



**Appendices - Review of the Auditor-General's
Report on COVID-19 Compliance Audits -**

1. Management of Unemployment Benefits; and
2. Management of Concessional Loan Package
to Micro, Small and Medium Enterprises
(MSME)

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Response to the Standing Committee on Public Accounts – Ministry of Economy

No. 1 Covid-19 Compliance Audit on Management of Unemployment Benefits (PP No. 42 of 2021)

Established Disbursement Procedures

1. What has the Ministry of Economy done in clearly defining and demarcating roles of responsibilities for future programs/projects disbursement reconciliation processes are present in SOPs?

Response: The Standard Operating Procedure (SOP) clearly defines the detailed roles and responsibilities of project partners including details on systematic application and verification processes. FNPF remained the main agency in collecting applications and making assessments prior to payment to eligible individuals and has its internal SOP prepared for the unemployment assistance program.

For future programs/projects the Ministry of Economy with the assistance of the World Bank under the Fiji Social Protection project has adopted a Cash Transfer Operations Manual (Manual) for the unemployment cash assistance program. The Manual defines the guiding principles and specifies the detailed arrangements and procedures with regards to eligibility criteria and procedures for the verification of Beneficiaries and the amounts of Cash Transfers; detailed procedures and arrangements for the payment systems; financial management, accounting and auditing requirements; documentation and information management; grievance redress mechanism; monitoring and evaluation; mechanisms for verification of compliance of Cash Transfers; Personal Data collection and processing; and other administrative, financial, technical, and organisational arrangements and procedures necessary for the implementation of the Cash Transfers.

Furthermore, a separate Cash Assistance Operations Manual (CAOM) developed with implementing partners and with the assistance of World Bank will be adopted soon. The CAOM was developed for the \$360 payments and aims to (i) provide operational clarity and guidance to decision-makers and implementers of the UA Program, (ii) specify the institutional arrangements, and roles, responsibilities, and accountability of the stakeholders in the UA Program operations and (iii) validate the detailed procedures of the UA program operations to ensure consistency, timeliness, and accuracy.

Applicants still employed receiving Government subsidy

2. Have all the due diligence processes been exhausted by the approving officers before approval is granted to eligible applicants?

Response: Applications were only approved after a rigorous verification process to ensure only eligible applicants qualified. Failure to meet any one criterion resulted in disqualification.

FNPF collected all the applications, assessed, and made payments to the beneficiaries on behalf of Government. Only those fully unemployed or on reduced pay were assisted with Government subsidy.

Formal Sector Government Subsidy Pay – Out

3. Has the Ministry of Economy commence working with FNPF to develop a recovery plan against applicants that has been incorrectly paid out for each phase of the government subsidy scheme?

Response: This was discussed and clarified with the FNPF team following receipt and review of FNPF audit report. Also note that FNPF has its own internal processes as per their SOP that addressed case of incorrect payments.

4. Has FNPF provided each of the phases and rounds closure report after completing the rolling out of the government subsidy scheme within the specified timeline?

Response: Yes, the FNPF provided a summary report to the Ministry of Economy, Budget division. This was reconciled after every payout. Any issues found were discussed and resolved with immediately.

Informal Sector Unemployment Pay – Out

5. What has the Ministry of Economy done against its SOPs to ensure that proper scrutiny of application is received at the processing centres?

Response: The Ministry of Economy has learnt a lot from the past unemployment benefits assistance and has improved on its performance for future payout of unemployment benefit and cash assistance as evident in the rollout of two phases of \$360 unemployment assistance.

Informal Sector Calculation Reliability

6. What control measures has the Ministry of Economy incorporated into its SOPs so that applicants are not financially assisted twice by separate schemes or program through different mediums or platforms?

Response: Ministry of Economy worked in partnership with FNPF to avoid duplication of assistance. Since the assistance through FNPF was only available for formal sector during the period who recently lost their jobs, the applicants were not supported under any other schemes such as social welfare assistance.

7. What has the Ministry of Economy done about the definition of “Informal Sector” with clearly defined parameters over the eligibility criteria to applicants that really deserves the government financial assistance?

Response: Unemployment Assistance by Government through FNPF was for affected formal sector employees. Those who are not part of FNPF’s database or those without FNPF account were classified to reside in informal sector and were not eligible for the application.

These individuals were assisted as part of informal sector assistance by Government from May 2021 onwards till November 2021.

No. 2 COVID-19 Compliance Audits – Management of Concessional Loan Package to Micro, Small and Medium Enterprises (MSMEs) - PP No. 42 of 2021

Risk assessment

The Committee note from the report that there was absence of documentation to support that risk assessment was performed by MOE before the implementation of the program.

1. Considering that Government funds were used, why didn't MOE see the need to perform such an assessment?

Response:

We disagree with this statement because the risk has been shared amongst all partnering agencies. Between the planning stage for the programme to first disbursement of funds, there was a two-month period in which the Ministry and the assessors worked to identify and mitigate as many potential risks, as possible.

Risks identified and mitigated as part of the programme design stage:

- The eligibility and assessment risk – The eligibility criteria are clearly stipulated in the application form and the advertisement. This allowed for a benchmark for processing eligible applications.
- The Assessment risk is covered in the assessment criteria and also the process for assessment is easily understandable and thorough. It is worth noting that assessment was undertaken independently by private sector assessors, which made the process even more accountable and transparent. The entire process from beginning to end has been clearly demarcated and distributed amongst public and private sector representatives.
- The Ministry of Commerce Trade Tourism and Transport (MCTTT) undertook awareness sessions with all respective stakeholders that assisted in the programme. For example, visits to the Commissioners offices, the Legal Aid Offices, Birth Death and Marriage Offices and even the Council before the programme was advertised, given that we understood the risks and needed all stakeholders on the same page and to relay consistent messages to the Fijian public.
- Reputational Risk – Given that the private sector was engaged this provided additional transparency and accountability. The Private Sector had willingly shown support without charging for their time and services rendered and this was mainly due to the good reputation of the Fijian Government and the fact the programme was to assist those Fijian most in need.
- Financial risk – Can OAG please clarify, in addition the Government would not roll out a programme that has inadequate funding.
- Loan recipient compliance – This is covered in the loan agreement between the recipient and FRCS.

- The policy rationale behind this programme has been clear and we have seen that the objectives have been met by setting the foundation for sustainable and long-term growth. Given the intention is to support MSMEs and new micro businesses that are facing cash flow issues, through the concession loan we were able to achieve that. As of 20 November 2020, a number of success stories have been recorded and published in the media.

- Capability and Capacity – In order to ensure that we had the right skills and knowhow injected in this programme, we partnered with the right stakeholders to ensure the successful implementation of this programme. During the application stage, we had engaged our Government machinery and agencies on the ground to assist in distribution and collection of the forms through our District Offices, Legal Aid, BDM etc. For assessment, we engaged 4 leading private sector bodies to assess the applications as they had the right skills and capacity to do so. For disbursements FRCS was engaged to allow for enhanced compliance and monitoring of the businesses and also because FRCS is located in main town areas where one can expect a lot of business to be operating.

- Legal Risk – Ministry of Economy obtained Cabinet approval for this initiative, the Government entered into agreements with the respective assessors, FRCS for disbursing the funds, whilst the successful recipient entered into a legal “loan” agreement with FRCS. Therefore, legally the agencies involved have ensured all appropriate actions were taken.

- Implementation risk – The implementation of the programme, from receiving applications to disbursement, was carefully thought through and adequate measures were put in place, this enabled transparency and accountability plus effective achievement of the vision of the programme.

- Communication Risk – Given that we have received over 8,500 applications, shows that we have communicated the programme well. Our communications in relation to the programme have been active local media, including social media. We also have established a MSME Helpline (9986014) for the purposes of ease of communication and a dedicated email address (businessassistancefiji@gmail.com).

Conflicting assessment qualification scores

Agreements were signed by individual organizations (assessors) and the Ministry of Economy.

2. Who were the members of the BAF panel and what was their role in the assessment?

Response: The BAF panel comprised the Fiji Institute of Accountants, Fiji Chamber of Commerce Industry, Women in Business and Fiji Commerce and Employers Federation. Their role was primarily to assess and approve loan applications, which they did without a service charge. As per the agreement their roles included, but not limited to:

- (a) accurately disseminate awareness of the Programme;
- (b) receive and verify the eligibility of applicants in accordance with the eligibility criteria;

- (c) assess the applications in accordance with the assessment criteria;
- (d) within 7 days of receiving the complete form, provide written confirmation to the Government of eligible applicants;
- (e) properly advise its officers, employees, agents and contractors regarding the requirements for the provision of the activities and ensure that these requirements are followed;
- (f) ensure the quality of the activities provided;
- (g) communicate regularly with the Government regarding the provision of the activities;
- (h) keep sufficient resources to carry out the activities;
- (i) maintain excellent customer service is a key objective of the Fijian Government; and
- (j) must treat all applicants in a professional, courteous and respectful manner.

3. What was the basis for this and at what particular point was this done?

Response: This decision was undertaken by the assessors, BAF and the Ministry, after a thorough evaluation and consultations amongst BAF and the Ministry. It was done based on their professional judgment and revised after satisfactorily determining that at a 50% score the loan recipient had credibility and capacity to benefit from and adhere to the obligations of the commercial loan.

[Loan amount disbursed higher than amount recommended by the Assessors](#)

The Committee noted that loan amount approved by Business Assistance Fiji panel were inconsistent with what was approved by the assessors. In addition, the report also highlighted that there was absence of documentation to record the basis for the final approval.

4. Can the Ministry explain why documentations were not kept for accountability?

Response: The Ministry at all times, maintained all relevant documentation, all records are up to date, with discussions, decisions and meetings records captured in Minutes.

We understand that OAG may be referring to instances when the amount recommended by the assessors was overturned by the BAF panel in light of their assessment of the nature of the business activity, quotations and experience. This was ratified through flying minutes between the Secretariat and the panel. The decision by BAF was to ensure that the recipient of the loan was going to be able to sustainably undertake their business and that the loan funds are not going to waste if it is not enough for the business to be undertaken.

These flying minutes are available at the Ministry for reference.

Loan amount disbursed higher than amount requested by applicant

The Committee noted that the amount approved was higher than the amount as per application. The Committee wants to know if the additional amount approved was agreed by the applicant.

5. Can the Ministry provide documentation to support this?

Response: We understand that this was only in extreme circumstances and a very small number (less than 50). However, in these extreme cases the panel, in their professional judgment, considered the nature of the business, the business activity, assessing the credibility and agreed by the applicant.

We reiterate the BAF Panel only increased the amount based on their consultations with applicants. As stated it was based on the experience and knowledge of undertaking business, that certain amounts of loan requested for was not adequate to successfully start or continue a business.

The vision behind the programme was to empower Fijians to earn a livelihood during the pandemic and for the long-term. It is inappropriate to provide loans of an amount that will not provide the recipient adequate funding to even begin their business properly let alone ensure sustainability.

The changes were properly recorded and reflected by the signed agreement between the recipient and FRCS.

Ministry of Economy's Response

The Committee noted from the Ministry's response that it will implement recommendations when undertaking similar programmes in the future.

6. Can the Ministry update the Committee on the implementation of the recommendations on similar MSME assistance provided by the Government?

Response: The Ministry has no plans to rollout out MSME assistance in the near future.

27 May 2022

Hon. Alvick Maharaj

Chairperson

Public Accounts Committee

Parliament of Fiji

Government Buildings

SUVA

Dear Chair

Response to Clarification of Issues – COVID-19 Compliance Audits – Management of Concessional Loan Package to Micro, Small and Medium Enterprises (MSMEs) - PP No. 42 of 2021

The Ministry of Commerce, Trade, Tourism and Transport ('Ministry') acknowledges the deliberations of the Public Accounts Committee ('Committee') and thanks for the Committee for the opportunity to respond to its correspondence dated 18 May 2022.

Whilst the Ministry appreciates audits and its process, we are of the view that the audit report could have been more inclusive to reflect the Ministry's responses to the issues raised.

Additionally the Ministry had requested the Office of the Auditor-General defer the audit upon the completion of the Concessional Loan Package ('Programme'), as with normal audits. However, in good faith, we proceeded with the audit.

Given the Programme was introduced at the height of the first wave of the pandemic, the Ministry's priority was providing financial relief to Micro, Small and Medium Enterprises ('MSME'). We are pleased to report that based on our monitoring and evaluation exercise, loan recipients have begun loan repayments with the Fiji Revenue and Customs Services.

The success of the Programme is largely attributed to public-private partnership with participation of the Women in Business, Fiji Chamber of Commerce Industry, Fiji Commerce and Employers Federation and Fiji Institute of Accountants, who were not engaged at a cost to Government. The commitment of the assessors to voluntarily assess applications resulted in the survival of at least 6,000 Fijian owned MSMEs.

It is also encouraging to note, through this Programme, the private sector partners have formalised their partnership through the legal entity, Business Assistance Fiji, who have furthered their network with

organisations such as Business Link Pacific and Fiji Development Bank to support MSMEs and the informal sector.

The Ministry maintains that it has implemented all necessary controls, including consistency in applying standards operating procedures and the principles of good governance.

We thank the committee once again for the opportunity to respond and look forward to its consideration of the detailed responses herein.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Shaheen Ali', written in a cursive style.

For Shaheen Ali
Permanent Secretary for Commerce, Trade, Tourism and Transport

Ministry of Commerce, Trade, Tourism and Transport Responses to PAC Questions on COVID-19 Compliance Audits – Management of Concessional Loan Package to Micro, Small and Medium Enterprises (MSMEs) . PP No. 42 of 2021

The Committee noted that Ministry of Commerce, Tourism, Trade and Transport was tasked to monitor the recipients to determine the usage of funds.

1. Did the Ministry carry out any random check on these enterprises on how the loans has been utilised?

The Ministry of Commerce, Trade, Tourism and Transport (Ministry) provided administrative support to the Concessional Loan Package to Micro, Small and Medium Enterprises Programme (Programme) for the Ministry of Economy. The role primarily included coordinating the receipt of applications across Fiji, facilitating the assessment of application with the Business Assistance Fiji nominated assessors and finally forwarding the approved application details to the Fiji Revenue and Customs Services (FRCS) for the disbursement of funding.

The Ministry through the MSME Fiji Unit has a Monitoring and Evaluation (M&E) Team. The role of the team is to monitor and evaluate the impact of the livelihood assistance programmes administered by the Ministry.

The team has commenced the monitoring through visitations to the recipients and has trained over 350 recipients. From preliminary visits it is encouraging to note that recipients are still in business and in fact Fiji Revenue and Customs Services (FRCS) has received total repayment of \$258,562.48, so far.

We are in discussion with FRCS who we aim to partner for the monitoring exercise.

Assessors not meeting the stipulated timeframe

The Committee noted from the report that the assessors were given 7 days to inform Government of the approved applicants.

2. Was the 7 day assessor turnaround time practical for loan assessment given the high number of loan applications received?

The timeline of seven (7) days was discussed during the planning stages of the and prior to the implementation of the Programme. Though the Ministry and the Business Assistance Fiji (BAF) Assessing bodies did expected a large number of applications, however receiving 9,000 applications was not the anticipated amount.

Upon realisation of the quantum of applications to be processed it was agreed that an assessor complete the assessment within 7 days stemming from when they pick up the application to

assess – till completed. It is humanly impossible for assessors to assess over thousands of applications in 7 days.

In addition, delays in assessment were caused by incomplete information, from the applicant’s that is needed for making an accurate and reliable assessment. Hence, the applicant was then contacted to furnish information, which led to and delays in assessment are also faced for this reason.

The Committee noted from the report that incomplete loan applications contributed to the delay in the assessment of the loan.

3. What measures were put in place by the MCTTT when receiving loan applications?

Under this programme, a whole of Government approach was adopted in addition to the private sector partnership. We had partnered with fellow Government Ministries such as Ministry of Rural and Maritime Development and Disaster Management (PA and DO Offices), Ministry of Justice (BDM Offices) and Legal Aid.

Documents to be submitted were subject to business classification, are tabled below:

Micro Business	Small Business	Medium Business
i. Completed application form; ii. Business registration; iii. Tax Identification Number; iv. Bank Account Details; v. Business Plan; and vi. Cash flow projections.	i. Completed application form; ii. Business registration; iii. Tax Identification Number; iv. Bank Account Details; v. Business Plan; vi. Cash flow projections; vii. Valid Business Licence viii. Latest Financial Statement ix. 2018 Tax Compliant; x. 2019 FPNF Compliant; and xi. Past six (6) Bank Statements.	i. Completed application form; ii. Business registration; iii. Tax Identification Number; iv. Bank Account Details; v. Business Plan; vi. Cash flow projections; vii. Valid Business Licence; viii. Latest Financial Statement; ix. 2018 Tax Compliant; x. 2019 FPNF Compliant; and xi. Past six (6) Bank Statements.

The Ministry advertised an EOI that clearly outlined the requirements that was needed submission.

The Ministry had staff dedicated to undertaking creating awareness on the required documents to be submitted and where the documents could be obtained. A MSME Helpline was dedicated to assisting applicants that were calling in.

The Ministry accepted hardcopy applications through all divisional offices whereby upon receipt of the application the Ministry staff verified applications to ensure all required information mentioned above were submitted.

The Ministry was further assisted in the collection of applications by our partners such as the Ministry of Rural and Maritime Development and Disaster Management, Ministry of Justice and BAF agencies.

All agencies were briefed on how to receive the forms.

4. Was it properly verified to ensure that all documents required are provided?

Applications that were received by the Ministry offices were checked and verified to ensure all required documentation was attached before applications were accepted. This practice was applied across all MCTTT divisional offices.

As mentioned above Government agencies and the private sector parties were receiving applications for the Programme.

Assessors not signing on the assessment sheets

The Committee noted from the report that the assessors were not signing on the assessment sheets.

5. What measures were put in place by the MCTTT to ensure that those assessment sheets received in soft copy without any signatures were legitimate assessments?

All assessing bodies were to submit a completed assessment sheet for each application. It was noted that all assessing organisations, with the exception of FCEF, submitted hardcopy assessment sheets.

Giving consideration to administrative costs, FCEF did not sign off on the assessment sheet because they assessed the applications electronically and emailed the same across to the Ministry. The FCEF ensured that all emails where the assessment sheets are protected for security reasons, therefore and the Ministry printed the assessments sheet and attached it to the corresponding application.

Conflict of Interest

The Committee noted from the report that Conflict of Interest declaration was not compulsory.

6. How did the MCTTT document the Conflict of Interest declarations made by the assessors, if any was done? Is there any record maintained for all assessors?

Prior to the implementation of the Programme, all the assessing organisations, including FRCS as the disbursing organisation, entered into Memorandum of Agreements (MoA) with the Ministry of Economy. The issue of Conflict of Interest was covered in the MoA.

The assessors as professional bodies have robust policies on conflict of interest. The Secretariat has noted a number of cases where assessors have returned applications to be redistributed due to any perceived conflict.

Conflicting assessment qualification scores

Agreements were signed by individual organisations (assessors) and the Ministry of Economy.

7. Who were the members of the BAF panel and what was their role in the assessment?

The BAF assessing bodies included were made up of Fiji Chamber of Commerce and Industry, Fiji Commerce and Employers Federation, Fiji Institute of Accountants and Women in Business. Members of the four organisations volunteered their time and expertise for free to undertake assessment of the 9,000 applications that were received.

The BAF assessors are professionals in their own field and use their personal time to assess the applications. The Fijian Government is grateful for the commitment sacrifice and efforts of the four organisations. It was the first time the Ministry has seen collaboration from the private sector to this magnitude.

As per the agreement their roles included but not limited to:

- (a) accurately disseminate awareness of the Programme;
- (b) receive and verify the eligibility of Applicants in accordance with the eligibility criterion
- (c) assess the applications in accordance with the assessment criteria;
- (d) within 7 days of receiving the complete Form, provide written confirmation to the Government of eligible Applicants;
- (e) properly advise its officers, employees, agents and contractors regarding the requirements for the provision of the Activities and ensure that these requirements are followed;
- (f) ensure the quality of the Activities provided;
- (g) communicate regularly with the Government regarding the provision of the

Activities; and

- (h) keep sufficient resources to carry out the activities;
- (i) maintain excellent customer service ;. and,
- (j) must treat all Applicants in a professional, courteous and respectful manner.

It should be noted through this programme the Business Assistance Fiji Panel have formalised their operations into a legal entity and are now creating meaningful connections with organisations such as Business Link Pacific and Fiji Development Bank in order to support MSME development.

The Committee noted from the report that the qualification scores downwards from 60 to 50%.

8. What was the basis for this and at what particular point was this done?

In the planning stages of the Programme the assessing organisation agreed to set a 60% criteria threshold however this was later amended to 50%.

This decision was undertaken by the assessors, BAF and MCTTT, after a thorough evaluation and consultations amongst the BAF and the Ministry. It was done based on their professional judgment and revised after satisfactorily determining that at 50% the loan recipient had credibility and capacity to benefit from and adhere to the obligations of the commercial loan.

It should be noted this Programme was implemented during the first wave of COVID 19 thus the funding was a lifeline to many businesses struggling to remain operational.

Loan amount disbursed higher than amount recommended by the Assessors

The Committee noted that loan amount approved by Business Assistance Fiji panel were inconsistent with what was approved by the assessors. In addition, the report also highlighted that there was absence of documentation to record the basis for the final approval.

9. Can the Ministry explain why documentations were not kept for accountability?

The Ministry at all times, maintained all relevant documentations, all records are up to date, with discussions, decisions and meetings records captured in Minutes.

We understand that OAG may be referring to instances when the amount recommended by the assessors was overturned by the BAF panel in light of their assessment of the nature of the business activity, quotations and experience. This was ratified through flying minutes between the Secretariat and the panel.

The decision by BAF was to ensure that the recipient of the loan was going to be able to sustainably undertake their business and that the loan funds are not going to waste if it is not enough for the business to be undertaken. These flying minutes are available at the Ministry for reference.

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