auditor-General by way of introduction - we are

looking at the existing plans specifically that outlines the response to the Health Emergency Outbreaks and Disasters and we know that the MOH already has plans in place to mitigate this emergency or the outbreak in terms of the COVID. There are three different levels in their respective plans and the first one you can see in Table 1.1, Page 3 - No potential or confirmed cases of COVID-19 in Fiji, which is in colour yellow in terms of the plan. Level 2, in case of imported potential or confirmed COVID-19 cases without any local transmitted. Level 3, is to do with local transmission in case of COVID-19 cases that comes through the border – those are the different plans prepared by the Ministry of Health. In terms of these plans, we worked hand in hand with the relevant officers that are in charge of the different plans and the report that were prepared to outline the different form of report in terms of the different levels that was provided for audit.

In terms of the significant finding, we have got information in terms of the COVID-19 Preparedness Response Plan, but we were not able to get the confirmed endorsement of what was presented to Cabinet. The other one is in terms of the detailed breakdown of other budgets that were approved in order to look at the actual expenditure incurred during the audit and mostly for operational expenses especially with overtime and other costs associated with the budget.

The last issue that we had was that there was no framework in which the reports should be reported and how best it can be monitored and evaluated in the entire process of the planning. That was basically the outcome of this compliance audit on the COVID-19 Response Plan.

MR. CHAIRMAN.- This is basically on the plan itself?

AUDIT REP (Mr. E. Niubalavu).- Yes the plan, the budget and the cost associated with the plans.

MR. CHAIRMAN.- Honourable Members, what do you suggest, we get response from Ministry of Health and Medical Supplies on the significant findings?

HON. J.N. NAND.- Yes, Mr. Chairman, I agree to that.

DR. J. FONG.- Honourable Members of the Public Accounts Committee, I note the findings that were just relayed. We did prepare the Preparedness and Response Plan in the course of the initial part around January and shortly after we prepared it, we did have a number of meetings because the whole Response was said to be a whole of Government Response. From the Prime Minister down, we engaged in a number of meetings that were based around the preparedness and response plan. When we did get our first case come in, we had to brief him every morning at 10 o'clock and everything was premised around our Preparedness and Response Plan for level 1 and our preparations for level 2 and our ongoing preparation for level 3.

In terms of the expenditure and the framework that related to expenditure, I will just let Vimal our officer in IMT narrate that a little bit more clearly.

MR. V. DEO.- Thank you Mr. Chairman. The first thing I want to state is that we are pretty much still in the pandemic and this is the third year for COVID-19 that we continued to respond to.

One of the things that obviously was a lesson learnt and an opportunity to build and improve on our system was to look at a expenditure framework. We are very fortunate to be provided with the financial resources that was approved by Cabinet through a revised budget, and we were allocated an expenditure of close to \$30 million - I would probably ask our Head of Finance to give accuracy on the actual numbers. Since then, the report had indicated that we did not have a framework but since the report has come out, we have implemented a structured manner in which we are able to look at the expenditures and analyse this and there were ten key components or outputs that we have identified that we are using. Mr. Chairman, if you would like, I can actually highlight what these components are.

MR. CHAIRMAN.- Yes, please.

MR. V. DEO.-Mr. Chairman, the outputs that COVID-19 Expenditure falls under are:

1. Border quarantine management - we were looking at the containment and then later we move into the mitigation responses;
2. To look at the provision of consumables, equipment and infection control measures to mitigate the COVID-19 risks;
3. Look at digital platforms for COVID-19 response and also support vaccination efforts largely to do with the inability to meet face to face or looking at video conferencing facilities to provide clinical care flow pathways which were put on online systems;
4. Look at improvement in our health care facilities - look at COVID-19 compliance so this is largely to do with infection, prevention control measures that were implemented in our various other facilities;
5. Look at our fuel and transport needs;
6. Look at largely the operational costs for the Incident Management Team and the subsequent Emergency Operation Teams that were activated within the various subdivisions;
7. To deal with risk communications for COVID-19;

8. To support the field hospitals efforts and we have our colleagues from Fiji Emergency Medical Assistance Scheme (FEMAT) and the responses supporting that;
9. To support vaccine related activities not to procurement but to support the vaccine related activities around COVID-19; and
10. To do with Human Resource factors.

Mr. Chairman, those were the updates and the improvements that we have done since the report came out. Thank you.

MR. CHAIRMAN.- Coming back to the Auditor-General, the response provided for those particular findings – what are your comments with regards to that.

AUDIT REP (Ms. F. Nagera).- Mr. Chairman, that is basically the purpose of the audit - for processes and procedures to be in place. That is the reason why the audit was done while the implementation of the plan was being carried out. We thank the Ministry of Health for considering the recommendations from the Auditor-General on improving their processes, procedures and framework. Actually, we have yet to do a follow-up audit on these implementations. Currently we are about to start with the 2021 audit and probably PS Health could include that as part of their scope, just to verify that these recommendations have been implemented.

MR. CHAIRMAN.- PS, you had mentioned that this was basically a whole of Government approach. Looking at one of the recommendations by the Office of the Auditor-General that the Ministry should formally submit a pre-COVID-19 Preparedness and Response Plan to Cabinet for information and action which may be considered appropriate - was this done post-COVID-19 or was it something recommended to be done during COVID-19? What was the practical situation at that point in time? Was it practical to get endorsement by Cabinet every now and then, looking at the situation that was evolving on a daily basis.

DR. J. FONG.- Sir, we all understood that a lot of what happened during that time was unprecedented. There was no basic formula for us to work with whilst there was a lot of lessons that were coming out from developed countries, my problem was that it was not in context with a lot of recommendations coming, and even from WHO, it was highly generic in nature. For us, a lot of what we took out in our Preparedness and Response Plan was pulled out from generic material that was being given to us from WHO. We worked with our WHO colleagues on this plan and there were lots of discussions. They did ask us to keep it generic because of the fact that there were operational details that we could not clearly see. A lot of operational details actually changed in the course of implementation. There was initially the idea of community quarantine facilities, but the scale of the problem became so bad that we actually had to run to hotels, where we had to go to pre-existing facilities. We could not keep up with the food

supply, we could not keep up with all the support mechanisms that were required for good isolation quarantine facilities within the normal, so we had to escalate to some structures that were pre-existing.

It was thought initially that by doing what we were doing, we were going to be able to manage the expenditure better because we were able to track the expenditure of what we set up in the community, but as I said, it became difficult. So, it was within that framework of thinking that it became really difficult for us to articulate exactly what was going to be passed by Cabinet, the detail of what was going to be passed. We could only give Cabinet this generic plan, and because the Cabinet was in our office at 10 o'clock almost every morning, presenting to them the operational details of how we were implementing the plan became a bit of a difficult thing. It just sounded illogical for me and our General Manager at that time, to keep narrating things when the people whom I am supposed to narrate to, were already in front of us. I am giving them both the generic formula and the operational details relating to the generic formula. It basically was a muddy field in terms of exactly what it meant when we presented to Cabinet - what was the actual meaning of that sentence in the context of an ongoing, running, unprecedented situation.

HON. RO T.V. KEPA.- Mr. Chairman, I would like to first of all commend the Ministry of Health for the work they did during the pandemic. You see all of us here are healthy and none of us got COVID-19, mainly because we were listening to the daily broadcasts. The Cabinet was after you and we were after Cabinet to give us all the information that was needed. We appreciate the Auditor-General's workers. In noting the processes, going forward - as we read from the report that you had to present to everything to Cabinet - COVID-19 is still here, how would you do it differently so that the whole of the Government would be on board in terms of COVID-19?

DR. J. FONG.- I think one of the lessons that we have learnt here is that both in the response and in the expenditure to support the response, there has to be an escalation and de-escalation plan in every facet, in order for us to be able to manage and reduce wastage and unnecessary expenditure. The escalation and de-escalation plan has to sit within a set of triggers that can allow us to sort out in a timely manner. We were grateful for the fact that the discussion ended up with us having to design an expenditure framework, because it did mean that we got the general narrative of an escalated expenditure framework, and of course before COVID-19, we already had a pre-existing de-escalated expenditure framework. Moving forward, what we are going to have to do is to just make sure that we can find the triggers that will allow us to move up and down. We also have two functional units that we have developed and that is FEMAT and our Border Health Protection Unit. For moving forward, we are going to use FEMAT as the means through which we engage the rest of Government - we will use the response arm for FEMAT. If we have an emergency and health is a need, we will go through FEMAT to engage government and society in such a way which is proportionate to the size of the problem. We have learnt that if we have a specialised unit that continues to function during normal times and every time it will respond to small outbreaks, like if there is a leptospirosis outbreak, we will send FEMAT; when there is a hurricane or cyclone we send FEMAT.

In that way we keep schooling and educating FEMAT with processes that allow them to engage and upscale to a magnitude that is proportionate to the size of the problem. Likewise with our expenditure request, we have a framework for expenditure that we used during COVID-19 - we now can move up and down again from a normal expenditure framework to escalated expenditure framework. The only difference of course is that the framework has to be engaged across government and this is where we will have to work a bit more on the kind of framework that encompasses a whole of government response, to make it more transparent. That is a bit difficult but I think we are running a lot of lessons learnt workshops.

The World Bank has supported us in doing a lot of workshops that we are running from divisional, sub-divisional and medical area levels so that when we talk about whole of government engagement, we actually have whole of government functional units right at the community level rather than just having a national functional unit and then desegregating 25 ways and means of making it work. What we want is to pre-position the functional units in the community, make it functional by learning from small outbreaks that happen, including hurricanes, cyclones or any other disaster and allow that to school us on how to respond.

One of the good things that we also found was the fact that because we have got an NDMO culture also within the Ministry of Health and FEMAT has a very strong NDMO background in terms of finding a pathway for escalation, that has also helped in giving us some wisdom in that area.

From the border health side, ADB has supported us in doing a structured plan of escalation and de-escalation and we are actually writing that plan to be endorsed through Cabinet. A number of players are involved and includes the Ministry of Defence, Immigration and Health. Dr. Sam Fullman has been engaged with all those three entities to ensure that we have the “sibling” of a response arm at the border. Therefore, any outbreaks or any emergencies that are border-related and we want to use that, we have a generic pattern but we will nuance it according to the nature of the emergency, which means that it will have leadership that is appropriate for that type of emergency. If it is an agriculture one, we would go for agriculture – we want to be flexible enough to be working with all that. Thank you.

HON. V. LAL.- Through you, Sir, I would like to take this opportunity to thank Dr. Fong and his team for controlling this situation very well. As you all know, Fiji is one of the countries which has been fast in getting out of it compared to other countries. Listening to what Dr. Fong was saying, this was all unexpected and they had been briefing Cabinet daily and then from that side, we were seeing that there was an absence of a formal plan.

Sir, my question is towards the OAG. You have said that they were in the process of implementing the projects and midway you were coming in and auditing. How necessary was it to do it because as we all know how deadly this virus was? You know people were dying and these guys were really busy trying to fix it up and then you guys coming in to audit - how necessary was it?

AUDIT REP (Ms. F. Nagera).- Through you, Mr. Chairman, there was a plan in place as already stated by my colleague and as I have said, initially the rationale for the audit was basically to check whether things had been implemented according to the plan, up to the stage when we came in. It was like a real-time audit if I could say that - we understood the situation at that time, and we consulted the Ministry for that. We wrote to the Ministry before the audit started.

I do not have any further comments to that - just that the Auditor-General thought it was necessary for us to go in and check the implementation and if there were things that needed to be improved, we could recommend it at that time instead of coming in when everything had been completed. We fully understood the situation that the Ministry was in and we did not disrupt the whole COVID-19 response.

HON.V.LAL.- So you had been working hand in hand with the Ministry of Medical services?

DR. J. FONG.- If I may Mr. Chairman, I just have to state that she is true. The Auditor-General had a desk space made available. I think for us, we were fearful because of the unprecedented nature of the gesture and we were worried that if we were not transparent about some of the discussions on our framework especially the expenditure framework, we were going to get into trouble. There was some degree of apprehension in this engagement - we were hoping that some discussion would go on and allow us to have some agreed parameters. It was an ideal time as we had just finished the first wave, we had some lessons learnt so it was a good time for us to start.

I have to say that it did serve us quite well when we went into the Delta wave which was a bit of a shock but we were able to manage Omicron even better with the course of time. Just from the framework - we tried and tested and we got questioned on.

MR. CHAIRMAN.- On this compliance audit, when we actually conduct this kind of audit - and this has also been brought to the floor of the Parliament as well - this is a specialised audit. Does the Auditor-General have the expertise to carry out this audit because looking at the recommendations from Auditor-General, again we would say that they are very generic. We are still actually discussing whether we should actually go for the recommendation placed by the Auditor-General or we would dismiss it; that is something that needs to be discussed by PAC at a later stage.

Like for example, again coming back to the scenario, we had endemics before but we never had pandemics at this scale. Nobody in the whole world knew what COVID-19 was and when it came, it came as a disaster. Everyone was going on a trial and error basis just to gain control. These are some of the things PAC looks into before we go into preparing our report and tabling it in Parliament.

In terms of the second recommendation that the Ministry should continue with its efforts towards implementing action under level 2 of the preparedness and action plan; can you inform us what this level 2 is? Maybe first from the Auditor-general and then we will get a response from the Ministry.

AUDIT REP (Mr. E. Niubalavu).- Mr. Chairman, this is with regards to the response on the plan that is already in-place; we are just recommending based on what is already in the plan and the ongoing actions so this was the response to the recommendation.

MR. CHAIRMAN.- So you were basically trying to improve the plan for future use?

AUDIT REP (Mr. E. Niubalavu).- Not necessarily to improve but more to do with taking action on the plan that was already in place.

MR. CHAIRMAN.- PS, these plans in place - were they actually practical and applicable during this pandemic?

DR. J. FONG.- As I had mentioned, this level is essentially a clear cut and paste from WHO Generic Plans. We went up to level 2 during the first wave, after that we came back again to level 1 but before that, we were sitting somewhere between levels 1 and 2, because we had a constant threat at the border and not within the community. We hit level three during the Delta wave.

It did help us in transitioning our plan but there was this problem of mitigating the bad effects of COVID-19 infections against the bad effects of impaired livelihood. It is because of that difficult space and sticking closely to what we said we were going to do for levels 2 and 3 was always going to be a negotiated pathway. Premised around that we then further developed another committee that worked and that was what we called the COVID Risk Mitigation Taskforce that involved myself, the Permanent Secretary for Ministry of Economy and the Permanent Secretary for Ministry of Trade because we had to try and balance the health impact of COVID-19 versus the health impact of livelihood reduction and poverty.

We had to try and find some space that allowed us to make sure the public health measures, especially in the area of livelihood, became a bit of a problem for us. We did engage the levels as it was safe but our responses to the levels were not completely in accordance with the formula that we had to work with because we had to mitigate the impact of reduced livelihood and the impact of outbreak.

HON. J.N. NAND.- Mr. Chairman, thank you Dr. Fong, I must also thank you and your team for the tremendous job that you have done. Further to that can you just highlight to the Committee how you have strengthened the border control judging from day one till now?

DR. J. FONG.- Thank you. I shall refer to the team member who is looking after my Border Health Protection Unit to just summarise quickly some of the different changes that we have made.

DR. S. FULLMAN.- Mr. Chairman, I have been at the border since our first wave and given the rapidity with which we have had to move from level 1 to level 2 given the first case and the preparedness and response plans put into place. It had to be in accordance with how we were going to run the repatriation programme in order to efficiently contain any cases that were introduced through the border. This involved largely training of all stakeholders as this was very new to them and given my expertise, this was the reason why - at that time - the Permanent Secretary for Health, Ms. Bernadette Welch had asked that I be at the border to help strengthen our response mostly.

We developed protocols, did extensive trainings at all levels, prepared everyone as Dr. Fong had mentioned, at that time he was the General Manager at the Incident Management Team and also provided direction which we had to do hotel quarantine as he mentioned and alluded to rightfully. The community facilities were not ready at that time and would have been logistically difficult and also would have cost us much more as compared to the hotels. Because the hotels were already prepped and all they needed was constant guidance on infection prevention control measures and how to run a quarantine, which was re-enforced by the whole of government approach with the involvement of the Republic of the Fiji Military Forces (RFMF) to provide the quarantine enforcement needs. We also placed them at every single quarantine facility since inception, with quarantine facility members.

I know that the Office of the Auditor-General highlighted the expenditure framework and the method in which we operated at the Ministry. Now also at the border front this was quickly instituted where we were able to reconcile this with all persons who were inbound by doing a two layered approach. Firstly, to request of the airline who were repatriating persons - we could not possibly forecast who needed to be repatriated or how many people were to be repatriated on a week or two weeks basis. This was based on the charters and also the airlines guarded the sensitivity of the information of persons doing the bookings so this could not be forecasted nor predicted. The only thing we had was that as soon as they arrived, they provided manifests which we crosschecked with hotels.

Now, the reason we needed programmes was because we had some dual citizens who would enter using their foreign passports. All quarantine officers at every facility were required to crosscheck with

every single repatriated person those who had Fijian passports and were entitled to be paid by Government at the point of repatriation. This was then vetted by myself and once it was signed off based on the concessional rates that the Government had struck with the different hotels who offered different rates, but at very reasonable costs bearing in mind the cost of the pandemic and the future implications as they also needed to survive.

I also advised the Permanent Secretary at that time, of the pre-delta outbreak and the escalation and de-escalation needs based on if we needed more facilities for isolation (should they turn positive) but this was largely properly managed with having about 70 cases until we had the delta outbreak. During the delta outbreak we had a more difficult situation because with the control manner in which ran the repatriation bit, we could account for every single dollar that was spent by the Government. With the community outbreak of delta, the programme in Nadi had to also do containment measures in terms of contact tracing rapidly, because it was largely to be done without breaching the Nadi quarantine programme, so we had issues with trying to account for persons who had to be quarantined.

Other than that I was asked by the Permanent Secretary to return to the border here at the Suva Front because we also had a compromised health workforce; we needed to have a productive workforce at the border front and not compromising further patient care as well, and so we had to strike a balance between managing efficiently the managed isolation and quarantine facilities here, striking deals with different hotel managers to bring the costs down, offering the Government concessional rates, ensuring they were established in a proper manner so we escalated rapidly in delta to contain the situation.

This also led to the extensive quarantine programme in the Coral Coast because of the large hotel trade that we also had there, given the fact that the Suva and the Rewa Medical Subdivisions had the majority of cases. We also had to be mindful of the fact that our health workforce needed to be protected as well. We had to shift people between facilities as primary contacts were confirmed cases so we had to escalate very quickly and move them off to the Western Division to be housed and it was done in a very safe manner and obviously, it would have been reflected in the amount of spending that was done during the delta outbreak. When we re-evaluated the programme, I advised the Permanent Secretary that this was reaching community levels that were acceptable, vaccination rates had picked up, and we were able to de-escalate so we quickly closed facilities that did not need to be open, as we tried to do savings on that front as well.

With those lessons learnt, we were able to develop protocols and set them in place because the COVID-19 landscape was changing fairly quickly. The then Permanent Secretary had asked for a prep for border reopening so it took three months of consultation, but we asked for an extension to December because we still needed a little bit more time to prep agencies including the careFiji commitment. So we worked with all agencies including Tourism Fiji to strike that balance in order to bring our nation out of the economic difficulty that we were facing; that would also be the reason why we were spending so much just to reopen our borders.

Sir, when we were hit with the omicron outbreak, we were on call with the Permanent Secretary and at the end of every day at 10 or 10.30 p.m, my advice was to keep calm because this was fairly not as bad as delta. Although we had almost 2,000 cases across 65 hotels, which the small Border Quarantine Team was able to manage and advise constantly on a daily basis - we pulled through in seven weeks and we saw a drop in numbers.

Sir, essentially, at the border front we are still evolving. The Permanent Secretary had always wanted a stronger front at all our borders because other Pacific Island countries also relied on us for transit. The economic recovery in all the regions also depended on how well Fiji could maintain its borders at its reopening. We were also bombarded at the border with threats other than COVID-19. We just had Ebola on our list three weeks ago, so we had to advise the Permanent Secretary of our Preparedness and Response Plans at the border in preparation for Ebola if a suspect arrived at our international airport. We also have other biological threats with respect to animal, plant and health issues that posed a risk to our population. Our Border Health Unit has evolved largely but it also meant to protect the interests of our nation. We are proud of our unit because it is a very small team but it has been able to bring us to the success that we feel today. Thank you.

DR. J. FONG.- Sir, just continuing on from there. As he has mentioned with his station, a permanent unit called the Border Health Protection Unit in the camp compound. We negotiated with our colleagues at AFL, they gave us quarters; they negotiated with ADB, they fixed up the office space. We have a digital platform in the Border Health Protection Unit that allows us to gather surveillance data and ensure that he can give me the proper advise as I need but it also allows us to manage a response plan. As I said that has to be proportionate to any threat. We are trying really hard to make sure that we stick to that word 'proportionate'.

We have a Border Health Protection Unit – it has been built, it is functioning but we still have not cut the ribbon yet but we are getting there. It has a vehicle and has multi-agency unit which has military personnel, and various other personnel. Just near the Border Health Protection Unit, we have also set up our Fiji CDC container laboratory that can do its own tests. It has its own set of high-end machines and it is right next to the Fiji Airways Academy. We negotiated for a small piece of land there before we moved our container labs in and we have a permanent staff. Actually, Dr. Alisha has to stay in the Western side and she comes to Suva three days a week to look after both facilities of Fiji CDC.

Basically, what I am saying is that we have now prepositioned ourselves with a functional unit and laboratory support at the border, for us to be able to provide the level of surveillance required at the border so that we can nuance the kind of response that we have in the country. I also need to say that, if you listened to the summary that he has given, he was initially supposed to do only border work. But as the pandemic escalated the same experience on quarantine and containment, we had to bring him across to deal with all the other hotels that we had to open. Eventually at one stage, it turned out that almost 70 percent of inhabitants of our hotels in Nadi were actually just locals not travellers. So the whole thing did change after a while but it was just because of the amount of work and amount of

thought that we had put to border work which also helped us in responding when the outbreak happened.

HON. RO T.V. KEPA.- I thank Dr. Fong for his very comprehensive response. I think we are just beginning to appreciate the enormity of work that they have been doing not only for COVID-19 but Ebola, leptospirosis and all the other diseases. I think the Office of the Auditor General would appreciate today's meeting also. Just a question on the border unit - you were talking about the amount of training to be done in Nadi and also in Nausori, not only for your personnel but also others who had come into the picture - where did you get this funding from because this is big time training; what type of funding were you able to get for this and where is it reflected in your report?

DR. J. FONG.- A segment of what you have asked will not be in this report but it will come in a future response especially on the expenditure for training. We did have expenditure in training. We had some money that was given to us from development partners and also Government, to facilitate training.

MR. I. KHAN.- In response to training and capacity building of our workers, we largely spent allocations around Output 3 which was on digitisation efforts. A majority of our sites actually had video conferencing facilities, and COVID-19 has taught us the ability to have constant meetings through virtual means, so much of the trainings were based on virtual technology as well. There is a component on funding that is to do with HR as well as the Operational Budget that we had allocated so the funding was committed from this. Aside, from this we had other partners that were committing "in kind" support through resources, through materials, through technical HR Teams, through the UN agencies, regional organisations looking at WHO, UNICEF, SPC, our DFAT and MFAT partners that came on board to assist in these trainings. Thank you.

MR. CHAIRMAN.- Just going on to the last recommendation - the Ministry should record COVID-19 related expenditure using reporting framework that can enhance monitoring and evaluation including compatibility of budgeted expenditure against the actual expense for the PRP.

My question to the Ministry, before the Auditor-General responds, would it have been practical for the Ministry to report this under the current framework that you have or do you need another framework to be developed just for the COVID-19 because that is what the Auditor-General is recommending. I believe there is already a framework under the Financial Management

Act so do we need another framework? Also, from the Auditor-General's report we picked out that you only had four months so within those four months will you be in this kind of scenario designing a framework or again dealing with a pandemic.

DR. J. FONG.- As I have said, we had a basic framework that was developed before Delta. In essence we did find that the framework worked for us, in tracking quite a few expenditures. I envisioned that we will have some trouble during the very acute stages of Delta, when we had to create the functional units

out of nowhere. One of the biggest problems we had was especially in relation to HR. We had HR dropping - getting sick, pulling away and we were pulling in new HR at a rapid rate. It was happening like hour to hour, it was not something that we predicted- that HR was going to fall sick. As soon as someone turned positive we turned him away, we looked around for someone who had just recovered and brought them back in. The number of facilities that we had to use to look after the response teams, was quite difficult to manage and to keep an eye on, because people were changing rooms even on an ongoing basis. We will still use the same framework, but I suspect that as we start to reconcile a lot of our documents, we will struggle a little bit in trying to reflect every bit of expenditure that happened during the acute phase, especially dealing with Delta.

MR. CHAIRMAN.- Office of the Auditor-General, if you can elaborate on this particular recommendation? What are you specifically asking for?

AUDIT REP (Ms. F. Nagera).- Mr. Chairman, the recommendation was basically for internal reporting and the monitoring of expenses by the Ministry of Health and Medical Services. It was not so much for external reporting, because the COVID-19 expenses would be reported against the current format that is prepared annually. So the recommendation of the framework was for them to better monitor and evaluate the expenses that have been incurred. It was for internal reporting and monitoring and not for external reporting. You were correct, Mr. Chairman, in stating that there is already a framework and a structure on how to report annually, which the Ministry also submits and the Auditor-General audits the annual financial statements.

MR. CHAIRMAN.- What happens when this kind of recommendation comes in and they state 'the Ministry should record', it actually shows that the Ministry was not recording. Again, 'better reporting' means the reporting was not up to par and that is why these kinds of recommendations are coming in. Ministry of Health and Medical Services, can we have your response to this?

MR. I. KHAN.- Mr. Chairman, I think I just tried to explain. What has actually happened in the first phase was, how the budget was given. The budget is approved by the Ministry of Economy and all the expenditures that are recorded are through the FMI system. So it is just a one-line budget item and a one-line item allocation in the FMI system. The initial budget we had received was under Head 50, which was given to the Ministry through the SLG Account. What was actually happening was that, as we were transacting, whether we were paying for accommodation, paying for fuel or any other, it was just lumped together to that one allocation. At the end of the day when we received the total expenditure for the allocation, it gave a lump sum of \$10 million or \$30 million, and we were not even able to identify what component of that was for the accommodation and what was for the other expenses. This is where the expenditure framework came in, which is an internal recording where we were actually transacting through the FMI system, but for internal reporting we were aligning it to the respective outputs.

Our FMI system says that we have spent x million dollars but the same x million dollars is reported here through the output that we have that this is where the \$10 million has been spent. That is where we had actually developed this framework for a clear trend of spending and also giving us an opportunity to plan in terms of, if we were in forecast for any budget or any other expenditure, what we can do from this particular framework.

MR. CHAIRMAN.- That would mean that the framework is now in place.

MR. I. KHAN.- Yes, Sir. It is in place and we are using that and that is the framework that we are using for recording.

MR. CHAIRMAN.- Thank you very much for that response. Any other questions with regards to the first part. If not then we will go to the second part of the Report now which is Procurement of Biomedical Equipment and Quarantine Accommodation and Stock Management for COVID-19. Again, we give the opportunity to OAG to actually explain this particular Report.

AUDIT REP (Ms. F. Nagera).- Mr. Chairman, the audit was focused on procurement and looking at storage of personal protective equipment; things that MOH had acquired or donated to the government including the Ministry of Health. When the audit was undertaken, a special budget of \$40 million was allocated for the COVID-19 response and \$14.3 million had already been expended, used. So the audit was based on that \$14.3 million - and as I have stated previously, it is compliance audit – on whether the procurements were done according to the requirements of the Procurement Regulations of government and the conclusion from the audit was that procurement policies and procedures were being complied with.

There were opportunities to improve the internal controls for storage, maintenance and then distribution of PPE which is Personal Protective Equipment and the recording of that, so that was basically the summary of audit. We noted that policies and procedures for procurement were being following by the Ministry of Health even during that time but we noted that there could be some improvements in internal control for storage of what they received, what was being acquired and we made recommendations accordingly. Thank you, Chair.

MR. CHAIRMAN.- Thank you very much for that oversight on the second part of the compliance audit. I will now give the floor to the Ministry of Health and Medical Services to actually respond with regards to the second part of the Report before we go onto specific questions and answers.

DR. J. FONG.- Through you, Mr. Chairman. I will just provide an overview of what we were thinking and then I will let our Head of Procurement and Supply Chain Management to explain a few more things. In essence we knew at the time of the response that there were three particular supply chains that had to be stabilised. One was the PPE supply chain; two was the oxygen supply chain; and three was the biomedical support supply chain.

We were living in a scenario where supply chain was unpredictable so storage and distribution became an important component of our operations. We also had to distinguish between purchased items and donor items and as I said, the distribution logistics was a big issue for us. We did incur quite a lot of wisdom from the AUSMED team, from the FEMAT team from Australia that came and provided us some degree of support or understanding of how to functionalise oxygen PPE supply chains.

We did decentralise a lot of our storage capability and one of the teething processes was the need to decentralise storage capability so that stored items were closer to the point of operation. We could not keep anything in FPBS because if they get it there then it meant that we could not move things as efficiently, so apart from Civic Centre and other places that were sealed, we also had storage facilities in CWM. There were container labs kept in CWM. There were small substorage facilities in various locations that we created during the height of our problem and then we closed them off as time went on.

We also developed a digital platform to support us in these discussions. That is just an overview of where we are at and I would just let Jeremaia discuss some of the things related to SOPs that looked at some of the bigger warehouses and the digital platform that we needed to allow transparency of our functions.

MR. J. MATAIKA.- Mr. Chairman, with response to the supply chain management in terms of medical supplies, at that time in terms of the questions when we started with Civic Centre, one of our main objectives was to ensure that we did not run out of supplies, irrespective of what was happening abroad in terms of the restriction of border movement of supplies. We actually faced that in the country as well, but our main target was that we should not run out of any *PPEs*, masks and hand sanitisers; we had reached to a point that we had to control.

But at Civic Centre which was given to us free since the place was also closed, we had started off with a small space and created an SOP as well. We started off with that process and started to receive supplies. Apart from donations, we were purchasing through our Government process as mentioned by the Auditor-General's team. We had purchased equipment such as thermal-scanners which were installed at the airport, we purchased ventilators and even bedside monitoring equipment. These were the equipment that were distributed around all the hospitals and health facilities - wherever the need was.

We have escalated that and we set up another warehouse. We worked with the IMT team and we set up another warehouse in Lami and another one was set up in Raiwai. This is in terms of the donations that were coming in and we had to demarcate the supplies in terms of donations and the ones we had purchased. In terms of what we had purchased, it came through the Fiji Pharmaceutical and Bio-Medical Services but in terms of donations, we channelled it through the COVID-19 warehouses. So all the donations were entered into the inventory at the two warehouses. At the start we were using Microsoft Excel since we did not have any information system but now, we have reached a stage where

we have digitalised both the warehouses. We have the information system installed at the IMT warehouse in Lami, Raiwai and Fiji Pharmaceutical and Bio-Medical Services as well. In terms of the procurement of equipment, we have received all the equipment that were purchased at that time and it has been distributed to all facilities that needed help.

MR.CHAIRMAN.- Thank you. Any questions?

HON. V. LAL.- Through you, Sir. I was reading somewhere that a substantial amount of money was spent in buying tanks . My question to you is, where are these tanks now since COVID-19 is dying out? Are they still at one centre or have they been distributed to all hospitals around Fiji? What is the situation?

DR. J. FONG.- Yes, Sir. For us to stabilise our oxygen supply chain, we had to work with Oceania Gases; we worked with the management of the Oceania Gases. They actually supplied us with the tanks as they had a big warehouse of tanks. In Fiji, we were very fortunate that the capacity of the Oceania Gas is actually almost four times than what we need. So, for them to scale up their operation was not a problem at all; the only thing I had to do was to allow them to use the port to bring in extra oxygen supply. But otherwise their ability to store oxygen and to transport oxygen through the various facilities was already there.

What we had to do was to set up decentralised store places which we had - one for every Division and one for FEMAT. We had FEMAT coordinating the stocks of cylinders that were being decentralised and on top of that, we also have Oceania Gas supplying all the various hospitals. If you go to CWM Hospital at this point in time, near the car park area down near the ED area, you will see a big white tank which is now connected to all the internal air pipes in CWM for the purpose of making sure that we will always have a good supply of oxygen.

I think the impact of oxygen was the biggest impact that we had; because we had access to oxygen, those who were presented early and in a timely manner to the hospital, more than 70 percent of them were able to walk out. If you look at all our mortalities over the COVID-19 almost 90 percent of them were people who did not access medical care in a timely manner or just did not access it at all - but those who did access it, there was a 70 percent walk-a-way rate and some of them are still living but this was easy access to oxygen that allowed us to do that.

HON. RO T.V. KEPÄ.- Mr. Chairman, now that PS is telling us about oxygen because we were looking on YouTube at India and they were running out of oxygen. We were getting frightened here in Fiji in case the same thing happened but it is reassuring to hear that we have four times the capacity of what was needed. Just a question on the ventilators because this Report states that there were 50 ventilators - 100 percent payment was already made and the ventilators were yet to be received. Can you tell us something about what is written here Dr. Fong?

DR. J. FONG.- I will ask Mr. Jeremaia just to speak specifically to the distribution of these ventilators.

HON. RO T.V. KEPA.- And it was a \$4 million payment

MR. J. MATAIKA.- Mr. Chairman, for the ventilators - 50 ventilators were received and these were actually raised during the first wave. When we started off there was a need to create ICUs and we estimated that we would actually need around 50 ventilators to equip all our Intensive Care Units. So we have gone through with that purchase and at the same time we purchased thermal scanners which were installed at the airport. All 50 ventilators actually arrived and were distributed, so this prepared us in terms of the second wave as well; by the time the second wave came in, we already had all the 50 ventilators which had been distributed to all the hospitals.

HON. J.N. NAND.- Mr. Chairman, in regards to the policies and procedures of the FEMAT warehouse; has that been developed and is it in operation now?

DR. J. FONG.- We had a discussion about that earlier on. I will just let Mr. Jese who is our FEMAT Manager speak to that. Thank you.

MR. J. VATUKALA.- Mr. Chairman, yes, FEMAT has escalated its policies and procedures of warehousing as mentioned by my colleague the Head of the FPBS. We started off using the Microsoft Excel manual books as terms of our SOPs but we have come to a adopt a warehousing system that is more digitalised now and it is more recognizable by the ministry. It has also has helped us greatly with our supply chain mechanisms within the Ministry and also to the other Ministries in terms of the Government approach, *vinaka vakalevu*, Mr. Chair.

MR. CHAIRMAN.- On that same note there is a recommendation that some documents need to be finalised which are in draft, which documents are we talking about?

DR. J. FONG.- The documents are on hand Sir, we have both Standard Operating Procedure documents for the FEMAT Warehouse and for the Civic Centre Warehouse. We can provide copies of that to the Committee.

MR. CHAIRMAN.- With regards to the second recommendation - the Incident Management Team of the Ministry should ensure that:

- i) Reconciliations are carried out between flights manifest and the number of people accommodated at the hotel quarantine facility for each repatriated flight; and

- ii) Purchase Order are raised before the 1st check in the hotel to keep track and control the number of authorised personal staying in a particular hotel quarantine facility.

Your comments on this, please.

DR. J. FONG.- I believe, Doctor Sam had alluded a bit to that part but I will let him to summarise it again for us.

DR. S. FULLMAN.- Yes, I had alluded to it in my earlier statement in which the reconciliation method that was employed at the border at that time, was in tandem with what the Incident Management Team and the Head of Finance and Assets Management had advised and that was the two-tiered approach. Given the difficulties and the sensitive nature of providing the passenger manifest we have had to work with the airline industry which had been doing largely repatriation of citizens pre-delta outbreak.

Once we received these manifests we crosschecked these with all hotel accommodated persons to ensure that they had to be Fiji citizens or Fiji passport holders in order to have that billed. All those who could not produce that or had expired Fijian passports were advised to settle this themselves. This process was on the first level and was made possible because we had quarantine officers designated at every single facility where we were doing repatriations that were payable by the Government. They were required to cross-check this and once invoicing was done by the hotels, I cross-checked this with the concessional rates that each hotel offered the Government at that time, through the Permanent Secretary's endorsement, as well as the number of persons that were allowed and carried Fiji passports.

MR. CHAIRMAN.- Honourable Members, any other questions? I think there are three more recommendations on this same Report that we need bit of clarity on as well - the Incident Management Team should ensure that all medical equipment and supplies procured for COVID19 allocated funds are received and used for the purpose it was purchased for.

I think Director did actually mention that especially on ventilations and stuff. Would it be correct to state at the point when the audit was carried that these things were in transit and that is why this particular recommendation came into place?

DR. J. FONG.- Yes, Mr. Chairman, exactly. We were just receiving them and it was picked up by the OAG's team, but actually we received it.

HON. V. LAL.- Mr. Chairman, just on that, may I ask if any Board of Survey (BOS) has been done?

DR. J. FONG.- Yes, there are a number of internal audits happening as we speak. Because of the scale of operation we still have to reconcile a lot of our inventories to make sure each equipment belongs to a functional unit and that is an ongoing exercise using our BOS mechanism. It is not the easiest of operation at the moment trying to make sure that we know every single item, especially in the area of

vaccination. There was a lot of tablets that we had to use and we were trying to make sure that these were put into the inventory list as an ongoing process.

MR. CHAIRMAN.- Basically, the recommendation on inventory stock counts are carried out on a daily basis. How practical is this?

DR. J. FONG.- I will let our Director discuss this.

MR. J. MATAIKA.- There was a recommendation on cyclic counts at the Civic Centre warehouse. That was one of the clauses in our SOP but then the donation started to flood in. I note that they actually picked out that there was a mismatch of the stock cards. We understand that but we admitted there were some errors as well because some of the donations coming in, were coming in with different pack sizes. It was very hard for them to record because there could be a donation coming today with a pack size of 10 and tomorrow with a pack size of 50, and the next day with a pack size of 100, and the next one is another pack size of 30. But in terms of recording a particular product, it is quite difficult in that sense. They were just starting off but we were trying to improve in terms of that area, but now, we have recorded that separately but it is being done through mSupply - a digital platform.

MR. CHAIRMAN.- So maybe not practically done on a daily basis but still it is in the cycle?

MR. J. MATAIKA.- Yes, that was one of the recommendation taken at the Civic Centre Warehouse but now we have reverted to some sort of cyclic count on a monthly basis.

MR. CHAIRMAN.- On the last recommendation - the Incident Management Team should ensure inventory items are dispatched as per approved requisition form; and evidence of individual items received at the medical facility is signed by the receiving officer. This, again, has to do with the logistics?

MR. J. MATAIKA.- Yes, Mr. Chairman.

MR. CHAIRMAN.- So this was again an issue because of the influx of the aid and everything coming in at that point in time?

MR. J. MATAIKA.- Yes, Sir.

MR. CHAIRMAN.- Are there any other questions, honourable Members? Are there any comments from the Ministry of Health on this particular report?

DR. J. FONG.- I just had to mention - one of the issues that was brought up quite strongly from the report was the monitoring and evaluation. At the time the audit was done we were trying to create a

digital platform in the midst of a crisis. One of the lessons that we did learn was that we needed digital platforms.

One of the areas that I do know we are feeling fairly comfortable with now is the fact that we have got the mSupply digital platform, moving towards full functional status. We are quite well supported to enhance the mSupply digital platform and I do know that at the time the audit was carried out, the mSupply digital platform was yet to reach its maturity. It is still evolving but I think with COVID-19 close to about 70 percent of its functional state at the moment, we are hoping that when future audits are carried out there will be a lot of information that we can provide through this mSupply digital platform. It is a digital platform that has now become used by UNICEF and it is used to support vaccine supplies throughout the whole Pacific. So we are using something that is used in the area of health a lot. It probably does not occupy too much of our brain space while we are trying to respond to issues.

MR. CHAIRMAN.- Thank you for that information, PS. Just on the mSupply, are we actually just looking at it from warehouse to warehouse or are we actually looking at it directly from warehouse to the patient?

MR. J. MATAIKA.- In terms of the mSupply installations it is actually direct from the warehouse to the facility, the facility to, for example the pharmacy, and from the pharmacy direct to the patient. That is how it has been reflected, it is quite different from the previous information.

At the moment we have three warehouses - the FEMAT, the IMT and FPBS - all of them have mSupply. Now, we are moving out to the facilities - moving to CWMH. Initially the information that was there before was only at the Pharmacy Department and consumable stores. Currently, at CWMH they can raise order through the mSupply from the Laboratory, X-Ray Department, Dental Department and that is the benefit. They raise their orders through their tablet, we can see it from FPBS and then we organise their supplies according to that. There is no more requisitions from CWMH at the moment. That is the kind of paperless requisition that we are using. The target is for more efficiency and effectiveness of the process and in terms of availability of supplies that we have.

MR. CHAIRMAN.- That basically means that you will get real live data of what is actually being dispensed out to the patient as well, once it is implemented at divisional and subdivisional hospitals?

MR. J. VATUKALA.- Sir, from the Pharmacy component it will be live data as well.

MR. CHAIRMAN.- Thank you very much for that update. Office of the Auditor-General, are there any comments on the two reports that we have covered today?

AUDIT REP (Ms. F. Nagera).- Sir, we do not have any further comments, Mr. Chairman.

MR. CHAIRMAN.- Thank you very much. I think that brings us to the end of today's submission. Before we wrap up, I will ask our new Member today to thank the representatives from the Ministry of Health who are here to submit before us.

(HON. S.R. RASOVA moved a vote of thanks on behalf of the Committee Members)

MR. CHAIRMAN.- Thank you very much before we adjourn, just for the information of honourable Members, tomorrow we will continue with the same report covering the three aspects that is left which is basically on Management of COVID-19 Aid; Micro Small and Medium Enterprise Credit Guarantee Scheme and Management of Agricultural Assistance - Farm Response Package, Home Gardening Seed Packages and Improvement of Farm Genetic Attributes. These are some of the reports that are going to be scrutinised later in the week.

Once again, thank you very much. I shall adjourn this meeting for 15 minutes and after that the Committee will resume.

The Committee adjourned at 11.45 a.m.

[VERBATIM REPORT]

STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDIT REPORT ON COMPLIANCE AUDITS RELATING TO COVID-19 RESPONSE (PP NO. 270 OF 2020)

SUBMITTEE: Ministry of Economy
VENUE: Big Committee Room, Parliament
DATE: Wednesday, 18th May, 2022

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE BIG COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 18TH MAY, 2022 AT 9.44 A.M.

Interviewee: Ministry of Economy

In Attendance:

(1) Mr. Shiri Gounder	Permanent Secretary
(2) Mr. Nemia Dawai	Head of Treasurer
(3) Mr. Isoa Talemaibau	Head of Budget and Planning
(4) Mr. Kris Singh	Senior Finance Analyst
(5) Mr. Waisale Ramoce	Analyst Policy
(6) Mr. Atin Chand	Manager Finance and Operations
(7) Mr. Simon Singh	Manager Finance

Office of the Auditor-General

(1)	Mr. Abele Sauni	Acting Auditor-General
(2)	Mr. Dinesh Prasad	Senior Manager Audit
(3)	Mr. Samuela Tupou	Audit Manager

MR. CHAIRMAN.- Good morning everyone. I shall now call the house to order. Honourable Members, representative of Ministry of Economy, Staff of the Office of the AuditorGeneral, members of the public, media team, secretariat for Pubic Accounts Committee, viewers, ladies and gentlemen, a very good morning to you all. It is my pleasure to welcome each and everyone of you who is present over here this morning for this particular submission on the Audit Report on the Compliance Audit Relating to COVID-19 Response. Thank you very much for availing yourself.

I would like to also welcome all the viewers that are actually viewing this particular submission on our Walesi Platform and also on the Facebook Page and on our Parliamentary website. Thank you for joining us and showing interest towards your Parliament.

At the outset, I would like to inform all those who are present over here as per the SO111 that all Parliamentary Committee meetings are supposed to be open to the general public and that is why it is being aired live so anything said this morning is going to be recorded and converted into Hansard for future reference by the Committee and Parliament itself.

For any sensitive information that cannot be relayed out at this point in time in front of the public that can be done at a later stage to the Committee or in writing and sent at a later stage to the Committee as well.

But please bear in mind that there are only certain conditions and situation which allow information to be disclosed in private and these are:

- national security matters
- third party confidential information
- personal and human resource matters; and the
- Committee deliberations and development of Committee recommendations and the report that is actually tabled in Parliament at a time suitable and decided by Public Accounts Committee.

Just on housekeeping matters, I just like to inform since we are aired live, there needs to be very less movement while the meeting is going on. Also if your mobile phone can be on silent mode or switched off during the meeting. Also, all the information that is going to be gathered here this morning is covered under the Parliamentary Powers and Privileges Act and any information that is relayed should be based on facts.

Now I would like to take this opportunity if our Members can introduce themselves to the submitters and the public that are watching us live.

(Introduction of Committee Members)

MR.CHAIRMAN.- Now, I will give this opportunity to OAG and the Ministry of Economy to introduce themselves.

(Introduction of OAG staff and Ministry of Economy Officials)

MR. CHAIRMAN.- Thank you PS for that introduction. As alluded to earlier the Committee will be hearing submission from Permanent Secretary who looks after the Ministry of Economy in relation to the audit report on compliance audit relating to COVID-19 response (Parliamentary Paper No. 270 of 2020). Just for the information of those who actually joined us today the report consists of five components and two components were covered yesterday. The audit is on the following

- i) Implementation of COVID-19 preparedness and response plan
- ii) Procurement of bio-medical equipment and quarantine accommodation and stock management for COVID-19
- iii) Management of COVID-19 aid

- iv) Micro small and medium enterprise credit scheme and
- v) Management of agriculture assistance farm response package, home gardening seeds packages and improvement of farm genetics.

Today as I mentioned that we will be covering the third one. Before we start and for the information of all those that actually joined in for this particular submission, I will get the OAG to take us through today's audit report and from there on then we will give the floor to the Ministry of Economy to respond. So just for the information of everyone if you can briefly take us through the report. Thank you.

AUDIT REP (Mr. A. Sauni).- Mr. Chairman, on behalf of the Acting Auditor-General, we take this opportunity to thank you and the Committee for allowing us to be here this morning and before we commence any further, I would also like to take this opportunity to thank the Ministry of Economy for the assistance rendered to the audit team during the audit. For the detailed discussion of the audit report I will give that to the Senior Manager Dinesh to take us through.

AUDIT REP (Mr. D. Prasad).- Mr. Chairman, I will be presenting on the brief snapshot of the report including what this report was all about and its key findings and the recommendations that we have provided to the Ministry of Economy. During this presentation if there is supplementary question that is coming through I will be happy to take it or if it has to come after I have presented, you are most welcome to take it as well.

So basically this audit was about the management of aid which is both management of aid in cash and in kind and overall what we have actually looked into was how the aid in kind and aid in cash was actually managed by MOE. We looked at the processes and we look at the three key areas which include the following:

1. Whether proper processes were followed by the Ministry of Economy in terms of receiving the aid from donors;
2. Whether the Ministry of Economy have actually followed the processes in the disbursement of those cash aid funds; and
3. Whether proper processes were followed in terms of management of aid in kind.

Sir, those were the three key areas where we have focused during our audit.

Generally, we looked at those processes and where we have not been given a Standard Operating Procedures or guidelines to look into, we have actually relied upon the agreed-upon procedures which we gathered from the Ministry of Economy during our audit.

Generally, our audit findings in the whole report were genuinely compliant so we found that the Ministry of Economy were genuinely compliant with the processes and in terms of the management of

this aid. However, there were gaps that we have identified which I am going to discuss in a little bit more detail as I go along on each question and these gaps were discussed and documented in our report. In relation to that we have provided our recommendations as well.

Sir, if I can just take the honourable Committee Members and the Ministry of Economy through the questions.

The first question was on whether proper processes were followed when receiving the aid funds from the donor agencies so these donor agencies were from the overseas partners such as the Government of Australia, the *Department of Foreign Affairs and Trade* (DFAT), the Republic of China and also the United Nations Development Programme and also there were local donations. What we actually looked at was whether all those processes that were advised to us from the Ministry of Economy were followed and what we have found out is that, these processes were complied with so we were basically happy with the processes that we are supposed to follow. However, while these processes were being followed by the Ministry we have noted that there was a need for the Ministry to come up with a Standard Operating Procedure which documents these processes and guides the Ministry of Economy in managing the receipt of the aid funds. If you would look into the other two questions, our recommendations are basically the same on the SOPs. So while the process was followed by the Ministry of Economy, the administrative part of it which includes the SOP where we are lacking and we have put that in our recommendation.

The second question was on the disbursement of the aid funds so what we have looked into here was whether the aid funds was disbursed according to the various aid agreements, support letters and what was agreed with the donors. We found out that the Ministry of Economy was genuinely compliant in this area as well so they have disbursed the funds according to the various aid agreements and support letters they had with these various donors. However, there was one exception that we had noted which we have discussed in this report where a grant of \$1,000 was supposed to be provided to the National Disaster Management Office which was not actioned and we had also received the comments from the Ministry of Economy the reason why this was not actioned where the aid funds came in late and that was the reason why that aid funds was not able to be given to the NDMO.

Sir, generally the Ministry of Economy had complied with the processes stipulated in the agreements and in the support letters. Again like I have mentioned in Question No. 1 the need to have policies and procedures in guiding the disbursements of the aid and likewise the monitoring of the same. This needs to be strengthened, we have put that in our recommendation as well.

The third area where we looked into was the disbursement of aid in kind so these were the aids that we have received and what we found out in this area was that, the proper monitoring and the lack of the Standard Operating Procedure in terms of proper maintenance, proper monitoring and proper accounting of the aid-in-kind which also includes the centralised database system, was lacking and which we have also recommended to the Ministry of Economy.

To conclude, overall OAG is generally happy with the way the Ministry of Economy has actually carried out the disbursement of the aid, the accounting of the recording of the aid and also aid-in-kind except for those issues that I have discussed as an exception or gaps for which we have provided our recommendations as well.

MR. CHAIRMAN.- Thank you very much for taking us through the report and the information for whoever is watching this submission. Before we go to the Ministry of Economy, the second thing that we discussed yesterday with regards to this report, and I think that applies today as well and I think during our discussion yesterday, the Committee thinks that this report here is a premature report, especially per say that this audit was carried out at a point in time when the country was hit by one of the worst disasters - COVID-19 pandemic.

So whether it was appropriate for this particular audit to be carried out at that point in time or to wait till when the pandemic was over, to conduct a thorough audit with regards to the use, the disbursement and the management of funds and all those processes that were involved. Before we go on to the Ministry of Economy one of things I would like to ask to the OAG is, how do you decide that this particular audit needs to be carried out?

AUDIT REP.- Mr. Chairman, for these audits, the ones that were identified and were carried out during this time were those that were agreed to by the OAG. What I can say at this moment is that there was a reason that these audits be carried out during this time because from our side, we saw that if there is a need for improvement then it would be appropriate at that time that action to be taken, not when all these grants and disbursements have been made. There was a reason that they were real time audits, and improvement that needs to be made it would be value adding at that point in time. That was the reason that these audits were carried out and how they were determined was basically at the discretion of the Auditor-General.

HON. V. LAL.- Mr. Chairman, on the same issue, when this audit was carried out, the country was very much in COVID-19 and the situation was very much alive, and aid and donations were still coming in. How did you manage and where did you draw the line, because while you were doing it the aid was still coming in? Where did you draw the line that this is it, and we are going to take this into account, the left over et cetera?

AUDIT REP.- Mr. Chairman, to answer your question, I would say that when we were actually deciding on the topics, we were thinking of doing the audits in phases. We started off with the first phase in August, 2020 and rightfully, you have mentioned that that was during COVID-19 time but the reason why we have decided to do this audit at that time was because the Ministry of Economy was also very much involved in these processes in terms of the aids and other COVID-19 responses. So, we found out that there is the risk of oversight and also the problem with procedures is high at that time so we started off with our audit in August 2020 and we ended in October, 2020 so that was the timeline that we carried out this audit and so then based on this audit if we have felt that there is a need to do a follow

up then the Auditor-General will decide that he would do a follow up audit or we do another round of audit on COVID-19 aid. I would say that the decision for the time was made to do the audit at that time and do it on that phase and if there is a need for us to follow up on the audit or do another phase of the audit then that would be decided by the Auditor-General too for the second phase.

HON. V. LAL.- Sir, since this audit is very much out now, so based on this what is your decision - are you going to do another audit or has a decision been made in this regard?

AUDIT REP.- Like I have said, the Ministry of Economy has complied with all the processes in managing the aid so that decision is very much going to be resting with the AuditorGeneral whether he wants to do a second phase or he is pretty much satisfied with the findings of the audit that we did in the first phase.

HON. M.R. LEAWERE.- Mr. Chairman, I would like to thank the OAG for their remarks especially on compliance by the Ministry of Economy which you have mentioned that they complied with some of the issues that had been raised. This is just along the lines that have been raised by honourable Lal. You have a timeframe or you decide just on the spur of the moment that you are going to conduct this audit or do you have a calendar or something like that to that effect that on this date we are going to conduct especially at that time, so is that how you look at it or you just decide on that moment, alright we are going to conduct this audit. Just some clarifications on that issue. Thank you, Chair.

AUDIT REP.- Mr. Chairman, the decision to carry out this audit was not decided at that time when we actually started to do the audit so we had this where we normally have our planning workshops and planning meetings done before the new financial year so at that time the AuditorGeneral and the Assistant Auditor-General responsible for these audits and together with the senior managers, they decided on to carry out the audit of COVID-19 and to make it as a compendium of an audit so if you look at the Report, it is made up of five or six audits in the Report, so it is not that we started the audit in August, that was the time that we actually decided that we are going to do the audit so the planning was already done to do this audit and then we actually commenced with the audit in August in the new financial year, so the COVID-19 audit was part of our audit plan for 2019/2020 audit. And that was, at that time, initially it was of interest and during the height of COVID-19, we had a lot of responses and a lot of COVID-19 responses were going on so the OAG felt that it was probably the appropriate time to perform the series of COVID-19 response audits. Thank you.

HON. M.R. LEAWERE.- Mr. Chairman, so that means that the Ministry of Economy knew that this audit is going to be carried out. Am I correct?

AUDIT REP.- Mr. Chairman, we only sent an introductory letter to the Ministry and out of their acceptance of that introductory letter then we commenced the audit and the Ministry of Economy probably can clarify on that as well.

MR. CHAIRMAN.- Honourable Nand, you had a question.

HON. J.N. NAND.- Mr. Chairman, this is to the OAG: You had earlier stated a while ago that you felt that there would be a risk of oversight. Can you further deliberate on that? What areas you felt that there would be risk of an oversight?

AUDIT REP.- Thank you for your question honourable Member. Normally what happens is that during the time of the pandemic we knew that there would be a lot of things that would be happening in terms of procurement and also disbursement of aid and other responses. While the pandemic was at its peak and the time that was required to actually deliver this response to the general public, there was a risk.

When I talk about risk, I am not saying that that is going to happen but there is a probable risk that the oversight functions would probably occur and there would be lack of processes. When you come in to the audit, we had that mindset of evaluating through our report and make recommendations to the Ministry to take on board so that if this kind of audits and aid programmes are being undertaken by the Ministry in the future, then those gaps which we identify from our audit can be taken on board and be taken care of so that was the objective of our audit.

HON. V. LAL.- Honourable Chair, through you, when audits are normally done, entry and exit interviews are conducted. Was this done in this case?

AUDIT REP.- Mr. Chairman, I believe when we undertook this audit, we had done a series of meetings with the Ministry of Economy not only for this audit but for other audits as well which were tabled to compendium, I believe in some other reports. With respect to the exit meeting, I believe we had formally written to the Ministry requesting for the comments and the exit meeting.

We received the comments but unfortunately we did not get a confirmation of the exit meeting but we had already formally written requesting for the exit meeting.

HON. V. LAL.- So you are saying that the exit meeting was not conducted in this case?

AUDIT REP.- Yes Sir.

MR. CHAIRMAN.- I think that is something that we would come back to. We have some more questions relating to the audit of the Office of the Auditor-General but now we give the floor to the Ministry of Economy to respond to what was done and the processes that were followed during this particular audit, what were some of the findings and what are some of the responses of the Ministry itself.

MR. S. GOUNDER.- I think just picking up from the recent discussions and again I think that was a very important question to the OAG. The last two years have been extremely painful for the country and the Ministry of Economy and the staff dealing with the crisis, we have gone through an extremely painful experience but fortunately things are much better now and we are coming out of this.

I think just to contextualise the issue of this audit, in the last two years post COVID-19, all of our bilateral partners: Australia, New Zealand, the European Union, the Government of China, the Multilateral agencies like the Asian Development Bank (ADB), World Bank, *Japan International Cooperation Agency (JICA)*, *Asian Infrastructure Investment Bank (AIIB)*; most of the developmental partners came to assist Fiji.

In the entire COVID-19 period, the Government of Fiji received cash Budget support grants somewhere totalling around \$430 million and this audit is basically talking about \$23 million of the entire \$430 million in Budget support grant that was received during the COVID19 period. The audit was done at a very very early stage of the COVID-19 period and for Fiji, we had the first case in March and that is when we had the lockdown of the country, then we prepared the COVID-19 response Budget and this was the early initial face of the aid that the Government started receiving. The audit and the management of the COVID-19 aid that was done by OAG basically focuses on less than 5 percent of the aid that was received by Government.

Having said that, during the same period, we also accessed for the first time in history a lot of concessional loans, in the past pre-COVID-19, generally all government borrowings from the multilateral partners and bilateral partners have been based on market interest rates. In the COVID-19 period given the challenges we were facing a number of development partners and namely the World Bank, JICA and now the ADB have come on board to provide extremely highly concessional loans to government. During these two year period we have borrowed somewhere close to \$900 million in concessional loans. We have made some public statements about this, generally because the interest rates are zero, these are 40 year term, 10 year grace periods.

Basically, if we take a loan today of \$100 million for the first 10 years, we do not pay the principal. The payment starts from the eleventh year, the interest over the 40 year term is zero. So if you calculate the grant component of those loans that we have got that is somewhere around \$400 million itself.

To put it into perspective the real grant that was received by Fiji during the last two years in response to COVID-19 was somewhere over \$800 million, \$430 million in cash grants that directly came to the Fijian Government in the form of budget support which I am going to deliberate further on and somewhere close to \$400 million as grant elements of the loans that we borrowed.

So, firstly, the audit just talks about less than five percent of just the cash grants and even less than two percent if you look at the overall grants or aid received by government: that is point No. 1.

Point No. 2 is given that the audit was done at a very early stage of the pandemic, when the country was under the lockdown, where we were having all these challenges with staff movements and given that we knew that the uncertainties and challenges are going to remain there for a very prolonged time. The Ministry of Economy, if you have seen in the last two years, a lot of assistance that were rolled out including all the coordination of grant was coordinated and centralised at the Ministry of Economy.

The reason being as the OAG has highlighted in the past there were challenges during times of disaster. So with the Ministry of Economy knowing very well that there are restrictions all over the place, there are issues around availability of staff, there are large sums of taxpayers' monies because of this donor funding that is coming to government has to be properly accounted for, ensure that the risks are minimised. As they have highlighted in the very early phase of the audit

that most of the requirements were adhered to, the procedures and processes were followed and that is why most of these things were centralised with the Ministry of Economy.

The other issue as our colleagues from OAG has pointed out that apart from being an audit at a very early stage which at that point in time we had discussions with the then Auditor-General that we feel that it is very early in the COVID-19 period to conduct this. Secondly, there were issues around availability of staff and we were all engaged in the response itself.

But given that we very much respect the independence of the OAG and we ensured that we provide all the support that was needed and all the documents were provided, everything that was available I ensured that we also personally provide all the information so that there are no issues being highlighted.

There are very few issues that were highlighted in the audit, one is relating to the NDMO issue. I have the evidence and the hard copies of responses that were provided by the Ministry of Economy to the OAG. Unfortunately, those are not reflected in the Audit Report and secondly, as our colleague had said, there was no exit meeting done where we could clarify these issues prior to the audit.

Again, from the Ministry of Economy, we provided whatever was required. We respected what the OAG was doing but we think that it was slightly premature to put this Report to the Public Accounts Committee at the very early stage.

Another issue is, I think in the past Fiji has always received aid for projects specific, for example Projects Specific Aid to build a bridge. The entire Aid that I have talked about - the \$430 million that we received which is almost 99 percent of the total Aid that Fiji received was in the form of budget support. At the early stages because this was the first time the Ministry of Economy has also dealt with budget support, we understand there might be challenges in understanding how the budget support works and that is why we are trying to explain on as many occasions as possible to explain how the budget support works.

In simple terms just prior to COVID-19 the Australian government did something with Fiji called an Assessment of National Systems (ANS) and basically the development partners go to respective recipient agencies in this case Fiji and they do an assessment of the Public Finance Management Systems which is how the budget is formulated, the rules and regulations and procedures governing the formulation of the budget, the execution of the budget, the disbursements of funds and then the monitoring and evaluation side of things. So there is an entire process dealing in terms of overall Public Finance Management. They did an audit and said, "We are satisfied that the Fiji Public Finance Management System is good enough to ensure that budget supports are properly managed."

At the same time we also did something called a PIFA with the report being made available publicly which highlighted some of the challenges and some of the strengths that we have in the Public Finance Management System.

After all that assessment the Government of Australia and New Zealand decided that we will give direct budget support to Fiji. What it exactly means is every year when the Honourable Minister for Economy in Parliament presents the budget which is the funds appropriated expenditures, the budget support basically comes in as financing for the Government and it is not tagged to any specific project in the budget. So, there was a case highlighted here that the government of Australian gave somewhere around \$290 million during the COVID period. They are the largest donor during the period in terms of budget support.

The only issue that has come out in the Audit Report is that there was \$200,000 funding that was allocated to National Disaster Management Office (NDMO) and that was not provided to NDMO.

We are trying to explain this to the Office of the Auditor-General. The NDMO has a budget of \$7 million during that year and the budget support basically means that \$200 million will go as fees and finances part of the \$7 million.

So the Australian Government basically gave us \$288 million and we used that for funding towards all the unemployment support, social protection, economic recovery and all that.

The \$200 million in fact it is incorrect to say that it was not provided to NDMO. It was part of the budget documents. I personally had a meeting with the Australian High Commissioner and the DFAT team because we had a very good relationship with the Government of Australia and it is all the confidence they had in our systems and processors that they gave that grant and they said they were a bit worried about the recent comments which came out publicly and from their side they said they fully understand that the grant \$200,000 was used for the purpose that was provided to Fiji.

I remember, I think it was clarified somewhere publicly probably by the Honourable Minister for Economy but these are some of the issues that we could have clarified in the exit meetings and the comments that we provided.

MR. CHAIRMAN.- PS, before we move on, what you have just mentioned of getting direct budget support with regards to the aid that came in and that too in the form of cash, now if we look at the recommendations some of the recommendations that have been placed by the Office of the Auditor-General and the Ministry of Economy should develop policies and Standard Operating Procedures (SOPs) to govern the management of aid.

We know that there is a Financial Management Act (FMA), we know there is 2010 Financial Instructions in place and there have been Memorandum of Understanding (MOU) sent as well with regards to the management.

Would Australia and New Zealand governments have gone ahead to give this cash in terms of budget support and not project specific, had you people not had this particular procedures in place? Because according to the recommendation you do not have those processes and procedures.

MR. S. GOUNDER.- Mr. Chairman, thank you for bringing that up. This is another issue that we have been trying to explain for some time. There is a difference between budget support and Project Specific Grant in Aid.

When the budget is spent through the National Budget there are all these financial guidelines and legislations, SOPs that guide the spending of public money. When the budget is spread through the National Budget all these financial guidelines and legislations, SOPs guide the spending of public money. For example if this \$40 million provided by the Government of Australia to fund as budget support we have to ensure that it is in line with the Financial Management Act and the Financial Instructions depending on which agency is spending the money has to ensure that it is in line with their Finance Manual.

They have to ensure that other financial processes like Request to Incur Expenditure (RIEs) is undertaken, there is proper authorisation by their Permanent Secretaries and the Chief Accountants and appropriate authorisation at appropriate levels as mentioned in their Financial Manuals. They have to ensure that they have got access approvals, have to ensure that procurement regulations are followed and all Permanent Secretaries of respective agencies are to ensure that all these are followed.

I think the reports also say that the MOE needs to do that, because this is Budget Support Grant the MOE generally facilitates and coordinates this grant and once we use these grants and provided to the respective agencies there are all these legislations and SOPs guiding these, so for more clarity's sake, if we are to prepare SOP for a budget support, it will just basically be a two line SOP which will say, we will sign an agreement with Australia and Australia will deposit the money with the RBF and it will come into government consolidated fund and that is it.

After that it is basically all the other legislations that are governing the spending of those money. So as part of all these \$430 million that was provided and the \$900 million that was provided in grants, it was on the basis of a very strong Public Financial Management (**PFM**) system because they have taken the audit, there are always checks and balances to ensure that the money is not misused and I think the initial findings of the OAG is already showing that all the processes were followed.

But at the same time I think again publicly I would like to thank the Government of Australia, New Zealand, JICA, European Union, ADB, World Bank, AIIB and all development partners that provided this aid and again publicly would like to thank all the officials at the MOE to Mr. Nemias Dawai and the Treasury team that at the background played a very important role in accessing these funds and I think

there may be a general perception that it was a very easy process to get \$430 million in budget support grants during this period.

I will just let Mr. Nemia explain the numerous policy reforms and strengthening of public financial management systems, various policy reforms to support private sector development, various policy reforms to improve management of our State-owned entities, reforms to support economic recovery and also building resilience.

It was at the back of these reforms that the governments of Australia and New Zealand provided all this support. So maybe I will just ask him to take us through very quickly.

MR. N. DAWAI.- Mr. Chairman, as alluded to earlier by our PS, just in a nutshell, all the funding that has been provided that got us during the COVID-19 period has been on the back of the progress of policy reform actions. Basically every development partner whether it be AIIB, ADB, World Bank, Australia and New Zealand has sat down together with us and we have addressed as mentioned earlier we had undertaken a public expenditure financial assessment.

This basically identifies the strengths and weaknesses in every single category of public financial management and we identified key reforms that need to be undertaken and they have very broad categories but we have specific actions. The categories include improved public financial management, enhancing performance of SOEs and PPEs, enabling an environment for resilient private sector economy, also including gender responsive measures and also social safeguards.

So just to give an example, I am pretty sure the Committee Members know that we had approved the Financial Management Act which is the Financial Management (Amendment) Bill 2021. This brought about increased accountability and transparency in the form of requiring a medium term fiscal strategy which basically includes fostering fiscal sustainability and building buffers by mandating that fiscal strategy be approved in Cabinet and approved in Parliament.

So there is a medium term fiscal strategy that has set targets, identifies the fiscal implications of the policies that have been undertaken by Government, stays within those objectives and subject to change is justification to be undertaken. We undertook a first medium term debt management strategy from financial years 2021 to 2022, given the large debt builder, there had to be a transparent and clear way forward of how we are going to borrow but also how do the management cost and risks of our debt portfolio. From that, there is an annual borrowing plan that was issued and published on our Ministry's website which also identifies on an annual basis how we plan to borrow.

Sir, part of the reform actions we published was a liability management operations policy. This policy allows us to do bond buybacks, bond switches, call back options basically to mitigate our refinancing risk, to manage our cost indicators of the portfolio and manage the overall bond portfolio. But as alluded to earlier by PS, most of these programmes are co-financed both through highly consistent loans and

grants. So there is a set of reforms that ADB will come up with, in conjunction with development partners. They will provide consistent financing and Australia and New Zealand will come and provide Government with the grant supports. This highlights the overall coordinated support and role that was undertaken by development partners in conjunction with the Ministry of Economy and overall Government ministries that enabled us to implement some of these measures.

Sir, our revised budget of 2021-2022 list most of these policy reform actions that were undertaken in the last two months which include things like Climate Change Bill, ensuring that there is general resource budgeting incorporated into our budget templates, there were the Copyright Patent Bills. We published the Public Expenditure and Financial Accountability (PEFA), Public Financial Management Improvement Plan (PFMIP) that basically highlight what further improvements or reform that we will undertake in the next three to five years and basically, the list goes on. I am being mindful of time and we can refer you to our budget supplement, we can list all these but definitely we can highlight the major policy as mentioned that not only the Ministry of Economy but other Government ministries have had to really go beyond the basic normal working conditions to ensure that this was met, to ensure that Government has adequate financing to get us through in this difficult time.

MR. S. GOUNDER.- Just to add on to what Mr. Dawai had said, I think there was a lot of work that was done to get this financing and one of the key reforms that if I can just add a little bit was the major amendments to the Financial Management Act which was done to ensure that we can improve on transparency, improve on accountability and internal audit. So for the first time ever there was a special section in the Financial Management Act that talks about internal audit and gives legitimacy to the Internal Audit Division within the Ministry of Economy.

Sir, also for the first time we had included other reporting requirements such as the publication of the pre-election, economic and physical update. Recently, also released that which basically talks about the state of the nation in terms of Government finances and the outlook for the Fijian economy. It strengthened the reporting frameworks and also how we prepared the budget in terms of strengthening the fiscal strategy so that it brings in better fiscal planning and ensures better fiscal management of Government finances. So all these things were done in the background to get those grant funds.

Sir, last but not the least as just alluded to what Mr. Chairman has said and I also said earlier that the Ministry of Economy coordinated and facilitated these grants. The execution of this is because a budget support grant was through the respective agencies and the Ministry of Economy in terms of aid management had issued out various circulars in terms of guiding ministries and Permanent Secretaries on how to manage aid. There are various circulars issued by the Ministry of Economy that details how respective agencies should carry out certain financial functions that ensure that it is in line with the financial processes and legislations.

HON. M.R. LEAWERE.- Mr. Chairman, just a comment, I thank Mr. Gounder and Ratu Nemias for their deliberations. In terms of this assessment from the Auditor-General, you have something like a platform

in place. I think I might have heard Nemia saying that they have some impact assessment on grants that have been received. So you have all those in place when the OAG decided to conduct the assessment and you did not have a Standard Operating Procedure in place then, but we have some things in place to guide you, especially, in terms of disbursement of funds and the grants that you receive. Am I correct in that, Mr. Chairman?

MR. S. GOUNDER.- Mr. Chairman, as I have alluded to earlier, the Ministry of Economy has many Standard Operating Procedures, in terms of how we approve RIEs, how we ensure that procurement is in line with the procurement regulations, how we ensure cash management, how we formulate revenue policies and there are a number of SOPs existing within the Ministry of Economy.

The International Cooperation Division also has an Aid Management SOP which generally relates to the management of coordination of aid, as I had said, because the Ministry of Economy basically coordinates aid. There already was an SOP in 2016 and the Ministry of Economy has been reviewing and strengthening it because we are now receiving budget support grants and also the grants in the last two years has increased. But I think it is important to note that the management of the aid not only ends at the coordination of aid, the key part of the execution is in terms of spending of the aid and those are all covered by all the various SOPs in different divisions. I think that was a very shallow focus in terms of what SOP is required to manage aid, because these are spending through the budget and there are all these SOPs, regulations and guidelines that are governing this.

We, in fact tried to discuss with the OAG at that point in time that 'what exactly do you need from us' because all those SOPs are there in terms of how the spending is executed, the Internal Cooperation Division has its SOPs, the Budget Division has its various SOPs and checklists so when someone submits it, there are RIEs and all those requirements that are needed. For example, if they are looking for an SOP where we say that if we receive PPEs during COVID19, it needs to be managed in a certain way. That SOP will not be available with the Ministry of Economy, it is available with the Ministry of Health and Medical Services, and the Ministry of Health and the Permanent Secretary are responsible to ensure that these guidelines and SOPs are followed.

MR. N. DAWAI.- Mr. Chairman, just to add on that in terms of aid-in-kind, there is basically a grant agreement that guides what you are getting, which Ministry is getting what. Under the Constitution, Permanent Secretaries are responsible for the effective, efficient and economical management of the Ministry. So they are already listed in the grant agreement what Ministry is getting what resources. The responsibilities of the Permanent Secretaries are further broken down in the FI where we have to maintain an asset register, we have to maintain proper internal controls and we have to ensure that all assets are used for official purposes. These requirements are already there and because there are primary and subsidiary legislation we have to comply with and Standard Operating Procedures is just a lower level document that just tells you that I am giving this document to him to sign. The guidelines are already there which we comply with. If we do not comply with that, the support next year does not arrive, because we have mismanaged so we thank the OAG for their efforts, but we can do more

discussions and coordination to actually ensure there is value adding in some of these recommendations.

HON. S.R. RASOVA.- Mr. Chairman, I thank OAG for the explanation and also the Ministry of Economy given the aspects of work that you have done since the COVID-19 and I thank you PS, Shiri Gounder for the efforts. I have always heard your name mentioned in Parliament where the honourable Minister would be thanking you himself, thank you very much.

I would just like to ask a question both to OAG and Ministry of Economy: if you would not have done the audit of September to October, given the standing procedures that are internal in the Ministry of Economy, if that audit did not happen, would it have changed the conformance of the Ministry of Economy?

AUDIT REP.- Mr. Chairman, thank you for the comments from the Ministry of Economy. Like I have mentioned earlier in the presentation that the Ministry has generally complied with all the processes so I can confirm that if the recommendation that we have provided is on the SOP, so basically there will be a lot of legislations, a lot of financial instructions around but what we are looking at through our recommendation is that all those important aspects of the management of the aid, to be put in one document so that it is easily accessible and when there is a need to refer to it, it can be just referred to very quickly.

In terms of the legislations and financial instructions, they have complied with it and we had no problems with it. We have not identified any issues in regards to those non-compliance of those legislations and those instructions. That is why we have not had any issues in regards to non-compliance. What we are saying is that through this recommendation it is up to the Ministry of Economy to take on board, coming up with the SOP to include all those things that are in those various legislations and financial instructions to configure that probably in one document so that it is clearly easily accessible. That is what we are actually stating from our audit but it is, like you have mentioned, if there was no SOP, the work, the task that has been performed by the Ministry of Economy would have been performed or not, I would say that work will still be able to be performed but the recommendation that we are giving is more like value adding that can enhance probably work in future.

MR. CHAIRMAN.- My question to OAG would be, you people have been actually conducting these audits for the Ministry of Economy for a while now. We have been actually receiving all these normal audits, not compliance audit, whole of government audit and when you people do actually audit all the ministries as well. Aid-in-kind has actually been coming in for a number of years, why was it not picked up then but until now that there is not an SOP and that you are actually recommending it to be formulated, why now? Why after this compliance audit that this thing has been picked? Why was it not picked in other audits that there is no SOP?

AUDIT REP.- Mr. Chairman, I think this audit, the one that we have before us, the Report, it was all relating to COVID-19. Because at this time there were more than the usual aids that were coming in, so the audit that was carried out at this time were all relating to aspects of the

COVID-19 response. In this case what we are looking at this morning is just on the aid. But there were other audits that were carried out altogether at the same time so what was done during these audit, we were trying to cover all the aspects that were relating to the responses to COVID-19.

MR. CHAIRMAN.- No. What I am trying to actually identify over here, like for example – aid-in-kind has been coming in whether it be for COVID-19 or whether it is for natural disasters. Right! Alright, aid-in-cash might have been something that has been actually introduced as the PS has informed that now we are getting direct Budget support but then there has been aid in cash as well to support a particular project, for example, during *TC Winston*. We might have received a certain amount of cash to be dispersed but that is aid in cash as well.

Back in 2016, when the Auditor-General carried out the audit on Ministry of Economy, why were these things not picked then - why only now for COVID-19? That is the rationale I am trying to identify that why was it not picked that there is no SOP for aid-in-kind or aid in cash with the Ministry of Economy because what the Ministry of Economy through PS are trying to explain is that they received and gave it to the relevant agencies.

As we have heard from the Ministry of Health yesterday, they have their own SOPs to actually ensure how that aid is utilised with the Ministry of Health and then a report sent back to the Ministry of Economy. Then when you people go in, you do carry out those audit. The similar thing would have been done during *Cyclone Yasa* in 2016. The money would have been actually sent over to Fiji and it was sent over to NDMO. But why was it that the audit have not been able to pick at that point in time, that there was no SOP because all the recommendations and all the three aspects of it, the recommendation is that we need to develop - it is not even 'update'. The recommendation is to 'develop', so the Auditor-General is saying 'there is no SOP'.

What the Ministry of Economy is trying to explain on the other side is that if they did not have such stringent policies in place, the direct Budget support would not have been facilitated in the first place. It is a step going further towards the multilateral partners in order to receive cash grants for Budget support.

MR. S. GOUNDER.- Mr. Chairman, if I can just bring to the attention of the Committee that there were circulars that were issued by the Ministry of Economy: received on 24th March 2020 (called the Official Development Assistance Checklist Accessing Ad-hoc Donor Funds) basically talks about advising the agencies what they need to do (a three page document). It says that the agencies need to ensure that there needs to be an official memorandum from the Ministry, grant agreements must be authorised by the recipient Ministry and donor partner, work plans and budget estimates must provide realistic

overview of activities and outputs and it continues, procurement, procedures and policies to be comprehensively followed should the funding entail procurement of goods and services, any procurement below \$50,000 must indicate that at least three competitive quotations were sought.

So there is a whole list of requirements here. The acquittals must be submitted for ad-hoc funds utilised. The other one here which talks about the Administration of Cash grant and Aid agreements that was issued on 20th May 2021. This is to guide the ministries that are managing the aid because once we disperse it falls onto the respective Permanent Secretaries. All request for the release of unbudgeted cash grants must be submitted by memorandum, prior to execution and signing of an grant agreement the agencies must ensure that the agreements are vetted by the Office of the Solicitor-General and approval and endorsement have been obtained by the Cabinet. There is a whole list of requirements. This is just to guide the agencies, ministries and departments.

There is a third one that we are about to issue soon which will incorporate some of these Budget support related issues and some of the recent developments and I think as correctly highlighted by the OAG in terms of the grant support provided to the Government of Fiji, it has substantially increased post COVID-19 and that very much reaffirmed that the development partners very much supported our efforts and helped us during the crisis.

Also as I said earlier, they had much more confidence in the management of the Government finances because at the end of the day, they are also accountable to the taxpayers of their country and apart from all these requirements, there are separate requirements as part of the grant agreement that we signed with these agencies which would have separate reporting requirements. So we also have to report to Australia and New Zealand about how the funds have been utilised and they so far have been very happy and that is why the grant support have been increasing. In fact the comments that have been coming from Australia and New Zealand that Fiji has been doing a great job in terms of getting this grant support.

Again, I think, overall in terms of the Fijian economy, it has been great that we managed to get all these support. Overall, we welcome the audit from OAG and that is why we had participated in the audit very actively and not only this audit, there were all these audits that were running concurrently including the distribution of rations and while the team was busy distributing rations we were also working together with the OAG in ensuring that it is managed properly.

We also have the audit of the unemployment support of \$50, \$360 and \$90. So that is all that is going to come soon to Public Accounts Committee and we are of the firm belief that the OAG plays an extremely important role in terms of the external scrutiny and the MOE always stands ready to support that effort of the OAG. This was the worst crisis that we have never seen, challenging times, new forms of challenges. We would never have managed the crisis if we hardly have any staff at the MOE.

So basically a lot of people sitting here we camped at the MOE, we were trying to figure out how we would run the operations of Government when the country was under lockdown and the banks were closed, how do we facilitate payments and that was how we came up with the idea that we can use digital technology and we came up with the idea that you can receive applications and disburse cash via mobile phones. Those had not been possible and I think whilst the experience have been very painful I think there are lots of lessons that we have learnt to manage future crisis.

MR. N. DAWAI.- Just to add on to what PS has said, the practice that he have read out in that memo have been the practice all along. So all donor-funded projects when we release the funding those

are the requirements so during COVID-19 because we understand people were working from home, we just sent reminders to them that we will continue to follow the same procedure, 'You send us the agreement, you send us the work plan, you send us the verifications, the acquittals the deposit slip that the money has come in before we release these funds.' In fact all in all we are 100 percent sure before we release this funding everything are in place. Vinaka.

MR. S. GOUNDER.- That is why we have centralised these operations within the MOE because this was exceptional time and we had a team lead by Manager Financial Operations that was based with the Ministry of Health that was ensuring that these procedures are followed even though we are in a crisis period so I had my number of staff dealing with fleet management that is coordinating vehicle response, financial management operations team ensuring that payments are done at that point in time.

We also had discussions with the banks so again we want to thank the bank and the Reserve Bank of Fiji, that also supported the background to ensure that some of these responses continued. So the Ministry of Health was responding and we assured the Ministry of Health and the Fiji Police Force and the RFMF that from the financial side we are there to assist and we basically coordinated the entire response which generally would have been coordinated by the Ministry of Health but we coordinated to ensure that at the end of this COVID-19 period we do not come up with reports that say that this process was not followed, so we took it as the whole of Fiji's response to this.

HON. M.R. LEAWERE.- Just a comment, I would like to thank Mr. Gounder and his team and also Mr. Abele and his team. You did great in terms of that. I would describe it as extraordinary times, you did well. Now, we are sitting here just talking about what transpired maybe moving forward, I think there are some grey areas that you might need to take on board but I would like to say *Vinaka vakalevu*, you have done well in terms of putting the economy in order, otherwise we would not be sitting here deliberating on this report. Thank you Mr. Chair.

MR. CHAIRMAN.- Just coming on to another recommendation and this is to ensure that monitoring reports are prepared and submitted to the Permanent Secretary for Economy on the administration of aid. Is this a normal process or is it supposed to be with the line Permanent Secretary or is there a reporting mechanism?

MR. N. DAWAI.- Sir as alluded to earlier by my colleague the Head of Budget if it is through the normal budget process, there are budget acquittal reports that are provided but for certain grant agreements we provide the monitoring reports specifically to the entity. So it is provided to New Zealand, Australia, JICA, to ADB based on the templates that they provide and also taking into account that was COVID. We were very short-staffed, outbreaks everywhere and we were not allowed to operate at full capacity.

So we ensured that the requirements are met but to ensure that we continue generating reports and acquittal reports for everyone at that point in time would have not been practical given that we were in a crisis situation and we had to respond to the various issues that were happening.

So just to paint a picture we had an outbreak in the Ministry of Economy, all Government salaries is facilitated from the Ministry of Economy. So if my salary's team is down the whole of

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35,000 staff do not get paid. We had to put them in a flat and stay there for three to four months without seeing their families. If I am asking them to focus on creating other additional reports that are required in a normal time it would be impractical and focus away from the current situation.

MR. S. GOUNDER.- This was a very interesting time and I mean for me appointed as the Permanent Secretary in the middle of a crisis and him appointed as the Head of Treasury we just got back (a few years ago, I studied in Australia and he came from New Zealand) and we have done a lot in life to reach where we are and we were appointed in the middle of a crisis and I told Ratu Nemia I said 'If there are any issues and we end up not paying Government workers their (civil servant) salaries or if there is any challenge in payment our entire reputation and credibility is on the line. So myself and this entire team were camping at the Ministry to ensure that all these things are smooth and we tried our best given the circumstances.

HON. V. LAL.- Mr. Chairman, I really appreciate what you guys have done because this was extraordinary times and you all have what we have heard you have gone out of your way to facilitate. So we really appreciate what you have done.

Just a few comments I would like to make: what I can see from this report, Sir, is that the Office of the Auditor-General has just accounted for five percent of the total money or aid that is coming. Listening to your presentation all this while we are saying that all the processes, procedures were followed and agreements were signed between the donor agencies and then the funds were dispersed, also the agreements would have been done.

The Office of the Auditor-General very well agrees with what you have just said but what they are saying is again in all of the recommendations I think they are very similar in nature where they are saying that the SOPs need to be developed. Then just now he is saying that the SOPs are there but they need to be altogether for easier reference. So there are a number of things which are coming out of this report but I think overall I would like to just thank what the Ministry of Economy has done in this extraordinary times to facilitate and to get out of this crisis.

MR. CHAIRMAN.- I believe that brings us to the end of today's presentation if there are any final comments by the Ministry of Economy.

MR. S. GOUNDER.- Mr. Chairman, it was a great pleasure to be here and I have been waiting for a long time to come to the Public Accounts Committee. I really enjoyed this discussion and it provides us the great opportunity to clarify some of these things. We look forward to further discussions on other important issues of national interest and I am happy I mean even apart from the official Public Accounts

Committee meetings if there is anything that is required from our side, any clarifications because I think there is much to the story that has been told and we are ready to provide that story.

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MR. I. TALEMAIBAU.- To add on to that, Sir, we have a lot of testimony to share regarding this lockdown. If you want to hear from us, honourable Members, you can come and join us in a grog session.

MR. S. GOUNDER.- In fact we were just discussing yesterday or this morning, I am thinking about writing two books, firstly, the inside story of COVID-19 in Fiji.

MR. CHAIRMAN.- Thank you very much for those comments, Office of the AuditorGeneral, final comments please.

AUDIT REP.- Mr. Chairman, I would like to take this time on behalf of the Acting AuditorGeneral to thank the Ministry. We also acknowledge the great work that they did during the crisis. We will come and do our job (audit) and try to provide the assurance that is needed on their processes and systems. On this audit as well, we do not come in all the time to pick up issues where we need to acknowledge like in this report but we do acknowledge the compliance. We thank you and the Committee and the Ministry for the deliberations this morning.

MR. CHAIRMAN.- On behalf of the Public Accounts Committee, I shall request honourable Nand if he can wrap up today's meeting.

HON. J.N. NAND.- Thank you very much, PS for the Ministry for Economy and your team. On behalf of the Members of the Public Accounts Committee and the Secretariat, I think it is beyond comprehension to actually understand how you have managed in your office under the able leadership of the honourable Minister for Economy. I think there are lessons learnt, we have learnt a lot of lessons and your guidance in providing the basic necessities for the people will always be acknowledged and we will probably in debt to you, and the Committee wishes you well in your anecdote in writing a book and we would love to read that book soon. Thank you very much for your presence and have a blessed day.

MR. CHAIRMAN.- Thank you once again, I would like to join the viewers who have joined us on our digital platform to witness this particular submission on the Compliance Audits relating to the COVID-19 Response.

So once again, I thank the honourable Members who are present today, representatives of MOE and OAG for coming in and clarifying. Now we will work on the deliberations of what has been submitted today and the Report will be presented to Parliament at a later stage.

Thank you and I shall now adjourn the meeting till 9 a.m. tomorrow.

The Committee adjourned at 11.02 a.m.

[VERBATIM REPORT]

STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDIT REPORT ON COMPLIANCE AUDITS RELATING TO COVID-19 RESPONSE (PP NO. 270 OF 2020)

SUBMITTEE: Reserve Bank of Fiji

VENUE: Big Committee Room, Parliament Page 78 of 125

DATE: Thursday, 19th May, 2022

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE BIG COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 19TH MAY, 2022 AT 9.30 A.M.

Interviewee: Reserve Bank of Fiji

In Attendance:

1. Mr. Ariff Ali - Governor
2. Ms. Caroline Waqabaca - Chief Manager Financial Markets Group
3. Ms. Ragni Singh - Chief Manager Risk Management and Communication Group
4. Mr. Apenisa Tuicakau - Manager External Markets
5. Mr. Mervin Singh - Manager Corporate Communications.

Office of the Auditor-General

1. Mr. Sairusi Dukuno - Acting Auditor-General
2. Mr. Dineshwar Prasad - Senior Manager Audit
3. Mr. Samuela Tupou - Audit Manager
4. Mr. Emosi Qiokacikaci - A/Audit Manager

MR. CHAIRMAN.- Good morning everyone. I shall now call the meeting to order. Honourable Members of Public Accounts Committee, the Governor of the Reserve Bank of Fiji and his team, the team from OAG, secretariat, viewers, ladies and gentlemen; it is indeed a pleasure for me to welcome each and every one of you present here to give your submission regarding the Audit Report on the Compliance Audit Relating to COVID-19 Response. We have been scrutinising this report for the past couple of days, so out of five topics that we have to cover, we have covered three and that would be the Implementation of COVID-19 Preparedness and Response Plan, Procurement or Biomedical Equipment Quarantine and Accommodation and Stock Management for COVID-19 and thirdly, the Management of COVID-19 Aid.

Today, we will be looking at Micro-Small and Medium Enterprise Credit Granted Scheme, so that is why we have Reserve Bank of Fiji before us to present on this particular audit report.

At the outset, I would like to inform all those present that as per the SO 111, all Parliamentary Committee meetings are supposed to be open to the general public and that is why it has been aired live on our *Walesi* platform, as well as our *Facebook* page and our Parliament website. Any sensitive information that cannot be relayed out in public can be provided to the Committee in writing at a later stage.

However, please bear in mind that there are only certain circumstances under which this information cannot be revealed or disclosed in front of public and that would be a national security matters, third party confidential information, personal and human resource matters. The other one would be that the Committee does not hold or goes out public when the Committee is in deliberation stage and developing the Committee reports and recommendation. All the information gathered today would be covered under the Parliamentary Powers and Privileges Act, so therefore please in mind that we do not condone slander or liable of any sort and any information brought before this Committee should be based on facts.

In terms of protocol, please minimise the usage of mobile phones and all mobile phones to be either on silent or switched off during the meeting. I would now like to invite my honourable Committee Members to introduce themselves to the submitters.

(Honourable Members introduced themselves)

MR. CHAIRMAN.- Thank you, honourable Members for the introduction. Now, I shall invite the Office of the Auditor-General if they can introduce themselves.

(Introduction of officials from the Office of the Auditor-General, OAG team introduce themselves)

MR. A. ALI.- Good morning, Mr. Chairman and honourable Members of the Public Accounts Committee. This is the first time we are here with the Public Accounts Committee because we normally present our annual reports to the Standing Committee on Economic Affairs. I am Ariff Ali, I am the Governor and I have been with the bank for 30 years.

MS. C. WAQABACA.- *Bula vinaka*, Mr. Chairman and honourable Members of the Committee. I am Caroline Waqabaca and I head the Financial Markets Department at the Reserve Bank of Fiji.

MR. A. TUICAKAU.- Good morning, Mr. Chairman and honourable Members of the Committee, I am Apenisa Tuicakau from the Reserve Bank of Fiji.

MR. CHAIRMAN.- Thank you very much for that introduction.

(Introduction of Secretariat Team)

Without any further delay, we will go straight into today's submission. But before we do, what I will request is, if the Office of the Auditor-General can take us through this particular audit report. Tell us

how it was conducted, what is the background, along with the rationale for conducting this particular audit, and from there onwards we will hand it over to Reserve Bank of Fiji to do their presentation.

AUDIT REP (Mr. D. Prasad).- Sir, just to provide a brief snapshot of the audit on Micro, Small and Medium Enterprise Credit Guarantee Scheme. The Office of the Auditor-General undertook this audit in the financial year of 2020 to 2021 and it is part of the COVID-19 combination of reports together with other reports that have already been deliberated and some has to be deliberated tomorrow.

The brief background of the audit is that there was a Government initiative to provide COVID-19 Response to those micro, small and medium enterprises who were facing difficulties in paying up that loans. That was the reason why this credit guarantee scheme came up and the Government allocated \$6 million towards this scheme. The Office of the Auditor-General came in to look into how the processes, policies and the criteria to be met by the entities prior to being registered as part of this Credit Guaranteed Scheme, have been dealt with by the relevant authorities, including the RBF. That was the purpose of our audit and the audit was reported back to Parliament with our findings. Our audit basically looked into three key areas which included:

1. The payments that were made from the Credit Guaranteed Scheme;
2. Whether the proper processes and procedures were followed and the relevant criteria which included the relevant interest rate; and
3. the turnovers actually met by the entities prior to being registered or to be paid.

Those were the three main areas that our audit looked into. How we carried out the audit in terms of the eligibility for payment of the guarantee - we looked at all the payments that were made under the Scheme. We looked at all the necessary processes that were supposed to be followed, were actually followed prior to the payment. In terms of our finding in that area, we found that there was a case where a payment was made to one of the credit institutions, which was not supposed to be paid because it did not follow the proper eligibility requirements. That was an exception that we found out. It is also worth noting that the issue has been rectified by the RBF as well in 2021. The causes for that anomaly has been rectified and implementation of internal controls by the RBF have been implemented subsequently to ensure that such payouts do not get repeated.

The second area that we looked into was the business turnover eligibility. This is another requirement for the small and the medium enterprises to ensure their business turnover meets the required threshold. The required threshold for the micro enterprise would be from \$50,000 to \$300,000 and medium enterprise from \$300,000 to \$1.25million. Basically, that is also in the report. While we were doing our audit, we kept in mind those thresholds. What we looked at during our audit was whether those thresholds were met when businesses were registered for the scheme.

What we found out from our audit was that there was not much information in terms of the turnovers, but we managed to get this information and we did an average turnover and found out that there were

cases where the enterprises were well above the threshold, hence were not eligible to be registered for the scheme. What happened subsequently, in June 2020, the Reserve Bank revised its reporting template, and required the credit institutions to provide the annual turnover in their annual reporting. That was something that we saw as a good practice by the Bank in response to the issue that we had highlighted.

The third and final question on the areas that we looked into was on the interest rates. One of the other criteria was the cut-off on the interest rates - though it was supposed to be less than 10 percent for the interest to be registered, however there was a lack of clarity from the banks to actually state whether it could be a flat interest rate or whether it will be an effective interest rate. We noted that in most cases, which the bank later rectified, the interest rate used was a flat interest rate and which was much greater than the effective interest rate. So, what we have noted also in July, 2020, the bank had actually de-registered 1,223 of their active loans; this was something done by the bank as a quick response to this deficiency in the process. Loans valued at about \$67.5 million were de-registered and the reporting templates were also amended, which required the banks to provide the effective interest rate. While there were deficiencies that we found during our audit, it is worth noting that the bank, in 2020, has rectified the anomalies and deficiencies in their processes.

We have also noted from the comments from the bank that they are also going to do spot checks on these credit institutions as well and we intend to follow up on this action that the bank is willing to take. Like I said, Mr. Chairman and the Committee, while there were deficiencies that we found during our audit, it was very intriguing to see that the bank has rectified those anomalies in a very prompt way. Mr. Chairman, that was a very brief introduction of the Report.

MR. CHAIRMAN.- Thank you, Sir, for introducing the Report to us and to all our viewers. I believe I shall now give the floor to the Governor of RBF. There were certain questions that were sent over to the RBF, so you can take us through and start your presentation.

MR. A. ALI.- Thank you, Mr. Chairman and Members of the Committee. I am pleased that the auditing staff from the OAG is here. Let me first thank you for giving us this opportunity to explain the other side of things. In life there is always two sides to everything and I feel it is important.

I just want to start off by saying that this facility was introduced about 10 years ago. This facility is similar to what most developing countries and even advanced countries, do. There is a real issue with SMEs or micro and small businesses accessing funding. Some studies have been done in Fiji that says that the funding gap for SME runs close to \$2 billion. I do not think it is as high as \$2 billion but I think even 25 percent of that is \$500 million. There is an issue with access to credit by SMEs and that access is simply because you do not have audited financial accounts, you do not have collateral so it is difficult for you to go and borrow.

What government did to make access to finance for these SMEs or micro and small enterprises easier, was to say if a financial institution lends, in the event that the financial institution is unable to make its repayment because the business has not done well or something, government will pay for a certain amount of that loan. Basically, that risk is shared by the borrower or the micro, small enterprise, and government. When we started off this thing, we had this cap of \$50,000 or 50 percent of the outstanding loan amount so basically if someone had taken a loan, the loan amount was \$60,000, they paid \$10,000 and \$50,000 is remaining, then government will pay 50 percent of \$50,000 which is \$25,000; the Government will pay and the banks will then write-off \$25,000. This is something that is globally done.

One of the other issues related to this is that we all know of the ease of doing business. I am sure both Government and the Opposition Members talk about this so one of the things that we said is that we wanted to simplify the whole process of accessing this facility. Given that we were dealing with institutions that we ultimately regulated and supervised, we gave them the guideline and told them to make sure they followed the guideline - they did not have to send stacks of documents for review because it was not our job and it was for them to do that.

So, when a loan is granted under the Micro Small Enterprise Guarantee Scheme, all the bank has to do is to inform us that they have given a loan to entity A, the amount of loan and whether they have met the criteria. It is only when that loan fails then they have to send all the documents to us to process so that we can then pay the guarantee. Over the last 10 years or so - and I am pleased to say how effective this facility is - the total amount that we have paid is about \$300,000. The total loans that the Government has given under this facility is in the hundreds, if you combine all of them so the loss ratio is very low. I am of the very strong view that if this facility was not there, a lot of these small enterprises would not have been able to access the loan. Accessing the loans means you feed your own self and you do not rely on the Government or the others, you create employment and you pay taxes.

If I look at the \$100 million given, its contribution to GDP and taxes outweighs the total guarantee that we have paid. So, I just wanted to put that into context. This similar facility is in both developed and developing countries; if you google, you will find it. A number of times, we have reviewed this facility to increase the guarantee and now we have added women in rural areas and the guarantee now has increased from 50 percent to about 75 percent.

In addition to this, the total initiatives or facilities that the RBF operates in terms of the total funds that we lend out, it is about \$1 billion. Let me now come to the three points that the Auditor-General has highlighted and as I said - we strongly support the OAG coming and looking at our accounts because it gives another set of eyes. We have an internal audit, we have an external audit and of course, a third pair of eyes sometimes helps out. We have no objections with the OAG coming in, in fact we appreciate them because this is all about improvement.

The first issue is in regards to the \$36,000 refund that was overlooked by our staff; there is no denying this. There is no loss to Government. It was initially identified by the RBF staff and not the Auditor-General but yes - when the OAG had come, the refund had not been processed. The reason why the refund was not processed was because this institution had some changes in its

CEO, in fact there were a number of changes in the acting appointment, decisions were not made

and they just said that they needed to go to the Board. The fact that the OAG came, we then said that this has been highlighted by the OAG and they needed to replenish the funds.

There has been no loss of tax money or any money. It was an oversight and there is no denying that; we admit that. Given the number of transactions that we make, this is one oversight out of the thousands. I am not here to say that there was no oversight – yes, there was an oversight. There was one and we have rectified it ourselves and it was picked up by the OAG because it was not refunded on a timely basis but this has now been paid. One of the things that I always say is that if my son gets 99/100, I need to commend him on the 99 percent and not talk about the 1 percent. Not to say that this is not your responsibility – it is your responsibility but we just need to look at it.

The second issue is on the turnover. Here we have a slightly different view from OAG. When a loan is given, it was not clear to us that in the period the loan was given it had actually met the requirement in terms of turnover. Yes the business grew. Suppose my colleague had taken a loan and at that time, he/she had qualified in terms of turnover. Over the next 5-7 years the business had grown but now it no longer meets the requirements but it was the timing of when the loan was given.

That is something where we had a slightly different view but it is not something that we will lose sleep over. The other important thing is that in order to simplify things, we left it to the responsibility of the financial institutions to verify those things but the important point nonetheless is - I just want to come back to it – that the OAG says that there is a way to verify these numbers and it is through the audited accounts at FRCS. Now, what we have done is that when you do that, make sure that the auditor consents; it is a second check. We have taken that on board and I must say that while we have differences, I think it just enhances the scrutiny of this report.

The third is the interest rates. You will know that when the commercial banks charge interest rate, it is on a reducing balance, so the effective rate is basically on the reducing balance. However, finance companies like Merchant Finance, Credit Corporation, BSP Finance and Kontiki - their interest rate is more like a compound interest so when they say 10 percent, it is not on a reducing balance. The issue with the finance company was when they said their interest rate was 10 percent in their eyes, that was the interest that we use. It is not really an effective interest rate and now we have resolved that issue that it has to be on a reducing balance so that issue has now been resolved, and again we thank the OAG for pointing this out.

However, let me come back to interest. None of these entities, none of those institutions that has high interest rates has claimed money and we have given taxpayers money - I just want to make that clear. Maybe I will leave it there but again I just want to commend the OAG office. This again has nothing to do with COVID-19. This facility has been there well before COVID-19 and the three issues that the OAG has raised, I feel, will ultimately add value in how we relook at our policy.

But given that you are still on this, I just wanted to highlight to you a few other things. Just for your information, the SME Credit Guarantee Scheme was announced in the last budget. To date we have approved somewhere around 5,500 loans under this consolidated scheme, of this micro-small

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businesses account for 2,581. Forty-seven percent of all businesses that access this facility where government will pay interest for the first two years and there are no fees, no repayment – 47 percent of those small businesses is 1,700 so, when you combine micro and small that is somewhere around almost 78 percent, more than two-thirds. That is quite a large number and that again shows why we need to support the SMEs sector.

For our Disaster Recovery Facility, we have lent out a total of about \$350 million to about 300 customers and our import subscriptions/export finances are about 281 companies. The total amount under the facility is \$500 million so we managed a loan portfolio. Normally, most central banks do not do that, given that we do not have an import/export bank ; this is something that we can help with to support the economy. So the total bill of almost a billion dollars of loan to somewhere around 6,000 customers and yes we do acknowledge that there is an oversight on one on a very small amount. I am happy to take any more questions.

HON. J. NAND.- Thank you Governor for your presentation. You have said that this facility has been there for the last 10 years; my question to you Sir, is this -has this been audited before prior to COVID-19?

MR A. ALI.- It is not audited by the OAG, however we have our own internal audit which is outsourced on a periodic basis; they come into the office and audit.

HON. V. LAL.- Mr. Chairman, my question is to the OAG. This facility has been there for the last 10 years as we have all heard and you have just come in to audit prior or just when COVID-19 started. Why was that not audited earlier and what was the reason for coming in now?

AUDIT REP (Mr. S. Dukuno).- Mr. Chairman, through you, I thank you for these questions.

The Office of the Auditor-General wanted to carry out a compliance audit just to check on the processes and controls and all those things where the Government had side funding. Even though the facilities had been set up by Government, the Office of the Auditor-General was tasked to see that the processes were in compliance with the audit so we sort of audited and came out with all those issues on the audit processes. Just to go back to the issue of why we came up later, it is the prerogative of the Auditor-General to advise us to carry out a compliance audit in 2020.

HON. J.N. NAND.- Mr. Chairman, Sir, through you, this question is to the Governor - thank you very much for being very bold in stating that there was an oversight and for correcting it. My question to you

is that during this COVID-19 pandemic what was the challenges faced in implementing these programmes?

MR. A. ALI.- I think the biggest challenge for SMEs still remains as access to credit. COVID had such a large impact on the economy, when the economy contracted by 17.2 percent. The first businesses to be affected were the SMEs and we all know that a number of those small businesses have been affected; that is the reality of this. A number of large businesses were struggling as well, so when you are already struggling and you do not have cash flow, and one of the things I always try to educate people on is that when banks lend it is not their money. It is public money, it is the depositor's money so, they have to ensure that whoever lends, has got good credit rating so ultimately the people will pay and the depositor's funds are not lost out.

So, if you do not have cash flow because of COVID then the banks will be hesitant to lend. When you look at the guarantee scheme that was announced in the budget whereby Government will pay interest in the first two years, the take-up has been very strong. There are 5,500 businesses and of that, almost 4,000 businesses are micro and small businesses. They all need access to credit and I think this type of facility is ultimately there to help them. The challenge for SMEs is - if you do not have collateral you will have a challenge. It is not only COVID but any other time.

The guarantees help because in the event that this SME or micro business will not be able to pay, we know that Government will pay a certain percentage. And what we did in the last two years and convinced Government was to increase the guarantee amount from 50 to about 75 percent. In particular, one of the other areas that we strongly feel that needs assistance is women in business. We have actually said that women in business will get 75 percent so Government guarantee will be 75 percent and to me, that is very important.

HON. A.M. RADRODRO.- Mr. Chairman, just a supplementary question. Thank you Governor for the every comprehensive explanation. Maybe to assist the Office of the Auditor General I think this audit was conducted on the COVID-19 programmes that was put out by Government in its COVID-19 Budget. The prerogative may be, as you rightly said is yours, in terms of the existence of this programme from 2012 to 2021 and as you rightly said, it was never audited by the Office of the Auditor-General. But I just like to enquire on the audit that is conducted internally. Do you face similar issues, even though highlighted by the Office of the Auditor-General here on one particular item from 2012 since inception - have you faced similar incidents been brought up to your attention by the internal audit, and what actions were taken by your entity to ensure that those issues are addressed. We would be interested in the actions that you have taken because even though we are interested in the actions that you have taken, even at the conduct of the audit by the Auditor General, you still highlighted one. I was not expecting to see any discrepancies because of the existence of internal audit in your department.

MR. A. ALI.- Thank you honourable Member for that question. I think one of the things that I missed out is that from 2012 when this facility was introduced until 2018, there was no call on the guarantee. There was only one call on the guarantee I think from 2017–2018. What it basically meant was that because

the economy was doing well, businesses were thriving, there was no call on this guarantee, so basically, any internal audit that was done was not really an issue because there was no money paid out. That, in some ways, was a blessing, unfortunately I do not think our internal auditors have access to FRCA data which Auditor General said. Therefore coming from outside (as I said earlier) with a new pair of eyes - you look at things, you audit and that suggestion of validating or double-checking the turnover data through FRCA is an important one which has now been validated. It was not brought in by our internal auditors – there were minor issues but nothing major underlying all these things because there was no payment.

HON. A.M. RADRODRO.- The supplementary question I would like to raise is you mentioned that these issues were highlighted by the staff of the Reserve Bank of Fiji and then brought to the fore by the Office of the Auditor-General. Is that right?

MR. A. ALI.- Yes.

HON. A.M. RADRODRO.- The question that I would like to ask is the process that it takes. How long does it take for the refund according to your SOPs and why was it not followed? What actions were taken by yourself (supposedly) for the non-compliance of these SOPs?

MR. A. ALI.- One of the key things is this - our SOP did not say that if you pay in error you need to pay. The guideline says you pay and the SOP did not. Now that they have said it, we now have that included so that is the first thing. As I said earlier, this is an oversight that was picked by our team. At that time the CEO was acting and then there was another Acting CEO, so they were going to and fro in terms of the payments of the refund. They initially asked if we could just take it on board but I said no. They asked if we could share 50/50? I said no this is ultimate, you need to pay. We told them this because they were taking their time. We had said that we could put punitive measures in terms of their licences and all those things, but this was a small amount. It is an institution that is locally incorporated, it is a local institution. Yes, it will be a little bit more time. I totally agree in terms of resolving this issue, but when the Auditor General came and highlighted this, we then used it as an added thing to tell them they needed to pay and if they did not pay, then we would just sanction or fine them.

HON. A.M. RADRODRO.- Would you be able to advise the Committee how long this issue remained and was not addressed by the Reserve Bank of Fiji before the Auditor General's office brought it up in this report?

MR. A. ALI.- The issue was immediately addressed. Once we found out that there was an issue we addressed it but we paid, and yes it took us more than a year.

HON. V. LAL.- More than a year?

MR. A. ALI.- Yes, more than a year.

HON. A.M. RADRODRO.- Is that good business practice in terms of your SOPs regarding this credit scheme?

MR. A. ALI.- So these are institutions we supervise. We know that there is no way that they can run away from us so we know that this will not be a loss to us. These institutions we supervise, we can put

punitive measures and tell them to pay otherwise their licence will be taken away; we know that. So to say that this will be a loss to the Reserve Bank of Fiji, I can tell you it is zero, it will not be a loss. It is just an issue of timing in terms of when it was paid. So, yes, definitely it took us more than the normal time to handle it but definitely I would not say that this would have resulted in a loss. As I said, this has been a learning experience. This is a first case, maybe we are bit accommodating in terms of the responses from the other side in terms of paying, but this is an important lesson. The next time this happens we will say pay within 30 days so we can clear

HON. A. RADRODRO.- I am asking the question on behalf of all our honourable Members of the Public Accounts Committee.

MR. A. ALI.- This is an opportunity to ask any question.

HON. A. RADRODRO.- I will go into the SOP's later, but in terms of the number of businesses that were assisted through this programme - if you look into the introduction that was given by the Office of the Auditor-General about 1,404 was given stability - ability to survive after the business impact survey. They have also highlighted that 447 businesses would be bankrupt, but I note that only 18 you have assisted during the audit. Can you enlighten the Committee in terms of the status of this report or assistance given to this business. I guess this is the whole of Fiji or a particular area only, if you just enlighten the Committee, please.

MR. A. ALI.- Thank you, for that question. I am not really sure about this 400 businesses being bankrupt. You would know that businesses continue to pay their loan - they may not be paying taxes but that is the separate matter.

HON. A. RADRODRO.- If the Office of the Auditor-General, can enlighten us after.

MR. A. ALI.- But what I can say is that based on the loans that banks give, we do not give loans under this scheme. It is only a guarantee that in the event that a loan fails, we only process and pay this guarantee if the bank comes to us. If the bank does not come to us and they have written it off therefore the taxpayers money is.... but from the numbers that have come to us, it is relatively small, out of the 400. I am not really sure maybe the Office of the Auditor-General can say "yes, they could be bankrupt and they are still paying their loan."

MR. CHAIRMAN.- What we are discussing is to get some clarification. The main purpose for this audit was about the \$200 million that was given by Government guarantee to small and medium enterprises with regards to COVID. Because I do not see these SMEs at that point in time being provided help as a COVID assistance under COVID Response Budget. At the time the audit was carried out the scheme did not kick. I think that is where honourable Radrodro is coming from because during COVID around 447 businesses were about to be closed because their turnover was reduced by at least 75 percent. The cash

flow was an issue and that is when Government came in with that \$200 million guarantee programme so that we can start guaranteeing the loan to start improving the cash flow. But as per this particular report, it does not reflect that, that is why I think if you look at the total amount approved by the bank, it is only \$257,044 while the whole guaranteed amount was more than \$200 million. I think that is where the situation lies – not that the 447 has to do with this number that has been audited.

MR. A. ALI.- If I can clarify, Mr. Chairman, you are absolutely right. This audit was done on the SME Credit Guarantee Scheme that has been operating since 2012. The total amount that Government guaranteed to RBF is about \$6 million - the total amount that has been paid out was quarter million. We had not paid that out but that is on the loan.

The announcement in the 2021-2022 Budget was on \$200 million that was announced in June and July, 2021. The loans that have taken place out of that facility are as I highlighted earlier - about \$5,500 of which 77 percent or 78 percent is micro and small businesses. You will not see a default in the first two years because Government has guaranteed the interest payment for the first two years. We will only see the default from the third year onwards in the event that the business is unable to pay, then Government will pay for it. So in the first two years, even if the OAG comes and audit these things, they will not find anything because no one has to pay or service these debts or loans, the government is servicing these debts. So if the Government is servicing this debt, you would not know whether the business is still surviving or not. It will be much easier to know whether that business is surviving or not after the two years has expired, whether this business has taken a loan under this scheme and is able to pay or not. This is something that may be on the third year of the facility and something that the OAG can look at. Of course, we will look at it because these are the numbers we get from the banks if they are under our supervision.

It is of course, in their interest to come and accept this guarantee in the event the loan is there. You are actually correct, Mr. Chairman.

HON. RO T.V. KEPA.- Mr. Chairman, a question to the Governor - this is in terms of women in business, where you are saying 75 percent is government guarantee for women. When COVID-19 struck in my area, it was mostly the women who were putting food on the table, because a lot of people had lost their jobs, there was a lock down at the border and other things that came into place. What type of training are you providing for women who are right in the grass roots; women who have had little education, but are providing all the tasty food that you see in the markets, like crabs, *mana*, *moci*, prawns, and *ivi* that you have on the verandahs. These women have very little money to work with, so what type of training would you be providing to enable them to access these loans under SMEs? This is my question because they are working with very little money and I am sure they would want to get on to this. How would you do that? Would you work with the provincial councils rather than just sending your people into the rural areas, because that is how I would see it working best - to work with the provincial councils who are already there?

MR. A. ALI.- Mr. Chairman, I feel it is a very appropriate question. One of the things that has not been in the domain, of course, in the roles of central banks (until very recently), is the financial inclusion. That is

something that we started about 10 years ago - if you look at any central bank that is focused on its core objectives of inflation, balance of payment and growth. It is becoming more and more apparent all over the world right now that we do not need only growth or sustainable growth, what we need is the inclusive growth. This is a term that is used even by entities such as the IMF and the World Bank - inclusive growth. We just do not say we have a 10 percent growth but we make sure that the 10 percent growth is inclusive of people or the disadvantaged women. We have just launched our third financial inclusion strategic plan. I am the Chair of the National Financial Inclusion Committee, we have members from the commercial banks, financial institutions, a number of different Permanent Secretaries from the PM's Office, Ministry of Economy, Ministry of iTaukei and we also have members representing NGOs, et cetera. We work together to work on that.

The RBF cannot go and educate everyone on financial inclusion. We have a team that goes out and does consultation to create awareness with a number of other stakeholders, whether it is the sugar cane growers, provincial councils in certain places, town councils, Ministry of iTaukei, Ministry of Women, FSC; we do that. Can we do more? Definitely, we need to do more. We do not have the resources, we do not have the expertise on all of these things, but one of the reasons that most SMEs fail is because they do not understand this whole issue about financing. One of the common things that a lot of people who start their business think revenue is equal to profit, revenue is not equal to profit. Revenue minus your expenses is equal to profit. We are doing that and we even have a TV programme on financial inclusion that runs on *FBC* titled *Noda i Lavo* in the iTaukei language. So again, we are doing this thing in terms of financial inclusion and it is not just business. Telling people why you should not access your FNPF or why you need to save, why you need to buy an insurance policy, why you need to buy an insurance policy for your house - we are working on a number of areas on this front.

We have done a number of surveys recently on how many people have accounts, how many people do not have accounts, why we need people to have accounts, why we need to encourage more people to take insurance policy, so we doing this on a number of fronts, but it is done in collaboration with a number of stakeholders. We would be more than happy if someone says that they want more information on these things, we will get our trainers or we will partner with a number of others, or work with a number of UN agencies as well.

On your question about women - I totally agree. That is the reason why we actually pushed government to increase it to 75 percent so that there can be more people accessing but I think this is an area that we will continue to work on. I think there is room for improvement in how we address this issue but it needs to be a collaborative approach. We are not experts in all these areas, so we need to get people and other stakeholders to work with us in these areas.

One of the things that we have now looked at and it is part of a new strategic plan, is how can we bridge this gap between the gender. So when we initially did the survey, the simple one that we started off with is bank accounts. In a 2014 survey, the gap between male and females (if I can be corrected) was in double digits - I think about 15-17 percent; I need to confirm that number. When we did that survey again in 2020, that number had reduced. We have put it in our new strategic plan and we can share it,

unfortunately it is not there, but we had specifically said how can we help women. So, out of the four or five pillars that we have in our new strategic plan, one pillar is basically working with women.

HON. A.M. RADRODRO.- Mr. Chairman, I am still waiting for the OAG comments on the figures that have highlighted in their Report.

AUDIT REP (Mr. S. Dukuno).- Thank you, honourable Member and through you, Mr. Chairman, as part of the introduction in the first paragraph, if you look at the footnote, there is a MSME Enterprise Policy Framework and that is where we picked up that paragraph. It was a survey done before COVID-19 and also after COVID-19 and the survey was done by the Ministry of Commerce, Trade, Tourism and Transport with IFC, so those were the findings. It reveals that for 1,014 MSME businesses, their sales will decline by at least 75 percent post-COVID-19 and 447 businesses would be bankrupt should the current pandemic restrictions continue in the next six months. That was basically part of the introduction and tying up with the current initiative, the scheme to assist these businesses to access finance. I hope that answers your question.

HON. A.M. RADRODRO.- Mr. Chairman, now Governor, in terms of the policies and SOPs, you have mentioned a very pertinent point regarding the different interpretations on the one item that was identified by your staff and then brought up in this Report by the OAG. Looking through the Report, there seems to be a different interpretation or a different view in terms of the application of the process.

One of the recommendations put forward by the OAG is regarding staffing of the RBF. Just a question – does the RBF consult stakeholders, banking facilities and banking companies to ensure that there is proper understanding in terms of information that we submit so there is no repeat of different interpretations in future.

MR. A. ALI.- Thank you for that question, honourable Member, but let me just quickly address this issue. The number that the OAG is talking about is a survey that was done by the Ministry of Trade with IFC - that 400 businesses would become bankrupt - based on that survey. That does not mean that the same survey participants were part of this loan, so we are talking about two different groups of businesses. Those that were surveyed may have taken loans or may not have taken loans, but what we know and it is a fact from us, a number of people that have accessed this credit guarantee is far less than from what was in the survey.

You would know that in a bank, if someone has not paid or is unable to pay their loan, it is in their interest to call on the guarantee because it helps them reduce their loss. The fact that they have not called means that the banks, at least in my view and the numbers will validate this, is that their credit assessment was quite good and that most businesses were quite good and had paid their loan and only a small amount was left. I just wanted to make that clear.

HON.A.M. RADRODRO.- What about the awareness in terms of them knowing there is a facility there?

MR.A. ALI.- The banks know it and ultimately it is the banks that write to us. Whether the individuals or business know it or not, it is the bank which will come and access credit from us. It is easier for the bank to come and access that credit rather than taking the SME to court and telling them to pay. It is easier for them to come to us because there is a process. In 90 days if it has not been paid, we will pay them - this is much more easier. Whether the SMEs know about the guarantee scheme or not, the banks know. It is the bank that has not been paid and they know that they can access this facility so that is much easier and, to me, it makes sense for them to come to us.

With regards to awareness, when this facility was introduced in 2012, I was the Chief Manager Financial Market. We introduced this facility, we consulted heavily with the stakeholders including all the financial institutions and the guidelines were ultimately done. Of course there were things we did not take into consideration in terms of what they wanted and one of them was the interest rate. Prevailing in the market at that time, the SME interest rate was somewhere between 15 to 20 percent.

The banks would want higher interest rate on this threshold but we said no. If this is a facility that the Government is introducing and the Government is ultimately guaranteeing, we want interest rates to be less. So yes, we consulted them but we did not agree to everything because we felt that it is in the interest of the facility and the SME's that if they do not call on the guarantee, they borrow and they pay a low interest, so we fixed the interest rate 10 percent. That is one thing - we consulted but we did not agree with the banks.

Of course, the SMEs would have wanted a much lower interest rate which we ultimately had to find a balance and at that time, we thought a 10 percent interest rate would be suitable. As I said earlier, the challenge is the way interest rates are charged by the 5-6 commercial banks and the 3-4 non-financial bank institutions or the finance companies. The finance companies charge interest upfront and the commercial banks charge an effective interest on the reducing loan; that is the only difference and that has been resolved.

The only issue I want the Auditor-General to do is to bring about more clarity on the effective interest rates. The hire purchase companies follow the same thing as the financial company. They have an interest which is not necessarily the effective interest but it is slightly high, so that was the key issue which has been sorted out.

HON.A.M. RADRODRO.- You said the initiation is from the commercial banks in terms of accessing the guarantees facility say for this COVID-19 period where \$6 million was provided by the Government. Is there a check and balance system that your department or entity has in terms of making sure that the banks provide proper information to ensure that there is no sort of try to "scapegoat" the system?

MR. A. ALI.- I want to come back to what I said earlier, the total loans guaranteed under this facility in my view is in excess of a hundred million dollars. The number of businesses that have accessed this facility is quite significant. The number of loans that have gone bad, that means accessing guarantee - you have to understand - your total loans could be a hundred million dollars, but the guarantee that is finally called is about \$300,000 so, we do not have to go and check all those businesses that are paying their loans on time. It is a waste of my time and everyone else's time. It is only when they want to access these funds which are taxpayers funds, we then have to check that they are met. I do not send my staff to go around and check all the loans that have been given under this facility because I feel that it is not worth it. It is only when they come and say that they want to take funds under this scheme that I will ask if they have met all the requirements. I feel that is a more effective way of doing things and as I said earlier, the loss ratio is very close to 99 percent. I should not be using my time or my resources on checking when really, there is no call on the government guarantee. What is therefore important is only checking on those who are at fault.

One of the other things that we have said is that when we do on-site visits (just like what the OAG does), to a commercial bank to look at their credit files, we can look at a few files and ask if they are in compliance with the policy. If they say yes, we go there but I feel it is not effective use of resources if we have to check each and every thing because they are not coming to us.

HON. A.M. RADRODRO.- In terms of the business turnover eligibility, the OAG have highlighted that since 2012 some of the applicants had exceeded their \$500,000 threshold. This is from the report that they have so how have you addressed that going into the future according to the recommendation that they have. Should RBF strengthen its verification process and take a proactive approach in verifying the accuracy of the current turnover that is being reported to the RBF?

MR. A. ALI.- I had touched this in my earlier comment. One is that we have a slightly different view than the OAG on this issue. As I said if you had taken the loan in 2012, you have met the \$500,000 threshold but they looked at the turnover - three years later your turnover is now some millions of dollars, that does not mean that you do not qualify. This is where we have a slight difference with OAG in the sense that have they really looked at the time of the loan or they did it in 2020-2019 so we have a different version. Was it compliant in 2015 or 2013 when the loan was given?.

Nonetheless as I said we have a slightly different view on that but what we have said now is that sometimes, some businesses give a turnover to the bank and what they report to FRCS is slightly different. As a second check to validate that, we now need what they give to FIRCS as well so that process has now been improved by saying that. I am not saying that whatever they have quoted is right, we have a different view but nonetheless we feel that it is an important point particularly when this facility is being reviewed, audited or when there is a claim made then we need to see what they have submitted to FIRCA as well.

HON. A.M. RADRODRO.- How long does it take the RBF to process those applicants?

HON. A. ALI.- It normally takes less than a week. Because if you provide all the information, it should be done. So from the hundreds of loans that have been given only 23 loans have gone bad under this facility. What is the objective of this facility? The objective of this facility is to provide access to credit and make it much easier for the MSMEs. Out of the loans that have been given, one (as I continue to say) has been an oversight on our part and my team. I take full responsibility for that, but it is just one and that has been rectified and the funds have been given. The objective of the Scheme has been met and will continue to be.

HON. A.M. RADRODRO.- Just a final question to the OAG in terms of the conclusion that you gave in your report regarding the Scheme. You were highlighting the non-compliance in terms of following the SOPs on the Scheme. Can you enlighten us - after this, will you do a follow-up audit or is that conclusion still valid in terms of the report that you currently have?

AUDIT REP (Mr. S. Dukuno).- Thank you honourable Member, through you Mr.

Chairman, I think the conclusion was made based on the scope or the objective at that particular time. The conclusion was that it had not complied with the SMEs credit guarantee guidelines for 2016 given the findings that came up - that we found. We followed up and that is something that our office will decide, moving forward.

MR. CHAIRMAN.- I would like to also seek clarification on the recommendation regarding the business turnover eligibility. Now that the Governor of the Reserve Bank has actually explained what the situation was in terms of the turnover and why there was a difference, what are the views of the Office of the Auditor-General - does that recommendation still stand? If it does not then why was this not identified in the exit meeting with the Reserve Bank? What is the update? Can that be explained please?

MR. S. DUKUNO.- In terms of the two recommendations that are there in terms of the verification process - initially before the guidelines were reviewed in 2020, the reporting template for the banks that was designed by the Reserve Bank of Fiji did not require the banks to submit the annual turnover. The Reserve Bank was registering loans under this scheme without actually knowing what the turnover was, but for the purposes of a compliance audit, based on the guidelines, you need to look at the two major criteria: firstly, the turnover has to be below \$500,000; and secondly, the effective interest rate has to be within the 10 percent threshold.

So, based on that criteria we had done our assessment on those loans that were registered at that particular time. At 31st July, 2020, because of the number of businesses that had exceeded the turnover, we thought RBF should have actually strengthened their verification process. I think they have changed now and they have included and are now requiring the banks to actually submit their annual turnover, from following up from that review.

MR. A. ALI.- Mr. Chairman, one of the things that I said right from the beginning is this. Everyone has raised this issue about too many guidelines, too many bottle necks, too many hurdles, so when we designed this thing we told the banks that if the financial institutions survive, you check the turnover and you put it in your file – you do not have to report to us. Only when you make a claim, then we will check that. So, yes, we did not look at turnover. That was an internal process that each financial institution has to ensure that they meet the turnover, they comply.

When the Office of the Auditor-General came and said that we needed to put it, we put it. I still feel that it is not a requirement when they give the loan. We really do not want to be inundated with data and all these things. This is something that we have given, you have done it. Yes, if the loan goes stale, you need to access this credit and we need to ensure that you have met all the condition. Nonetheless, this is an issue that we had a slightly different view. Again with regards to FRCS numbers and all those things we said – yes, we will take that on board but in our view, it does not add value in terms of the disbursement of the guarantee. At the time of the guarantee we need the turnover. At the time of the loan given we said, you keep all the information - only when something goes bad then you give us the information. That was our thing because we wanted to make this as simple and accessible so that the facility stays.

I have been in the bank long enough to know that there are lot of other facilities and when you have this much of requirements, there are no takers. So we said you do all those things, only at the time of default you then give us that information. It was more simplicity and as I said, we would not lose sleep over it by putting it as an additional requirement for us.

MR. CHAIRMAN.- That is what I am getting at Governor, that these kind of processes will only increase the bureaucracy that we are trying to reduce. Then again, for example, if there is a financial institution which is verifying and very rightfully saying whether RBF verifies or the financial institution verifies in 2012, and as per what the audit was in 2018, they surpassed the \$300,000 and from small they come into medium now. How will this recommendation be of any help? (I note what you people are saying). In that scenario, every year you will be filled with data with all those people who are taking loans if it is done on a yearly basis, but then again if a person had taken a loan when he had a small business and increased the turnover and converted his business to medium, it does not mean that he is not entitled - he is still entitled. From that point of view, that particular recommendation is not making sense.

MR. A. ALI.- Mr. Chairman, I know where the Auditor General's office is coming from. I think they have a responsibility to protect taxpayers' funds and we respect that. Our job also is to find that right balance to reduce bureaucracy so that the economy runs (what the honourable Member said, people who can access funds are given funds to access) so we have to find that balance. Nonetheless as I have said, this is an issue we have now resolved, we have added those in terms of our templates. That is what will be given, yes, we will file it and it will only become relevant if and when our creditors call. As I have said, we have no issues with that recommendation

- it does not add value, but if it meets the Auditor General's requirements in terms of what they want, we will comply with that.

HON. A.M. RADRODRO.- Mr. Chairman, I would like to get an assurance from the Governor in terms of a way forward. I know a lot of assistance has been given to assist microsmall enterprise - guarantee scheme. Can you assure the Committee that processes are in place to ensure there are no gaps as highlighted by the Auditor-General or any future discrepancies noted going forward?

MR. A. ALI.- Thank you honourable Member. I want to come back to what I had said earlier. I feel the scheme has been very successful in meeting its objectives. I also would like to say that if one out of a thousand applicants and somehow there is an oversight, it is something that we should spend a lot of time on. Let us not build a mountain out of a molehill. We agree with that comment. It was one and it was found by us not by Auditor-General. I repeat - the issue of that one case was found by Reserve Bank staff and not the Auditor-General. The Auditor General picked on that and said that we needed to improve our processes. I can assure this Committee and everyone else that our processes are intact and we continue to review it. I am not saying that there cannot be lapses by individuals at some time but we will endeavour to ensure that this one event does not happen again. I know and we will try our best. It is not an issue where there has been a gross abuse of taxpayers money - no – it was just one item which was no loss to taxpayers.

MR. CHAIRMAN.- Thank you if no other question, final comments from the Office of the Auditor-General?

AUDIT REP (Mr. S. Dukuno).- Thank you Mr. Chairman, through you, I would like to thank the Governor for working with us and having the audits carried out. I know that it was the first time that the office carried out a compliance audit and we thank them for the cooperation that was rendered during the audit. That is probably just the remarks from the Office of the AuditorGeneral.

MR. CHAIRMAN.- Final remarks from the Reserve Bank of Fiji?

MR A. ALI.- I just want to thank the Committee for inviting us to hear our side of things. I must say that when we had this closing meeting, the Acting Auditor-General did come. I had specifically asked the Auditor-General to come but unfortunately he did not come because these are issues. There are a lot of times, like in any internal audit, sometimes you have your view, you listen to the closing comments and then you can say 'okay, yes - while we had this issue and we can now put things in context. I think that is the most important thing.

I am the Chairman of FRA and Chairman of ACCF, and we work very closely with the Office of the Auditor-General, so it is important that there are meetings and discussions to iron off these issues. The sooner these issues are ironed off, the sooner you can solve that problem. This should have been highlighted - we are rectifying, we are actioning it and we have actually written formally to the Office of the Auditor-General in terms of our action. As I said, if they need to come and review again,

we will give them the same support and if they do find any other issues, we will try to rectify them as soon as it happens.

(HON. RO T.V. KEPA moved a vote of thanks on behalf of the Committee)

MR. CHAIRMAN.- Thank you, Madam. For the information of our viewers watching, we have just completed the submission on Micro, Small and Medium Enterprise Credit Guarantee Scheme. Tomorrow, we will be meeting officials from the Ministry of Agriculture who will be submitting on the Management of Agriculture Assistance: Farm Response Package, Home Gardening Seed Packages and Improvement of Farm Genetic. I would now like to adjourn the meeting.

The Committee adjourned at 10.48 a.m.

[VERBATIM REPORT]

STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDIT REPORT ON COMPLIANCE AUDITS RELATING TO COVID-19 RESPONSE (PP NO. 270 OF 2020)

SUBMITTEE: Ministry of Agriculture

VENUE: Big Committee Room, Parliament

DATE: Friday, 20TH May, 2022

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON FRIDAY, 20TH MAY, 2022 AT 10.00 A.M.

Interviewee/Submittee: Ministry of Agriculture

In Attendance:

- | | | |
|--------------------------|---|--------------------------|
| 1) Dr. Vinesh Kumar | - | Permanent Secretary |
| 2) Ms. Sera Bose | - | Chief Economist |
| 3) Mr. Adriano Tabualevu | - | Regional Manager Eastern |
| 4) Mr. Sikeli Baleisuva | - | Acting Head of Finance |

Office of the Auditor-General

- | | | |
|-----------------------|---|---------------------------|
| 1) Mr. Sairusi Dukuno | - | Acting Auditor-General |
| 2) Mr. Moshin Ali | - | Assistant Auditor-General |
| 3) Mr. Samuela Tupou | - | Audit Manager |
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DEPUTY CHAIRPERSON.- Honourable Members, members of the public, secretariat, dear viewers, ladies and gentlemen: a very good morning to you all and it is a pleasure to welcome everyone especially the viewers that are watching the public hearing session. At the outset, for information purpose, pursuant to Standing Order 111 of Parliament, all Committee meetings are to be open to the public, therefore please note that this submission is open to the public and the media and is also being aired via the *Walesi* platform and streamed live on the Parliament's website and social media platforms. For any sensitive information concerning the matter before us this morning that cannot be disclosed in public, this can be provided to the Committee either in writing or in private. However, please be advised that pursuant to Standing Order 111, there are only a few specific circumstances that allow for non-disclosure of these items. These include:

- national security matters
- third party confidential information
- personnel or human resource matters
- Committee deliberations and development of Committee recommendations and reports.

This is a parliamentary meeting and all information gathered is covered under the Parliamentary Powers and Privileges Act. However, please bear in mind that we do not condone slander or libel of any sort and any information brought before this Committee should be based on facts. In terms of the protocols of this Committee meeting, please minimise the usage of mobile phones and all mobile phones to be on silent mode while the meeting is in progress. I wish also to remind honourable Members and our guests that all questions to be asked are addressed through the Chair. At this juncture, I would like to request honourable Members of our Committee to introduce themselves.

(Honourable Members introduced themselves)

DEPUTY CHAIRPERSON.- I would request the Office of the Auditor-General to introduce themselves. (Introduction by representatives from the Office of the Auditor-General)

DEPUTY CHAIRPERSON.- Today, the Committee will be hearing submission from the Permanent Secretary - Ministry of Agriculture this is in relation to the Audit Report on Compliance Audit relating to COVID-19 Response, Parliamentary Paper No. 270/2020 particularly on the following audit: Management of Agricultural Assistance-Farm Response Package, Home Gardening Seed Packages and Improvement of Farm Genetic Attributes.

For the purpose of the viewers that are joining us this morning, I would like to give a brief explanation on what we will deliberate this morning. The deliberation today will focus of the Compliance Audit that was carried out by the Office of the Auditor-General on the Ministry of Agriculture as the Ministry has implemented the assistance with due regards to the standard operating procedures here developed by the Ministry to guide its operations, procurements, vetting and assessment of the applicants in distribution of Agriculture's commodities. A total of \$1 million was allocated by the Parliament to the Ministry of Agriculture as response to address Food Security Agricultural Growth and Expansion Plan. The four major activities undertaken under the COVID-19 Response included: Home Gardening Support, Agricultural Commercial Support, Farm Supports and Abattoir Upgrading.

The Audit Report summarises five key areas of audit that were carried out but the Office of the AuditorGeneral. In today's public hearing we will only review the Management of Agricultural Assistance-Farm Response Package, Home Gardening Seed Packages and Improvement of Farm Genetic Attributes.

Before us, we have the representatives from the Ministry of Agriculture and I like to thank them for availing themselves to be here for this hearing. I now invite our guest to introduce themselves to begin with and then their presentation after which there will be a Question and Answer session.

Please also note if there are any questions by the honourable Members of the Committee they may interject or we will wait until the end of their presentation and ask a few questions.

(Introduction of Ministry of Agriculture Team by the Permanent Secretary)

DEPUTY CHAIRPERSON.- You may begin your presentation based on the questions we had sent.

MR. V. KUMAR.- Mr. Deputy Chairman, just to give an insight of the programme itself, this programme was not new to the Ministry of Agriculture, we had an ongoing programme, especially the Farm Support. Again, I would be answering specifically on the issues raised, but just wanted to provide a small insight on our programme itself.

The Home Gardening Initiative was initiated in 2019. We wanted to see how the local farmers would start digressing as well as seeing how the urban and peri-urban population would start planting. There were challenges during disasters, especially if you look at areas like Sigatoka, which is the salad bowl bringing in vegetables as well as in Ba. These people were supplying vegetables and root crops to urban and peri-urban markets. What happened there was a disaster and the supply chain was affected. What we were doing was, we introduced this concept in 2019 where we introduced seeds to the urban and peri-urban and we said, 'Hey, guys, you start growing at a minimal level'. So during COVID-19 we saw it as an opportunity when there was a lockdown because the supply chain was broken first of all at the Border and the other one was here in Suva at the Sawani Border, where plentiful supply of vegetables were coming from. From the Western Division, it was Sigatoka, Ba and Tavua and the other side was Sawani. Also on the other side of Suva, was the one from Sigatoka.

To address that because there was a containment, there was a price issue, there were challenges as well as there was a number of people that, we would say, did not have jobs, were at least at home, there were kids at home so we saw it as an opportunity, whereby we said 'We will give them seeds and seedlings and this way they would start growing'. We have seen that there was an influx in the amount of vegetables being grown and there was an influx in the number of people selling vegetables on the roadside.

We also saw an opportunity in this regard where we were seeing that we are addressing the issue of urban and peri-urban by people growing vegetables for themselves rather than going to the market at the municipal areas where they were buying, people were inside their homes because of COVID-19 restrictions. We also saw an opportunity in the rural setup where we could expand the current smaller farmers that could again grow Bilateral Quarantine Agreement (BQA) products, as well as crops that are needed in the export market. That is the reason we have seen that there was an influx in our fresh and chilled products.

If you see during pre-COVID-19 we were doing about \$50million but now when we later reviewed the figures for 2019-2020 we were at \$106million, and the recent figures that were released in 2021 we have seen it was \$126million and we saw that because we created a surplus from the urban centre that was picked up by the people around. The rural settings we saw were not supplying to the urban centres but they supplied to the export market. That was the inside search so I just wanted to provide that brief on that.

Mr. Deputy Chairman, the first issue that was raised:

1. Can the Ministry please confirm if the policy guidelines and SOPs have been approved and are in use?

For the backyard garden the Ministry has already, in the previous when the audits were being done the policy was not endorsed. The policy is endorsed by the honourable Minister and the PS, so we have got the two policies with us.

The other one is the Farm Assistance Policy which has also been formulated and submitted to the Executive Management and it is endorsed now. What we are doing for both the policies at present is, within these SOPs we have set up some guidelines as well for the localities, because if you look at islands, especially the maritime areas, the policy is not one-fit, so it is more of an umbrella policy. Within that we have set some guidelines because of the type of crops. We do not expect Chinese cabbage to be grown in certain areas around there, so we are looking into other crops as well. That is how we have refined those policies a bit.

HON. V. LAL.- Mr. Deputy Chairman, do you mean to say, the policies were there but were not endorsed, that is what you are saying, the policies were there?

MR. V. KUMAR.- Yes, Mr. Deputy Chairman.

HON. V. LAL.- Because as per the findings of the OAG, they are saying that there was no plan and SOPs were missing.

MR. V. KUMAR.- Mr. Deputy Chairman, just to clarify, because this programme just came by in terms of seed policy and seedlings and basically we had a policy ongoing but 2019 we rolled it out so we had a policy. We had consultations and as soon as we had an opportunity with that budget coming in, we rolled it out and the policy went to and fro through some consultations because once it is done, we present it to the Minister then there is some tweaking, we see how it is going to work on the ground and bring it. So now it is being endorsed, Sir.

DEPUTY CHAIRPERSON.- Yes, you may continue.

DR. V. KUMAR.- Sir, the second question was on the Short Delivery of Seedlings.

2. Can the Ministry provide evidence whether the remaining seedlings were delivered by 30th November, 2020?

Yes, all the seedlings were delivered. We have got records and we have submitted it to the Parliament as well. So they were supplied.

3. Can the Ministry provide an update on the implementation of the system of tally cards?

What actually happens is, once we have procured the seeds, we have centralised the packages we have refined to the level now.

Previously if you see, it was hand-packing because we did not do this magnitude of seed packing and distribution previously so it was manual. So every afternoon we have to ask staff to stay back and pack seeds and then seal it. So what we have done we have centralised the seed packing. Now we have got a seed packing machine. We also have a seed processing facility as well in Sigatoka. So we are also procuring local seeds from farmers through quality control. There is a process involved and then we pack it now. From there, there is a centralised unit that looks after distribution across Fiji. So what actually happens is, we would then send those seeds. Sir, can we have that delivery docket

HON. V. LAL.- So it is still continuing, your packing and distributing even after COVID-19.

DR. V. KUMAR.- Yes. So what actually happens is this is the delivery docket so once we deliver this one to the locality staff, the locality staff then enters in the tally card and every time a farmer comes up, he would then sign up and pick up the seeds.

Initially, the process was a little bit cumbersome where they had to do an application. Initially we were making it so that every household at least received because what would happen if you open it there would be five people from the same household coming and picking seeds. So what we will do, we wanted to have it on a kind of, we would say, everybody shares those seeds. So once we have actually fulfilled then we saw the demand was going down, so we have relaxed a little bit of those conditions now because it is locality-based, a lot of farmers know that 'Mr. Avinesh has come in for the seeds, now probably he will come after two months or one month' so that is how we have progressed.

Again, we have got a process now in place. At that time the process was there but I think they wanted to see if there were tally cards being done. Same thing for the seedlings. We give the supplier the LPOs, once the seeds are ready, what we do is we pick it up then again the distribution is done through the delivery books then the locality staff at their localities, they have a register there where they enter the details and then they deliver it to the farmers.

DEPUTY CHAIRPERSON.- Are these suppliers aligned to the Minister of Agriculture or not?

DR. V. KUMAR.- Yes, Sir. I think the following question is: how do we select these farms.

They went in the initial stages because of COVID-19. The other thing, Sir, it was not advertised in the papers because we needed to get these so we knew farmers are around and we did an EOI at local level and we selected them but now the process is as such that this goes through a process of expression

of interest where we request for quotes then they put their bidding inside the boxes and then we have a selection committee and then we pick it up.

One of the things I wanted to say or allude to the Committee is, Mr. Chair, because we have got planting material restrictions, like for example, we cannot bring in dalo planting material to Koro Island, especially in Taveuni, we cannot bring in planting materials this side because we have got dalo. We have to constrict it in certain places especially the live planting materials like dalo and all those things, the root crop ones, we cannot source it from any place so we have to be strategic.

One of the challenges is, when we advertise, certain times we do not get bidders from those islands so we have to send our officers to look around for people who can bring it. On the basis we select them, we look at the national like Tender 1 we say: all right, if it is 20 cents per plant definitely Koro Island will negotiate that they should be providing 20 cents'. So that is how we do it. In doing so we are also again sharing wealth. It is not only to one person that supplies but again on Geolocations as well.

Honourable Chair, the other thing we wanted to allude to the Committee is on the essence that especially dalo. If you want dalo suckers, we cannot just buy it off the shelf meaning that it is nothing that you have dried it and kept it.

We have to identify a farmer and that farmer should have matured dalo because he is going to pull the dalo then he will have the suckers on the side so he cannot just remove the suckers. That is the reason why at times there is a delay in the supply. He would say, 'I will supply' but that farmer has to identify a buyer for his matured dalo then he can supply. So that is the reason at times why it does not coincide with the procurement when it comes to especially supplying planting materials, say dalo as well as cassava too.

We cannot have a person just chopping the cassava stock and then supplying to us. In certain cases they do so that is the reason, Mr. Chair, at times there is a delay even when the person has said 'I will supply you in one month's time' for example, then we have to work with our team in trying to securing boats that could buy the dalo through AMA or whatever then we can get the planting materials from them.

4. Can the Ministry provide an update if there are any mechanisms in-place to ensure that the audit findings are not repeated in the future?

I think we do appreciate the fact that their process was done for us to improve and there were some places where we saw there were challenges and definitely we addressed it. The thing that we had a challenge with was we did not have the time. In normal cases for example, for the next financial year's Budget we are already preparing and gearing up. We are aligning and we are doing what we say, is our stocktake of what is where, who are the farmers et cetera.

In this COVID-19, because there was the lockdown, we did not have much time. In certain places, the communication was very poor. We could not go to Vunidawa and Muainaweni all those areas where large farm produce suppliers stayed. Yes we had challenges, again yes we have put up places where we saw that there may have been areas for improvement. Definitely, we have got a very robust policy in place.

Most of our systems online as well all these telecards are no longer only paper-based but we are scanning and keeping them. What we have also done, we have set up a monitoring and evaluation team specifically for programmes that have got higher impact so we are making sure that we do not go on compliance per say on the whole Budget but we do programme by programme because one programme is different from another.

Just as I was explaining, Sir, these are some of the things we are dealing with - the biological aspect, rather may be if the money was given for training, there is a different kind of audit being done. So definitely Sir we are assuring the Committee that these issues are addressed.

Mr. Deputy Chairman, on that same one in the absence of necessary information regarding the assistance how does the Ministry access the impact of home-gardening and farm support assistance?

We have got mechanisms in place on checks and balance delivery and all those things but when we talk about impacts, I think at present, we have got one report that we will table later.

Specifically for this programme, we are looking at the farm support but for home-gardening, I think some of the proxies we have used we have documented those proxies and you must have seen in the media as well.

One of the things is that the vendors are complaining that the vegetable prices have gone down during COVID-19 as well as they said that when we are progressing towards out of COVID-19 and there was a glut in the supply. The glut in the supply was because the locals were producing for the peri-urban and urban markets.

With the Chief Economist we have got our market survey team. We conduct weekly market surveys. We have got reports that show the amount of vegetables being sold.

We also, within the Suva perimeters, are looking at some of the satellite markets and roadside markets and we have seen that they have sprung up in that regard. So those were some of the proxies we used to see the impact of this programme.

Farm support, definitely one of the proxies or indicators is the export as well as the number of new registration of farms. Like for export, we need to register the farms before we can export it so there was an increase in the number of farms registered for export so if there was the absence of monitoring, what are some of the guiding tools that we can use for monitoring so I was just answering on the supplementary side saying that apart from the Ministry's ongoing Monitoring & Evaluation (M&E) we are also using some proxies as well as some of those information coming out from the public through the media.

For your information, we have also got a robust information platform now, we have got 24/7 complaint line as well and we also have got our *Facebook* page where comments could be seen in terms of how the project actually impacted families.

5. Short Supply of Dalo Suckers:

It has been rectified and the reason as we have already alluded why there was short supply, it was not actually a short supply, it was just that we had to ensure that we find a market as well.

The other thing I wanted to say, if you look at these planting materials, it is not like dalo suckers if you see, it comes in bulk and it will be in bags, it will be big ones. We have to individually go and count that. Our officers when they take accountability (and these things are itchy as well and very difficult to handle as well) so the same as we do agree that there could be discrepancies of 5 or 10 percent in the actual supply.

We have got a good reputation with these farmers that will always supply extra like if you see for Jason Zhong, there is another 300 surplus that he has supplied. Apart from the fact that there may be suppliers because of a farmer not supplying but there could be deficits because it is a difficult task to count 67,187: it will be soiled, you will have to pull it out individually together. We do not have the luxury of having labourers doing it, it will be our normal staff that would take extra time out in the afternoon and evening and this thing would arrive at our doorstep at times around 4.00 or 4.30 or 5.00 p.m., and they have got a shelf life of 2 weeks only, so we have to make sure it is delivered to Lakena Station if it is there. We have to make sure that the taps are running washing: all those things. The guys are in their outings because you would have stains from that so again in essence it is the operational part and handling these materials.

6. How does the Ministry ensure that the Government's interest is safeguarded in case there is short supply of planting materials in future?

Definitely Sir, we would make sure that this is safeguarded and letting the Committee know our programmes: if you see the planting material policy that we have especially not for the open pollination ones, the hybrid ones but for the open pollination as well as the dalo suckers, cassava, we are giving farmers three years to return that progressively.

Whatever we have supplied now for example if you have supplied 120,300 in three years' time, if we have supplied a farmer 10,000 suckers he is expected to return that within that three-year phase so that is in place in making sure that the investment we have done once with a farmer, actually he returns it and then we can give it to other farmers. It is working, we have seen this year for dalo we have people who are returning those suckers.

For rice we have seen changes as well, so we are making sure that this is in place. When a farmer takes it even at that level when a farmer takes those suckers, he signs it.

DEPUTY CHAIRPERSON.- PS, we welcome our Chairman, honourable Maharaj. Sir, I hand over to you.

DR. V. KUMAR.- Sir, on the second last question:

7. Can the Ministry please provide an update on the selection of suppliers of planting materials for the Northern Division post COVID-19 assistance?

Again as I said Sir, because of Bilateral Quarantine Agreements we cannot have suppliers supplying from this side, so we had a post COVID-19, we have got the open Expression Of Interest (EOI) on the papers, people bidding and again in certain places for certain planting material like kava et cetera, we definitely help people where people do not have that information or do not read papers, we definitely go and look into those farmers who can supply.

One of the things that we have done is wealth-sharing making sure that there is only one supplier supplying, there would be other people who could benefit from the programme because logistics is a problem.

In many of the places we have got very few vehicles where we could receive the item and supply to a farmer. What we are doing is, if we can find suppliers within localities, it is better for us.

8. Were competitive quotations obtained for the suppliers?

COVID as we have said we did have a challenge because of restrictions. The fact that the time lines were not there but we definitely have got list of suppliers who could supply that quantity and they did go through a verification process.

Post COVID, yes, definitely the Ministry has got its own financial policy. Anything above a thousand we get bidding codes as well for \$10,000 above. We have got request for quotes and it goes through an independent selection committee with one person from outside.

HON. V. LAL.- Let me just ask one question through you, Mr. Chairman, Sir: in case if this Committee wants to know who all were assisted in Labasa, for example, will you have a list of all those farmers?

DR. V. KUMAR.- Yes, Sir, definitely. Once we have got this report done definitely, yes, we would have a list of people because they signed off and we also make sure that once it is implemented our staff actually visit them. One of the condition is for staff to visit them specifically not for the home garden but for the farm support because they would be returning that definitely they sign the MOU with us that

they would return their seeds or planting material within that three months' time and three years' timeframe.

DEPUTY CHAIRPERSON.- Any question, honourable Members.

MR. CHAIRMAN.- I am sorry for joining in late. I believe that we have gone through the questions (all of them).

Thank you, PS, for coming in this morning to give evidence before the Public Accounts Committee on this initiative with regards to distribution of seedlings and how we can improve.

As a way of background, can you elaborate whether this programme was also conducted prior to COVID or was this programme just came in during the pandemic.

DR. V. KUMAR.- I think yes, this programme in 2019 we rolled out this programme especially the backyard but it was not that many to do we are targeting some peri-urban and urban centres where vegetables supply was a concern, markets were quite far. But again this gave us an opportunity during COVID then we expanded this programme, especially the seeds and the seedling programme.

The farmer support definitely was something that we were doing through our individual PSIP Capital Programmes. We had the ginger seeds but we have again expanded that programme and we have smartly put this programme as an ongoing programme now.

Now, post COVID is now an ongoing programme quite refreshed by the fact that now we have also a Reserve Bank. So what actually happens is once a farmer collects this thousand for example for a quarter acre - 2,150 seed suckers. We have given that to a farmer, he signs the MOU within three years he is going to return those seedlings.

So now investment done once we have got ripple effects. If this is given to may be Sikeli, he plants again and within the three year phase he has to give it but there are again farmers who may have that but at least we are looking at a recovery of about 80 percent.

MR. CHAIRMAN.- Just for the information let us say, for example, if I am a farmer having 10 acres of land ready for planting, how many acres do you support at a very initial phase if I come for a request with agriculture?

DR. V. KUMAR.- Sir, a very good question. Yes, we will supply first a quarter acre. Progressively we are saying we will supply you the quarter acre that is 2,150 suckers and then we would align and we will let you know when we can supply the next one. If we see that the farmer has got the land ready and he needs it we definitely align other suppliers within the area to assist but for first instance, it is the 2,150.

Again as alluded , Sir, dalo suckers are a little bit different because we have to also see the supply on the farm. If there is a dalo maturing then that farmer would again pull out then give us the suckers it becomes a little bit of difficulty when it comes to it, that is the reason we had this lag times when people say 'Give us at least two weeks lag time when we to do it, we cannot instant supply' and within that we also make sure that staff goes and verifies that the land is ready.

We had instances where previously we have seen that farmers said 'Okay, I need this one but when you go the land is not ready and the dalo suckers technically two weeks it should be on the ground.

MR. CHAIRMAN.- I believe that also gives a chance for the Ministry of Agriculture to see which farmers are proactive and productive in the sense that you give a quarter acre and once they start producing more, then Agriculture comes in and actually supports rather than giving for a whole 10 acres, if there is a request and if it is a non-productive farmer then the whole 10 acres die out whereby he could have helped 40 farmers by a quarter acre each. Am I correct?

DR. V. KUMAR.- Thank you Mr. Chairman and I think that is exact. This support: one was, we were looking within the programme was expanding the normal commercial base, we said 'Hey guys we will align you with the suppliers, we will assist you in the process', but the other one was providing that leverage. We have identified some farmers who have got land, some farmers that have got resources but they did not have seedlings and seeds, so you are right in saying Sir, that was the intention of the programme.

The quarter acre was kind of a testing ground for them to see how they expanded and in a number of cases, we have seen they have really expanded and we continued assisting them. We have also seen within that thing as I presented earlier, that was one of the other reasons why we had a surplus that was picked up for export as well. We are doing around \$50 million pre-COVID-19, during COVID-19 we had for 2019-2020, we had an influx to \$106 million and then recently the figures released in 2020-2021 was \$126 million. When we did our analysis, we found that the surplus created by the home garden that was going to the municipal market contained the rural farmers who were supplying to the urban centres had surplus that was picked up by the export sector to take it outside.

At present, we are really working on making sure that that surplus is not again picked up but we continued with that foreign exchange and during that foreign exchange through export, but we are working with our farmers this side to continue supplying to the municipal markets as well as hotels here. We have rolled out some complementary programmes which is called "Our Community Agriculture" where we are aligning the communities near these big tourism sector, for example Fijian Hotel, we have identified communities we are helping them through our community agriculture where we are aligning them to making sure that they have a contract with the hotels and they supply. These are, what we would say, expanding from the original programme of farm support to have that base there.

MR. CHAIRMAN.- While you are already talking about export, I believe the Ministry of Agriculture works very closely hand in hand with Agro Marketing. You mentioned that now there are markets available locally to be supplying to hotels and resorts. My question would be, there was a \$100 million surplus of export done last year. Having said that, now that we have the tourism sector opening up and there is a lot of demand in hotels and resorts, how is the Ministry looking in keeping that export level at the same level so that we can get two kinds of foreign exchange rather than going down from \$100 million to let us say to \$20 million or \$30 million because more supplies are going to the resorts and less are available for export.

What is the strategy from the Ministry of Agriculture on that note?

DR. V. KUMAR.- There are two strategies we have put in place. We had this Programme (\$19,000) that we were investing in the communities that are in the surrounding areas, we are binding it with these communities that are down there. These communities had never been supplying to the hotels so we identified bigger hotels and we have aligned these communities through our community agriculture programme: that is one of it.

The other thing Sir, if you look at some of these commodities for example if it is eggplants, okra. These are not very much picked up by hotels but they are picked up by the export market in there and we have got bilateral contained agreements. What we have done, we have increased the basis for these ones, so we have increased the number of farmers that are growing eggplants, okra; the export commodities. That is the area that we are looking at, but having in mind Sir, definitely there would be people who would because of strict quarantine requirements by the importing country, definitely there would be people who would prefer supplying to the local market but the Ministry is very mindful on the fact that the surplus that was created during the pandemic just because the fact that tourism was down, we are mindful of that.

Sir, the good part is, we also introduced "Back to Rural Agriculture" where we have introduced new farmers. Before we had 83,000 farmers, we say maybe 10,000 other people went into farming. If 5,000 returned, still we will have another 5,000 farmers retained in the team. That is cushioned by the fact that we are now equipping these farmers.

Recently we went to assist these farmers through basic agricultural items like nursery packages (forks, spades, knives) with nursery materials as well as seedlings making sure that we maintain that kind of service and bringing in new farmers to complement the stock of 83,000 farmers. With this programme, we are thinking that we can keep 5,000; may be 10,000 came back and 5,000 left then we will then have 10,000. We also wanted the Committee to know that there were also ventures, for example, these people may have been in the engineering sector or agriculture sector because the business was down, these people have put the surplus in the farming sector. So I do not think they would close and we are having a stocktake of those ones and we are keeping track of them, making sure that that continues as well, Sir.

MR. CHAIRMAN.- Having said that, we are five months into 2022 now, if we actually look at the statistics, is the export in similar ratio as to what it was last year?

DR. V. KUMAR.- Yes, Sir, and I think it is improving. We have to be mindful that there are two sides of an export:

1. Quantity; and the
2. Value (of it).

So if you look at kava (correct me at any time), if you look at that there may be a volume increase, the prices would go down because we have seen that now the kava before we used to get an average of \$80 to \$100 but now it has come down to \$50 to \$60. So definitely there may be a decrease in the value but the volume could be there and the figures that we are seeing, especially ginger, turmeric is coming up and we are seeing that it is still maintaining that pace. We are exploring a few other opportunities in some of the crops that we would be announcing soon in terms of how we want to tackle some of the budding export commodities.

MR. CHAIRMAN.- Honourable Ro Teimumu Kepa, I believe you have a question.

HON. RO T.V. KEPA.- Just a question to the PS: This is in terms of the \$1 million budget that was utilised between April to July 2020. So the farming materials that you have supplied would be going on to two years now on the ground. What type of monitoring and evaluation are you doing? Because that is one of the issues that was brought up in the Audit Report that was a bit lacking. What type of monitoring and auditing are you doing with the planting materials that are already on the ground in terms of the biosecurity and quarantine issues that you would be looking at in terms of export material.

DR. V. KUMAR.- Ma'am, again if I am correct, one side is the monitoring on the financial and the other side is monitoring in terms of this bilateral quarantine

HON. RO T.V. KEPA.- Yes, because that was brought up by Mr. Chairman in terms of export.

DR. V. KUMAR.- One of the monitorings that we are doing on the financial side especially on implementation side of things, we have got at present this report. Roughly it is in place now in terms of specifically monitoring the financial essence as well as on the administration on implementation of the programme.

The other side of the bilateral quarantine arrangement that we have is ongoing. Like we have got a list of new ongoing farmers so what we do, we work very closely with the Biosecurity Authority of Fiji as well as the exporters. So once a farm is registered, the Ministry will make sure that the farm goes

through a comprehensive evaluation in terms of right package of practices have been used, the product is of the right varieties especially if some of these commodities end up in our New Zealand market. If the variety is also one of the things that they look into then we are making sure that from harvesting we supervise it, it comes to the packaging house of the exporters and then from there the Biosecurity Authority of Fiji takes control of it.

There is extra layer especially if it is horticulture crop where we make sure that it goes to the treatment facility for High Temperature Forced Air (HTFA) for fruit fly host products like breadfruit, eggplants and papaya and definitely, we make sure that it leaves the country on time and the Phytosanitary Certificates are in place and making sure that farm certification by the Ministry are in line so we work very closely hand in hand.

We are mindful of some interceptions and we do work accordingly if there were some breaches in the process because it involves team work, it is a kind of collective arrangement because there is a number of parties involved such as the producer, the farmer and there are also the middlemen, Madam that are there. At times they might pick a produce from the farmer but then they go to a local market, pick up produce and bring it up and when it comes we say, "Hey, it is not matching your product what we saw on the ground." So also there are challenges, Mr. Chairman.

HON. RO T.V. KEPA.- Mr. Chairman, you spoke about kava (yaqona), did you say \$50 to \$60 per kilogramme?

MR. V. KUMAR.- Yes, Madam.

HON. RO T.V. KEPA.- Where is it being sold because we would be very interested in that?

MR. A. TABUALEVU.- Mr. Chairman, the current price for yaqona right now at the farm gate price particularly in the islands is around \$50 to \$60 per kilogramme, for example, in Kadavu.

MR. CHAIRMAN.- I believe you have to buy it in quantity to get it at \$50 and it is not the local price.

HON. RO T.V. KEPA.- Is that just the farm gate price or can it be bought at the supermarkets or where?

MR. A. TABUALEVU.- It is the farm gate price.

MR. V. KUMAR.- Through your Mr. Chairman, Madam we have been to Koro recently and there were people saying that they want to buy it at \$40 too, so we said, "Hey, guys bring it over." We recently went with the honourable Minister, on a lighter note, we went to them and the farmers were there. We are anticipating that may be there would be a decrease in price further, like after *TC Winston*, there

were lots of effort done by the farmers and the Ministry in trying to see how best we could bring back that industry. So the labour of that fruit is coming up now that we are seeing that *kava* is maturing.

MR. S. BALEISUVA.- Mr. Chairman, I believe for kava, it is also to do with the supply that was there and the number of people that are there now buying from the farmers. There are lots of people now that are buying *kava* from the farmers. In terms of competing, we might say that they are competing for price but some of these middlemen are very smart, they come in, and these are the things that our Ministry does not really have any control on because they come and approach directly our farmers and they come with the price.

I believe if we go to the market in Suva now, we are still buying kava for \$80 to \$90 per kilogramme for waka, but they are buying it from the farmers, in Koro recently for \$50 and \$60. Again, we will get the transportation cost and all those things, that is why I think there is a big variance in the amount that has been paid to our farmers, and the amount that the consumers are buying from the market in Suva.

HON. A.M. RADRODRO.- Mr. Chairman, a supplementary question: can the Permanent Secretary advise whether in those kind of situations what role does the Ministry play in terms of addressing the issues that have been highlighted?

MR. V. KUMAR.- As much as we do not want to have a control on the price mechanism, we normally believe that it should meet the demand and supply, there is an invisible hand fixing the price, but definitely what we are doing is, we got our own Kava Taskforce within the Ministry. We have also a National Committee on Kava now where we bring in all the players together: producers and all the stakeholders. We had our inaugural meeting two months ago, so it appears that Agriculture is sharing it but we have got other industry players in it definitely but again, having said that about the pricing factor, definitely the Ministry of Agriculture does not have control over regulating the price of kava.

HON. A.M. RADRODRO.- Mr. Chairman, thank you very much for that answer, Permanent Secretary. Your Ministry plays a very critical role in terms of, say for example, providing food security issues in the region and Fiji included. The question that I would like to ask is related to this audit done by the OAG. When you initiated this Home Gardening and Farm Support Assistance Scheme, the Auditor-General has highlighted that there was no proper planning in terms of the conduct of this exercise and also there is no feasibility study done. Can you just enlighten the Committee on this issue that has been raised?

MR. V. KUMAR.- Mr. Chairman, if you see COVID-19, a number of initiatives by a lot of agencies, we were caught off guard in terms of how we are going to address these things. We were thinking the normal business as usual was, we have producers in Sigatoka and other places who were supplying to the municipal markets, so definitely, that was business as usual. But when COVID-19 struck, I mean because one of the mandates of the Ministry is food security for the nation and making sure that the livelihoods are not affected in the rural and the maritime areas. So definitely we had some planning done, I mean I am not saying that no planning was done as it was an ongoing programme. But the

problem was we did not have the luxury of moving around, getting those feedback from stakeholders, those data sets, how many people are there because our data was limited to rural and maritime areas where agricultural activities were being done. So peri-urban and urban centres we only have these market survey reports but on population and all those things, we have to rely on other agencies, so definitely we would agree that there may have been lapse in terms of actually doing a proper planning but we thought what was best at that point in time, we implemented it but as we went along, we have refined it, we have got a policy in place, we got database sets now, where these major farmers live, I mean in the peri-urban areas where the major populations are. We have also targeted what you call 'informal settlements'.

Within that set, we have also set up, just to highlight to the Committee, like we have supplied seeds like Nawajikuma area in Nadi. They are in informal settlement and they did not have area to plant but what we have done, we have negotiated area for communal planting, so we have gone to that extent. So definitely we would agree that at initial stages there may not be that much of planning because time was not on our side but definitely going forward, we have improved as we see in challenges coming as well as addressing issues that may have not been on our radar when we are implementing it, Sir.

HON. A.M. RADRODRO.- Mr. Chair, just a supplementary question to that: Would you be able to advise the Committee about the success rate in terms of the number of farmers highlighted here - what is the success rate because you assisted 617 farmers and the households - 42,302. Would you be able to advise the Committee on the success rate or probably the failure rate?

DR. V. KUMAR.- Sir will it be all right for us to give that because we are just finalising this report very soon. It is in a draft format but definitely as I have it, we can share it now because some of these figures, presently I mean we would say that it was very successful. When we say 'very successful', the measure was as I said in an earlier report, in terms of the impact it created but the number of households that we assisted, we are just finalising the report and it would be submitted soon, Chair.

MR. CHAIRMAN.- That is all right, PS. It can be forwarded to us at a later stage.

HON. A.M. RADRODRO.- Mr. Chair, just another question in terms of the audit issue regarding short delivery of seedlings. There are two nurseries which have been highlighted by the OAG that were short-supplied. Nursery A - Located in Nadi and Nursery B - Located in Nadi: Can you just inform the Committee what has the Ministry done to address these short supplies?

DR. V. KUMAR.- Mr. Chair, just to give an insight in terms of the seedlings, seeds are fine. You go to Hop Tiy, you buy, you bring it over. Seedlings, we have to grow it and there would be germination issues. The seedlings may die, there would be a process, even delivery time, they would wither or die out and we need infrastructure especially for seedling trays, you need an area because it has to be housed because of rain, because of sun so definitely there were short supplies, we have addressed those short supplies. If you see now, we have already in the recent report we are saying that Divesh Bharos Nursery

- 80,000 papayas where he has actually supplied 80,033 and Bula Agro - 2,500 chillies he has actually supplied, so we confirm to the Committee that the supply was done.

But on the same note, Sir, as I said on the insights of the thing, it is unlike normal seedlings that could be dried and placed out, and there would be a lot of suppliers especially if you look at for papaya, we wanted only the Sunrise variety that is first of all the variety that is for export. We need to have the quantity of seeds and quality of seeds because that plant would be there for a while, so even if you would have seedlings, the farmers will not pick it up, they will know that this will not grow into a good plant papaya that would be exported so that is another reason.

Chillies, similar thing because chillies have got issues with viruses, they could wipe out the whole thing so definitely we are very mindful of the plant that is given out to the farmers so that was another reason there may be short supply because he may have grown 2500 tray sizes there but again within the seedlings, there would be tendency that there would be losses because of transfers, diseases.

HON. A.M. RADRODRO.- Can we get a confirmation from Auditor-General that these short supplies were paid in advance? Can you just reconfirm whether the two items that you have highlighted were paid in advance but were short-supplied during the time of need?

MR. M. ALI.- Thank you Mr. Chair, through you, yes, I think the situation wanted that the funds would be paid in advance and as included in our report both suppliers were paid in advance. However, if you look at our Table on page 7 it states the balance. So at that point in time, there was a balance of supply or those seedlings were yet to be delivered and we note that the situation or the circumstances as explained by the Permanent Secretary and we take note that the items have now been fully supplied. Thank you honourable Chair.

MR. CHAIRMAN.- Just a question to the Auditor-General: Was the exit meeting conducted for this one?

MR. M. ALI.- Yes, honourable Chair.

MR. CHAIRMAN.- Were these things discussed then?

MR. M. ALI.- Yes.

MR. CHAIRMAN.- So clarifications were given in regards to the short supply and balances the PS was trying to explain at this point in time.

MR. S. TUPOU.- Mr. Chair, I think at the date of exit that was the status on the day of completion in terms of what is in the report. So in terms of the items that were to be delivered they had made a commitment that it would be delivered later on but we have yet to verify. We did not get any evidence on that so that is why it is in our Report.

MR. CHAIRMAN.- Having gone through all the reports in this particular consolidated report, why are things discussed in the exit report not reflected in the report itself during the exit meeting?

MR. S. TUPOU.- Honourable Chair, if you look at page.7, we had written there 'The Ministry informed us the supplier's delivery time was agreed to by both parties and was extended'. But our audit completed before the timeline.

MR. CHAIRMAN.- Yeah, but at that point in time, what the report is saying

MR. S. TUPOU.- We had acknowledged the comments in our report.

MR. CHAIRMAN.- But what PS is trying to explain at this point in time is totally different to just extending timeframe. His explanation is totally different from what you are saying that it is in the report itself.

MR. M. ALI.- Thank you honorable Chair. I think the explanation which the PS has given is subsequent to what we have reported and he has provided additional information on how they have rectified those issues.

The other important point to note is the reason for us to raise this issue was that there was an advance payment and at a point the initial agreement with the supplier was to supply the seedlings to a certain date so whichever obviously lapsed, there were other reasons as discussed by the PS.

Our risk was in the event that the supplier does not commit to the commitment that has been made, so how would the funds that has already been paid actually be recouped back from the supplier because the initial agreement that was signed between the Ministry and the supplier had the clause of deduction for \$20 per day if they delay. So our audit was based on the initial agreement and the timeline set in the agreement of supplying those items and it was not met. We had discussed and they had given further extensions to the timeline. Our issue was just to protect the interest of the funds that were already paid and then we get value for money. But I think, as we discussed now, they have actually received those items and I think it is good to note that there is no loss of public funds so which is good.

HON. A.M. RADRODRO.- Mr. Chairman just a supplementary question to that: These are the farmers in Nadi. You have advised the Committee that a full supply was made subsequent to the date of

discussion with the Auditor-General. Can you just inform the Committee whether this clause that has been highlighted here (\$20 per day) was levied as penalty for the delay in payment?

DR. V. KUMAR.- Mr. Chairman, can you just repeat the question Sir?

HON. A.M. RADRODRO.- The \$20 per day as being highlighted by the Auditor-General for everyday?

DR. V. KUMAR.- Yes, definitely we have reviewed it because of the fact that we felt that it was not deliberate delay by the team that he did not put up the trays. If you see 20,000 trays were there but again he did his best to make sure that the supply is maintained but again, by nature or by biological aspects definitely we saw that there was no reason to actually deduct the \$20 but to give an extension. Also on the same fact, we also had the weather changing at that point in time so it was a blessing in disguise in terms of not taking these seedlings and dumping it to the farmers' field, it also gave us a leeway in terms of dragging the supply of seedlings to the farmers as well.

Yes, I think we took advantage of the fact that again the delay did assist our farmers as well because the land was not prepared as well as we are moving a little bit towards this heavy rain period.

HON. A.M. RADRODRO.- Any learnings that you take out from this kind of arrangement in terms of having a one supplier to supply papaya seedlings?

DR. V. KUMAR.- Yes Sir, I think if it was not for COVID-19 and we had our way in terms of getting to see why it is done, if we knew where these farmers would be, it would have been really easy for us. We know most of the farmers would be in the Western Division. We did approach a number of these nursery suppliers. The issue also was supply of dry seeds plus the trays that go with it. For larger suppliers we have seen that they buy trays and all those things in bulk. Smaller suppliers they would buy on ad hoc so these were some of the things. We have got a number of lessons to learn within that whole exercise and we kept on improving at that but we have got now a stocktake of a number of those learnings and what we are now saying 'smart strategy', similar kind of things do happen in future.

We also have now standardised sort of the prices for these kind of things. We now have done gross marginal analysis of these seedlings and all these things and in the process we would have sharpened our sort of processes as well and again, if you see this year we have rolled out protected agriculture as well as nurseries so we are strategically placing these nurseries and if there is a lockdown or whatever, we would have nurseries in the outer islands as well and nurseries in certain parts of areas where we do not have like for kava nurseries we are going back to these islands like Koro, Kadavu rather than having it on Doboilevu or having it at Nacocolevu so we have learnt and again progressively we are making those changes and making sure that we adapt to the pandemic if there is a lockdown.

Previously if it was a disaster Sir, we know that it will be the path this way and other places will be safe but this one was kind of a lockdown and where we were also learning. Apart from that Sir, we had

logistical challenges as well. Apart from 'we can grow it' but the logistical challenges where our farmers as well like even in the Western Division, we wanted to bring in horticultural seedlings across the border at Logani to Suva here, there were certain farmers who plant, it was a challenge because the trucks that used to carry that, we did not hire. We had to go through the permits and all those things, so we had challenges but learnings were done and we acknowledge the number of learnings done.

HON. V. LAL.- Thank you Mr. Chairman. I just want to ask about the exit interview, anyway, to the Office of the Auditor-General, going through your audit findings I can see a number of recommendations that are of similar nature whereby you are saying that the SOPs are missing, plans were not developed and now having heard the Permanent Secretary for Agriculture, what is your response to that?

MR. A. TABUALEVU.- Mr. Chairman, our recommendation is based on the actual finding that was there at that time of audit but now they have implemented our recommendation and they have been explained by the PS that brought in various mechanisms of taking these issues forward just to make sure that there is better management of such issues or such programme coming up in future. So I think that is the whole aim of an audit to provide recommendation and the entities take on board our recommendation and bring in mechanisms to control and improve their internal control. So we are happy to hear that there is continuous improvement in strengthening such programmes coming up in the future - all lessons learnt going forward, Mr. Chair.

MR. CHAIRMAN.- Any other questions?

HON. A.M. RADRODRO.- Mr. Chairman, another question regarding the short supply but this time the dalo suckers. Can you inform the Committee what is the Ministry doing to ensure that this does not continue to be an issue in future audits because this has been an ongoing issue too at the Ministry level?

DR. V. KUMAR.- We have got our dalo programme. Annually we, through our capital programme will help farmers but on the same essence we are expanding our base at our research stations what we say is 'our research stations'. Previously the way we were doing that we introduce the variety, we have recently introduced a number of varieties that are tolerant to blight then we multiply that and give to certain farmers and expect them to multiply that and then we would again buyback and give to farmers.

So as I explained and alluded to earlier, Sir, to address your questions in terms of on a long-term strategy making sure that we do not have a similar issue we are expanding the base or stock at our stations.

Secondly, what we are doing is we have introduced a smart way of doing business where we assist one farmer and we expect that farmer within three years' time 'you return that seedling'. So now we have investment of probably if you are buying, for example, \$60,000 worth of dalo suckers now that \$60,000 gone to Farmer A. Next year we do not have to invest back in this farmer. He will be supplying

to other farmers then on to another farmer so down the line they would be farmers that would progressively help by the one investment we have done so that is the level or sort of control mechanisms we have put in place so that we do not have short supply.

The other thing is again we are working with our farmers in their farming making sure that we expand their area so that they would have established nurseries. They also expand not only in dalo and root crops but in other crops as well.

If you look at Sigatoka Valley we have got contract growers as well especially for horticultural crops like tomatoes. These farmers who grow crops just purposely for collecting seeds we have contracted them out. So to get our seed base and to complement especially not the dalo suckers but on the other side of the seeds we have got our seed processing facility. We have invested through donor partners in having seed packing machines as well and a processing facility where you could process this one.

So going back not digressing from your initial question I hope Mr Chairman I have answered it since these are what we do in the long term.

In the short term definitely they would be because dalo is such that once you pull it out then you would have the suckers to sell and it needs to be what we say 'a planned activity' where you have the dalo suckers if the farm is not ready it is wasted.

HON. A.M. RADRODRO.- Do you have similar programmes for the other Divisions? It is stated here that you have selection of supplies for planting materials in the Northern Division. What about the Central Division?

DR. V. KUMAR.- Yes, Sir, definitely the way we are operating, Sir, is because of competitive advantage of the crop and the marketing we have allocated areas. For example, like ginger we are concentrated in the Central Division because of the weather, market I think. Dalo: we are concentrating on Cakaudrove in Northern Province as well as maritime areas.

If you look at horticulture crops because there is short shelf-life they had to be harvested brought to the airport and exported that is the reason we are concentrating in the Western Division.

Pulses: more on the drier parts like Tavua, Ba: all those areas and in Nasarowaqa and all those areas where the weather is on our side.

To answer your question Sir, yes, we have got programmes and rather than spreading it very thinly, we are doing strategic moments where we want to make sure we got the economy of scale address.

One of the challenges is, everyone wants once they have seen the ginger has a lucrative market, everyone even a person from Tavua wants to grow it or Rakiraki it is very dry. We know the weather is not favourable for growing ginger, but again they are saying, 'Hey, why is the Ministry not assisting them in Tavua?'. We can assist them on the technical side of things to plant a few rows of it but once you go commercial it will not have the same efficiency and production or when it comes to it if it is growing in the Central Division.

MR. CHAIRMAN.- Any other question?

HON. RO T.V. KEPA.- On page 9, it states there the area for the urban farmers and the rural and you have 49 square metres. How big is that land Mr. Chairman and why did you peg it at 49 square metres for the area of planting because that is quite big. In urban lots I think hardly any urban lot would have that 49 square metres.

DR. V. KUMAR.- If a person wanted to plant, we gave them the seeds but we were working with the National Food and Nutrition Centre (NFNC) as well as some of the programmes that are being done in urban areas elsewhere as well, so those standards were brought in but again we never deviated from the fact that even if a person wants to plant, he has got a pot plant to plant, we have seen people doing innovations as well so definitely those were some of the learnings we learnt as we went on.

There were people doing box farming like they will have a small box and they will fill it with soil and then plant. Just to highlight Mr. Chairman, we had competitions being run on the program to what we say 'to promote or entice people to go into farming', so we had giveaways where we had school children putting up competitions. We have seen these innovative ways of doing it, initially when we rolled it out we did have an area and for some support it was a quarter acre, because there was large amount of seeds.

In one of our SOPs, it is written how many grams of seeds we are going to give for the home garden vessels for the farmers with large farms so that was the reason also to have that a quarter acre for rural areas. Again going back to your question, yes, we do agree and those were some of the learnings as well as when we refined it, we did refine to the fact that we never left anyone even anyone that wanted to plant we accommodated them.

Within the home garden Mr. Chairman, we also had this corporate where we had these people who had reduced hours. We also had people who were out of job or were temporarily out of job. We purposely went to these corporate companies, gave them seeds and asking people to plant as well as encouraging them. We also supplied to a number of these corporate companies as well making sure that they take advantage of this.

So we had within the home garden, there were levels of farmers in peri-urban, urban plus the corporate ones, so the companies would request us and we would then get their backgrounds and we would supply to them.

In the process also, we found out that a lot of people even just for the Committee's information, a lot of people did not know how to plant as well, so we distributed small booklets on how to plant the seeds and we were surprised that a lot of people even did not know how to plant simple things like beans and all those things, how you do it. We found it very interesting as well: a learning for us and when we started doing it, we thought, 'We cannot have those kind of paper-based things now' so what we did we uploaded some videos on our *Facebook* just for people to know how to plant things as well and some small documentaries as well so we could say it was very successful especially during the lockdown when people did not have other things to do. We saw this competition with the amount of applications that came and we would say there was huge interest generated.

HON. RO T.V. KEPA.- Mr. Chairman, no wonder it was pointed out by the Auditor-General's Office that a very few filled out the form in full. There were many gaps in the filling out of the application forms for assistance.

DR. V. KUMAR.- Madam, can you repeat the question please.

HON. RO T.V. KEPA.- It is pointed out on Page Nos. 8 and 9 of the Auditor-General's Report that a very few of the forms were filled out in full. There were many, many gaps so maybe that is one of the lessons learnt ...

DR. V. KUMAR.- Yes, Ma'am.

HON. RO T.V. KEPA.- ... in terms of the kind of information you read in it that can be provided.

DR. V. KUMAR.- Madam, the reason we had gaps in the filling in of forms was because of the COVID19 restrictions that once we allowed this programme there were long lines of people queuing up. So it was taking time for us to get those details such as photocopying of the ID cards and all those things. So we also wanted the public to take a few of those responsibilities whereby from one household 10 people do not come. Definitely the lessons learnt was, of course given the COVID-19 restrictions, we do not want a lot of people standing in the queue that is the reason why we tried to streamline the process by saying 'Okay you give your name', then we look at the ID Card, we just sign it or we do not fill the forms or in some of those places we miss them out because the queues were huge. We were also following the Ministry of Health's protocols of not having that many people at one place at a given time during that.

Again, on that same action, Sir, it was 'lessons learnt' for us on how to manage those big crowds in certain cases we have seen. So definitely those are some of the gaps and lessons learnt and obviously

we have a similar thing and may be with you we are quite sure that we would operate differently. We could have online things and people can just apply online and then seeds could be distributed at strategic places. What we have also learnt in the process was, we used this community policing networks as well. So in that way we would meet at a Police Post and then from there they knew the houses and we left it at the doorsteps, making sure we do not have contacts but we have got data where we know that Mr. Sikeli or Mr. Vinesh lives at Lot 21. We just reach the doorstep, knock at the door and say “Hey, these are your seeds” so we have not done it to that extent but in areas during lockdowns that was the strategy we used making sure that they have access to the seeds. *Vinaka.*

HON. RO T.V. KEPA.- Mr. Chairman, just another question for PS: Thank you, PS, for your responses. You have talked about some would-be farmers that did not know how to plant seeds. Just an idea that you might take away with you in terms of school gardens because we have a very few schools that have gardens maybe as part of the lessons learnt going into the future, you might try to encourage school gardens, hydroponic if the schools do not have enough land in schools especially urban schools, maybe you might want to encourage hydroponic and other forms of gardening that might not take up space so that should COVID-19 or there be another pandemic at least people know how to plant.

DR. V. KUMAR.- Thank you, Madam, and thank you for the suggestion. Just for the information to Mr. Chairman and honourable Committee Members, as I am speaking we are building one hydroponic setup at Nasinu Secondary School. It would be commissioned probably in the next two weeks’ time. We are building another one at Drasa so those are in the pipeline. We have assisted schools with the seeds as well. But definitely we see that for students they will say ‘When I grew up we had schools having gardens’ but we definitely acknowledge that but nothing stops the schools to approach us but we are very mindful of that and Nasinu Secondary School is a boarding school. From this week we have deployed even our Research Team plus our carpenters to assist in setting up this hydroponic. We believe that the first vegetables from there would go to the kitchen but on the same essence we are ...

HON. RO T.V. KEPA.- Start with primary school.

DR. V. KUMAR.- Thank you. The other thing is also alluding the Agricultural students to the new technologies. We always thought that the area would be an issue. A lot of times when you say “Agriculture area’ and Madam as you rightfully pointed out in urban centres people have done planting in buckets and planting in small spaces but going back to the schools we are showing them the new technology as well.

Again with the climate change we are introducing technologies like smart agriculture where we are bringing in these greenhouses, plastic houses, protected agriculture. This year we are giving 20 protected agriculture as well as we are giving hydroponics (20) also. So these are some of our initiatives ensuring that.

Again, Madam, point taken and definitely we would be assisting schools as well as encouraging even the HODs to approach us. If there are interventions they want at school levels definitely we are there to assist.

MR. CHAIRMAN.- Thanks everyone. I believe that actually brings us to the end of today's submission. Thank you the Ministry of Agriculture for coming in. I believe there were a lot of questions, but believe me this is the first time I think the Standing Committee on Public Accounts is dealing with such reports where we are actually talking on the programmes, otherwise the Committee is very much technical in nature where we mostly talk about money and figures. These kind of reports are mostly dealt with by other Committees so something new for the Public Accounts Committee in terms of the programmes that are being carried out.

Definitely, we have completed today's submission and the whole audit report, so without any further delay, I would like to thank the team from OAG to be present here for the whole of this week. It has been a tiring week for all of us going through the whole report. Thank you very much for availing yourselves to discuss this particular report. Thanks again PS and your team present here to deliberate on the report with us. I also would like to thank all my Committee Members who have been here since Tuesday deliberating on this particular report.

Once again, I would like to thank the Ministry of Agriculture for providing assistance because as we know one of the major issues at that point in time was food security and distribution of seedlings, especially for backyard gardening that was overwhelming and readily appreciated by majority of the people who did receive it. Initially there was a scenario on the amount of seedlings that were being received, because for some people, they expected to receive that in kilogrammes, and when they saw the small packets, they were caught by surprise but nevertheless, they did come to realise that that small packet of English cabbage contained more than 200 to 250 seedlings, and that was more than enough for a family of four to be fed for at least three or four months. Once again PS thank you very much and thanks to your Ministry for providing these assistance to everyone.

Now we shall take an adjournment for 15 minutes and after that the Committee will resume. Thank you vinaka.

The Meeting adjourned at 11.17 a.m.