

VERBATIM REPORT

Committee: Finance and Public Accounts Committee
Meeting: Meeting with the **Small Enterprise Promotion Agency** to discuss the Auditor General's Report of 2009 and 2010
Room: Committee Room 3
Date/Time: Thursday 23rd August, 2012 at 1345 hours

Present:Committee

Hon. David Pierre - *Chairperson*

Hon. Charles De Commarmond – *Vice-Chairperson*

Hon. Lenny Lebon

Hon. Marc Volcere

Hon. Bernard Arnephy

Hon. Sebastien Pillay

Hon. Nichole Barbe

Small Enterprise Promotion Agency

Ms. Penny Belmont – *Chief Executive Officer*

Ms. Cecile Houreau – *Assistant Accountant*

In Attendance:Office of the Auditor General

Mr. Marc Benstrong - *Auditor General*

Mrs. Helen Hoareau – *Audit Manager*

The Secretariat

Ms. Sandra Hall - *Secretary to the Committee*

Ms. Angelic Appoo – *Committee Advisor*

Ms. Saviona Isaac - *Secretary Assistant*

HON DAVID PIERRE

Good afternoon, we welcome you. So how are you today?

MS PENNY BELMONT

I'm good, thank you.

HON DAVID PIERRE

Ok. We are the Finance and Public Accounts Committee and you are here to answer our questions with respect to the Auditor General's reports for 2009 and 2010. Basically before I introduce the Committee to you and give you the opportunity to introduce yourself, let me tell you that Article 104 of our Constitution gives the Assembly the power to form Standing Committees of which FPAC is one of them. And that same article, Article 104 (3) states clearly and I quote, "For the purposes of effectively performing its functions, a Standing or other Committee may summon any person the Committee believes may assist the Committee in the performance of its functions and the Committee shall have the powers, rights and privileges of the Supreme Court for 3 issues: First of all, enforcing the attendance of witnesses and examining them on oath, affirmation or otherwise; secondly compel the production of documents; and thirdly issuing a commission or request to examine a witness abroad." So basically the Assembly gets its powers from the Constitution to form such a Committee and as a Committee we get our powers from the Constitution itself. Now before I go any further I would like to introduce Members of the Committee to you, I, myself, is the Chairperson of the Committee, Hon. David Pierre, and as Vice Chairperson we have Hon. Decommarmond and as Members we have Hon. Volcere, Hon. Barbe, Hon. Arnephy, Hon. Lebon, and Hon. Pillay. And we are assisted in our works by those beautiful young ladies at the back and the Auditor. But I shall allow Sandra to introduce.

MS SANDRA HALL

Good afternoon, I'm Ms. Sandra Hall I'm the Committee Secretary, and on my right is Ms. Angelic Appoo, she is the Committee Advisor, and on my left I have Mr. Marc Benstrong who is the Auditor General, and Mrs. Hoareau as the Audit Manager.

HON DAVID PIERRE

Thank you very much Sandra. Please kindly introduce yourself and this young lady over here.

MS PENNY BELMONT

I'm Penny Belmont. I'm the CEO for SENPA and Cecile is the Assistant Accountant for SENPA, Ms. Cecile Hoareau.

HON DAVID PIERRE

So, basically as I said, we are here today to ask questions so as to clarify issues with respect to two reports, 2009 and 2010 from the Auditor General and the Committee expects that anybody, any witness to speak the truth and nothing but the truth and everything that is said here remains for the consumption of our Committee. Thank you very much. I would now give the floor to Hon. De Commarmond as I believe he's got a very important question to ask.

HON CHARLES DE COMMARMOND

Thank you Mr. Chair. Straight to the point, in the report of the Auditor General 2010 on page 19 and it goes onto page 20, part 8. You see that the same situation that has happened in past year I mean in 2009 is being repeated and in fact the point is that in the last sentence it says: 'Management should pay attention to the matter with a view to clear the backlog of annual accounts for the years 2008, 2009, 2010, and probably 11 as well, because now it's the time for 11, within that reasonable time frame. We know that you were not there as the CEO at that time, but you have to answer those questions to give us some explanations; why really

SENPA has not managed to produce their accounts for all those years?

MS PENNY BELMONT

Ok. Thank you for the chance to come and represent SENPA. What I can say, when I joined SENPA three months ago and I was trying to understand the whole way, the Accounts section, the Management section was working I've realised that we have a little set-back in certain things and resources as well and all that. And one reason was I was requesting for us to get more support where our accounts system is concerned, on our Management team as well and BDOs and all that. We have some set-back where accounts is concerned because there was somebody else who was working in that Accounts section before and the report that was supposed to be submitted was not submitted and they were having some issues on 2008 and 9 and 10. But what I've done, I've met with Mr. Benstrong and I've asked for help so that we can clear the backlog of all these accounts problem that we were having, and also I've asked help to just show me if I'm on the right track, what I'm doing is on the right way or not. This is what I can say for now but I cannot account for the past even though I'm trying to clear it up.

HON DAVID PIERRE

So, you have requested a meeting with Mr. Benstrong?

MS PENNY BELMONT

I've already met with him.

HON CHARLES DE COMMARMOND

At least that's very good.

HON DAVID PIERRE

Yeah, but let Mr. Benstrong ...

MR MARC BENSTRONG

Yes Mr. Chair we met last week and we discussed the backlog of the annual accounts and I said I will see, I will try to gather the necessary

resources so that we can clear the backlog. But at that time my Audit Manager was in a training workshop, so now I need to sit down with my Audit Manager to see how we can assist SENPA including the three year backlog of annual accounts.

HON DAVID PIERRE

Thank you so very much. In your answer you've stated very clearly that you have a lack of resources within SENPA. What are you doing about it?

MS PENNY BELMONT

Let me give you a specific example. I have 5 BDOs, Business Development Officers that are supposed to advise people on your account, on how to run your business and give you a little advice. We have 25 districts. So basically before that, one person was representing like 7, 6 districts. Now I have 3 people who are either on sick leave, maternity leave, one is on training. I have two people running 25 district so one person is covering 12 to 13 districts. And per district we have about 170 to 175 small businesses. It's not easy. This is one. They have to do all the data collecting, they have to see all these people and advise them about their business, their cash flow, how to do things. They have to report to the HR, they have to report to the Accounts section which I can't. And right now I'm using the Accounts Assistant that I have which is two; Cecile and Karen in Revenue, to do all the bits and pieces. So my Accounts is having problem because I don't have somebody else to overlook. They are both Assistant, they are not up to the level of an Accountant to try and clear everything up.

HON DAVID PIERRE

Obviously you cannot continue like this, so what's your plan?

MS PENNY BELMONT

What I've done, I've met with DPA, I've set up appointments with DPA, I've

tried to get post that was freeze before last year so that they can unblock it so that I can use. I've met with Ministry of Finance, I've written letters asking for the five post for me to be able to clear the backlog and to do the work properly. I haven't gotten anything until today.

HON DAVID PIERRE

Still pushing?

MS PENNY BELMONT

I'm pushing, everyday.

HON DAVID PIERRE

Ok, Hon. Pillay.

HON SEBASTIEN PILLAY

Thank you, good afternoon CEO, good afternoon Ms. Hoareau. I just wanted to clarify something. You have two Accounts Assistant currently?

MS PENNY BELMONT

Yes.

HON SEBASTIEN PILLAY

You don't have an Accountant? But you've made a request to Finance so that you can have an Accountant.

MS PENNY BELMONT

Yes.

HON SEBASTIEN PILLAY

And the post was frozen, the post of the Accountant or was it there or you created a new post?

MS PENNY BELMONT

No, it was never there. But when I got to SENPA and I've realised the situation that they are in, you know we have two shops, one in Camion Hall and one at the Airport. And we also have revenues coming in from people paying rent and all that, and you can see from the report of 2008 a lot of people that was supposed to pay rent hasn't been paying. Ok, we have people 2 years, 3 years, it's now that they are running to pay after I went to see them personally telling them I'm

giving 3 months to go out of their workshop or anything you know. I don't have these people, I don't have anybody to overlook, oversight the Accounts Section and all that. I need resources, I need people to work. Before, we had 70% of people in Government or Civil servant and 30% was small business. Now it's changing, SMEs is getting more, 70% of the population is going to small business so we need more resources to be able to help these people, to cater for them. People are asking for loans, people are setting up businesses. We need people to be able to help these people out. Last year we had and it has been cut down to 15 staff I think, either post has been frozen or we don't have the money to pay them and all that. We need resources.

HON SEBASTIEN PILLAY

Let's go back to the issue of the Accountant and the revenue generation at SENPA, specifically talking about the rent, the sales and the shops and commissions for artisans that bring all the product to you for you to sell through your outlets. In the absence of an Accountant, what kind of system have you put in place to ensure that sales of curios, crafts and even the rents, including compliance mechanisms, what have you done to ensure that now you can have your hand on the issue of revenue collection and you can be sure that this month for example, this is the revenue SENPA will collect and this was the revenue that SENPA has to collect, because listening to what has been said it seems that in the past few years it will be difficult then to qualify whether or not SENPA was collecting or generating the kind of revenue it should have in relation to the difficulty of maintaining or managing the accounts?

MS PENNY BELMONT

The way things were being done before when I came to SENPA, I'm not an Accountant but there are certain simple things like the way I run my house, I pay my bills, I make sure that there's money for it. This is what I've tried to do. We have three people now; one is responsible only for the shop, collecting, imputing in the data and paying the artisan. This person is specific only for the shop, she doesn't get involved in anything else. The only thing I need to see at the end of the month, how many has been put in the shop, how many has been sold, what are the percentage, what is the salary that the staff is getting, what are we paying for the bills and everything ensuring that this is in order. The second one is responsible for revenue only, the collecting of rent and everything, who is not paying every month, actually every Friday everybody gives me the list who has been coming in, who hasn't, if you have rent more than 3 months what do we do about it. Seeing these people, calling them, sending them letters, we've changed our lawyer so that the person who is doing it now is more up-to-date with things and ensuring that people are taking their responsibility. And then we have Cecile who is just doing the day-to-day LPOs, Management, HR, everything that goes in the office, the payment ensuring that all the bills are paid. So it's 3 different sections. Something else, we used to have different accounts, an account in Barclays bank whereby whenever the money from sales used to go to Barclays bank and then from Barclays, the CEO that was there before writes a letter to Barclays telling them to send it to Treasury and things like that. Me I don't understand all these things. When I came I said there's only one account that it goes into, that's Treasury, the money comes out of Treasury and it goes in there. I don't understand about sending it to this one, and this one, no. You go to one, the payment

comes out from there, the payment goes in it. So now everything goes into Treasury. I don't understand anything else. We pay to Treasury, the money comes from there, it's printed out, we check, this one and this one yes, that's what I understand. Black and white, not rainbow colours.

HON DAVID PIERRE

What mechanisms or what procedures, laid down procedures are there with respect to dealing with people who are not paying their rents? Why do you allow somebody to forfeit their rent for 3 months and more?

MS PENNY BELMONT

I don't understand, just like you. Before I can't account for it but I can tell you for now. There are different reasons, a lot of them have not been paying, when you went to see them "Oh I had some problems, I was paying in Barclays bank and not paying this one". And I said to somebody, 'how can you pay Barclays and not pay SENPA?'

HON DAVID PIERRE

SENPA should be priority.

MS PENNY BELMONT

Exactly. I should be your priority, I don't care if you have another one. But it is changing now, everybody is running to pay. I've had people who owed R20,000, R30,000, they've come back. They are paying. I don't have much problem. In fact we've been able to collect for the past 3 months more than before even maybe they say I'm a little bit pushy and all that but I have to get it in. And I've also sent a request asking for rent review. We have to change that because some places they are paying the rent for R700 per month and people are not paying. R700 rupees per month and they are not paying.

HON DAVID PIERRE

So you want to increase the rent?

MS PENNY BELMONT

Yes. I think sometimes when you give people more they will run, you keep giving them they say, "Ah it's ok R700 I don't need to pay".

HON DAVID PIERRE

Do you have a lot of people on the waiting list?

MS PENNY BELMONT

For places? Workshop? Oh yes, a lot. I need places. In fact I think it's one of the request I should put across. I need more land, I need workshop, I need shops for my SMEs, we need to help them out, I'm sorry.

HON DAVID PIERRE

Hon. Arnephy.

HON BERNARD ARNEPHY

Based on the you have started to carry out, how many people are not abiding to paying their rents and paying their loans and all that?

MS PENNY BELMONT

For the loans they go directly to CCA, they don't come to us anymore, so it's more on the rent. At least the last month, about 16 to 18 of them. But the problem is we had people who were renting a place since 2005, 2006, they are still dragging and when I went to see them they said "Oh we didn't know that we owe SENPA". They didn't know that they owe SENPA. I don't know why these people was not informed that they owe, that they need to pay, I don't know but I'm trying to get everybody to take their responsibility. That's what I'm doing.

HON DAVID PIERRE

Can you send us copies of the list that you're talking about?

MS PENNY BELMONT

The list of people who still owes more than 3 months, is it? Ok.

HON DAVID PIERRE

Send us the whole list. A month, 2 months, 3 months, please.

MS PENNY BELMONT

Ok.

HON DAVID PIERRE

Thank you. Within a week please.

MS PENNY BELMONT

We send it email or hard copy?

HON DAVID PIERRE

Email please.

MS PENNY BELMONT

Ok, we'll do that.

HON DAVID PIERRE

Hon. Volcere.

HON MARC VOLCERE

I was going to ask if you have contract on this agreement related with the SMEs, because like you mentioned some didn't know if they owe you or they have to pay. You have signed contracts or?

MS PENNY BELMONT

This is what I said, when I joined SENPA there was one lawyer that was dealing with the case. Basically, what should have happened, somebody who doesn't pay their rent for more than 3 months, the lawyer is supposed to send them a letter telling you "you owe more than 3 months", or we do it friendly first. My Accountant will talk to you and say you owe more than 3 months, you need to clear your debt or something like that and talk to you. You say "Oh, I'm having some drawbacks, I'll come. The ... I'll pay for this month and then I'll pay for the other 2 months". It's ok. But the lawyer should have been taking it up, making sure that everything is up-to-date. You've been sent your warning letter and the case has been taken to court, in your contract at the back it says if you don't pay your rent or if there is any misconduct or anything we can terminate your contract with 3

months notice, but nothing has been done.

HON DAVID PIERRE

Lawyer was paid?

MS PENNY BELMONT

The lawyer is being paid every month, I've stopped paying him.

HON DAVID PIERRE

He was paid how much?

MS PENNY BELMONT

It depends. There's one, last one is R12,000 something for 3 months. I'm sorry, I've stopped paying him. I've taken a new lawyer and this one she sits with me until night. We are preparing all the letters for everybody. They may think I'm mean, but ...

HON DAVID PIERRE

Hon. Pillay.

HON SEBASTIEN PILLAY

Thank you Ms. Belmont to be very forthcoming. My next question concerns your assets. Does SENPA has what you might describe as a fixed asset register whereby you've done a stock-take or an inventory of all the buildings, the rentals, the properties which you have under, even the land leases that you have under SENPA's control so that that will give you a picture of the net worth of SENPA first of all? And then the second thing, do you have instances whereby anyone has sub-leased more rather a workshop where they actually rented out initially but then sub-lease this out at the higher amount to somebody else and then only paying you the measly R700, because in most other places the rents go up to R4000, R5000? I understand the goal of SENPA and SMEs, but do you have ...?

MS PENNY BELMONT

Yes, we had one case at Plaisance actually, we have a workshop there. One guy was renting the workshop

from us and then renting out to somebody else. The minute I found out I went there and I cancelled both of them.

HON SEBASTIEN PILLAY

How much was he renting it out?

MS PENNY BELMONT

He was paying us R5000 and he renting that guy the one room R4000 and he was paying only the difference of R1000. And I don't tolerate that.

HON SEBASTIEN PILLAY

And what about the fixed assets, do you have a register?

MS PENNY BELMONT

We did not before, we just started doing the data.

HON SEBASTIEN PILLAY

And when will that be completed?

MS PENNY BELMONT

For the assets like the land that we have I can tell, I can send you. We don't have much but whatever we have I can send you. But we've also been identifying that we can use and submitting to the Government and I think this is where the Assembly can play a good role in trying to get it for us, that within its potential that we can use for the product and things like that to help the SMEs. We are in the process of doing that now.

HON SEBASTIEN PILLAY

Ok, but what is for example the property at Union Valle, that's SENPA's right?

MS PENNY BELMONT

Yes, the workshop.

HON SEBASTIEN PILLAY

The whole thing, the workshop, and on Praslin, there's one as well?

MS PENNY BELMONT

Non, we are supposed to get at *Kap Sanmi* but they haven't given it to us yet.

HON MARC VOLCERE

That's for Pension Fund?

MS PENNY BELMONT

Yes, we are paying Pension Fund a lot of money.

HON. SEBASTIEN PILLAY

And you've looked into that issue?

MS. PENNY BELMONT

Yes, and there's one issue that we have, it's a big issue. We have, we rent somewhere, like Port Glaud for example, it's not for SENPA it's for Pension Fund. We pay Pension Fund say for example one little room R4000 and then we have to rent it out to one SME R1500 because they can't pay the R4000.

HON DAVID PIERRE

But this is not good business.

MS PENNY BELMONT

Of course, when I've said that I've said for me it's better I give it back to Pension Fund and they go and rent it with Pension Fund. We have this problem, we have the same problem at Providence

HON DAVID PIERRE

Before you raise the rent, are you discussing the matter with the tenant?

MS PENNY BELMONT

What has been happening I came to it like that; I haven't had anything new. The only thing I've been doing is I've been meeting with the tenant one to one giving them the real scenario how much their rent is and telling them this is how much you are supposed to pay.

HON DAVID PIERRE

So, basically you are doing it?

MS PENNY BELMONT

I'm doing it, I don't have much choice. They complaint and they say they'll go further up and all that. I don't have a choice, they have to because at the end of the month I see most of the money going into Pension Fund, paying rent, I'm subsidising.

HON DAVID PIERRE

But how do you subsidise those? I mean paying R4000 and getting R1500. There's a difference of R2500.

MS PENNY BELMONT

It's from the budget that we have. We have the national budget, what we have, we pay.

HON DAVID PIERRE

But basically you're giving out money at the rate of R2500?

MS PENNY BELMONT

It's not giving out money, you know, basically we should be having an incubator where we help people to start up their business, starting up and then moving out on themselves, spread their wings. But the problem, you start the incubation period which is supposed to be 6 months and one year, it goes up to 10 years, that person is still there. And you are still paying for the bill for that person. Which is different but we are trying to change it.

HON DAVID PIERRE

But how do you evaluate? Or do you evaluate whether a business is making profit, what kind of profit that a particular business is making?

MS PENNY BELMONT

The little I know about business, when I came to SENPA I asked all these questions that you are asking as well. So what I've been trying to do, I've been meeting up with Revenue, with all these people concerned trying to get a link with all my business people that are running business with me to know how to help them out. If,

like I said to somebody, you've been running a business for 10 years and you don't see yourself making profit and you can't pay your rent you might as well leave and go and get a job. You understand my point? So, that is the line we are trying to take, but believe me getting people to take responsibility when they've been giving, getting, just taking it easy it's different. But I have to say there's a big change, there's a big change in paying out their rent, taking responsibility, we've been doing

HON DAVID PIERRE

Hopefully this will be reflected in future reports by the Auditor General.

HON BERNARD ARNEPHY

Maybe one last question Mr. Chair, in their rent agreement for instance, once they've passed the incubation period, through your monitoring system wouldn't you be able to determine whether the business is profitable or not and that they have to adjust the amount they have to pay. Do you have a clause somewhere which ...?

MS PENNY BELMONT

No, before there was none, it's now that we are trying to, try and get this thing going.

HON DAVID PIERRE

One last question, all contracts are in order?

MS PENNY BELMONT

All contracts, yes. Except there are some people now since I haven't signed the one that's supposed to renew I haven't signed any new contracts. The reason why ...

HON DAVID PIERRE

They are there doing business without a contract?

MS PENNY BELMONT

No, but we've met one to one with them and I've explained to them why,

because we are in the processing of reviewing. If for example you've been paying R2000 for a workshop all these years and your business is profitable, I don't see why you should be paying R2000, you can start paying your R4000 or paying directly to Pension Fund.

HON DAVID PIERRE

So you're drafting new contracts?

MS PENNY BELMONT

Yes.

HON DAVID PIERRE

When will does contracts be ready? If they are occupying space from SENPA they should have a contract.

MS PENNY BELMONT

Yes. There are certain decisions I cannot take myself as CEO, I have to send it up. Like the rent, going up of the rent or coming down of, moving that person to another place and getting this place for another SME, I have to ... it down everything and send it to my Board and then my Board, I'll have to take it to Cabinet.

HON DAVID PIERRE

But in the meantime wouldn't it be appropriate for you to keep the previous contract and then issue a new one when it's really ready, or you leave them on that contract until the new one is ready and then issue the new contract? What are ...?

MR MARC BENSTRONG

I think Mr. Chair, perhaps if she has an idea when the new contracts will be ready then they can extend the contract.

MS PENNY BELMONT

Yes, but what we've done we've basically extend most, I think there's only 3 or 4 people that their contracts were supposed to finish this July say for example we've extended up to September until we get everything, yes. But we have not given anybody

new contracts for 2 years because it is more difficult for you to tell somebody after giving her new contract, “oh, I’m bringing up the rent” or something like that.

HON DAVID PIERRE

Ok. If there are no further questions, it remains for me on behalf of the Committee to thank you very much and Ms. Cecile. We appreciate kindly for and we wish you good luck.

MS. PENNY BELMONT

Thank you so much.