



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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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CHAIRPERSON'S FOREWORD

This report follows the Report of the Auditor General of the Republic of Fiji on the Compliance Audit



that was carried out on the:

- 1) **Management of Unemployment Benefit for COVID-19 which was facilitated by the Ministry of Economy and administered by the Fiji National Provident Fund (FNPF) in 2020; and**
- 2) **Management of Concessional Loan Package to Micro Small and Medium Enterprises (MSMEs).**

The review that was carried out by the Committee highlighted the audit issues that were identified within the Management of Unemployment Benefits and the Management of Concessional Loan Package to Micro Small and Medium Enterprises (MSMEs).

The Ministry of Economy ('MoE') was responsible for managing public finances in accordance with the Constitution and the Finance Management Act (FMA) 2004. Government made a commitment through the MoE to provide financial assistance of \$150 per redundant worker/small business owners in the Informal sector. Assistance was provided to those Fijians who had been affected due to the lockdown in Lautoka, Suva and Nasinu that were eligible for the financial assistance.

As per COVID-19 response plan for redundant workers, the Government of Fiji budgeted a total of \$210 million for redundancy and unemployment benefits of which \$60 million was provided by government and \$150 million was provided through Fiji National Provident Fund ('FNPF'). The Committee noted that as at 31 August 2020, a total of \$35.6million (17.38%) had been paid out under the COVID-19 response plan. The Committee is aware that this COVID-19 response continue to be paid out after 31st August 2020 to the eligible recipients.

The COVID-19 pandemic has significantly impacted all businesses, including the Micro, Small and Medium Enterprises (MSME) and as such many are struggling with cash flow issues as revenue levels have declined due to weak demand. With the tourism industry coming to a halt and its adverse flow-on effects to almost all sectors of the economy, several businesses are struggling and unemployment has been on the rise.

The Concessional Loan Package was provided to eligible MSME businesses with a 5year repayment term, including one year grace period with no principal or interest payment. The loan repayments will

commence from the second year with the flexibility of a single annual repayment or even with payments spread over the year. Interest calculation will be based on a simple interest method.

There are gaps identified in the two (2) audits in which the relevant Ministries involved are taking necessary measures to address those issues and put in place mechanisms for future use on such programmes.

Overall, I thank the Executives from the Ministry of Economy and Ministry of Commerce Transport, Trade and Tourism for their responses to the audit issues that were raised and the Staff of the Office of the Auditor General for provided technical clarifications on those issues. Most importantly, we acknowledge the two (2) Ministries efforts in addressing the gaps that were identified during the audit.

I also wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of this bipartisan report namely Hon. Joseph Nand (Deputy Chairperson), Hon. Ro Teimumu Kepa, Hon. Virendra Lal and Hon. Aseri Radrodoro.

On behalf of the Committee, I also extend my appreciation to the Secretariat Staff for their timely support in the compilation and preparation of this Report.



Hon. Alvick Avhikrit Maharaj
Chairperson

COMMITTEE MEMBERS



**Hon. Alvick Avhikrit Maharaj
(Chairperson, MP)**



**Hon. Joseph Nitya Nand
(Deputy Chairperson MP)**



**Hon. Aseri Masivou Radrodoro
(Opposition MP)**



**Hon. Ro Teimumu Kepa
(Opposition MP)**



**Hon. Virendra Lal
(Government MP)**

INTRODUCTION

The **COVID-19 COMPLIANCE AUDIT REPORT** (PP No. 42 of 2021) was tabled in Parliament on 7th of June 2021 and referred to the Standing Committee on Public Accounts, for its scrutiny.

Standing Order 109 (2) (d) allows Standing Committee on Public Accounts to examine the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review.

Standing Order 110(1)(c) authorises the Standing Committee to *scrutinise the government departments with responsibility within the committee's subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department's administration, legislation or proposed legislative program, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation.*

COMMITTEE PROCEDURE

The Novel Coronavirus Disease renamed as COVID-19 was declared by the World Health Organisation as a global pandemic on 11 March 2020. The Parliament of the Republic of Fiji therefore undertook necessary health precautionary measures to control the spread of the new virus strand outbreak.

In view of the above, Standing Order 112 (1) (b) provides powers to the Standing Committee on Public Accounts to compel the production of documents or other materials or information as required for its proceedings and deliberations.

The Committee resolved that the following entities identified in the audit report shall provide a substantive written submissions to the Committee as follows:

- 1) **Ministry of Economy - Management of Unemployment Benefits; and**
- 2) **Ministry of Economy and Ministry of Commerce, Transport, Trade and Tourism - Management of Concessional Loan Package to Micro Small and Medium Enterprises (MSMEs)**

In this regard, the Committee requested for written responses from the Ministry of Economy and Ministry of Commerce, Transport, Trade and Tourism on the audit issues that were raised and after reviewed the responses received it was agreed that the two (2) Ministries to have a face to face public hearing sessions with the Committee. Therefore, on 17th June 2022, the Ministry of Economy appeared before the Committee and presented it responses on the questions that were posed to them in relation to the mentioned audits.

BACKGROUND

Management of Unemployment Benefits

The Audit was conducted in accordance with the functions of the Auditor General specified in the Audit Act 1968 and Section 152 of the 2013 Constitution of the Republic of Fiji. Section 6A of the Audit Act 1969 provided powers to the Auditor General to conduct Compliance Audits.

The main objective of this audit is to determine whether the MoE and FNPF had paid COVID-19 unemployment benefits for workers in the Tourism Sector and the Lockdown Informal and Formal Sectors in accordance with the required criteria.

The criteria's used in the audit were derived from the following sources:

- COVID-19 Response Budget Estimates 2019-2020;
- National Budget 2020-2021;
- COVID-19 Response Assistance Agreement for Government Subsidy for Phase 1 between MoE and FNPF dated 01/04/2020;
- COVID -19 Unemployment Assistance Agreement for Government Subsidy for Phase 2 between MoE and FNPF dated 20/07/2020;
- Standard Operating Procedures (SOP) for Early Withdrawal – Pandemic Assistance; and
- Criteria for unemployment benefit for workers in Informal Sector within Lockdown Areas.

Management of Concessional Loan Package to Micro Small and Medium Enterprises (MSMEs)

The COVID 19 pandemic has significantly impacted all businesses, including the Micro, Small and Medium Enterprises (MSME) and as such many are struggling with cash flow issues as revenue levels have declined due to weak demand. With the tourism industry coming to a halt and its adverse flow-on effects to almost all sectors of the economy, several businesses are struggling and unemployment has been on the rise.

To secure funding through commercial banks is a challenge as MSME business viability has been greatly affected and therefore credit risk is high. The MSME Concessional Loan Package was therefore established to assist affected businesses with immediate working capital need, expansion of existing operations and diversification into new business activities.

Therefore, the Office of the Auditor General carried out a compliance audit to obtain sufficient and appropriate audit evidence to form a conclusion on whether in all material aspects that the processes and internal controls surrounding the MSME Concessional Loan Package are adequate and effective to ensure that only eligible MSME businesses benefit from the initiative.

The audit covered both the design and implementation of the programme including the review of the framework or policies and guidelines and the loan application, assessment and approval process for concessional loans registered by the Ministry of Commerce, Tourism, Trade and Transport as at 23 September 2020. The audit was conducted based on the information and records provided by those charged with governance for MSME Concessional Loan Package during the period the audit was undertaken.

GENERAL RECOMMENDATIONS

- 1. The Committee recommends that the Ministry whilst implementing the programme take heed of the lessons learnt and develop proper Standard Operating Procedures (SOPs) for future use;**
- 2. The Committee notes the challenges faced by the MoE in implementing this programme during COVID-19 period and recommends that regular consultations with stakeholders and review the Management of Unemployment Benefits and Management of Concessional Loan Packages issued to Micro Small and Medium Enterprises (MSME);**
- 3. The Committee commends the Ministry of Economy for using alternate modes of payments for easier distribution of unemployment benefits to the general public; and**
- 4. The Committee commends the Concessional Loan packages issued to Micro Small and Medium Enterprises (MSME) towards their sustainability during COVID-19 pandemic and further recommends to continue with such initiatives in future.**

COMMITTEE FINDINGS

1. Management of Unemployment Benefits

The significant findings identified from this compliance audit include the following:

- SOPs were not designed by MoE for disbursement of assistance process for unemployment in the informal sector COVID – 19 lockdown areas;
- Applicants who were still employed received Government subsidy;
- Double payment of FNPF and Government subsidy to eligible applicants;
- Government subsidy incorrectly calculated and paid out;
- Extra government subsidy paid to approved applicants;
- Government subsidy paid to ineligible applicants;
- FNPF not providing system closure report for each payment phase;
- Incomplete informal sector approved applications still received payment; and
- Some approved applicants for informal sector in the COVID – 19 lockdown areas assisted by MoE also benefitted from FNPF government subsidy COVID – 19 formal sectors financial assistance program.

The MoE should develop detailed and clearly defined SOP for all projects or programs undertaken by the government to enhance good governance and sound internal and quality controls to improve proper accountability. Furthermore, MoE through the FNPF can better manage the COVID – 19 financial assistance by using an integrated system that can properly collect, store, manage and interpret data in real-time. Integrated systems can also reduce the risk of errors and omissions common when manual intervention is made between one or more stand-alone systems.

- **Established Disbursement Procedures**

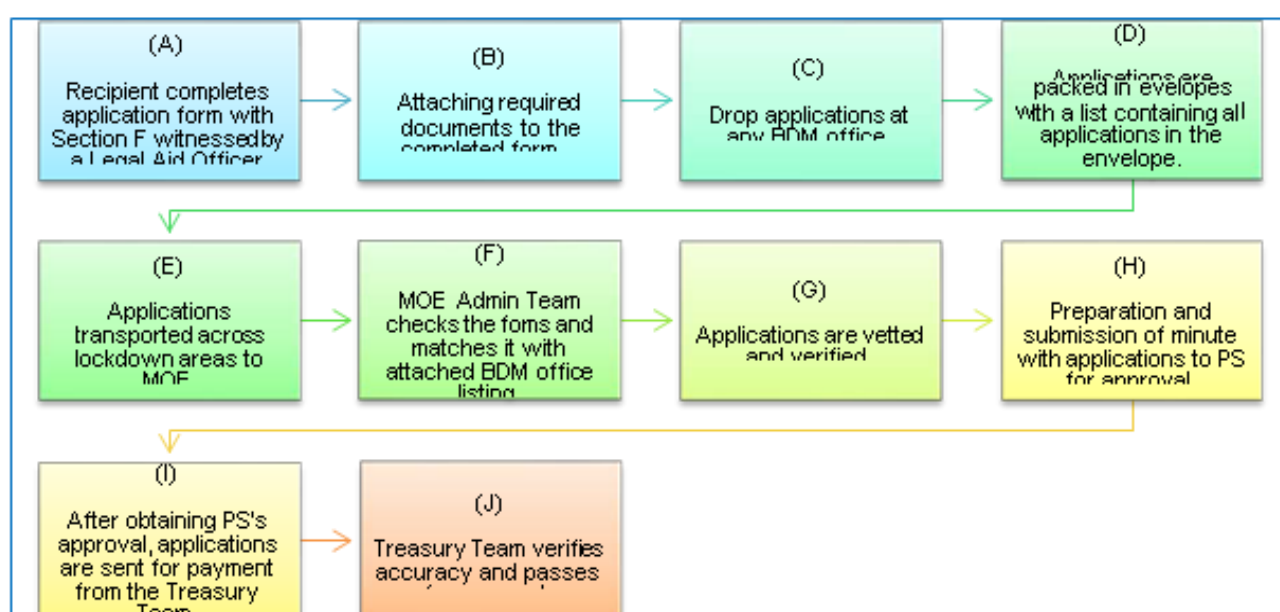
Question 1: Did FNPF and MoE establish proper procedures to make payments and reconcile the government subsidy paid?

This audit question attempts to establish whether FNPF and MoE have proper work flow processes and procedures to guide the payments made to eligible applicants of unemployment benefits through FNPF and to the informal sector, respectively. SOPs are an integral part of a successful quality process that provides information to perform a task properly to achieve pre – determined specification and a quality end – result.

Informal Sector

The Office of the Auditor General noted that SOPs were not prepared by the MoE for the informal sector financial assistance payments. However, they were able to confirm the application procedures based on the following processes which were adopted from receipt of application to payment as shown in Figure 6.1.

6.1. Figure 6.1: Process – Informal Unemployment Benefit Pay-out



Source: Processes (A) to (C) derived from guidance notes obtained from [https://www.fiji.gov.fj/getattachment/dbb53051-9f90-40fc-9f9a-00107d9b2eea/Unemployment-Benefit-for-Lockdown-Areas-\(Informal.aspx](https://www.fiji.gov.fj/getattachment/dbb53051-9f90-40fc-9f9a-00107d9b2eea/Unemployment-Benefit-for-Lockdown-Areas-(Informal.aspx) and Processes (D) to (J) obtained from information provided by MoE officials on 20/08/20.

The Ministry stated that the assessment and disbursement criteria for the informal sector unemployment benefit was clearly defined in the advertisement and application forms. Those with valid hawkers/business license in the lockdown areas were eligible for the one off \$150 payment.

Applicants also had to sign a self-declaration confirming that information provided was correct. The application forms were also verified by the Ministry of Justice and the Legal Aid Commission.

The Ministry further stated that once the completed forms were received, then MoE had a checklist to verify if all required information was provided. Upon verification of all details, the applications were approved if the pre-set criteria were met. The final payments were approved by the Permanent Secretary.

It was also noted that there has been no reconciliation has been performed by the MoE to verify the accuracy of payments of government subsidy made to FNPF because there was no SOP to address this element of the disbursement process. Even though there was a contract agreement on the acquittal processes, it did not address the reconciliation process to validate the government subsidy disbursed to FNPF.

The Ministry stated that the disbursement of phase 1 unemployment assistance was undertaken by FNPF and was guided by an agreement between the Ministry of Economy and FNPF. Acquittals were submitted to the Ministry of Economy and FNPF undertook reconciliations to ensure that correct subsidy amounts were paid to members as per the agreement guidelines.

The Ministry further informed us that the disbursement of assistance was undertaken by FNPF given the confidentiality of member balances and FNPFS access to employment information relating to these affected members. It is practically difficult for MoE to undertake this reconciliation. It is important to note that the unemployment assistance is still continuing and MoE will undertake a joint review with FNPF for the verification of acquittals. If there are any issues of overpayments, would FNPF reimburse Government.

Formal Sector

The Office of the Auditor General noted that FNPF had developed two separate SOPs with one specifically for Phase 1 which is based on the manual processes lodged at any of the nearest FNPF Office while for the Phase 2 directly deals with withdrawal applications through the FNPF Online Employer Portal. These good practices by FNPF shows that there is proper accountability of different role and functions for the Phase 1 and Phase 2 payment processes of eligible applicants for this government subsidy assistance scheme.

To understand the processes and role of FNPF Officers for the processing of Early Withdrawal for Pandemic Assistance applications for members, a process flow diagram was designed on the basis of SOPs using Phase 1 manual application process provided in Appendix 2 and Phase 2 online application is shown in Appendix 3.

The Office of the Auditor General's Recommendation:

MoE should ensure that the roles and responsibilities in any programme are clearly defined and demarcated for accountability purpose and all disbursement processes including the need to prepare reconciliations are captured in SOPs for any future government scheme or program, of this nature.

- Applicants still employed receiving Government subsidy

Question No 2: Are the Formal Sector applicants eligible to receive government subsidy?

To determine whether applicants for the COVID-19 financial assistance withdrawal qualify, and the FNPF Processing Officers verified the applicant's information with the employer. Applicants were required to submit a letter clarifying the status of their employment (termination, or reduced wages and reducing working hours), which were also verified by the processing officer on the contra system to validate the last 3 months of employer contribution under the same employer as stated on the letter for Phase 1, withdrawals were also available for applicants employed within the lockdown areas of Suva and Lautoka.

The FNPF employer's contribution is used to validate the members that had applied through the correct employer by verifying the contributions received for the member before approval is granted to eligible applicants.

Some applicants for Phase 1 who had received government subsidy under Phase 1 in the Terminated or Permanently Laid-off category are still being employed during this period as we noted that the applicant's employers' contributions are still being disbursed to FNPF as shown in **Figure 6.2** for samples extracted.

Figure 6.2: Applicants assisted and still working under Phase

	Employer FNPF Last Contribution	Application Date	Subsidy Paid (\$)
MN12026974N	May - 20	7/04/2020	570
MN12921947Z	Sep - 20	9/04/2020	438.98
MN12584102S	May - 20	15/04/2020	867.31
MN12931324T	May - 20	21/04/2020	771
MN12967617J	May - 20	18/04/2020	676.76
MN12594120A	May - 20	5/05/2020	167
Total Paid			3,491.05

The Ministry stated that under Phase 1 of the assistance rolled out together with FNPF, employees who had completely lost jobs or were on reduced hours in the tourism and hospitality industry were eligible to withdraw a lump sum of \$1,000. Employees affected by the lockdown and travel restrictions were also eligible for a lump sum withdrawal of \$500.

FNPF stated that due diligence had been exercised on the time application were received. However, we rely on the confirmation on the employers affected by COVID-19 and in the lock down areas. Even with this, FNPF is still faced with practical challenges in verifying the employer and employee confirmation and relied on the processing officers for the category that members will fall in for the COVID Government assistance.

The Ministry further stated that given the uniqueness of the situation with lockdowns around the country, some level of flexibility was exercised. It is important to note that the unemployment assistance is still continuing and MOE will undertake a joint review with FNPF for the verification of acquittals. If there are any issues of overpayments, then FNPF reimburses Government.

The Office of the Auditor General's Recommendation

Due diligence needs to be exercised by processing and approval officers should validate members employment status prior to approval.

- **Formal Sector Government Subsidy Pay-out**

Question No. 3: Was the Formal Sector government subsidy correctly calculated and paid out to members?

The primary objective of the audit work carried out was provide assurance that government subsidy has been correctly paid out to the members under the COVID – 19 financial assistances.

The application forms received and processed were generally in compliance with the SOPs where applicants had submitted all relevant documents together with the completed application forms subject to the following exceptions:

Double Payment to Eligible Applicants

The Office of the Auditor General noted that there were cases where applicants had received double payment after an appeal was made by eligible members who had initially received \$500 and later received a second payment of \$500 totalling to \$1,000. However, the Office of the Auditor General also noted

cases where payments had been made with amounts greater than \$1,000. Details given in **Figure 6.3** is for **Government subsidy double payments in Phase 1**.

	Number of Payments Made	Total Subsidy Paid (\$)
MN11512605G	2	2,000
MN11725412G	2	2,000
MN12726225W	2	1,573.27
MN12541452E	3	1,431.84
MN12125362H	2	1,359.72
MN12999588H	2	1,034.84
Total Paid		9,399.67

(Data source: Fiji National Provident Fund)

Figure 6.4: Details of Double Payment of FNPF for Phase 1

Total Number of Applicants	Total Number of Payments Applied	Total FNPF Paid (\$)
147	286	210,136.63

(Data source: Fiji National Provident Fund)

Figure 6.4 is for the FNPF double payments summary while the details are provided in Appendix 4.

Figure 6.5: Details of Double Payment of Government Subsidy for Phase 2

	Payment Dates	FNPF Amount (\$)	Government Amount (\$)	Total Paid (\$)
MN12711438G	24/06/20	-	1,100	1,100
MN12711438G	26/06/20	0.98	1,099.02	1,100
Total Paid				2,200

(Data source: Fiji National Provident Fund)

The Office of the Auditor General's also noted double payment for Phase 2 Category 2 and **Figure 6.5** provides the detail.

The Ministry stated that appeals cases for which there was an excess payment made will be reimbursed to Government by FNPF. It is important to note that the unemployment assistance is still continuing and MOE will undertake a joint review with FNPF for the verification of acquittals. If there are any issues of overpayments, then FNPF reimburses Government.

Government Subsidy Incorrectly Calculated and Paid Out

Figure 6.6: Summary of Government Subsidy for Phase 1

Mode of Payment	Number of recipients Overpaid	Amount Overpaid (\$)
EFT	1,147	\$70,440.17
M-PAiSA	71	\$16,882.77
TMO	42	\$847.76
Aggregate	1,260	\$88,170.70

(Data source: Fiji National Provident Fund)

The Office of the Auditor General noted that the government subsidy to top – up eligible member's financial assistance was incorrectly calculated resulting in the overpayment of \$88,170.70 for Phase 1 and Figure 6.6 provides the summary of samples extracted.

The Office of the Auditor General further noted that the government subsidy to top – up eligible member's financial assistance was also incorrectly calculated for Phase 2 Category 1 and Category 2 resulting in the overpayment of \$257,051.85 which is summarized in Figure 6.7.

Figure 6.7: Summary of Government Subsidy for Phase 2

Category Type	Number of recipients Overpaid	Amount Overpaid (\$)
CAT1	449	\$19,452.20
CAT2	493	\$181,939.65
CAT3	59	\$55,660.00
Aggregate	1,260	\$257,051.85

(Data source: Fiji National Provident Fund)

CATEGORY 1

FNPF advised that the system business rule for phase 2 Round 1 payment was designed to cater for those members with Government Top up during payment of Phase 1. Also, FNPF noted that 6,255 members have zero general account (GA), therefore Government made an announcement to rollover these members and pay a sum of \$220. Phase 2 Cat 1 payment was made based on the announcement with relevant system business rules that members will have full top up. Due to the timing of report given to OAG, members had movement (interest credit 30-06-2020) to their GA balance.

CATEGORY 2 & 3

The overpayment for CATEGORY 2 & CATEGORY 3 as highlighted in the Office of Auditor General report is a result of the following:

- a) GA not fully exhausted- Processing Error
- b) RPA (System)

FNPF stressed that it is currently checking line details of the cases to confirm the actual overpayment by Government and FNPF will reimburse after completion. The Ministry stated that it is important to note that the unemployment assistance is still continuing and MoE will undertake a joint review with FNPF for the verification of acquittals. If there are any issues of overpayments, then FNPF will reimburse Government.

Duplicate Payments to Approved Applicants

The Office of the Auditor - General noted that there were duplicate on the member's FNPF and application ID where the results showed duplicate processing of the same application ID and in the process Government subsidy was paid out twice to these individual applicants.

For instance, there were members that had applied for \$1,000 and the processing and approving officer had approved for \$500 based on the eligibility of the applicant during Phase 1. However, after the payment of \$500 from member's system then an additional \$500 was paid out from government subsidy through the FNPF financial information system but this should only be \$500 instead of \$1,000.

The Office of the Auditor-General further noted situation where the government subsidy was incorrectly paid to someone else's account due to input error of account numbers or because manual application forms were incorrectly scanned and uploaded to system resulting in the incorrect payment. Refer to **Figure 6.8** for details extracted.

Figure 6.8: Details of Duplicate Payment in Phase 1

	Number of Payments	Total Subsidy Paid (\$)
MN11512605G	2	2,000
MN11725412G	2	2,000
MN12726225W	2	1,573.27
MN12541452E	3	1,431.84
MN12125362H	2	1,359.72
MN12999588H	2	1,034.84
Total Paid		\$9.400

FNPF stated that they have checked the details of the cases to confirm the actual overpayment by Government and FNFP will reimburse after completion. It is important to note that the unemployment assistance was in progress at the time of the audit and these issues was rectified after a proper verification was done.

Subsidy paid to Ineligible applicants

The Office of the Auditor General noted that there was government top-up done for eligible members that had applied for withdrawal under category 2 for sole proprietors and small enterprise owners impacted by COVID -19 and received government subsidy in the process with details in **Figure 6.9**.

Figure 6.9: Government Subsidy Paid to Ineligible Applicants in Phase

	Category	Subsidy Paid (\$)
MN12113208F	Sole Proprietor	333.68
MN12001763Y	Small Enterprise owners impacted by COVID-19	152.42
MN11525493U	Small Enterprise owners impacted by COVID-19	561.23
Total Paid		1,047.33

(Data source: Fiji National Provident Fund)

The Office of the Auditor General further noted that there was government top-up paid for 285 members that were assisted under Phase 1 being affected by COVID -19 and were also assisted in the Phase 2 Category 3 which they were ineligible for. Summary is given in Figure 6.10 for applicants assisted in both Phase 1 and Phase 2 Category 3 while the details are in Appendix 5.

Figure 6.10: Summary of Applicant Ineligible for Phase 2 Category 3

	Category Type	Number of Recipients assisted	Amount Paid (\$)
Phase 2	Category 3	285	131,884.12
Aggregate		285	\$131,884.12

(Data source: Fiji National Provident Fund)

FNPF stated that it is currently checking line details of the cases to confirm the actual overpayment by Government and FNPF will reimburse after completion. It is important to note that the unemployment assistance was in progress during the time of the audit and these issues was rectified.

One notable limitation identified during our audit was the untimely availability of data because the two systems used by FNPF are not integrated. The financial reporting system used by FNPF only stores the government subsidy component paid while the member information system only maintains the member records which is extracted separately before the analysis can be carried out. On the same note, closure reports for each phase/category of the financial assistance payment made through the government subsidy are yet to be prepared by FNPF.

The Ministry stated that FNPF will provide the closure report for each phase to MOE.

The Office of the Auditor General's Recommendations

- MoE should work with FNPF to develop a plan to determine and recover the subsidy that has been incorrectly paid out for each phase; and
- FNPF should provide closure reports on the payments of government subsidy for each phase and category.

❖ Informal Sector Unemployment Pay-out

Question No 4: Was the Informal Sector unemployment benefit for workers in lockdown area processed in accordance with the Eligibility Criteria?

Those affected due to the lockdown in Lautoka, Suva and Nasinu informal sectors qualified for assistance facilitated by the MoE.

To qualify for the unemployment benefit, applicants had to be under any of the following categories:

- Reside within the lockdown area and operate outside the lockdown area;
- Reside outside the lockdown area but operate informal businesses within the lockdown area; and
- Reside within the lockdown area and operate Informal businesses within the lockdown area.

The guidance notes for unemployment benefit for workers in Informal Sector within Lockdown Areas requires that prior to payment of any recipient, apart from the copy of the hawkers/business license or permit, the following supporting documents needed to be submitted along with the completed form for processing:

- Section F on the application form as shown in **Figure 6.11** to be witnessed by a Legal Aid Officer;
- Attached documents available:
 - ✓ Birth Certificate;
 - ✓ Voter ID Card or any other form of photo identification; and
 - ✓ Details of Bank account or M-Paisa account or TMO.

File reviews for assistance paid by MoE noted the following:

- *Recipients had submitted supporting letters from local municipal councils and did not hold any hawkers/business license or permit such as market vendors;*

- Applicants who operated and/or work for other businesses such as dairy shops, barber shops and saloons had received assistance under the unemployment benefit for workers in informal sector.

The Office of the Auditor General noted that all applications had submitted completed application forms which included the witnessing of **Section F** of the application form by a legal officer and provision of bank accounts or M- Paise account or TMO.

Figure 6.11: Section F – Application Declaration Requirement

SECTION F: SIGNATURE

I, (full name) _____
 of (address) _____
 solemnly and sincerely declare that the information contained in
 this form is true and correct and I make this solemn declaration
 believing the same to be true and by virtue of the Statutory
 Declarations Act 1970.
 Declared at _____

 this _____ day of _____ 2020
 before me and I certify that the declaration was read over
 in the _____ language to the declarant
 who appeared fully to understand the meaning thereof.

 (signature of witnessing officer)

Name: _____
 Office held: _____

The following anomalies were noted where applicants did not correctly declare that they had complied with the application requirements as depicted in Figure 6.11 and details are in Appendix 6:

- 4 applications reviewed did not submit their birth certificates;
- 8 applications reviewed did not provide valid ID's; and
- 2 applications reviewed did not provide business license/hawker's permit.

The Ministry acknowledged the findings and stated that applicants were required to submit birth certificates, voter ID or any other form of photo identification, copy of hawkers/business license and bank account details. For those with a valid photo ID and hawker's license flexibility was provided for the birth certificate given the verification by the Ministry of Justice and reliance on the voter ID. Business license/hawker's permit was a mandatory requirement and the processing team ensured that all applications processed had some form of proof of business attached to the application.

The Ministry further stated that for those applicants that had no business licenses, MOE team had contacted the respective Municipal Council for verification and no application was processed without a business license.

The Office of the Auditor General's Recommendation

Proper scrutiny of the applications received should be carried out at the centres where applications are submitted for processing.

- **Informal Sector Calculation Reliability**

Question No. 4: Was Informal Sector assistance correctly paid out to the recipients of the Unemployment Benefit?

The secondary objective was to identify possible fraudulent withdrawals and to provide assurance that applications were handled in accordance with the SOPs.

Figure 6.12: Double payments made

Birth Certificate Registration Number	Batch No.	Total Amount Paid (\$)
678053	21 & 38	300

Source: Result Extracted from MoE

The Office of the Auditor-General noted the following anomalies where:

- one applicant was paid twice as applications were lodged and processed in two separate batches;
- 8 payments were made to duplicate bank accounts of which 7 were joint accounts, and 1 was confirmed to be a double payment extracted from the payment voucher details as shown in **Figure 6.12**.

The Ministry stated that the issue of double payment has been rectified with the bank and recovery has been made by Government.

Figure 6.13: Recipients Assisted Under Both Benefits

Birth Certificate Registration No.	Application Number/Batch Number	MoE Assistance (\$)	FNPF Application ID	Government Subsidy	Total Government Assistance (\$)
1020807	018/26	150	2082897	476.65	626.65
1191657	048/18	150	2106329	500	650
129652	033/33	150	2048559	310.75	460.75
140006	25/15	150	2093785	281.24	431.24
172580	46/11	150	2067609	130.44	280.44
24197	34/15	150	2048033	381.43	531.43
250180	001/30	150	2129407	211.95	361.95
252824	005/35	150	2125799	285.26	435.26
314499	018/20	150	2124942	438.74	588.74
8224	046/34	150	2098988	493.81	643.81
98015	23/06	150	2055968	252.97	402.97
Aggregate Payment		2,100		4,785.50	6,885.50

Source: Result of Auditors File Reviews

The Office of the Auditor General further noted that there were recipients that had been assisted in both the informal sector for businesses that had received assistance under the unemployment benefit through the MoE \$150 and also from FNPF under the COVID -19 financial assistance government subsidy to formal sectors with details in Figure 6.13 for details.

The Ministry further noted that payments were paid to holders of business/hawker's licenses and there has been instances where one person owns more than one business.

The Office of the Auditor General's Recommendations

- MoE should put into place measures so that applicants are not financially assisted twice by separate schemes through different mediums; and
 - In future, MoE should clearly define the meaning of an "Informal Sector" with appropriate parameters so that eligibility for financial assistance is correctly assessed for eligible applicants.
- ❖ Please refer to the attached appendices which outlines a detailed written responses from the two Ministries in relation to all the issues that were raised during the audit.

2. Management of Concessional Loan Package to Micro, Small and Medium Enterprises (MSMEs)

The Minister may, in writing and without further appropriation than this Act, authorize the transfer of any unspent amount in an appropriation category within a head of appropriation administered by a budget sector agency (other than a parliamentary body) to another appropriation category within that head of appropriation.¹

A sum of \$15.2 million was allocated by Government and paid to the Fiji Revenue and Customs Service for the purposes of the MSME Concessional Loan Package during the financial year ending 31 July 2020. As of 08 October 2020, a total of \$13.4million had been disbursed by the Fiji Revenue and Customs Service to 2,220 MSME enterprises.

Question No. 1: Did the Ministry develop an appropriate plan to support its implementation of the MSME Concessional Loan program and whether the Ministry of Economy and Ministry of Commerce, Tourism, Trade and Transport demonstrated that it had a well-developed understanding of the risks to program implementation and the achievement of program outcomes?

Planning to implement the Program

The Ministry of Economy designed the program and developed the implementation plan for the MSME Concessional Loan Package which was documented in Cabinet paper [CP (20) 112].

Ministry of Economy also carried out consultations with the Ministry of Commerce, Trade, Tourism and Transport, Ministry of Employment, Productivity and Industrial Relations, Reserve Bank of Fiji, Fiji Institute of Accountants, Fiji Commerce and Employers Federation, Fiji Chamber of Commerce and Industry, Women In Business, Fiji Revenue & Customs Services and the Office of the Solicitor- General.

Following numerous consultations with these stakeholders, Ministry of Economy designed the Concessional Loan Package programme and advised Government that the COVID-19 crisis has significantly affected the MSME businesses and as such many are struggling with cash flow issues as revenue levels have declined due to weak demand and therefore are finding it increasingly difficult to continue doing business.

Subsequently, Government through a Cabinet decision dated 04 June 2020 agreed to the Concessional Loan Package funding to be provided to Micro, Small and Medium Enterprises (MSME's) and resolved that a Memorandum of Agreement to be executed with the Fiji Institute of Accountants, Fiji Commerce

and Employers Federation, Fiji Chamber of Commerce and Industry and Women in Business for the assessment, verification and approval of MSME loan applications and the Fiji Revenue & Customs Service for the disbursement and collection of loans.

According to the Ministry of Economy (MOE), the Government for the first time had engaged private sector professional bodies with the likes of Fiji Institute of Accountants (FIA), Fiji Commerce and Employers Federation (FCEF), Fiji Chamber of Commerce and Industry (FCCI) and Women in Business (WIB) in such a manner and scale to carry out verification, assessments and recommend approval or otherwise for MSME loan applications. The arrangement was formalized with the signing of agreements with these agencies.

While MOE was involved in the initial planning and design of the programme, the Ministry of Commerce, Tourism, Trade and Transport (MCTTT) was tasked to provide Secretariat support and business advisory for applicants and be the lead Ministry in the rollout of the programme which involved receiving and sorting of applications, maintaining records and storage of all loan application forms received and disseminating it to the respective organizations engaged to carry out the assessment of the loan applications. In addition, MCTTT's role was also to advise the FRCS of the approved loan applications for disbursement of funds.

MCTTT also developed the "Covid19 Concessional Loan Package Guide" which was approved by the Permanent Secretary of MCTTT on 15 July 2020 to act as guideline to support the implementation of the program. The guide describes the process used for the processing, assessment, disbursement, and collection of funds under Micro, Small, Medium Enterprises (MSME) COVID-19 Concessional Loan Package (Packages). However, the Office of the Auditor General noted that the guide was not effectively used during the processing of the loan applications as discussed in this report.

Moreover, there was no Memorandum of Agreement between the Ministry of Economy and the Ministry of Commerce, Tourism, Trade and Transport to clearly demarcate the roles and responsibilities of each Ministry in rolling out the programme.

Absence of identification of roles and responsibilities of each party can cause accountability issues in terms of the delivery and outcome of the program.

Risk Assessment

For any Government program which involves public funds, it is imperative that a good practice with well-documented risk assessment is performed prior to its implementation. Proper risk assessment will assist in identifying any exposures and necessary risk mitigation required to safeguard the interests of government.

Cabinet was advised by the Ministry of Economy that there was a case to provide concessional loans to MSME businesses that were affected by financial pressures and were facing serious cash flow issues as securing of loans from commercial banks and licensed credit institutions is a challenge as business viability has been adversely affected and risk of default is high. The MSME concessional financial support aimed to assist MSMEs businesses with immediate working capital needs, expansion of existing operations and diversification into new business activities.

The Office of the Auditor General were informed by Ministry of Economy that government had been fully mindful of the risks associated with lending to the MSME business segment as their business viability was threatened and thus default risk was very high. The financial institutions would not lend to this group and business closure was the only option if government did not intervene to keep them afloat. This was critical to safeguard employment and more importantly for economic revival when things normalize.

The initiative has been approved by Cabinet and endorsed by Parliament as part of the budget process. Funding approved in the 2019-2020 COVID_19 Response budget followed the normal appraisal, selection and risk assessment/mitigation process to ensure effective implementation and realization of the broader policy intent.

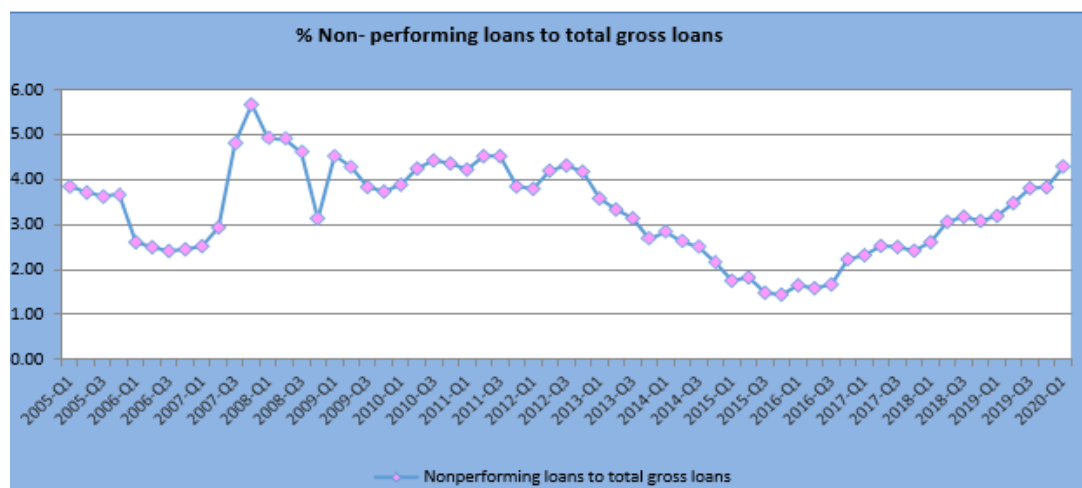
However, during the audit, the Office of the Auditor General did not find documentation of the appraisal, selection and risk assessment/ mitigation and management strategies for the implementation of the programme. The areas where risks may exist for such programmes includes risks relating to eligibility and assessment, availability of funds and compliance.

Absence of proper risk assessment will not enable the MOE to identify potential risks associated with the program and put in place measures to mitigate them early in the program.

Moreover, review of the Cabinet Paper[CP (20) 112] dated 04/06/2020 noted that the Ministry of Economy did not include in its advice to government the default rate data for MSME loans that would have assisted in better decision-making and assessment of financial risks associated with establishing concessional loans programs to assist MSME businesses

The Office of the Auditor General reviewed the (%) non-performing loans data over the past 15 years provided by Reserve Bank of Fiji which is depicted in the graph below:

Figure 6.1: % Non-performing loan to gross loans



In response, the MoE indicated that extraordinary situation and the overall policy intent of the loan support was for keeping the MSMEs afloat at this point in time as the formal banking sector would not lend to this segment due to the obvious risks and the current circumstances. As such, public sector intervention was justified and approved by Parliament. This was never meant to be a competing alternative to commercial bank loans.

The Ministry also indicated that to mitigate the above risks, the Ministry of Commerce, Tourism, Trade and Transport was tasked to monitor the recipients to determine the usage of funds and to work closely with other agencies for monitoring purposes. These could include business trainings to the recipients to ensure they understand their responsibility as a MSME to repay the loan and how to manage their business. MoE also stated that Government will exhaust all opportunities available to allow the recipient to repay the loan.

The Office of the Auditor General's Recommendations:

1. For programmes where different government agencies are involved, the roles and responsibilities for each Ministry or agency should be clearly demarcated to ensure the effective rollout and accountability of the programme.
2. Proper risk assessment should be carried out and documented with mitigation measures to address risks associated with implementing the programme.

Question No. 2: Did the Ministry of Economy and Ministry of Commerce, Tourism, Trade and Transport put in place effective and adequate measures to ensure that assessors carried out the assessment diligently and inform the Government within the stipulated timeframe?

- **Assessors not meeting the stipulated timeframe**

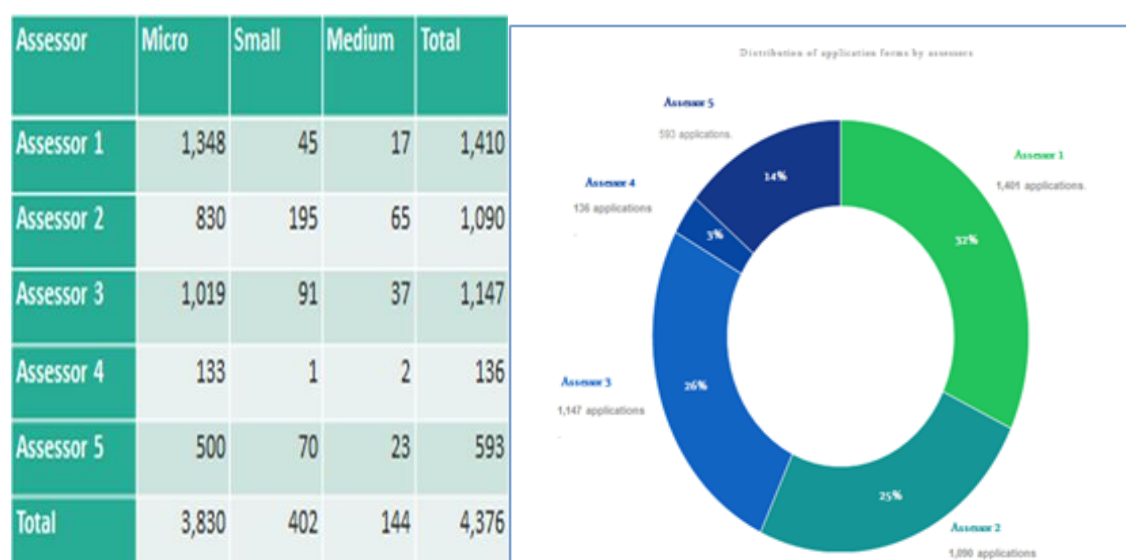
The Assessor must within 7 days of receiving the complete form, inform the Government in writing of eligible Applicants.

The Assessor must accurately disseminate awareness of the programme, receive and verify the eligibility of applicants in accordance with the eligibility criterion, assess the applications in accordance with the assessment criteria and within 7 days of receiving the complete form, provide written confirmation to the government of eligible applicants.

Contrary to the above requirements, based on the review of a sample of applications, it was noted that there were instances when the Assessors took more than seven days to complete the assessment of the completed application forms.

Based on the September 2020 listing of 4,376 assessed applications, the application forms were distributed to the respective assessors as follows:

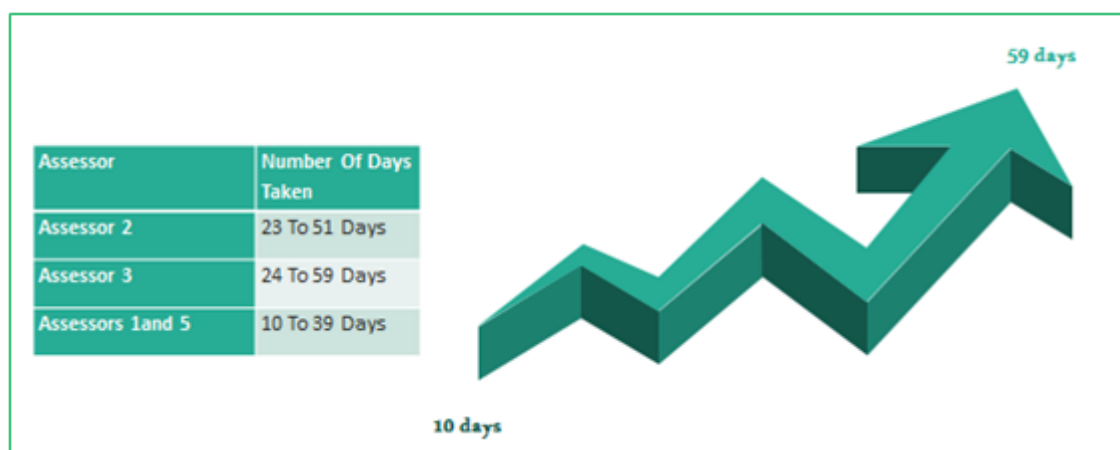
Figure 6.2: Distribution of application forms by assessors



In most instances, the assessors took between 10 to 59 days to complete the assessment and submit the assessment forms to government. The Auditor General Office noted that Assessor 2 and Assessor 3 were not able to meet the stipulated assessment timeframe for all application forms assessed.

Refer to figure below for the average number of days taken by the assessors to process applications:

Figure 6.3: Average no. of days taken by assessors



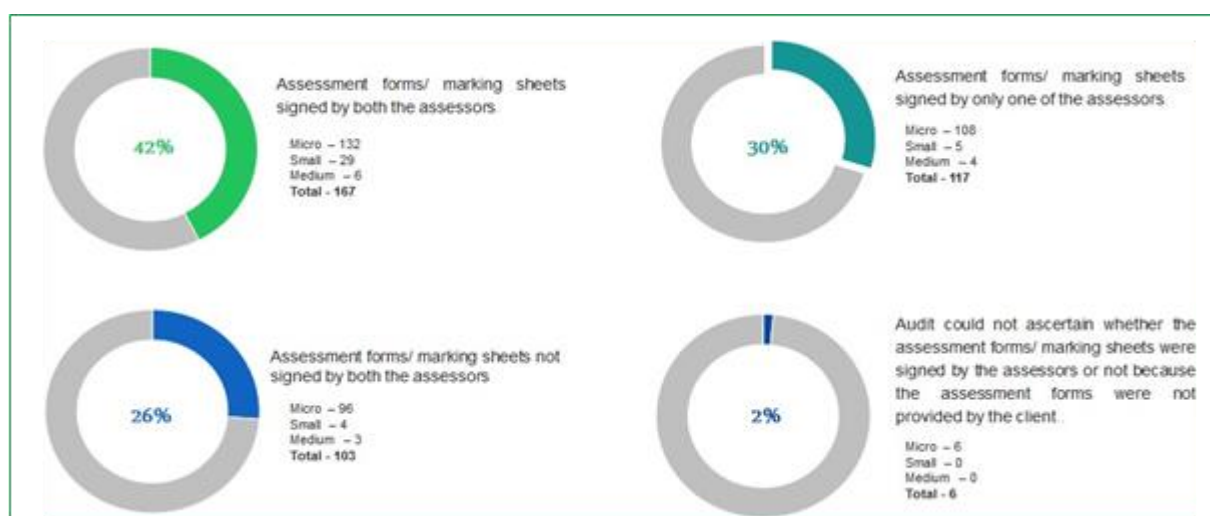
Discussion with representatives of the Business Assistance Fiji panel that were involved in the assessment of the loan applications noted that the seven days turnaround time relates to the individual assessors turnaround time for assessing a loan application form and it does not take into consideration the date the batch of the application forms were actually dispatched to the organisation given the huge number of application forms received.

The Office of the Auditor General also noted that incomplete loan applications also contributed to the delay in the assessment of loan applications which indicates weaknesses in the verification process in ensuring that application forms submitted are complete.

- **Assessor not signing on the assessment sheets**

Audit review of approved loan applications noted instances where assessment forms were not signed by the assessors and most applications had a soft copy marking sheet which did not include any signature of assessors to indicate their endorsement.

Figure 6.4: Summary of Assessment forms not signed by the assessors



The current guideline also does not provide guidance on the signing of the assessment sheets hence the inconsistency in the approach taken by the assessors when filling out and signing the assessment forms.

In the absence of signature, there was no evidence to indicate that a loan application was assessed and endorsed by an assessor.

- **Conflict of Interest**

The Assessor warrants that, to the best of its knowledge after making diligent inquiry, at the date of signing this Agreement no conflict of interest exists or is likely to arise in the performance of this agreement. If during the performance of this Agreement a conflict of interest arises, or appears likely to arise, the Assessor must notify the Government immediately in writing, make full disclosure of all relevant information relating to the conflict and take such steps as the Government reasonable requires resolving or otherwise dealing with the conflict.

The MCTTT advised that the assessors have an understanding that if they have any conflict of interest issue, than that application is given to the MCTTT as Secretariat who then allocates that particular application to another assessor.

It was noted from discussions with the Business Assistance Fiji (BAF) Panel, that conflict of interest was discussed in the meetings and the assessors would call out if there were conflict of interest issues.

Based on the discussion with BAF panel, it was evident that there is no compulsory requirement for assessors to complete a Conflict of Interest declaration form.

In the absence of a signed declaration, the risk of conflict of interest still exists which may impair the credibility of the process.

- **Conflicting assessment qualification scores (percentage)**

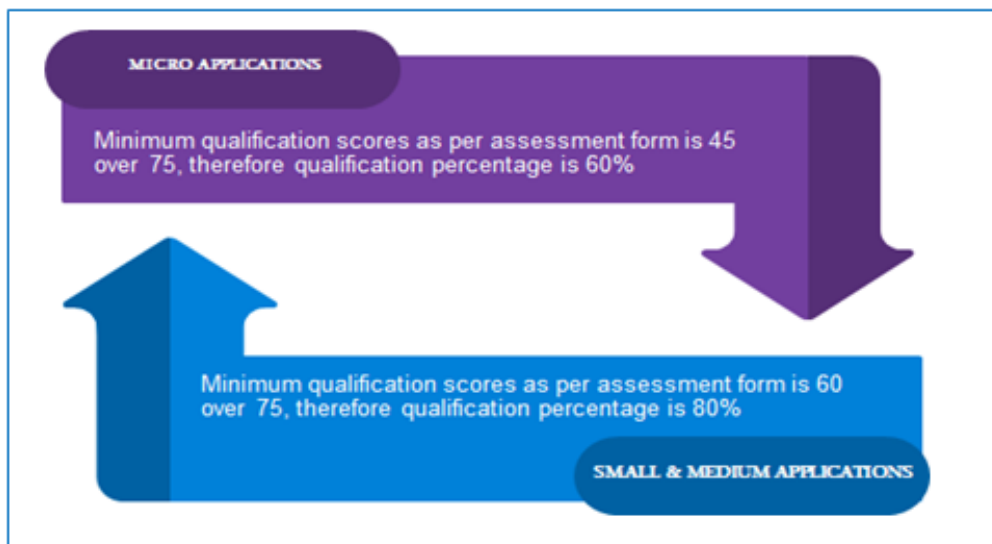
Assessors must ensure that all applications are scrutinized in respect of the eligibility criteria and determine whether applicant meets eligibility criteria for the issuance of loan. Assessors will determine the score of all application which is 50% pass and submit all application to MCTTT containing applicants that have either been approved or declined. 5

The guideline required a 50% pass in terms of the actual scores attained against the overall assessment scores for applications to be eligible to be submitted to MCTTT for further processing and approval. However, the actual assessment forms used by the Assessors had a different qualification scores and percentage depending on the type of business. These percentages were based on the overall scores given by the assessors for each application which had a different minimum score for each type of applications.

The Office of the Auditor General noted that the guide was approved in July 2020 but minimum qualification scores and percentages were not aligned to the assessment sheets qualification scores and 50% threshold.

Refer to figure below for details:

Figure 6.5 Details of Qualification scores as per assessment forms



(Source: Auditors Analysis of the Assessment forms)

Based on the comments received from MOE during audit, it was indicated that the guideline is an internal document for the Ministry of Commerce Trade, Tourism and Transport which can be amended as and when the need arises to reflect new issues that were not anticipated during the planning stage. Initially, the assessors decided to have a qualifying score of 60% as the qualifying mark during the planning stage.

Hence the assessment forms were designed accordingly. However, the qualifying score was relooked at and the assessors made a determination that the qualifying score to be 50% for all applications. Hence, any score between 50 – 59% were referred to the BAF Panel for ratification.

Due to the ability to alter the criteria for approval, there is a high a risk of subjectivity in the final approval process resulting in inconsistencies.

- **Improper filing or indexing system resulting in lack of audit trail**

The Assessor must accurately disseminate awareness of the programme, receive and verify the eligibility of Applicants in accordance with the eligibility criterion, assess the applications in accordance with the assessment criteria and within 7 days of receiving the complete form, provide written confirmation to the government of eligible applicants.

Upon receiving the applications from the assessors by MCTTT, the approved details are entered in the Approved Master sheet. The applications are then thoroughly checked again by MCTTT to ensure that all the required documents are attached before the details of approved applications are sent via email to FRCS in batches for disbursement.

However, it was noted that proper indexing and filing system is not in place to ensure that the application forms are easily identified and located. As result, application forms were not properly filed and in some instances application forms for the Micro, Small and Medium business types were filed together.

The Office of the Auditor General could not ascertain the date the completed application forms were received from the applicants, hence, there is a possibility that application forms may have been received after the due date.

Moreover, there was a lack of audit trail to track the application forms dispatched to the assessors and those returned to the MCTTT after the assessments were carried out by the assessors. It was noted that the application forms were given in batches to assessors (secretariat), but assessed batches were returned in parts and the MCTTT is continuously updating the excel database to track which applications are pending from the assessors. Upon enquiry with MCTTT, we could not obtain details of the applications

due to be received from the assessors which indicates that the current system of using the database in MS-Excel might not be working effectively.

Ministry of Economy indicated that MCTTT has introduced a filing and index system. However, the Ministry further stated that whilst the indexing has commenced, the priority remains in facilitating the approved applications from the assessors to FRCS and due to the influx of applications. Working on filing and indexing requires dedicated staffing and resources to undertake this administrative task which will be addressed by recruiting few volunteers to carry out indexing, filing, scanning and sorting of documents towards the end of the programme.

The Office of the Auditor General's Recommendations:

1. **Assessors should be reminded of their obligation as per the Memorandum of Agreement to review the loan applications within the stipulated timeframes and if the timeline is not practical, the assessment turnaround time should be reviewed accordingly;**
2. **The full listing of the assessors from each institution involved in the assessment process should be submitted to the MCTTT for record purposes and it should be made mandatory for personnel involved in the programme to declare their interest. To achieve this, MCTTT should develop a conflict of interest form for all assessors to complete and submit to the Ministry;**
3. **The receiving and verification of loan application process should be strengthened to ensure that complete application forms are submitted with all required documents;**
4. **MCTTT should ensure that assessment forms are duly signed by the respective assessors;**
5. **A comprehensive review of the programme should be undertaken by the MCTTT to ensure that all potential risks are addressed and the requirements such as qualifying percentage are standardized; and**
6. **The MCTTT should implement a proper filing and indexing system to ensure that loan records are properly kept for ease of reference when required.**

Question No. 3: Are there effective and adequate measures put in place by MCTTT to ensure that the concessional loans are made for only eligible MSME businesses?

The Concessional loan package assistance is targeted at the new and existing micro enterprises, existing small and medium enterprises and the MSMEs are defined according to their concessional loan eligibility as depicted in the following table:

Table 6.1: Concessional Loan Package Assistance

	Product 1	Product 2	Product 3
Eligibility	Both new and existing micro enterprises with gross turnover less than \$50,000.	Existing small enterprises with gross turnover between \$50,000 to \$300,000	Existing medium sized enterprises with gross turnover between \$300,000 to \$1,250,000
Purpose	Funding available for working capital support and capital investment.	Funding available for working capital support and capital investment.	Funding available for working capital support and capital investment.
Maximum funding eligibility	\$7,000	\$14,000.	\$21,000
Interest rate	Concessional interest rate of 0.5 % per annum	Concessional interest rate of 1.0 % per annum.	Concessional interest rate of 1.5 % per annum.
Repayment term	5 years, inclusive of 1 year grace period (No principal and no interest).	5 years, inclusive of 1 year grace period (No principal and no interest).	5 years, inclusive of 1 year grace period (No principal and no interest).
Requirements	Business registration, Tax Identification Number, Bank Account Details, Business Plan, Cash flow projections, Completed application form.	Business registration, Tax Identification Number, Bank Account Details, Latest Financial Statements, Business Plan, Cash flow projections, FNPF compliant as at December 2019, FRCS compliant as at December 2018, Completed application form.	Business registration, Tax Identification Number, Bank Account Details, Latest Financial Statements, Business Plan, Cash flow projections, FNPF compliant as at December 2019, FRCS compliant as at December 2018, Completed application form.

(Source: Covid 19 Concessional Loan Package Guide)

To assess whether the measures put in place by the MCTTT to ensure that the concessional loans made for only eligible MSME businesses, we reviewed a total of 400 approved loan applications selected from the “approved master sheet” database dated 23 September 2020 against the eligibility criteria.

The loan application forms were selected from the total of 4,376 MSME loan applications registered in the database maintained by the Ministry. Out of the 4,376 registered applications, 3,198 were approved applications, 1,134 applications were declined, 16 applications were conditionally approved and 28 applications under suspense due to more due diligence checks to be carried out.

As of 08 October 2020, a total of \$13.4million had been disbursed by the Fiji Revenue and Customs Service to 2,220 MSME enterprises. Audit review of a sample of loan applications noted the following weaknesses in the overall process:

- **INCONSISTENCY IN THE LOAN AMOUNTS APPROVED**

The comparative analysis of the loan amounts approved for micro, small and medium enterprises as registered in the database noted that the assessors’ scores when expressed as a percentage ranged from 29 to 99%.

Refer to table below for summary of the registered applications;

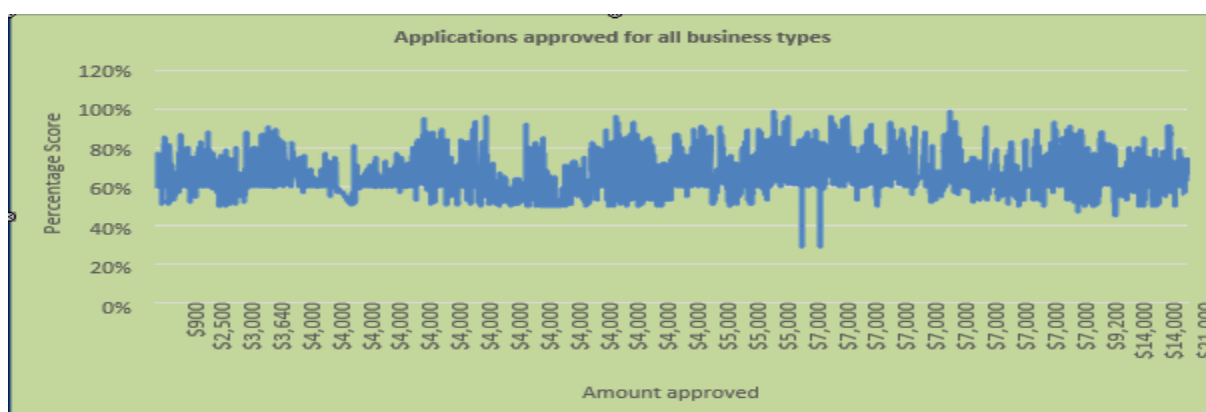
Table 6.2: **Summary of Registered Applications**



Range of Approved Loan amounts (\$)	No. of loan applications	Range of assessors % scores
Declined	1,134	0 – 92%
Conditional approved	16	50 – 79%
Suspense	28	0 – 85%
900 – 3,999	280	47 – 88%
4,000 – 6,999	1,620	50 – 96%
7,000	950	29 – 99%
7,001 – 14,000	259	45 – 89%
14,001 – 21,000	89	50 – 91%
TOTAL	4,376	

Based on the office of the Auditor General review, they noted that the assessors’ scores did not have any bearing on the loan amount approved. Refer to graph below for a snapshot of the percentage scores versus the loan amounts approved which shows the inconsistency in the loan amounts approved.

Figure 6.6: Summary of Approved Applications for all Business Types



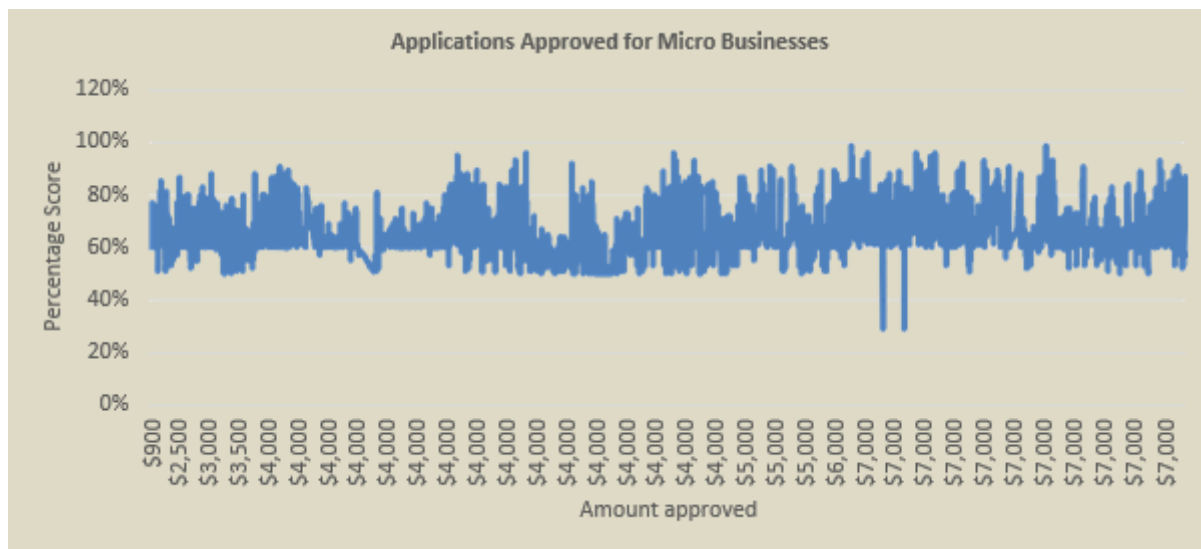
- Analysis for Micro Business Level**

For the Micro business level, the percentage scores ranged from 29% to 99%, and the loan amount approved ranged from \$900 to \$7,000. Refer below for the inconsistency in the percentage scores to the loan amount approved for the micro business loans approved.

Details of Micro Business Loans

 MICRO BUSINESS LOAN APPLICATIONS	Range of approved Loan amount (\$)	No. of loan applications	Range of assessors % scores
	Declined	1,021	0 – 92%
	Conditional approved	11	52 – 79%
	Suspense	16	57 – 85%
	900 – 3,999	279	47 – 88%
	4,000 – 6,999	1,591	50 – 96%
	7,000	908	29 – 99%
	TOTAL	3,826	


Details of Approved Micro Business Loans



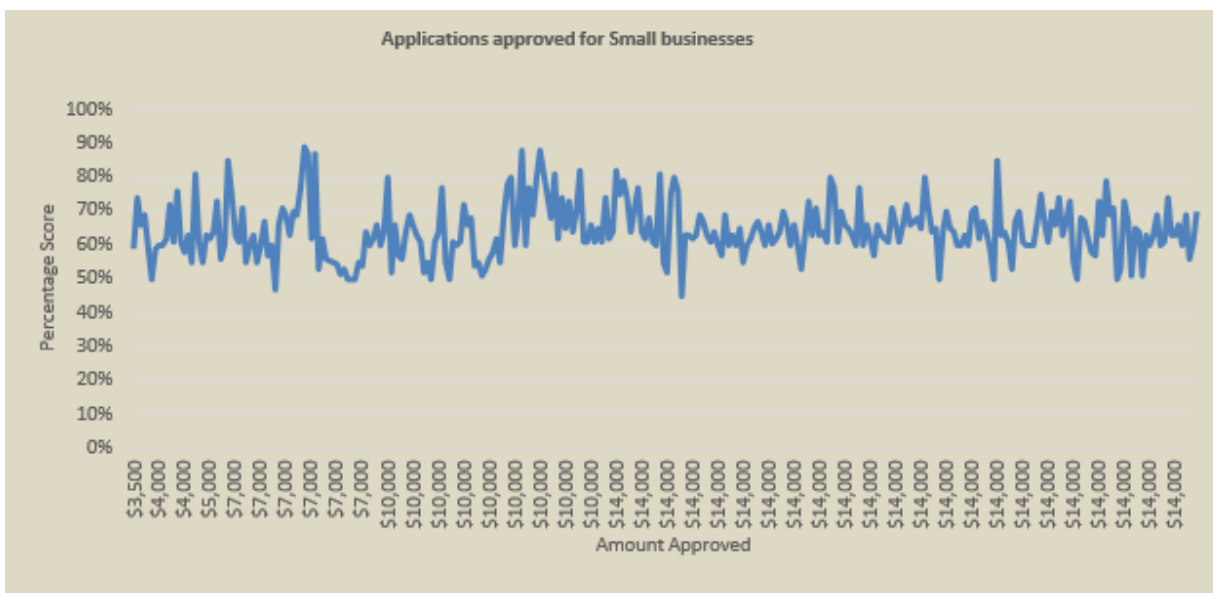
- Analysis for Small Business level**

For the Small business level, the percentage scores ranged from 45% to 89%, however, the loan amount approved ranged from \$3,500 to \$14,000. Refer below for the inconsistency in the percentage scores to the loan amount approved for the small business loans approved.

Details of Small Business Loans

 <small>BUSINESS LOAN APPLICATIONS</small>	Range of approved Loan amount (\$)	No. of loan applications	Range of assessors % scores
	Declined	77	0 – 71%
	Conditional approved	3	59 – 77%
	Suspense	9	0 – 73%
	3,500	1	60%
	4,000 – 7,000	65	50 – 85%
	7,001 – 10,000	62	47 – 87%
	10,001 – 14,000	183	45 – 89%
TOTAL		400	


Details of Approved Small Business Loans



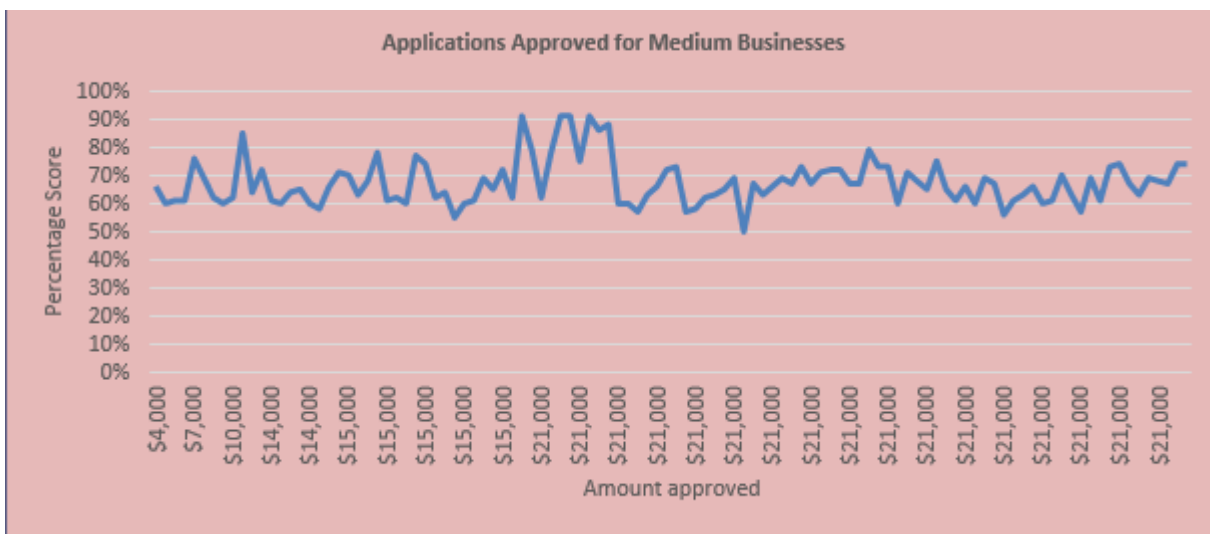
- **Analysis for Medium Business level**

For the Medium business level, the percentage scores ranged from 50% to 91%, however, the loan amount approved ranged from \$4,000 to \$21,000. Refer below for the inconsistency in the percentage scores to the loan amount approved for the medium business loans approved.

Details of Medium Business Loans

	Range of approved Loan amount (\$)	No. of loan applications	Range of assessors % scores
	Declined	36	0 – 67%
	Conditional approved	2	50 – 66%
	Suspense	3	0 – 64%
	4,000 – 7,000	6	55 – 76%
	7,001 – 14,000	14	58 – 85%
	14,001 – 21,000	89	50 – 91%
MEDIUM BUSINESS LOAN APPLICATIONS	TOTAL	150	

Details of Approved Medium Business Loans



The MOE indicated that the amount approved was based on several factors which is based on professional judgement and considerations including the purpose of the loan, the nature of the business and sector which the business operates in, needs and requirements to commence or continue business, employment status of the applicant, whether being a new or existing business and the location of the business.

Further discussions with the Business Assistance Fiji panel revealed that loan amounts approved were based on some common understanding, discussions and consideration of factors such as the type of business, the location and the quoted amounts etc. The Panel advised that it had synchronized and standardized the amounts approved accordingly. The assessment forms and scoring system was only used to ensure that the minimum requirements are met and assisted the assessors to tally up the points and see whether they qualify. Their assessment did not have any bearing on the loan amount approved and therefore there were instances where amount approved by the BAF Panel was different from what assessors had initially approved.

The Office of the Auditor General noted that there was no documentation on the basis on which the BAF Panel approved the loans which were different from amount approved by assessors.

In absence of appropriate documentation, there is a risk that process for final approval by the BAF Panel may not have been objective and consistent.

- **Loan amount disbursed higher than the amount recommended by the Assessors**

The Office of the Auditor General's review of the loan applications and relevant assessment forms noted that the loan amounts approved and disbursed by the Fiji Revenue and Customs Services were higher than the loan amounts recommended by the assessors.

This was prevalent for Micro business applications where a number of applications out of the total 400 application samples reviewed were found to have been approved and paid a higher amount despite the assessor's recommendation for a lower loan amount. Refer to Appendix 3.0 for details.

The Committee noted that from the discussions made by the OAG with responsible officers at the Ministry of Commerce, Transport, Tourism and Trade with the review of the minutes of the "Business Assistance Fiji Selection Panel". The Office of the Auditor General's noted that the BAF selection panel had overturned the decisions of the individual assessors in some cases.

The reasons and justification for overturning each assessor's recommendations could not be obtained as detailed discussions for each case were not properly documented in the minutes of meetings.

According to MOE, some of the general reasons why the Business Assistance Fiji panel may overturn the decision of an individual assessor are as follows:

- i. Business impacted by COVID-19 or not.
- ii. The proposed loan utilization, is it operational expenditure, capital expenditure or both?
- ii. The nature of business and the sector which the business operates in.
- iii. Is the applicant currently employed elsewhere?
- iv. Quotations that was provided.
- v. New business or existing business.
- vi. Location of business.

Furthermore, the assessment forms and scoring system was only used to ensure that the minimum requirements are met and assisted the assessors to tally up the points and see whether they pass and did not have any bearing on the loan amount approved.

The above practise defeats the purpose of the assessment process and the use of the points scoring system in the assessment form which makes an assessment of the businesses ability to service its debt and also standardize the assessment process and brings fairness and objectivity into the process. Individual assessors have objectively assessed each applications based on the information provided in the applications forms and the assessors have provided their scores accordingly.

The Office of the Auditor General also noted that the assessment form acts as a checklist for all required documentation, and also requires the assessors to carry out detailed assessment on the organizational, marketing and financial plans which are key areas of consideration when assessing the businesses ability to repay the loan.

- **Loan amount disbursed higher than amount requested by the applicant**

From the sample reviewed, the Office of the Auditor General noted instances where the approved loan amount was higher than the loan amount applied by the applicant. It was noted that the maximum eligible amount of \$7,000 was approved despite the applicants requesting for a lower amount. Refer to Table below for details.

Details of Loans Approved More Than Amount Requested

TIN Number	Business Names	% Score	Amount per Application	as Amount Approved	Observations
13548xxxx	Business A	80%	\$6,689.85	\$7,000	Loan Amount Requested was \$6689.85 but was approved \$7,000
20557xxxx	Business B	57%	\$3,704	\$4,000	Loan amount requested \$3,704, however was approved and paid \$4,000.

The basis on which higher loan amounts were approved were not properly documented in the assessment forms and in the minutes of panel meetings.

- **Application forms not signed off by the receiving and verifying officers**

Officers receiving the loan application forms must ensure that the form and the business plan are completely filled and that the required documents are attached. The receiving officer must ensure that he/she signs off on the required field and slot in the date the application form was received. Officers verifying the application forms must ensure that the application is complete and that all mandatory documents are attached. The verifying officer must ensure that he/she signs off on the field provided. If an application is incomplete, the receiving officer must immediately request the applicant to complete the application form, attach the mandatory documents and resubmit the application whichever is applicable.

Audit review of application forms noted several instances where the application forms had not been signed off and dated by receiving and verifying officers. In some cases, the forms were only signed off by either of the officers.

As a result, the Office of the Auditor General could not ascertain the date the applications were received and ascertain whether these applications had gone through the verification process to ensure that the application form was complete and all mandatory documents were attached before it is submitted for assessment.

MOE indicated that there were also drop boxes provided by Assessor 3 in selected offices and applications received through the drop boxes could have been the ones not verified or signed-off.

The above finding shows non-compliance with the established process and indicates the weaknesses in the controls over the receipt and verification process of application forms.

OAG Recommendation:

- MCTTT should review the current guideline to address the weaknesses noted above including the inconsistency in the amounts approved and ensuring that only eligible applicants are approved.

- ❖ **Please refer to the attached appendices which outlines a detailed written responses from the two Ministries in relation to all the issues that were raised during the audit.**

SUSTAINABLE DEVELOPMENT GOALS

The Committee notes that the Fiji Parliament with its six (6) Standing Committees which includes the Public Accounts Standing Committee are now extending and expanding its roles and initiated activities to strengthen its support towards promotion, implementation and monitoring of the SDGs. This is in terms of Fiji's 5 years & 20 years National Development Plan, the 2030 Agenda, the Sustainable Development Goals (SDGs). Parliament is at the core of the SDGs implementation Agenda 2030 insists on the "Essential role of national parliaments through their enactment of legislation and adoption of budgets, and their role in ensuring accountability for the effective implementation of the SDGs". This is done through the National Development Plan (NDP) targets and indicators.

In this case, the Public Accounts Committee examines the two (2) audits that were covered in the Office of the Auditor General's Audit Reports on COVID-19 Compliance Audits and through its oversight role scrutinised the implementation of the two programmes.

The Committee questioned the two (2) Ministries, this is on how it addresses the development issues as detailed in the 17 SDGs based from the relevant NDP targets and indicators, questions were also directed on the SDGs and the NDP awareness made to its staff and plans to achieve the targets relevant to their individual Ministry.

GENDER EQUALITY

The Committee noted the importance of Gender Equality while scrutinise the Office of the Auditor General's Audit Reports and it encouraged the two (2) Ministries to implement these two programmes so that it reaches all the genuine applicants and benefitted both men and women across Fiji.

CONCLUSION

Based on the audit and evidence gathered, the Office of the Auditor General concluded that although the MSME Concessional Loan Package programme was implemented with its intended purposes, there were instances where control measures were not effective to mitigate the risks associated with the programme.

In addition, differences in decisions made and absence of documented justification over the loan amount approved between the assessors and the BAF Panel indicated that communication could be improved during the processing of loan applications.

Absence of comprehensive risk assessment to identify potential risks and how these could have been mitigated reflects that more awareness needs to be done on risk in planning for the delivery of such programmes.

We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:



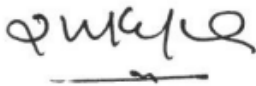
.....
Hon. Alvick Maharaj
(Chairperson)



.....
Hon. Joseph Nand
(Deputy Chairperson)



.....
Hon. Virendra Lal
(Member)



.....
Hon. Ro Teimumu Kepa
(Member)



.....
Hon. Aseri Masivou Radrodoro
(Member)

APPENDICES

APPENDIX 1:

PUBLIC ACCOUNTS COMMITTEE QUESTIONS

APPENDIX 2

PUBLISHED WRITTEN EVIDENCE

The copies of the written evidence and supplementary evidences from the relevant Government Ministries and Departments that are covered in this review report can be accessed on the Parliament Website using the following link: <http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>

APPENDIX 3:

Report of the Auditor General

The e-copy of the COVID-19 Compliance Audits on the Management of Unemployment Benefits and the Management of Concessional Loan Package to Micro, Small and Medium Enterprises (MSMEs) (PP No. 42 of 2021) can be accessed on the Parliament Website using the following link:
<https://www.parliament.gov.fj/wp-content/uploads/2021/06/Office-of-the-Auditor-General-%E2%80%93-COVID-19-Compliance-Audits-Management-of-Unemployment-Benefits.pdf>