

SECTION 5 - BA TOWN COUNCIL
PUBLIC ACCOUNTS COMMITTEE

PART A – FINANCIAL INFORMATION

5.1 Audit Opinion – 2013

The Council is a Municipal Council and its financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general Purpose Financial Statements.

Councils Response:

The Council has adopted the IFRS System from 2016 Financial Statements.

Un-reconciled Variance between the general ledger and VAT Reconciliation of Statement of VAT account amounting to \$100,388.00

Councils Response:

Ba Town Council has been monthly reconciling VAT and filing returns to Fiji Islands Revenue and Customs Service. General ledger includes Rates Charged VEP but yet to be paid to the Council and once payments are received by the Council then VAT paid to the Fiji Islands Revenue and Customs Service. From 2014, Council has been paying VAT as per current Rates Invoice raised.

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Included in the Statement of Financial Position in term Loan of \$2,632,926. As per the FRA Decree 2012, all loans taken by the Council for road purposes should be transferred to FRA. The Term Loan Balance of \$2,632,926 is not fairly stated in the financial statements.

Councils Response:

The decree did not specifically mention that loans taken for roads upgrade in prior years be transferred to Fiji Roads Authority, however mentioned that road assets be transferred. The

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\$2,632,926m loan has not been for road upgrade only but for Property Investment and for road upgrade \$236,310.

Management attention is also drawn on the Council's loan with FNPF of \$2,302,855. As at 31 December 2013, the Council defaulted on its loan repayment which is in arrears of \$324,822.00.

Councils Response:

The subject amount as per information given to Auditor was paid in January, 2014. Council management sees this initial property investment as a great initiative as the value of the property has doubled and is providing a very good return to the Council. Council has been able to generate savings after loan repayments and the savings is assisting Council in supporting in its core service delivery functions. Cyclone Evans had a financial impact on the Council performance for the year 2013.

5.2 Abridged Statement of Financial Performance – General Fund

The Council recorded a surplus of \$80,108 compared to a deficit of \$235,541 in 2012. The surplus was attributed to a major decline in depreciation and amortization expenditure by \$269,264 or 52% in 2013.

Councils Response:

This has been due to Road assets being taken over by the Fiji Roads Authority.

5.3 Abridged Statement of Financial Position – General Fund

The Net Assets of the Council declined by \$1,161,668 or 7% in 2013 due to the decrease in property, plant and equipment by \$1,144,929 as the roads, footpaths and the drains were transferred to Fiji Roads Authority.

Councils Response:

Since FRA has taken over roads/streetlights and drains the net asset of the Council decreased.

5.4 Abridged Statement of Financial Performance – Parking Meter Fund

The Council recorded a decline in Surplus by \$574 in 2013 as compared to the amount recorded in 2012 in its Parking Meter Account. The reduction in the amount is attributed to the reduction in revenue received by \$12,999

or 33% and the incurrence of meter maintenance expenses of \$3,102 in 2013.

Council Response:

The advance given from the General Fund for the installation of the parking meters was basically to have a controlled traffic flow in town. However, there was decrease in revenue due to the flood and Cyclone Evan in December 2012 as the Parking Meters were damaged. Salaries, Wages and related payments were decreased due to only two staff in Parking Meter Section in 2013.

5.5 Abridged Statement of Financial Performance – Parking Meter

A Negative net asset of \$151,875 was again recorded by the Council in 2013 compared to \$152,552 recorded in 2012 for the Parking Meter Account.

Councils Response:

There was decrease in Assets and Liabilities in 2013. The Parking Meters were bought in 1992 and depreciated value was 15% per annum its depreciation value were written down as at 31/12/2013 off zero.

Parking Meters as per IFRS will be revalued during 2017. Under IFRS assets need to be revalued at the interval of every five years.

5.6 Abridged Program Information

In 2012 the Net Cost of Services was deficit due to 2 floods in 2012 and one Cyclone in December 2012.

PART B – CONTROL ISSUES

5.7 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SMEs)

Council Response:

Council has adopted IFRS System effective from 2016 Financial Reports.

5.8 Non Transfer of Loan to Fiji Roads Authority

Councils response:

The decree did not specifically mention on loans taken for roads upgrade in prior years, however mentioned that road assets be transferred. The \$2,632,926m loan has not been for road upgrade but for Property Investment.

5.9 Failure to recover advance to Parking Meter

Councils Response:

The advance given from the General Fund for the Installation of the Parking Meters was basically to have a controlled traffic flow in town. However, Council will now have the target to deposit certain amount of money monthly to clear the advances made to Parking Meter.

5.10 Tavua and Ba End Museum Projects

Councils Response:

The Project was directly managed by the Special Administrators office. Council as its contribution was instructed to provide labor. Material contribution was sourced from the community by the Special Administrator office. Special Administrator office was informed by Council management to prepare building plans however Councils staffs were instructed to await as built plan.

5.11 Anomalies in Property, Plant and Equipment

Councils Response:

Council was carrying out Board of Survey every year at the end of March , Now Council is carrying out Board of Survey at the end of each year.

Tractor & Trailor – The tractor and trailer was bought in 1995 and the entries has been corrected in the fixed asset register.

Table 5.2 – Items with Negative written down values

Councils Response:

The fixed asset Register was corrected at the negative value has writen off. The depreciation was calculated correctly.

5.12 Breach in FNPf Loan

The subject amount as per information given to Auditor was paid in January, 2014. Council management sees this initial property investment as a great initiative as the value of the property has doubled and is providing a very good return to the Council. Council has been able to generate savings after loan repayments and the savings is assisting Council in supporting in its core service delivery functions. Cyclone Evans had a financial impact on the Council performance for the year 2013.

Councils Comments:

5.13 Value Added Tax

Ba Town Council has been monthly reconciling VAT and filing returns to Fiji Islands Revenue and Customs Service. General ledger includes Rates Charged VEP but yet to be paid to the Council and once payments are received by the Council then VAT

paid to the Fiji Islands Revenue and Customs Service. From 2014, Council has been paying VAT as per current Rates Invoice raised.