



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Performance Audit on the Monitoring of Implementation of the Sugarcane Development and Farmers Assistance Program.



PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD



This foreword follows the Report of the Auditor General of the Republic of Fiji – Performance Audit on the Monitoring of Implementation of the Sugarcane Development and Farmers Assistance (SDFA) Program.

The Ministry of Sugar Industry was established as an independent Ministry in 2011 and its focus was to revive the declining sugar industry. The Ministry is the government arm providing a regulatory and supporting role to the industry. Cane production has reduced over the years, and this has become a critical issue for the Fijian economy as it is estimated that 20% of the population rely on the industry as a source of income (however this figure needs to be further updated).

The Committee commended the audit work carried out by the Office of the Auditor General in examining whether the Sugarcane Development and Farmers Assistance (SDFA) Grant from 2016-2019 was efficiently and effectively administered, and if the objectives of the grant were met, and, sought to answer the following questions:

1. Has the Ministry of Sugar implemented a robust Grant Management framework for the SDFA grant to guide the Ministry and FSC in Administration and Monitoring?
2. Does the Ministry of Sugar effectively and efficiently administer the SDFA grant?
3. Has the Ministry of Sugar effectively monitored the implementation of the SDFA Grant funding?
4. Has the Ministry of Sugar carried out the evaluation needed and report on the results compared to the objective.

The Committee noted and agreed with the key audit findings during the implementation of the SDFA Grant funding from the year 2016 -2019 as stated below:

- Grant Policy and Management Framework Administration Framework – There was no formal written one during the Audit and the Ministry was in the Drafting process.
- Administration of the Grant – Accountability and transparency in grant management was generally weak, Grant allotment lacked transparent system, Grant agreements and payments vouchers were found missing in some cases, Conflict of interest not been declared by FSC for use of grants for farms held in joint venture and farmers did not always receive the grants on time,
- Monitoring of Grants –Not performed to the requirements in the Annual Work Plan at farm level, absence of proper system, processes and resources for effective monitoring, plus independent checks were not performed by the ministry,
- Reporting and Evaluation – program yet to be evaluated and reported against its objective when the audit was carried out.

The Committee in its review and consultations with most of the key stakeholders in the sugar industry have noted that the findings of the Auditor General for the 2016-2019 SDGA grants are true and endorses that all audit recommendations be fully implemented. In a sentence the findings are bad and appalling and we are surprised, however, the audit was timely considering the funds that were disbursed and the time the SDF grant had been in place. There were instances of “cheat” ‘or “defaulted”’ farmers, fraud, and misuse of funds. It brought memories of the agriculture scam that happened in the past.


At this juncture, it is pleasing to note that most of the audit recommendations are currently put in place and being implemented by the Ministry and FSC, however there is still in the hurdle of having the appropriate number of human and technical resources to carry out the Administration of the grants efficiently and effectively especially on monitoring and evaluation.

In addition, the Committee found that there is lack of close and full collaborations and assistance and sharing of information between the main entities within the Sugar Sector, those are the Ministry of Sugar, FSC and the Growers organisations (Sugar Cane Growers Council and Sugar Cane Growers Fund), South Pacific Fertilizers Company PTE Limited, Sugar Research Institute of Fiji and right down to the farmers/growers to work on achieving the main objectives of the SDGA grants.

I am pleased to state that the current Minister of Sugar is taking necessary positive steps not only to improve the back-office functions in the Sugar Industry but to improve sugar production and provide tangible returns including profitability to all stakeholders including government.

Overall, I thank the Permanent Secretary of the Ministry of Sugar and the Chief Executive Officers of the relevant stakeholders that were consulted during the review of this audit report with the written responses that were received, and the Staff of the Office of the Auditor General for providing clarifications on those audit issues that were highlighted.

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. Sakiusa Tubuna, Hon. Jovesa Vocea, Hon. Alvick Maharaj and Hon. Hem Chand. Wish to thank the alternate members of the committee who took part in the consultations namely Hon. Ratu Rakuita Vakalalabure and Hon. Naisa Tuinaceva who stood in as alternate members pursuant to Standing Order 115(5).



Hon. Esrom Y. Immanuel
Chairperson

COMMITTEE MEMBERS



Hon. Esrom Y. Immanuel
(Chairperson, Assistant Minister for Finance)



Hon. Sakiusa Tubuna
(Deputy Chairperson, Assistant Minister for the Office of the Prime Minister)



Hon. Jovesa Vocea
(Assistant Minister for Rural and Maritime Development and Meteorological Services)



Hon. Alvick Maharaj
(Opposition MP)



Hon. Hem Chand
(Opposition MP)

INTRODUCTION

The Performance Audit on the Monitoring of Implementation of the Sugarcane Development and Farmers Assistance (SDFA) 2016-2019 Program was tabled in Parliament 2nd December 2021 and referred to the Standing Committee on Public Accounts (**'PAC'**), 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 requested the Ministry of Sugar to provide written responses to the questions raised in relation to the Report of the Auditor General – Performance Audit on the Monitoring of Implementation of the Sugarcane Development and Farmers Assistance Program and the Committee cannot complete the review as the Audit Report lapsed at the end of the last Parliament term (2018 - 2022).

In the beginning of this 2023 Parliament term, the Honourable Speaker referred the Audit Report to the newly appointed Public Accounts Standing Committee to review the report again and report back to Parliament. The Committee deliberated on the report and consulted the relevant stakeholders from 22 – 30 August 2023. The stakeholders that were consulted includes:

- 1) Sugarcane Growers Council.
- 2) Sugarcane Growers Fund.
- 3) Fiji Sugar Research Institute.
- 4) South Pacific Fertilizers Company Pte Limited.
- 5) Selected sector farmers (Ba & Lautoka)
- 6) Fiji Sugarcane Corporation; and
- 7) Ministry of Sugar.

Background

In 2011, the Ministry of Sugar Industry was established as an independent Ministry to focus on reviving the declining Sugar Industry. The Ministry serves as the government's regulatory and support arm for the industry.

Cane production has reduced by more than a half from 3.8 million tonnes in 1991 to 1.63 million tonnes in 2017. In 2019 it was 1.80 million tonnes. This has become a critical issue for the Fijian economy considering as normally stated that 20% of the population heavily rely on the industry as a source of income. Factors that have contributed to the decline includes increasing costs of sugarcane farming, including fertilizer, land preparation, labour, harvesting, and transportation.

The Fiji Sugar Corporation controls a large portion of the sugar cane sector. The Corporation is a public trading business with the Fijian government being its largest shareholder. Its responsibilities extend throughout the value chain including grower input procurement and supply; extension services; financial services for growers and management of grower accounts; management and operation of now three sugar mills; sugar sales and price negotiation. Following a proposal to Government in April 2009 by the Fiji Sugar Corporation (FSC), in which FSC proclaimed its inability to service its debts, Government commissioned Deloitte of New Zealand, an international consultant firm, to conduct a complete evaluation of Fiji's sugar business.

The Government, through the Ministry of Sugar provides annual budget to various grant programmes to support its objective of a sustainable sugar industry. Additionally, Government has supported FSC and farmers in efforts to raise cane production to 3 million tonnes each year.

The main objective of the audit that was conducted by the Office of the Auditor General was to assess on whether there was an effective administration and monitoring of the Sugarcane Development and Farmers Assistance Program in ensuring the grant objectives were met.

ACRONYMS

<u>Abbreviation</u>	<u>Meaning</u>
ASMs	Agriculture Service Managers
AWP	Annual work Program
FAMs	Farm Advisory Managers
FSC	Fiji Sugar Corporation
HQ	Head Quarters
MoSI	Ministry of Sugar Industry
OAG	Office of the Auditor General
PAC	Standing Committee on Public Accounts
PS	Permanent Secretary
SCGC	Sugarcane Growers Council
SDF	Sugarcane Development and Farmers Assistance Program
SO	Standing Orders of the Parliament of the Republic of Fiji
SOPs	Standard Operating Procedures
TCTS	Tonnes Cane per Tonne Sugar
WO	Work Order

GENERAL RECOMMENDATIONS

1. The Committee endorses all the recommendations by the Office of the Auditor General in the Audit Report (refer to the Committee findings section) and recommends that a follow-up audit to be conducted and presented to the Parliament within six (6) months.
2. The Committee recommends that the Office of the Auditor General audits the following issues to be added in its follow-up audit:
 - a. Resources-whether there is adequate number of human resources such as Farm Advisors and Field Officers per sector, together with the total number of farmers along with total hectares of sugarcane farms per sector.
 - b. Mill efficiency considering breakdowns, and the average lead time for dumping of sugarcane during a normal operation and during breakdown.
 - c. Mechanical Harvesting Efficiency-Number of Harvesters and the number of cage bins available against the tonnes of sugarcane per sector.
 - d. The Occupational Health and Safety and Fire compliance in the three (3) sugar mills
 - e. Detailed audit of the “Defaulting” farmers and possible fraudulent activities in the programmes.
3. The Committee notes that there was no formal framework in place before the Ministry proceeded with the disbursement of grant, as the Ministry of Sugar was in the process of drafting the same. Thus, the Committee recommends that for any future grant to be disbursed the Grant Framework must be in place along with approved SOPs.
4. The Committee recommends there should be more close and regular collaboration and co-operation between the stakeholders for better management and monitoring of grant to achieve the grant objectives.
5. The Committee recommends that the collection and keeping of records and monitoring records should be digitalized as promised in 2021. During the Committee scrutiny, it was noted that record keeping was not up to standard as some records were not provided without proper justifications such as supporting documents were destroyed due to termite infestation and by flood or can't be located. The Committee find such explanation as frivolous and recommends that no such justification to be provided in the follow-up audit.
6. The Committee recommends that Permanent Secretaries should give importance to exit meeting with the Office of the Auditor General and an exit meeting should not be used as an avenue to improve on the shortfalls that are highlighted as significant matters in the audit report. The Committee further recommends that if Permanent Secretaries are not available within 30 days after the compilation of the audit report, the report should be presented to the Parliament without any further delay.

7. The Ministry of Sugar with FSC should work closely with Ministry of Agriculture, ITaukei Land Trust Board with regards to the availability of vacant land to be leased by Productive Farmers and the renewal of expired leases in the cane belt areas especially for the productive farmers.
8. The Ministry of Sugar to ensure that FSC work closely with Sugar Research Institute to ensure that good quality fertilizer is available all the time by South Pacific Fertilizer to increase productivity.
9. The Ministry of Sugar should ensure that FSC does evaluation of grant payments annually at both micro and macro level. The evaluation report should be provided when requested for audit or other reviews.
10. Grants given for farmers assistance program should be disbursed based on proper feasible assessment and on genuine needs basis and not on only on a first come first serve basis. The Ministry and FSC should have readily available data to assess farmers.
11. The Ministry of Sugar should initiate internal audit exercise to monitor such grants as stipulated in the Annual Work Plan.
12. The Committee recommends that adequate staffing is provided to the Ministry of Sugar in view of the increasing number of Government Grant projects in the sugar industry, especially specific staff for these projects. Given the current audit issues, the Committee recommends that the Ministry of Sugar reviews its organisation structure and increase its operational staff that specifically involves in the administration of grants, implementation, and monitoring projects.
13. The Committee recommends that the Ministry of Sugar and FSC ensures that grants allocated should be utilised and there should be minimum to no savings as compared to the current experience.

KEY FINDINGS

1.0 Grant Administration Framework

This chapter reviews how well the Sugar Development Fund grant is administered and monitored. The Auditor General reviewed the hierarchy of the Sugar Industry Framework to assess whether the Ministry of Sugar Industry had implemented effective governance frameworks for the grant, to protect public money from waste and risk of fraud.

1.1 Grant Monitoring Framework

At the time of the compilation of this report, the Public Accounts Standing Committee was informed that the Ministry of Sugar Industry has in place a Monitoring and Evaluation Framework for the implementation of capital programs. The framework is a guide to effectively monitor the implementation of capital programs as well as evaluating the impacts of each capital programs at the completion. The framework should assist the Ministry with FSC to achieve efficiency and effectiveness in the implementation of all capital and operating programs funded by government to support the sugar industry.

Given the newly developed framework, the audit highlighted that Grant monitoring is the process through which grant administrators evaluate and assess operational and financial performance during the grant implementation period. Monitoring should analyse progress, identify risks and mitigation measures, and ensure that funds are spent as intended and that the program has an impact.

However, also noted in the audit that the monitoring guidelines and responsibilities of the Ministry, the Fiji Sugar Corporation (FSC) and Fiji Sugarcane Growers Council (SCGC) were briefly mentioned in the Annual Work Programs of the SDF. The Annual Work Program specifies the following on monitoring functions:

- *FSC's Sector Team Leaders and SCGC's Senior Executive Officers will conduct the first level of monitoring daily.*
- *The second level of monitoring will be monthly audits on at least 10% of work done for the period by the Farm Advisory Managers ('FAMs'). The Ministry of Sugar Industry, the SCGC and FSC will also carry out joint monthly audits.*
- *Random audits will be carried out by the FSC Head Office accompanied by officials from Ministry of Sugar Industry.*
- *The third level of monitoring will be quarterly audits on at least 5% of payments for the period by the Cane Development Manager and by a team from MoSI or as decided in the Annual Work Program, and the objective of the grant.*

However, the audit found that there was no apparent link between the monitoring guideline, which was only briefly covered in the Annual Work Program, and the grant's aim.

Audit Recommendation:

The Ministry of Sugar should prioritize the completion of the Monitoring Framework, which defines the institution's monitoring strategy for the Sugar Development Fund. This should include identifying the number of staff positions to be assigned to monitor, the intervals between the monitoring activities, and the resources needed to carry out these activities to guarantee that the grant's overall objectives are met.

Committee comments: The Committee have taken note of the Ministry's newly developed Monitoring & Evaluation Framework that is currently being in place, thus, endorses the full implementation of the audit recommendation.

1.2 Assessment processes are ad-hoc and unstructured.

The audit reviewed the Cane Payment Grant Manuals for the financial years 2016/2017, 2017/2018 and 2018/2019 and it was noted that the Ministry of Sugar and FSC had documented procedures for the Sugar Development & Farmer Assistance Grant administration but excluded the following critical areas:

- Assessing applications before awarding grants
- Management of conflict-of-interest register
- Monitoring and evaluation
- A program of regular assurance, internal audit, or fraud detection
- Risk management i.e., identifying risks involved in processing and approvals of SDF applications and ways to mitigate them.

The Ministry has no policies or processes in place to ensure the integrity of the grant admission process, such as those dealing with conflict of interest and fraud. Due to the absence of these policies, the Ministry cannot rule out the possibility of fraud and cannot effectively identify and manage conflicts of interest.

Audit Recommendation:

- *All decision-making staff involved in the grant application and assessment process should be required to declare their interests. Any conflict should be managed accordingly.*
- *The Ministry should develop and implement a probity plan for the Sugar Development and Farmer Assistance grant program which includes a requirement to create, maintain and update probity "risk registers" at appropriate times during the process. Such registers may include conflict of interest registers, gift registers and probity training registers.*

Committee comments: The Committee notes the importance of the findings above and endorses the Audit recommendations.

1.3 Grant Allotment System

The Committee noted in the audit report that FSC has not created a systematic and transparent approach of allocating funding based on grant objectives. Even though a system and internal controls are in place to oversee grant payment processing, grants are distributed on a first-come-first-serve basis. FSC officials notified the audit that such process is used because grant funds are insufficient to cover all farmers who apply. There is also a shortage of appraisal methods and appraisal strategies to direct available resources to specific sectors.

Audit Recommendation:

The FSC should consult with Ministry of Sugar and consider developing and implementing an effective appraisal system which should be able to support the target group and meet objectives of the grant scheme.

Committee comments: The Committee notes the issue raised and endorses the implementation of the Audit recommendation.

1.4 Grant Funding

The Auditor found no evidence that indicated that the Ministry has objectively determined the total value of grants that would be required to support eligible farmers in each of the years it has been audited.

The Ministry is responsible for developing Sugar Development Fund budget, which is defined by the budget paper submitted to the Ministry of Economy. The Auditors were informed that the Ministry does not use a consultative approach with farmers expressly for budget considerations, which could aid the Ministry in analysing the farmers' needs for assistance.

Due to the absence of a target consultation with farmers and absence of appropriate data, it is highly likely that the grant scheme will not be able to achieve its intended purpose.

The Committee noted that the absence of valuable data also contributed to the poor financial planning of the grant amount.

Audit Recommendation:

The Ministry should improve its financial planning to budget for the SDF grant. A more consultative approach and stakeholder participation are possibilities, and the amount of cash requested to support the award should be based on an objective evaluation of probable demand.

Committee comments: The Committee notes the issue highlighted by the Auditors and endorses the Audit recommendations that the Ministry with FSC should take into consideration.

2.0 Administration of the Grant

2.1. Missing Grant Agreements

The Audit noted that the grant has not been administered in a consistent and transparent manner. There were instances of missing grant agreements.

Grant Agreements were introduced in 2015 to define the terms and conditions of the SDF grant's implementation. The following are the conditions outlined in the grant agreement for farmers:

- The Fiji Sugar Corporation (FSC) will administer the grant on behalf of the farmers and provide necessary guidance and supervision ensuring that there is proper utilisation of the grant.
- The Farmers are to follow recommended farming practices for crop rehabilitation, seed cane selection and treatment, cane planting, fertilizing cultivations, and weed control.
- Grant monies will only be paid upon the successful completion of activities under the program.
- Any failure on the part of the farmer to abide by the conditions set will result in the forfeiture of the grant and the amount spent on the farm under the agreement shall be deducted by FSC from the farmer's cane proceeds including an additional 10% of the said amount to cover administration costs.

The Sugar Development Fund grant processing documents are maintained at the various FSC sector offices which are spread over the cane farming areas. The Audit noted that over 50% the sample grant agreements that were to be signed by the farmers and FSC were unavailable for audit verification. Records of the agreement were not properly maintained making it difficult for the effective and efficient monitoring of grants.

Audit Recommendations:

- *The Ministry should ensure that FSC designs and executes a records management system that focuses primarily on record safety, retention, and protection during disaster.*
- *The Ministry and FSC might also evaluate the costs and benefits of digitizing records so that they can be backed up and quickly accessible in the event of a natural disaster.*

Committee Comments: The Committee notes the gaps that were highlighted by the Auditors and endorses the audit recommendation and look forward to seeing the improvements when a follow-up audit is conducted.

2.2. Monitoring of the safekeeping of grant payment methods

The Committee was informed that the Ministry did not conduct monitoring operations to ensure that grant payment records were properly filed and stored by the FSC. There have been reports of missing payment vouchers and supporting papers totalling \$14,700 for the years 2016, 2017,

and 2019. It was also revealed that the FSC was paid as a contractor for clearing land for growers in the Labasa Mill sector.

Several anomalies were discovered in eight samples after reviewing a sample of 90 payment vouchers. These included the lack of payment supporting documentation such as payment vouchers, debit notes, and tax invoices. Payment information, such as cheque numbers and dates, was also unavailable. There was also a case where the work order was issued, and the verification date fell on the same day. FSC has not given any explanation on the reasons of the inconsistencies.

Audit Recommendations:

- *The Ministry should ensure that FSC has effective records management in place for the custody of grant payment records. When an audit or other review is requested, the records should be delivered.*
- *The Ministry should also communicate its concerns to FSC regarding missing documentation to eliminate the risk of fraudulent activities.*
 - *The Ministry should obtain confirmation from FSC on grant monies received by the Corporation from the Ministry for the hire of tractors to farmers, those relating to farms maintained by the Corporation, and those relating to other purposes since the start of the SDF.*

Committee comments: The Committee notes the anomalies identified and endorses the Audit recommendations that the Ministry with FSC take serious consideration in addressing those issues. Without proper processes and records in place will lead to fraud and misappropriation of funds as evidently found, since a few cases are with FICAC.

2.3. Grant Processing

It is critical to clearly identify the duties and responsibilities of all stakeholders participating in the grant program administration. Before processing applications, staff should be fully trained and basic procedure manuals should be available. These precautions are especially critical if grant administration is delegated to regional offices, where conflicting demands on staff time and a paucity of expertise may result in differences in appraisal and administration standards. The Sugar Ministry now refers to the Annual Work Program to describe the processes and procedures relevant to the total utilization of the Sugar Development Fund, including monitoring functions. There is no stand-alone standard operating procedure outlining the processes and procedures for overall grant administration and monitoring.

The Sugar Ministry has yet to finalize the development of a thorough standard operating procedure that outlines positions and tasks of those involved in the processing of applications, payments, and monitoring of SDF implementation and progress.

Audit Recommendation:

The Ministry of Sugar should ensure that standard operating procedure clearly defines roles and functions in the processing of SDF program applications.

Committee Comments: The Committee notes the gaps identified and endorses the implementation of the Audit recommendation to address the issue.

2.4.Delayed Grant Payments to Farmers

Payments to growers are often delayed and made outside the two major seasonal planting windows. There are two windows of cane planting, the first and major is from April-May when fallow planting takes place, and the second window is from late September to October where replanting takes place. A month before planting land preparation is initiated. The selection of planting time is influenced by three factors, climate conditions – this includes soil temperature and moisture level, secondly, the variety of cane being used and the final factor being the crop rotation, that is whether the grower is going to use plough out replant strategy or one of the fallow plant options.

The Auditor noted that the Ministry has not effectively administered the grant process in relation to the submission of acquittals and Request to Incur Expenditure (RIE). This subsequently leads to the release of grants and has caused FSC to make payments to growers outside the major planting windows.

The Auditor found that payments to growers can also be delayed because of weather conditions whereby the National Steering Committee delays the plantings season and there was no proper documentation maintained by the Ministry. Additionally, grants are delayed due to acquittals not provided in a timely manner and there is an absence of a timeline in the grant agreement for FSC to provide the acquittals to the Ministry.

Audit Recommendation:

- *The Ministry should strengthen its record-keeping system to ensure that crucial decisions such as the planting season's postponement are easily accessible. Furthermore, the Ministry should continue to keep an eye on FSC's timely transfer of acquittals to the Ministry.*
- *The Ministry should maintain contact with the Ministry of Economy and make a strong case for aligning grant distribution with the cane planting season.*

Committee Comments: The Committee takes note of the issues highlighted and endorses the Audit recommendations and looks forward to FSC and the Ministry to address those issues so that grant payments to farmers are made on time. Delayed payments mean delayed production which will lead to the objectives not being met.

2.5.Monitoring of SDF Assistance at Farm Level

The monitoring of Grants to SDF Assisted Farmers have not been regularly and adequately carried out. This is in violation of the grant agreements and the yearly work program as outlined below:

First level of monitoring

FSC's Sector Team Leaders and SCGC's Senior Executive Officers will conduct the first level of monitoring daily.

Inadequacies found in first level monitoring.

The Auditor noted that the FSC sector team leaders and SCGC's Senior Executive Officers have not conducted systematic and consistent monitoring as outlined in the grant agreement. It was established that during visitations, FSC sector team leaders fill grower visit cards entailing the details like date and purpose of visit and commitments and next visit date. However, records show that these visits were not conducted in a timely manner.

Second Level of Monitoring

For 2016-2017, joint monthly audits to be carried out by the Ministry of Sugar, the SCGC and FSC. For 2017-2018, monthly audits on at least 10% of work done by stakeholder representatives and 2018-2019 monthly audits on at least 10% of work done by the Agriculture Services Managers (ASMs).

Inadequacies found in the second level monitoring.

The second level of monitoring are monthly audits on at least 10% of work done for the period by the ASMs. The Auditor noted that through a discussion with a Senior Agriculture Officer at FSC Headquarters, it was confirmed that Farm Advisory Managers (FAMs) have completed monthly audits on at least 10% of the Sugar Cane Planting. After the audits are done, the FAMs meet with the sector teams to discuss the findings. However, no copies of FSC monthly audit plans for executing the audits or reports of completed monthly audits were produced to back up the claim.

The ability to analyse the success of these audits have been hindered due to a lack of sufficient documentation. As a result, the Ministry and the FSC have no way of knowing if the required number of audits were conducted and if any suggestions made in the reports were followed up on.

Third Level of Monitoring

For 2016 -2017, quarterly audits on at least 5% of payments by the Cane Development Manager. For 2017-2018, random audits to be performed by FSC Head Office accompanied by officials from Ministry of Sugar Industry and the 2018-2019, quarterly audits by Team from MoSI or as decided by the National Steering Committee on at least 5% of payments made for the period.

Inadequacies found in third level monitoring.

- Monitoring reports were not made available to auditors to establish that the Cane Development Manager performed quarterly audits on at least 5% of total grant payments to farmers for the 2016/2017 fiscal year.
- No monitoring reports were supplied to indicate that FSC heads and Ministry officials conducted random audits for the 2017/2018 fiscal year; and
- MoSI's monitoring team failed to meet its 5% monitoring target for the 2018/2019 fiscal year.

Lack of systems, processes, and resources to support effective monitoring.

Despite assurances that FSC has commenced technology-based monitoring from 2021, FSC has yet to adopt a technology-based monitoring and reporting system and is still relying on the manual method of recording and reporting. According to FSC tablets were given to officers for monitoring purposes but they continue to encounter monitoring challenges due to lack of networks at some farms.

In addition to this, a detailed monitoring plan has not been prepared by FSC to clearly state weekly, monthly, or yearly targets for the monitoring of farms. The Committee noted that the absence of collaboration and coordinated approach amongst the stakeholders has also contributed to the non-performance of the third level monitoring by the Ministry. The Ministry has a two-member monitoring team and the Members also perform other grant administration responsibilities.

Lack of Monitoring means missed opportunities to provide support to underperforming farms.

Absence of monitoring can have negative impact on the deliverable of output by the growers. FSC identified 63 farmers who received funding but did not prepare their farmland for cane replanting or no replanting was carried out. For example, in Rarawai Mill sector, 44 farmers did not plant cane for the total of 36.6 hectares despite receiving grants.

Due to lack of replanting of unused cane land assisted by these defaulting farmers, 58 Hectares of cane planting was lost which is equivalent to \$84,640. It was noted from FSC that SDF funds lost due to lack of planting will be recovered through deduction from these farmers cane proceeds.

Audit Recommendations:

- *The Fiji Sugar Corporation should create a comprehensive monitoring plan that is in line with the SDF grant agreement and annual work program monitoring criteria.*
- *Before the next quarter's grant is released to FSC and other stakeholders, the Ministry should regularly monitor stakeholders' monitoring responsibilities and consider incorporating monitoring reports as requirements for grant acquittals.*
- *The Ministry should consider adopting a technology-based monitoring system for farm monitoring and could pursue exploring cost benefit analysis for a GIS system for tracking changes on the farms as a means of efficient monitoring.*
- *Through active monitoring, evaluation, and reporting, the Ministry should be appropriately resourced to ensure that the investments made in cane farms generate the required returns.*
- *The Ministry should put in place the necessary processes and procedures that are required to recover from Defaulted farmers.*

Committee Comments: The Committee notes the gaps identified, endorses the Audit recommendations that the Ministry with FSC takes serious consideration in addressing those issues. In addition, apart from deducting proceeds from cheat or defaulting farmers, they should be directed to police and /or FICAC to stop abuse and fraud.

A Lack of Monitoring means missed opportunities to provide support to underperforming farms.

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Audit Recommendations:

- *The Fiji Sugar Corporation should develop a well detailed monitoring plan that is aligned to the SDF grant agreement and annual work program monitoring criteria.*

Committee Comments: The Committee notes the monitoring gaps identified and endorses the Audit recommendation.

2.6.Absence of documentary approval for grant payment in the Annual Work Plan

The Audit noted that a proportion of grant payments are being made outside the agreed process. Some payments from SDF grant monies that were not part of the Annual Work Plan for the 2016 to 2019 financial years were flagged as lacking in transparency. In 2016, these payments accounted for 3% of overall expenditures, 7.09 percent in 2017/2018, and 1.51% in 2018/2019. There was no documentary evidence provided to support the reallocation of the grant funds to different record type.

Audit Recommendation:

- *The record management system should be improved to ensure that all pertinent records, including the minutes of the Steering Committee, are properly maintained and any deviation to the expenditures of grant payments as approved in the Annual Work Plan should be approved and documented accordingly.*

Committee Comments: The Committee notes the gaps identified and endorses the Audit recommendation that the Ministry should put in place SOPs for the approval process and proper safe keeping of all records/documents.

3.0 Monitoring of the SDF Grant

3.1.Lack of clearly defined accountability mechanisms

The Ministry is not effectively ensuring that FSC is accountable in its implementation of grants.

The Audit identified that there were no accountability arrangements in place that connects to the grant's major objectives. Accountability agreements focuses on the grant's program's effectiveness as well as its goals and objectives. The grant recipient, grant administrator and implementing agency all play a role in achieving the aims and objectives of the grant program and are accountable for the achievement of overall objective of the grant.

Reporting against grant expenditure is limited to acquittals

The Audit noted that the only formal means of reporting against the grant expenditure was acquittals. Reporting requirements of grant administration and monitoring were not specified and FSC was required to provide acquittals to the Ministry as per the grant agreement.

Audit Recommendations:

- *The Ministry should include a requirement for reporting to grant providers on essential aspects of grant administration and monitoring in the grant administrative and monitoring framework.*
- *Standard Operating Procedures/Manuals should include accurate and detailed means of reporting to grant providers on how grants have been administered and managed, as well as a breakdown of the grant's output in relation to the grant's key performance metrics.*

Committee comments: The Committee takes note of the gaps identified and endorses the implementation of these Audit recommendations.

3.2.Ministry of Sugar SDF Grant Monitoring Plans and Strategies

The Ministry lacks any formal approach to oversight grant administration systems and processes,

Since the grant's launch in 2014, the Ministry of Sugar Industry has not conducted an independent review of the processes and systems for grant processing and payments to farmers that FSC has developed.

The Audit found no evidence that indicated that the Ministry had conducted random verification of award data at any of the 38 FSC sector offices or its Headquarters. In the interview conducted with the Ministry it was found that there were no procedures in place to examine the scope and completeness of FSCs monitoring of the SDF grant application processing at the sector offices, and the subsequent release of payments at FSC headquarters.

Separate records are not maintained for Grant assisted farmers for efficient monitoring.

The Audit noted that both the Fiji Sugar Corporation and the Ministry do not maintain a separate database for assisted farmers which may show the output from these farmers. According to the FSC, a master file is kept for all the farmers. As a result of these lack of records, it is impossible to determine the output assisted farmers have contributed to the total sugar production.

As a result of lack of processes, there are critical gaps in the Ministry's oversight of these grants.

Grant processing documentation was found to be considerably deficient at important phases of the grant procedure. For instance, no paperwork was provided on whether a producer satisfied the criteria outlined in the Annual Work Plan and there was no grant agreement for growers who received assistance.

Audit Recommendation:

The Ministry should gather relevant information from the site visits and revisit its processes and procedures for improvement.

Committee Comments: The Committee takes note of the issues that were highlighted by the Auditors and endorses the Audit recommendation.

3.3.Documented SOP for SDF Grants Assessments

Grants assessment processes are deficient.

The Audit noted that the SDF grant applications processing, and approval had lacked critical internal control measures to reduce risk of collusion and disapproving grant for farmers not focused on meeting grant objectives. The implementation process for the grant is as follows.

1. Awareness with farmers through group meetings
2. Discuss technical notes and basis of payments.
3. Signing of grant agreement
4. Farmer to advise sector office upon completion of planting. This must be verified within two weeks of receiving the farmer's report.
5. Raise work order for the actual area successfully planted and process payment within two weeks after verification.
6. Processes payments within planted and process payment within three weeks after verification.
7. Monitor planted fields and provide periodical reports of the same.

Farmers who had planted sugarcane before the execution date may also be eligible for the grant should they meet the requirements.

During the review of processing of SDF grants, the Audit noted that there was no documentation indicating that farmers had lodged grant applications to register their interest.

It was found that farmers expressed their interest to their relevant FSC sector officers verbally. The Sector officers review the farmer's eligibility directly from their system/database and make necessary approvals. Following acceptance, the grower signs a grant agreement. The audit findings highlighted above indicated that the risk of collusion and favouritism in processing of the grant applications is high.

Audit Recommendations:

- *The Ministry of Sugar should guarantee that the grant application process is open and transparent, with documentary evidence supporting each important stage. The Ministry should also collaborate with FSC to improve all parts of the grant application procedure.*
- *The Ministry should be adamant about the procedures for selecting grant beneficiaries and conduct regular checks to verify that they are followed, with any deviations explained by FSC.*

Committee Comments: The Committee notes the findings and endorses the Audit recommendation. FSC with the Ministry to strengthen its SOP and to train its Sector and Field Officers on the important steps and documentations required in assessing SDF Grant applications.

4.0. Grant Review and Evaluation

4.1. Review, Evaluation and Performance Reporting

The Ministry is not evaluating the SDF grant program effectively.

The Audit noted that the Ministry is not evaluating the Sugarcane Development and Farmers Assistance Grant Program effectively. There was no evidence that the Ministry conducted a review and assessed the findings to assess the performance of the SDF Grant program. Such reviews and evaluations would have helped the Ministry and grant providers to assess whether the objectives of the grant were being met.

The grant program should be evaluated on an annual basis to ensure that it is meeting its set goals and objectives. This evaluation can also look at whether these goals are still relevant considering government policy. This section focuses on reviewing policy implementation accomplishments. There is a direct link between planning and review, and they should be considered together as much as possible. The evaluation must account for any unanticipated positive and negative effects on the scheme's economy, efficiency, and effectiveness.

During the audit it was confirmed that the Ministry does not have a review and evaluation plan for evaluating and reviewing the effectiveness, efficiency and overall economic administrations and execution of the SDF grants by FSC or the Ministry.

Grant monitoring reports are incomplete.

The audit noted that Quarterly monitoring reports that were sent to the Director of Sugar was incomplete. The Audit also noted that the Ministry was not able to effectively monitor the results of the grant program when it does not review and evaluate the results of the assistance provided through the grants.

When the Ministry does not analyse and evaluate the results of the assistance provided through the grants, it will be unable to adequately monitor the results of the grant program. As a result, determining whether the government's sugar cane development program's goal is being reached would be challenging.

4.2. Assessment of grant program performance

The Ministry is not reporting performance against objectives and expected outcomes.

The Ministry is not reporting performance against grant objectives and expected outcomes. The Audit confirmed that the Ministry of Sugar lacks a robust framework for evaluating and using outcomes to demonstrate program success and identify methods to improve program performance.

The review done by the Auditors for the FY 2016-2019 are as follows apart from others which should be done by the Ministry and FSC where \$39.8m were provided to FSC.

SDF Targets and Actuals

- **Cane Planting Analysis**-objective was to plough 3585 ha of uneconomical ratoon crops, Total of 4771.28 ha was done but out of the \$5.9m allocated only \$3.43m was utilised, so grant utilisation was significantly low.
- **Fallow Cane Replanting Analysis**-Objective was to bring 14,231ha fallow land into sugarcane production, total of 15305.5 ha was done, but only \$10.m was utilised compared to \$29.8m budget, so underutilisation.
- **Addressing Soil Acidity**-Objective was to address Soil Acidity through Aglime to 3296ha- Total of 2840ha was done but out of the \$1.5m allocated only \$0.843m was utilised, so grant utilisation was significantly low.
- **Bulldozing Work**- Objective to hire bulldozers to clear land of 1386ha, Total of 1,860ha was done but out of the \$0.75m allocated \$1.07m was utilised, so grant utilisation was significantly high.
- **Rehabilitation of Ratoon Crops**- Objective to rehabilitate land of 311ha, Total of 98.7ha was done but out of the \$39k allocated \$10.4k was utilised, so grant utilisation was significantly low.

Then there is a need to evaluate the sugar production from those farms assisted to see the benefits. The Ministry's approach is it conducted sample monitoring hence an overall review of the whole program was not achieved. FSC has also confirmed that they have not prepared a monitoring and evaluation plan to review and evaluate the SDF grants.

Audit Recommendations:

- *The Ministry should create a strategic evaluation and review plan to assess the efficacy, efficiency, and economic feasibility of the SDF grant administration and execution.*
- *As part of its RIE and report submissions, the Ministry should include in the Annual Work Plan the requirements for FSC to produce and submit an annual evaluation and review report.*
- *The Ministry should conduct reviews to identify variables influencing the SDF grant program's results and take proactive efforts to increase grant use, particularly for fallow land and cane replanting, to maximize sugarcane yield.*
- *The Ministry should conduct and publish to ensure that public money is distributed properly and effectively.*
- *The Ministry can also report on progress in implementing recommendations at the next 3-year review.*

Committee comments: The Committee notes the gaps identified and endorses the Audit recommendations.

COMMITTEE'S FINDINGS ON THE IMPACT OF THE SDF ASSISTANCE PROGRAM

Given the audit findings the committee also have its findings on the impact of the SDF assistance. The Committee in the review process have some general observation about the SDF Assistance given to farmers/growers on how the assistance being administered, implemented and monitored. These include:

- the Sugarcane Development Assistance Programs have impacted the livelihood of families that are dependent on the Sugar Sector and very difficult to wean them now. However, we must look at strategies to make the industry profitable to provide returns to all stakeholders including government, government can't continue to pour money into areas where there are no return.
- It is important to note the budgetary allocation given against the impact on farmers in terms of planting achievement, cane production, sugarcane production and TCT, and the revenue earnings. The Ministry has provided the following figures illustrated in table and graphs from Figure 1 to Figure 8 which provides the analysis on the overall impact of the SDF Assistance Program and found the following.
 - With the number of programs in place from 2013 Sugar cane production increased by only 1.77% to 1,638,954 tonnes in 2022 and quite low compared to the target of 3,000,00 tonnes envisaged for 2023 when the grant programs were initiated.
 - TCTS has worsened from 8.1 in 2014 to 10.5 in 2022, hence quality has not improved,

- Land area for Sugar Cane farming reduced from 44927ha in 2015 down to 36734 in 2020, even though grants have been provided for fallow planting and bulldozer works over the years. A reason is the land lease issue and reduction in active growers.
- The Active Growers numbers had reduced from over 12500 in 2013 down to around 10,000 in 2022 meaning that cane farming is no longer an interesting for some farmers. Hence an opportunity for new farmers to enter.
- On the bright side sugar earnings has increased from \$195.8m in 2016 to \$205m in 2022 based on the favourable market price of Sugar especially in 2022 to now. Fiji is earning Foreign Exchange from this but as we are aware the funds are shared between the Farmers and FSC, and FSC is still not making profits for government.
- Cost of production has increased as well. Currently as provided in the table average cost (inclusive of Harvest and Transport) to plant new is \$57.00 per tonne and cost for ratoon is \$49.2 per tonne. Average Cost per tonne with subsidy is \$86.9 per tonne for planting new and \$47.95 per tonne for ratoon, Average Cost per tonne without subsidy is \$137.63 per tonne for planting new and \$69.6per tonne for ratoon.
- Hence as shown by the figures above, **farmers choose to just look after ratoon crops compared to planting new** and that is why over 80% of cane crops are Ratoons, **Government subsidy is \$50.70 per tonne for Planting new and \$21.64 per tonne for Ratoon crops.**
- Staff shortage to manage these programmes is evident. Proper staff structure should be in place, there should be more operational staff rather than back-office staff as currently the experience.

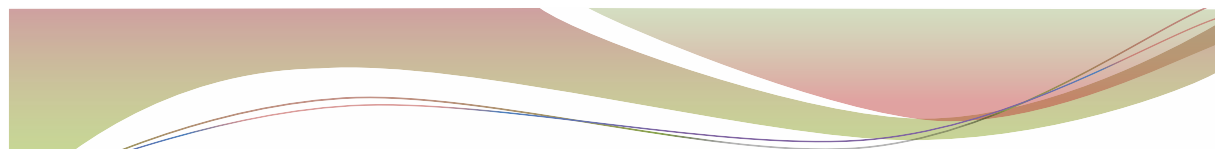
Figure 1



Budget vs Planting Achievement under CPG

Year	2013	2014	2015	2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
Budget (M)	0.5	8.4	5.0	4.6	10.89	15.4	15.4	0.5	1.2	0.5	1.0
Achievements											
Fallow Planting (ha)	2,595	4,645	2,643	2,244	3,368	4,053	3,958	789	263	128	329
Replant (ha)	562	348	112	357	931	1,206			175	32	44
Aglime (ha)					919	1,592	504				
Bulldozer works (ha)						493	714				
Ratoon Mgmt (ha)						63	90				
Green manuring (ha)									72	27	

Figure 2

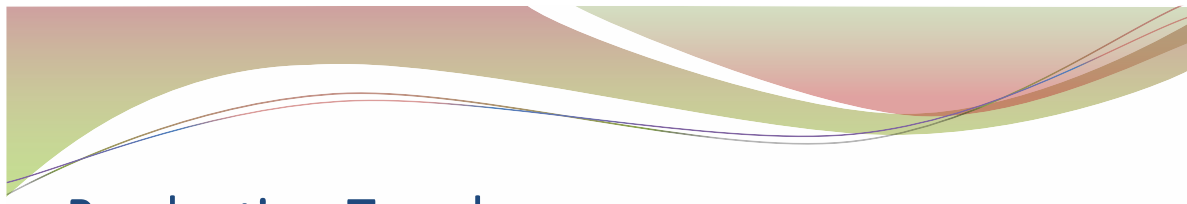


Success Rate - Expenses Vs Impact on cane production

Year	2013	2014	2015	2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Budget (M)	0.5	8.4	5.0	4.6	10.89	15.4	15.4	0.5	1.2	0.5
Fallow Planting (ha)	2,595	4,645	2,643	2,244	3,368	4,053	3,958	789	1002	216
Replanting (Ha)	562	348	112	357	931	1,206				213.2
Total Production	1,610,410	1,832,181	1,844,559	1,387,247	1,631,372	1,697,120	1,806,379	1,729,281	1,417,267	1,638,954
Floods/ cyclones	Cat 4 TC Evan Dec 2012	TC Lusi & Drought	Drought	Cat 5 TC Winston & TD04 flood	TC Josie and Keni		TC Mona & Sarai	TC Harold, Yasa		TC Ana & Bina
Total Cane Loss				385,000t		113,000t		124,040t	244,400t	204,000t

List of cyclones [Cyclones Summary.docx](#)

Figure 3



Production Trend

Sugarcane and Sugar Production

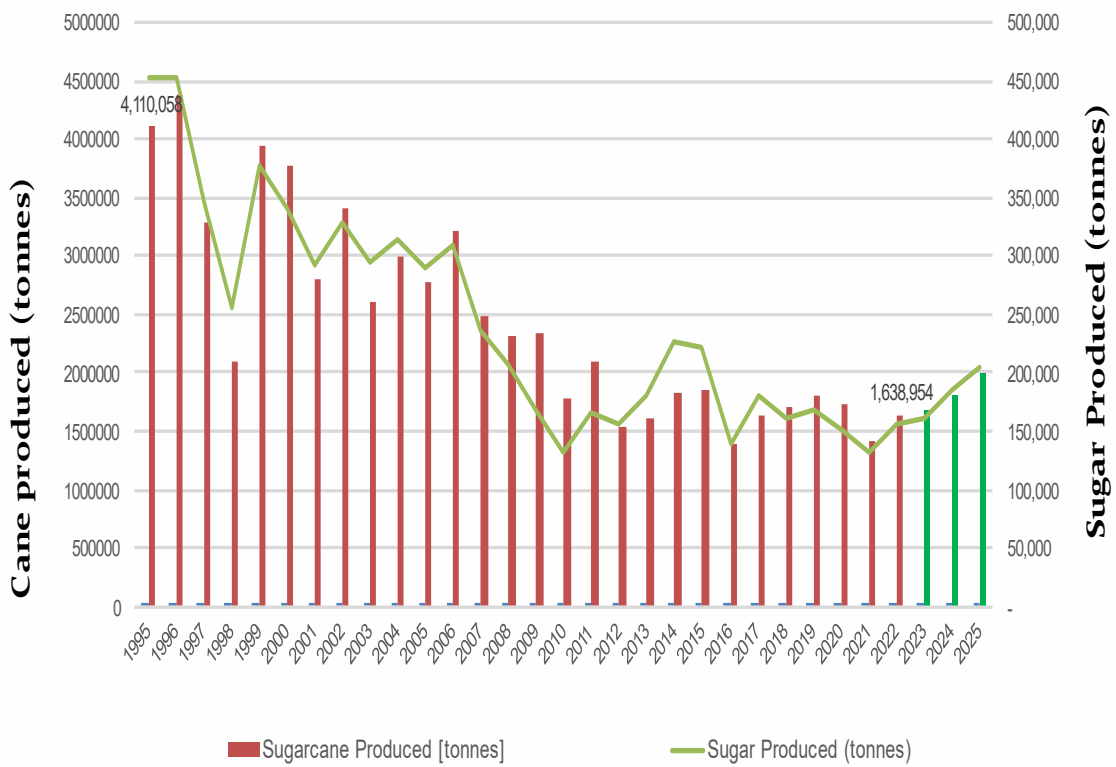
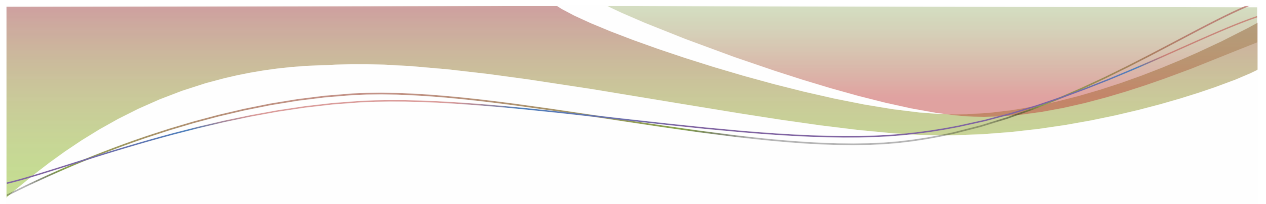
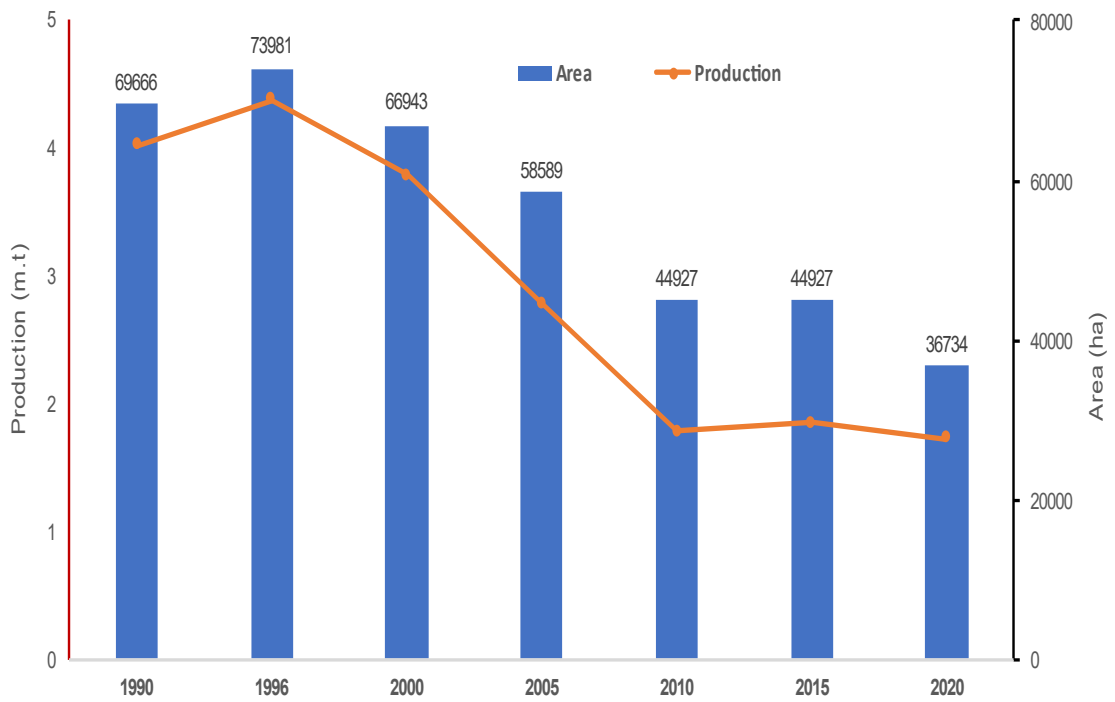


Figure 4



Area vs Cane Production



Source: SRIF, 2023

Figure 5



Sugar Production and TCTS

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sugar Make (ooo's)	227	222	140	180	160	169	152	133	156
TCTS	8.1	8.3	9.9	9.1	10.6	10.7	11.4	10.6	10.5

Figure 6

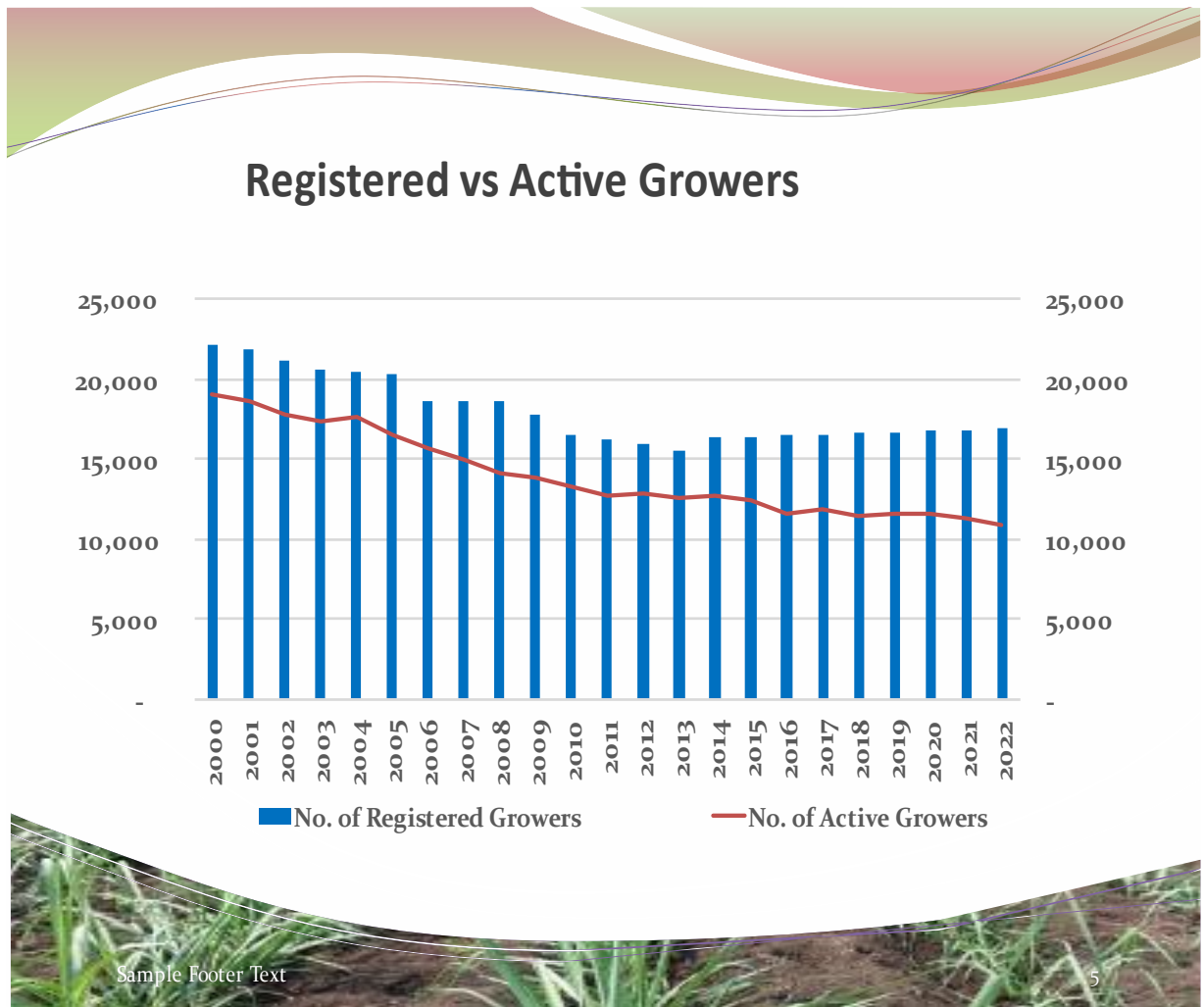


Figure 7

Revenue Earnings

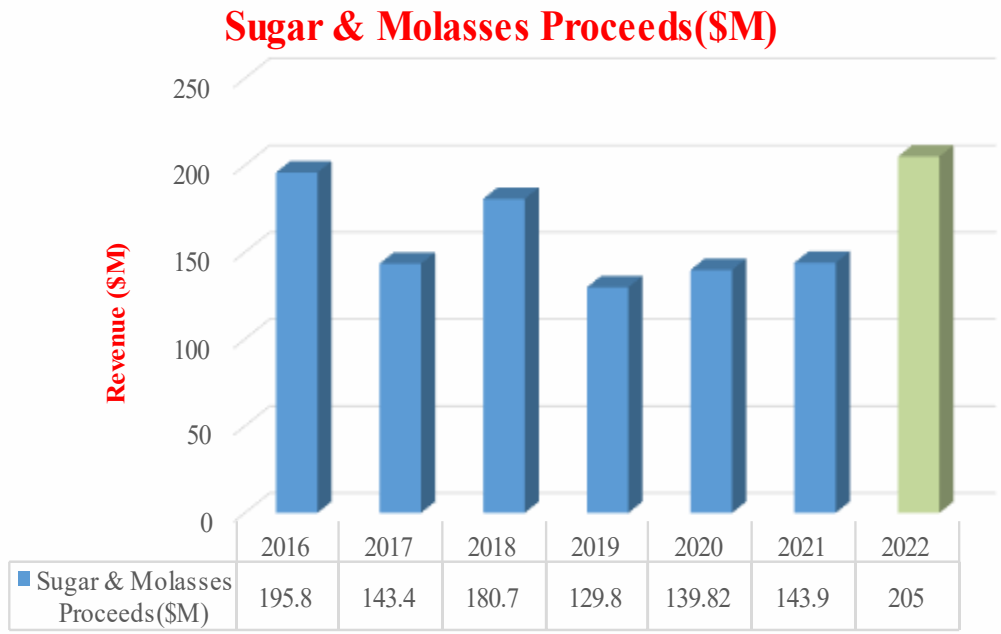
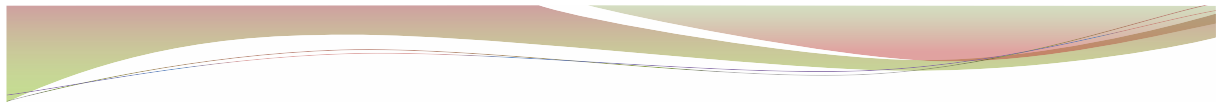


Figure 8



Cost of Producing 1 tonne of cane with/without Subsidy

	Inclusive of Harvest & Transport		Exclusive of Harvest & Transport	
	Plant	Ratoon	Plant	Ratoon
Productivity/ Ha (tonnes)	57	49.2	57	49.2
Cost per tonne with Subsidy	86.93	47.95	45.19	6.21
Cost per tonne without subsidy (\$)	137.63	69.59	95.89	27.85

CONCLUSION

The Committee noted in the audit findings that the Sugarcane Development and Farmers Assistance Fund disbursed by the Ministry for the period 2016 – 2019. It can be concluded that there were no effective nor efficient monitoring nor evaluation mechanisms (or the Framework) in place to guarantee that the grant was administered appropriately, and its objectives were achieved.

The Committee looks forward to the relevant stakeholders to note the recommendations and take steps to implement accordingly, even though we have seen that the Ministry of Sugar and FSC have put in place the Framework. There should not be an excuse for anomalies or staff shortage as good planning should be a part of the programme.

Finally, the Committee will be looking forward to the follow-up audit with a wider term of reference that will be carried out by the Office of the Auditor General to see the improvements and the implementations of the Committee and the Audit recommendations.

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



.....
Hon. Esrom Y. Immanuel

(Chairperson)



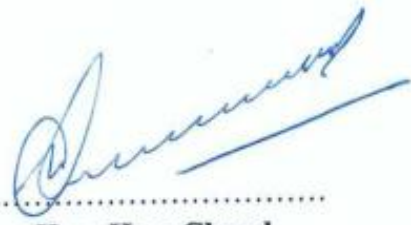
.....
Hon. Sakiusa Tubuna
(Deputy Chairperson)



.....
Hon. Jovesa Vocea
(Member)



.....
Hon. Alvick Maharaj
(Member)



.....
Hon. Hem Chand
(Member)

APPENDICES

APPENDIX 1:
PUBLIC ACCOUNTS COMMITTEE
QUESTIONS

APPENDIX 2:

PUBLISHED WRITTEN EVIDENCE

The following copies of the written evidence and supplementary evidences from the relevant stakeholders 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

Performance Audit on the Monitoring of Implementation of the Sugarcane Development and Farmers Assistance Program (PP No. 107 of 2021)
[188-OAG-Performance-Audit-on-the-Monitoring-of-Implementation-of-the-Sugarcane-Development-and-Farmers-Assistance-Program.pdf \(parliament.gov.fj\)](#)