

**Control Issues ( Municipal Councils - 2014 Auditor General's Report )**

Ref	Issues	Status Update
<b>8.1</b>	<b>Audit Opinion 2010</b>	
<b>1</b>	A variance of \$401,275 was noted between the audited closing balance for the year 2009 and the Council's opening balance for the year 2010 in the Investment Property Account. The Council did not provide any reason for the change in the opening balance. As a result the closing balance for Investment Property Account was understated by the same amount for the year ended 31 December 2010.	The variance of \$401K was relating to accumulated depreciation amount for Investment property. Its closing balance as at December 2009 was \$4,944,675 while opening balance for 2010 was \$4,543,400. Upon reconciliation of this account it was found out that the opening balance of \$4,543,400 is the correct value and there was an error in the 2009 closing amount. Please note that this was due to a reclassification entry of fixed asset of \$572,625 which was shown on note 11 of the 2010 financial statement. Infact \$401,275 of this amount should have been reclassified under investment property in 2009. Also note that the overall Fixed asset value for 2009 financials were matching with the 2009 general ledger balance.
<b>2</b>	The Council included an adjustment of \$437,479 in the Statement of Movement in Funds as "Effect of Change in Previous Years" which reduced the total Municipal Council's Fund balance by the same amount. The Council did not have any supporting document relating to this adjustment which was used to balance the account. As a result the audit was not able to ascertain the accuracy of the Municipal Council Fund balance.	The Municipal Council fund balance amount should only have the surplus / deficit derived from the years operation and no other adjustment. The adjustment of \$437,479, should not be passed in the municipal fund account and it was proposed to the audit team to reverse this entry.
<b>3</b>	The Council recorded Administration and Operating Costs of \$6,760, 172 in the Statement of Comprehensive Income. However the Council had Administration and Operating Costs balance of \$8,753,734 in the general ledger. A variance of \$1,993,562 was noted between the two records. The Council did not provide any explanation for the variance. As a result the audit was not able to ascertain the accuracy of the Administration and Operating Costs recorded in the Statement of Comprehensive Income.	The trial balance for 2010 were derived from the general ledger and this was used to prepare the annual financials statements. Overall there was no significant variance between the audited 2010 Financial Statement with the 2010 General Ledger. The issue was the classification of the expenses between the administrative and operating cost and the user maintenance cost. A reconciliation of 2010 general ledger with 2010 Audited Financial Statement was forwarded to the external auditors when they conducted the 2011 audit.
<b>4</b>	The Council had Trade and Other Receivables balance of \$6,785,880 as stated in Note 6. The audit was not able to verify existence, completeness and accuracy of debtors balance amounting to \$1,948,287 which comprised of business license, bus debtors, engineering debtors, health debtors, staff debtors, parking meter debtors as subsidiary listings for these debtors were not provided by the Council. As a result the audit was not able to ascertain whether Trade and Other Receivables balance of \$6, 785,880 in Note 6 are fairly stated.	Our billing software, Property Wise & accounting software Navision both can generate aging report which gives breakdown of amount via individual debtor for business license, bus debtors, engineering debtors, health debtors, staff debtors & parking meter debtors. For 2010 these reports can be provided.
<b>5</b>	The Council had Inventories balance of \$466,636 as stated in Note 5. The audit was not able to verify the existence and valuation of the Inventory as no stocktake was carried out by the Council. As a result the audit was not able to ascertain whether the Inventory balance of \$466,636 is fairly stated in the Statement of Financial Position.	Agreed that no stocktake for 2010 was conducted. However note that going forward, the Council had conducted annual stocktake of all its inventories. This is usually done at year end in December and an invitation is also send to the Auditor General's office to be present at various stock take and cash venues for verification. A subsidiary listing for Inventory is also available in Navision which states the item No, Item description, base unit, quantity and value.
<b>6</b>	The Council made adjustments of \$16,229,810 to Investment Property balance. As a result the Investment Property balance decreased to \$11,457,774. The Council did not provide details of this adjustment. The audit was not able to substantiate the correctness of Investment Properties balance totalling \$11,457,774 stated in the Statement of Financial Position.	The adjustment of \$16,229,810 was done to reflect the balance of investment property which was at that time grouped under Building & work in progress code. A breakdown of investment property listing of \$16 milion was provided to the auditors in 2011 accounts for verification.
<b>7</b>	The Council was not able to provide details of Accruals of \$2,416,194 (included in Trade and Other Payables) and Sundry Deposits of \$1,416,115. As a result the audit was not able to verify existence, completeness and accuracy of Trade and Other Payables balance of \$3,080,440 and the Sundry Deposits of \$1,416,115 stated in the Statement Financial Position.	There is individual listing available for all the sundry deposit amounts (Tender, library, performance bond, hall hire, tenancy, building & others) as well as breakdown of accrued expenses.

8	The Council had a VAT Receivable balance of \$934,211 which was netted off against Accounts Payables. This is a departure from International Accounting Standard I section 32 which states that assets and liabilities, and income and expenses, shall not be offset unless required or permitted by a standard or an interpretation.	Noted. The 2010 vat receivable should have been classified under receivables rather than payables. For 2011, there was a vat payable situation thus this was classified under payables .
9	The Council recorded Interest on Overdue Rates totalling \$1,772,541 in the General Rate Fund - Operating Statements. The details of the Interest on Overdue Rates are maintained in Property Wise System. The audit was not able to trace Interest on Overdue Rates details from Property Wise System to the Navision Accounting System which maintains Council accounting records. As a result the audit was not able to ascertain whether the Interest on Overdue Rates totalling \$1,772,541 have been accurately accounted for and disclosed in the financial statements.	Our billing system, Property wise can generate a rates interest report which provides a list of all Interest charged on individual ratepayer. The Interest charged in 2010 for Propertywise was \$1,903,291. The variance of \$130,751 consist mainly of interest adjustment of \$22K not taken into account in the propertywise report & year end interest charged of \$113K which was not stated in the interest general ledger account.
10	The Council did not provide payment vouchers and appropriate supporting documents totalling \$1,237,597 for the year ended 31 December 2010 for audit verification. As a result the audit was not able to ascertain whether the expenses totalling \$ 19,021,410 have been accurately accounted for and disclosed in the financial statements for the year ended 31 December 2010.	All cheques made by the council have proper payments vouchers ( ie Invoices, approvals, purchase orders, remittance advice, cheque details, signatories etc) as without these documents the cheque cannot be prepared and dispatched. Once cheque is dispatched, the payment voucher is filed in the treasury departmen( filed via cheque number). Previously many cheques were kept in the payroll department ( mainly payroll related vouchers), some were used by internal audit department & some by officers who were doing reconciliation & these were the ones which could not be provided to auditors for audit verification. Now all cheques are stored with the Treasury department and they keep a dispatch book whereby any payment voucher which is taken is recorded and is signed again when it is returned.
8.6	Incorrect Opening Balances	With regards to 2009 depreaciation for aid granted assets, the value posted in general ledger was \$26,394 and not \$57,527. Likewise the accumulated depreciation amount as at 2009 was \$1,208,401 and not \$1,177,268. As such there was no variance in the opening & closing value for aid granted asset. Please note that note 11 of 2010 Financial statements was incorrectly stated. With regards to the investment property the variance of \$401,275 was relating to its accumulated depreciation amount. Its closing balance as at December 2009 was \$4,944,675 while opening balance for 2010 was \$4,543,400. Upon reconciliation of this account it was found out that the opening balance of \$4,543,400 is the correct value and there was an error in the 2009 closing amount. This was due to a reclassification entry of fixed asset of \$572,625 which was shown on note 11 of the 2010 financial statement. Infact \$401,275 of this amount should have been reclassified under investment property in 2009. Also note that the overrall Fixed asset value for 2009 financials was matching with the 2009 general ledger balance.
8.7	Balancing Figure in Statement of Movement in Funds	The Municipal Council fund balance amount should only have the suplus / deficit derived from the years operation and no other adjustment. The adjustment of \$437,479, should not be passed in the municipal fund account and it was proposed to the audit team to reverse this entry.
8.8	Amounts posted Manually in the Financial Statements	The trial balance for 2010 were derived from the General Ledger and this was used to prepare the annual financials statements. Overall there was no significant variance in the audited 2010 Financial Statement with the 2010 General Ledger. The issue was the classification of the expenses which were incorrectly grouped between the administrative and operating cost and the user maintenance cost. A reconciliation of 2010 GL with 2010 Audited Financial Statement was forwarded to the external auditors when they conducted the 2011 audit.
8.9	Cash Flow Statement	A cash flow statement worksheet had been designed for 2011 accounts (with comparative 2010 figures) which links with the statement of comprehensive income & statement of financial position. It takes into account their movement, the non cash adjustments and classifies it into operating, investing and financing activity. Furthermore a detailed reconciliation of net cash of operating activities was also prepared.

<b>8.10</b>	Variance between amounts in Trial Balance and the Financial Statements	The trial balance for 2010 were derived from the general ledger and this was used to prepare the annual financials statements. Overall there was no significant variance between the audited 2010 Financial Statement with the 2010 General Ledger. The issue was the classification of the expenses between the administrative and operating cost and the user maintenance cost. A reconciliation of 2010 general ledger with 2010 Audited Financial Statement was forwarded to the external auditors when they conducted the 2011 audit. Note that in totality the statement of comprehensive income & statement of financial position is reconciling. The variance is mainly related to prior years posting which have not been closed and transferred to retained profits. Also the trial balance amount includes the parking meter balances which in financial statement is classified separately under note 2.
<b>8.11</b>	Cash at Bank	Bank reconciliations are performed daily for main account. The integration between Property Wise (Subsidiary Ledger) and Navision (General ledger) is processed through cash receipts journal interface. This includes all adjustments, invoices and cash receipts. Monthly records of all receipts are available via cashier summaries which totals to all Property Wise receipts batches. This can be compared to main account through bank reconciliations. Proper bank reconciliations for year 2010 were provided to the auditors.
<b>8.12</b>	Trade Receivables	Our billing software, Property Wise & accounting software Navision both can generate aging report which gives breakdown via individual debtor for bus debtors, rental debtors, engineering debtors, health debtors, staff debtor, parking meter debtors & business licensed debtors. For our 2011 audit, a full aging report was provided to the auditors which matched with the General Ledger balance. The same can be generated for 2010 balances.
<b>8.13</b>	Rates Arrears Write - Off	Please note that the write offs done in 2010 of \$219K was not relating to cases of hardship and as such no approval was taken from the Minister for Local Government. The write off was due to incorrect billing done by SCC ie property was billed under SCC when it should be exempted from billing. There were also cases where the property was subdivided but not in the valuation roll ie for 2005 - 2012 and as such the billing was reversed.
<b>8.14</b>	Doubtful Debts	The council had implemented a doubtful debt policy in August 2016 on how to account for provision for doubtful debts for each class of trade receivable. Generally for Navision debtors, the provision for doubtful debts is debtors who owe debt more than 120 days whilst for property wise the provision for doubtful debt is debtors who owe debt more than one year. The doubtful debt balance in 2011 audit was justified by individual listing of debtors which was provided to the auditors. Also note that for provision for doubtful debt, there is no approval required from the Minister of Local Government. Only ,in case of hardship, the Minister can write off debts under the Local Government Act , Cap 125, section 80.
<b>8.15</b>	Anomalies in Property, Plant and Equipment	Whist there was no supporting provided for 2010 additions & disposal, do note that for 2011 accounts, a full FAR schedule was made where the additions were identified and relevant supportings were given to the auditors for verification. With regards to Leasehold land, a leasehold schedule is maintained by the Council which lists the lease no, title no, lease location, term of lease and the annual rent. In 2011 accounts, this list was provided to the auditors and a disclosure note was stated in draft 2011 Financial Statements on operating lease payments . In regards to the adjustments of \$729K, majority of this was related to movement in Work in progress and this was passed to record closure of projects and account for fixed asset.
<b>8.16</b>	Variances between the general ledger (GL) and fixed asset register (FAR)	The reason for the variances was that the FAR was not updated on a timely basis and was also done manually. There is a FAR subsidiary module available in our accounting system but no reconciliation was carried out between the subsidiary & control accounts. Note in 2011 accounts, the FAR subsidiary and control account was fully reconciled and was submitted to the auditors for verification.

<b>8.17</b>	Investment Properties	The adjustment of \$16,229,810 was done to reflect the balance of investment property which was at that time grouped under Building & work in progress code. A breakdown of investment property listing of \$16 million was provided to the auditors in 2011 accounts for verification.
<b>8.18</b>	Annual Board of Survey	The council has planned to have an annual board of survey in November 2017 which would address all the categories of property plant & equipment. The team would comprise of internal auditor, budget officer and management accountant. They would assess whether the assets are in working condition or not, whether assets are obsolete or unserviceable, whether the general ledger balances are stating the correct assets and whether there are assets which are not taken into account in the FAR.
<b>8.19</b>	Physical Stock Count not carried out	Agreed that no stocktake for 2010 was conducted. However note that going forward, the Council had conducted annual stocktake of all its inventories. This is usually done at year end in December and an invitation is also sent to the Auditor General's office to be present at various stock take and cash venues for verification. A subsidiary listing for Inventory is also available in Navision which states the item No, Item description, base unit, quantity and value.
<b>8.20</b>	Discrepancies in Accruals	There is detail listing available for accrued expenses of \$2.4 million. Majority of accruals were relating to purchase order commitments and provision for vat accrual. As for vat, the 2010 vat receivable should have been classified under receivables rather than payables. For 2011, there is a vat payable situation thus was classified under payables.
<b>8.21</b>	No records provided by Council for Sundry deposits	There is individual listing available for all the sundry deposit amounts (tender, library, performance bond, hall hire, tenancy, building & others). The list states the date of payment, receipt number, amount paid and the name of person / company who deposited the money. The refundable deposit bank account was opened on 12/01/2005. All refundable deposits received after this was banked in the specific refund account. Any refunds prior to this were deposited in the main account hence main account is used to process any refund relating to years prior to 2005.
<b>8.22</b>	Anomalies in Lease Liability	The lease liability loan was fully paid off in 2011, and this can be verified by the bank audit confirmation & their statement. The amount of \$130,667 stated by Westpac in 2010 was incorrect. This can be verified with their account statement balance which shows that SCC owed only \$53K for lease 9801401333 & \$9.8K for lease 9801773913 as at December 2010.
<b>8.23</b>	Liabilities and expenses understated by the Council	Noted. We are currently reconciling the creditors statement with the General ledger whenever we make payments and a year end creditor statement reconciliation is also carried out to book the actual liability.
<b>8.24</b>	Held to Maturity Investment	Point noted. All future short term deposit are only made once approval is granted from the Minister of Local Government. The Interest revenue for term deposit was high than the term deposit statements in 2010 as it also accounted for 2009 interest which was not accrued in 2009 financial year. Also there was term deposit revenue of \$65K of Westpac which was placed in 2010 & matured in the same year which was not accounted in the auditors report.
<b>8.25</b>	Interest on Overdue Rates	Our billing system, Property wise can generate a rates interest report which provides a list of all Interest charged on individual ratepayer. The Interest charged in 2010 for Propertywise was \$1,903,291. The variance of \$130,751 consist mainly of interest adjustment of \$22K not taken into account in the propertywise report & year end interest charged of \$113K which was not stated in the interest general ledger account.
<b>8.26</b>	Variance in Business License levy	Do note that the business license billing of \$1.4m was also accounted in business license revenue code. The difference of \$317K between the billed amount & the revenue code mainly relates to the business license adjustments ( business closure, prorata billing) which was passed in the revenue code & the vat journal as business license revenue is recorded at VEP price. In reconciling the billing amount to revenue code it is vital to take into account the journals as well as this affects both the debtors code and the revenue code.

<b>8.27</b>	Property Valuation	Revaluations are carried out every six years. We have also made submission to the Ministry of Local Government to conduct valuation for 2018 and are awaiting their final approval. There is a report available in our general ledger which gives listing of properties which are either subdivided or amalgamated. In year 2010, three properties were subdivided & one property was amalgamated.
<b>8.28</b>	Anomalies in Rates Charged	The Council can generate report on UCV from our billing system. As such, the 2010 reconciliation has been generated and reconciled to the general ledger balance.
<b>8.29</b>	Poor Maintenance of Accounting Records	All cheques made by the council have proper payments vouchers ( ie Invoices, approvals, purchase orders, remittance advice, cheque details, signatories etc) as without these documents the cheque cannot be prepared and dispatched. Once cheque is dispatched, the payment voucher is filed in the treasury department( filed via cheque number). Previously many cheques were kept in the payroll department ( mainly payroll related vouchers), some were used by internal audit department & some by officers who were doing reconciliation & these were the ones which could not be provided to auditors for audit verification. Now all cheques are stored with the Treasury department and they keep a dispatch book whereby any payment voucher which is taken is recorded and is signed again when it is returned.
<b>8.30</b>	Construction of Kiosk at the Suva Bus Stand	The contract between Sun Maintenance Works & SCC did have a commencement and completion date. Clause 65 of the contract states that "this agreement shall become effective upon execution" which was on the 3rd of December 2010. Clause 6 of the agreement specifies the completion date, which states that "the due date of the said works is ten weeks from the date of execution of this agreement" which was 11th of February 2011. With regards to certificate of tax exemption, the treasury department was maintaining a tax exemption listing whereby a list of all contractors was compiled with their COE expiry date. Whenever the payment of the contractor was made, a copy of tax exemption certificate was attached. If the COE had expired then the contractor was advised accordingly to submit a new certificate or else the provisional tax was deducted. In Sun Maintenance Works case, they had a valid COE which was issued on 4th of April 2011 by FIRCA and had validity till 30th of September 2011. As such no provisional tax was deducted for Sun Maintenance Works.
<b>8.31</b>	Civic Tower Repainting	Gunac South Pacific Ltd did have public liability & workers compensation insurance policy cover and these were provided to SCC when they submitted their tender on 19th May 2010. Whilst the Council did not take bond amounting to \$7,675 from Gunac, we were withholding 10% of the contractors payment every time they were paid. The total retension amount was paid after the period of defect liability which was 24 weeks from the completion of work. The retension amount paid was \$7,267.52 on the 2nd of November 2011.
<b>8.32</b>	Repair and painting of Suva olympic pool	Gunac did provide valid public liability insurance cover of sum insured of \$1,000,000. Whilst the Council did not take bond amounting to \$1,875 from Gunac, we were withholding 10% of the contractors payment every time they were paid. There was total of four payment made to Gunac of which the final payment was for the retension amount. Their retension value was \$3,750 which was paid on 24th of December 2010 (Cheque No 919).
<b>8.33</b>	Refurbishment of Suva Civic Centre	The tender deposit amount for roofing refurbishment was \$1,000 and Council did not accept tender from bidders who did not pay the correct tender amount. In case for Gunac South Pacific Ltd, they made two separate bank cheques, one of \$200 (bank chq no 29785, receipt no 116921) & another of \$800 (bank chq no 29830, receipt no 116922), thus met our tender requirements. As for Rams Maintenance, the tender deposit amount given was \$200, and as such their tender was not accepted. With regards to bond sum, note that SCC did not take a bond but withheld a retension amount of 10% which amounted to \$19,047 and this was paid on the 3rd of December 2013, which was after the defects liability period of twelve months. Gunac had a valid workers compensation policy when they had submitted their tender.

8.34	Tender not called for contracts exceeding \$10,000	Our procurement policy is to call for tender for all purchases of goods or services exceeding \$10,000. In Metco Industrial Ltd case, the purchase was for a vacuum cleaner for Olympic Pool. SCC sent out invitations to seven pool services companies for quotes for pool vacuum cleaner of which five companies responded. A recommendation was put in Council infrastructure and works committee meeting held on the 27th of July 2010 to purchase the pool vacuum cleaner from Metco Industrial Pty Ltd. In this meeting the issue was raised that since the cost was in excess of \$20,000 a tender ought to be called. However the Special Administrator clarified that due to the urgency of the matter, he and CEO had agreed to award the purchase of Pool vacuum cleaner to Metco Industrial Pty Ltd via a flying minute. A flying minute was then prepared and signed on 29th of July 2010 by management & the special administrator, recommending the purchase of pool vacuum cleaner from Metco Industrial Pty Ltd. For Kidnet services, the payment was done on a month to month basis and did not go through the tender process. The Council will ensure that proper procurement process are followed at all times going forward.
8.35	Garbage and refuse collection, grass cutting and drain cleaning	No contractual agreements were made with the vendors for collecting refuse, garbage, grass cutting and drain cleaning as there was discussion ongoing on the establishment of a new entity, the Fiji Roads Authority who would be taking over the ownership of all roads, footpath, road reserves etc from all the municipal councils. As per the Fiji Gazette, the Fiji Roads Authority was established on 5th January 2012 whereby all the assets and liabilities in terms of all roads, footpath, road reserves, street lights etc was transferred to Fiji Roads Authority. Accordingly the Council continued to engage the contractors on a month to month basis awaiting the decision from FRA. Subsequently the FRA through a MOU that was finally signed on 16th January 2014, delegated the powers on the cleaning of streets, grass cutting and drain cleaning to Suva City Council. With regards to the estimated price range, note that there was a resolution passed in the Council meeting held on the 17th of May 2010 where a fixed sum contract was awarded to Raiwai Grantham Reform Youth (price confirmed was \$463,330), Namadai Methodist Church (price confirmed was \$249,090) & Nadave transport (price confirmed was \$337,620). As for Performance bond, note that there was cash bond paid by three vendors. Raiwai Grantham Youth Reform paid \$11,245 on 16/1/07, Namadai Methodist Church paid \$5,215 on 5/6/1995 and further \$1,810 on 31/3/05 and Ravens Contractors Ltd paid \$16,210 on 23/2/05. As for Nadave Transport, there was a bank guarantee arranged with Westpac Banking Corporation of \$9,522 on 4th of April 2005.
8.36	Purchase order issued after procurement of goods and services	The reason for issuing LPO after the completion of the works on street light maintenance is because the Council cannot predict how many street lights will require maintenance. As such our electrical overseer works closely with the contractor in identifying and verifying all works undertaken by the contractor on defective lights before raising the order for payment to the contractor. It should be noted that street light service is a demanding service by the ratepayers and Council is obliged to attend to fix the defective lights as soon as possible.

#### Performance Audit Report Volume 1 on Contractual Engagements by Municipal Councils

Ref	Issues	Status Update
	<b>Risk Assessment</b>	

1	All Councils should conduct continuous risk analysis and assessment throughout the contractual period in order to effectively manage the risks that arise.	Agree to comments by Auditor General that going forward Risk Management will be managed separately. In convectional Contracts this was not separately being factored into contract management but was mostly embedded in. This does not mean that we do not manage risks. Under the Agreements it is a prerequisite that each Contractor provides following Certificates of Insurance as a strategy to transfer greater percentage of the risk ie Performance Bond, Public Liability coverage & Workmen's compensation.Besides because Council is a public entity we have our own comprehensive Public Liability coverage with our Insurance Company. There is also a binding Contract Agreement agreed & signed by both parties in respect of the service contract. Basically in municipal service contracts the financial loss to Council is very minimal if any. There is no advance payment to contractors but paid on post service upon completion of a month's program of work, i.e. monthly payments upon verification of works performed as per program of works meaning if the works is not performed satisfactorily there is no payment.
<b>Key Elements of Contractual Engagements</b>		
<b>All Councils should:</b>		
2	Ensure that staffs involved in contractual works are adequately trained with the appropriate skills and basic knowledge of contractual engagements.	Agreed that training & up skilling of staff is an ongoing integral process of staff capacity development. Council will ensure all staff handling tender & procurement issues are well trained.
	Create contracts inventory to identify control management at the various levels of the contracts undertaken.	Agree Council to implement a central inventory/register system to identify control management at the various levels of contracts undertaken. Currently the registers are kept by Council's Central Registry Section and with respective Departments who administer various contracts for example Health Dept for City Cleaning Contracts, Engineering Dept for Building Services Contracts, etc. This will be centralized through an Inventory Register.
	Ensure independence and transparency in the allocation of tender. All Councils should ensure that the authorizing party making the decision of tender allocation does not entail all officers included as the members of the tender committee. The authorizing party should include : The Special Administrator; The head of the section whose services is required to be contracted; The head of the Finance section and Two representatives from the ratepayers.	Agreed to ensure independence and transparency in the allocation of tenders to include the inter-departmental key personnel's and representative of ratepayers wherever possible.
	Ensure that proper documentation is maintained to adequately reflect tender evaluations.	Documentation of tender evaluations are well maintained but improve upon where required. Current practice is all tender evaluation report with recommendation is forwarded to Ministry of Local Government for approval before tender is awarded.
	Ensure that key items specified in this report are integrated as part of their existing contractual agreement.	Key items from AOG's Report will be integrated in all new contracts
	Ensure that proper records are maintained to evidence activities relating to contractual works. Files should be appropriately numbered for ease of reference.	Will ensure proper records for evidence is maintained to adequately reflect tender evaluation. Files numbering system in place will be appropriately improved.
	Ensure that a contract inventory is maintained which should be entered into a register. The contracts must be classified in terms of contract type or nature, strategic importance, contract value, contract duration and contract complexity. The register should be updated on a regular basis as and when contracts expire or new contracts are entered into by the Council.	Contract inventory registers will be put in place.
	Ensure that stringent internal controls are in place on the payment of contractors. Payments made to contractors should be properly supported with relevant documentations. Proper documentation should be maintained to evidence payments made.	Stringent internal control on payment is in place but improved as necessary.
<b>Suva City Council should:</b>		

	<p>Improve its tender evaluation criteria and include other factors such as the experience of the contractor, contractor's capability and capacity and past performances in contracts with the Councils. A scaling system should be used to apply the criteria when evaluating tenders <i>[The issue pertaining to engagement of Constructive Builders as raised in this report is directly related to the weakness in the existing tender evaluation criteria]</i></p>	<p>Tender evaluation criteria has been improved upon. There is already a scaling point system in place for Service contracts which will be replicated in other building &amp; supplies contracts. Issue relating to Constructive Builders - The Contract Document was drawn exactly in line with other similar Contracts involving small building works and of course vetted by our City Solicitor. In this case the selection of Contractor was decided by the sponsors of the project being Embassy of Japan. This was for a small project \$24,000 worth of a small building shed to house Councils composting operations. This was 100% financed by the sponsor where Council did not have any say on choosing the suppliers/contractors. As such Council did not directly lose any funds when Contractor failed to complete the shed. However going forward Council will be vigilant on vetting the type of contractors selected by sponsoring agencies for Council projects.</p>
	<p>Ensure that its contractual agreements are appropriately divided into sections with proper headings.</p>	<p>Some contract agreements (service contracts) are already divided into sections &amp; headings. This will be replicated in all other Contract Agreement across.</p>
	<p>Improve its contractual agreements to address issues pertaining to payment of deposit as in the case of Constructive Builders.</p>	<p>We will incorporate payment of deposit into our tender document policy. Currently for service Contracts this is already factored in. It will be extended to all other contracts where applicable. For example in Building contracts there is 10% retention for every stage of payment. This will be changed from retention mode to upfront payment of deposit.</p>
<b>Managing Contractors Performance</b>		
	<b>All Councils should:</b>	
3	<p>Ensure that a monitoring policy is developed which should include monitoring of contractors' work. The policy should cover amongst other things requirements of documentation of monitoring activities. Such policy once developed and endorsed by management should be strictly complied with the Councils.</p>	<p>Currently there is a monitoring program in place for service contracts. These programs will be adopted as a monitoring policy by the Council to be applied across for all contract works as a monitoring policy.</p>
	<p>Ensure that an overall evaluation of a contractual arrangement is undertaken following expiration of the contract. A contract performance report should be prepared to detail the results of the evaluation.</p>	<p>Agreed that overall evaluation of contractual arrangement will be undertaken following expiration of the contracts.</p>
	<b>Suva City Council should:</b>	
	<p>Improve its contracts with contractors to include requirements on the frequency of inspection, the reporting arrangement and process to evaluate the contractor's performance.</p>	<p>Contractors performance monitoring - This is already factored into service contracts and will be extended to building contracts as applicable.</p>
	<p>Maintain a complaints register to record all complaints received in the provision of its services including services provided by contractors.</p>	<p>Maintain complaints register - Currently complaints register is maintained for service contracts. This will be replicated across other contracts like building services.</p>