
Report of FPAC

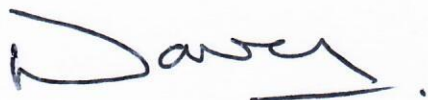
Frozen Budgets 2019

Prepared by the
Finance and Public Accounts
Committee



Sep 2019

The Finance and Public Accounts Committee composed of the members listed below, submits its Report on the Frozen Budget as at Sep of 2019 to the National Assembly for consideration and approval.



Hon. Wavel Ramkalawan – **Chairperson**



Hon. Ahmed Afif – **Vice Chairperson**



Hon. Charles de Commarmond – **Member**



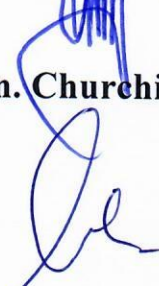
Hon. Sebastien Pillay – **Member**



Hon. Jean-Francois Ferrari – **Member**



Hon. Churchill Gill – **Member**



Hon. Terence Mondon – **Member**

Acknowledgement

The FPAC would like to extend its appreciation to all the staff of the Ministry of Finance who have collaborated with the FPAC over the compilation of this report who have provided the FPAC with supporting documentation as well as insight and explanations, all of which have helped to foster a clearer picture and appreciation of the findings and solutions thereto.

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1. INTRODUCTION

A. The Finance and Public Accounts Committee (FPAC)

- i. Article 104 of the Constitution, Rules of Procedure for Committees and Standing orders 2009 provide for the establishment and functioning of the FPAC within the National Assembly of Seychelles. Accordingly, the FPAC is established as the supreme institutional mechanism for ensuring an oversight role over the efficiency and effectiveness of all matters concerning public financial management systems across the entire public sector.
- ii. The FPAC is regarded as a key mechanism for ensuring good governance, transparency and accountability in public financial operations across a large spectrum of public bodies from MDAs to public enterprises. In its oversight role, the FPAC acts on behalf of and for the people of Seychelles by holding the government accountable for its actions and/or inactions in relation to the management of revenue collection, spending of public funds and state assets. More importantly, the FPAC plays an important role in ensuring that the government spending is directed towards achieving national objectives and delivering a better public service at a reasonable cost. The FPAC has always been at the fore in promoting responsible government spending and elimination of waste and extravagance.
- iii. Another important aspect of the FPAC's oversight role is to help detect, prevent and expose corrupt practices in the public sector in collaboration with other law enforcement bodies with a mandate to fight corruption.
- iv. The FPAC ensures that it is engaged with all its stakeholders in a constructive and collaborative manner with the objective of promoting changes conducive to greater national development through effective use of public money.

v. The current membership of the FPAC is as follows effective from Oct 2016:

- Hon Wavel Ramkalawan (Chairperson)
- Hon Ahmed Afif (Deputy Chairperson)
- Hon Jean-Francois Ferrari
- Hon Terence Mondon
- Hon Charles De Commarmond
- Hon Sebastien Pillay
- Hon Churchill Gill

The Secretary of the Committee is Mr Godfra Hermitte who comes from the Secretariat of the National Assembly. Mrs Dufrenne assists as stenographer.

B. Frozen Budgets 2019

- i. A number of budget heads were frozen during the budget deliberations of the National Assembly in November and December of 2018.
- ii. A total of SCR 6,828,676 remained frozen from 3 budget headings as at Sep 2019.
- iii. The freezing meant that these amounts remain appropriated but expenditure would only be allowed provided the Ministry of Finance made a case to the FPAC justifying that the explanations requested to unfreeze the amounts were provided and were justified.
- iv. The FPAC in turn would need to present its findings and report to the National Assembly to release the said budgets.

C. Methodology Adopted

- i. The committee was guided by a list of proposed amounts to be unfrozen as prepared by the Ministry of Finance.
- ii. The explanations to justify the release of these amounts are shown below.

2. THE DEBATE

A. General Remarks

- i. The total amount remaining frozen from the budget of 2019 as at Sep 24th 2019 was SCR 6,828,676.
- ii. The MoF recommended that the full sum be unfrozen as they were satisfied that the sums be used for purposes as follows:

B. SPDF

- i. A sum of SR 800,000 from the SPDF budget was frozen in Jan 2019 as this sum was reserved against a category marked as «VVIP» at the Barbarons army camp; the rationale for this sum was unclear during the debate towards the end of 2018 and the sum was thus frozen.
- ii. SPDF explained following their audit that the above account was used to support the fuel requirements of the late Former President René at Barbarons, plus the needs of the army unit at the Barbarons camp; the fuel facility was closed in Jan 2019 and all fuel used by SPDF is now centralised with greater controls in place.
- iii. SPDF also explained that their operating costs especially with regards to Outer Island patrols have increased above budgetted levels. It was pointed out that transporting aviation fuel to Outer Islands through IDC is expensive due to new methods adopted and the corresponding costs related thereto. This was found to be unacceptable by the FPAC. The FPAC has thus recommended that the SPDF and the IDC should negotiate a reasonable price for the transportation of fuel since both entities belong to the state and the work of the SPDF also covers the IDC, specially in times of distress.

- iv. The unfreezing of the SR800k would help meet the shortfall of funds for increased patrols and SPDF operations.
- v. FPAC recommended that the sum of SR800k should be released based on the commitment made by SPDF to cut abuse on its fuel supplies.

C. Industrial Estates Authority

- i. A sum of SR2.5m was frozen in Dec 2018 in the budget of IEA on condition that it made a special effort to collect at least SR5m of past debts in the first 6 months of 2019.
- ii. IEA explained that :
 - the list of debtors quoted in 2018 of some SR13m was erroneous
 - it has collected SR7.7m of current debts in 2019 from a total revenue of SR7.9m.
 - it has collected at least SR3m of past debts since Dec 2018
 - it is yet to quantify the precise list of debtors due to information being unavailable or scattered.
 - It is yet to put in place an effective debtors control as part of its accounting system.
- iii. FPAC felt that the effort to date by IEA in raising the debts requested of it has been significant and that this should be encouraged. Furthermore, the IEA gave the FPAC a commitment that it is working on an accurate list of clients and debtor and this should be ready at the beginning of 2020. Once this is ready, there will be a meeting between the IEA and the FPAC.
- iv. FPAC thus recommends the unfreezing of the said SR2.5m.

D. Seychelles Intelligence Service

- i. MoF explained that the new service is yet to be fully operational.
- ii. The MoF is currently providing administrative and technical support to SIS and is also managing their budget until SIS can recruit its own personnel.
- iii. They requested that the sum of SR3.5m be released under the management of MoF.
- iv. FPAC agreed that this would be prudent and recommends that the sum be unfrozen.

3. Conclusion and Recommendation

The FPAC recommends that the sum requested to be unfrozen of SCR 6,828,676 be released for expenditure under the approved Appropriation Act, 2018.