

SECTION 37: MINISTRY OF LOCAL GOVERNMENT, URBAN DEVELOPMENT AND ENVIRONMENT
RESPONSES TO THE 2015 OAG REPORT TO PUBLIC ACCOUNTS COMMITTEE:

	Issues	
Items	AUDIT FINDINGS	Ministry Comments
PART A: FINANCIAL STATEMENT		
37.1	Audit Opinion	The audit of the 2015 accounts of the Ministry of Local Government, Urban Development and Environment resulted in the issue of a qualified audit report.
37.2	Statement of Receipts and Expenditure	The Ministry collected revenue amounting to \$504,231 and incurred expenditure totaling \$24,585,109 in 2015. Total expenditure increased by \$5,566,469 or 29% in 2015 compared to 2014 which was mainly attributed to increase in capital grants and transfers resulting from new projects undertaken including New Town Development, Nasinu Market (Laqere) and Albert Park Development.
37.3	Appropriation Statement	The Ministry incurred expenditure totaling \$24,585,109 in 2015 against a revised budget of \$32,682,569 resulting in saving of \$8,097,460 or 24.7%.
37.4	Statement of Losses	There was no loss reported for the Ministry in 2015.
37.5	Trust Fund Account Statement of Receipts & Payments	The Ministry concurs with the finding of the OAG.
PART B: AUDIT FINDINGS		
37.6	Un-reconciled Balances for the Main Trust Fund Account	This is an inherited issues occurred in the previous years since the transfer of the Department of Environment from Ministry of Lands and the Ministry is working with FMIS on the possibility of writing off this variances.

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37.7	Reconciliations not Prepared	The Ministry takes note of these findings and is currently working with our Accounts on the internal control measures to rectify this issue.
37.8	Unreported losses	The Board of Survey was conducted and completed where a report was submitted in March 2016. It was returned from Ministry of Economy based on the Finance Circular 3/2016 to factor new required amendments on the Board Survey Forms and was re-submitted on 19/09/16.
37.9	Non Provision of Salaries and wages Reconciliations	<p>Please note our Salaries and Wages reconciliations are being updated with copies submitted to FMIS/Finance with copies retained on files for record purpose. Please note soft copies were submitted to FMIS which is a more convenient way of delivery.</p> <p>Delays in compilation and submission have been due to staffing constraints in our Accounts Section for the last 2 years or so.</p>
37.10	Anomalies in Construction of Naboro Landfill Stage 2	<p>The Ministry fully acknowledged the recommendations of the OAG.</p> <p>Please note the Ministry was only aware of the 15% WHT and the 15% VAT Reverse charge requirements following GTB approval and during the vetting of the draft Contract by the office of the Solicitor General in 2014.</p> <p>Please note that it would not have become an issue should the Fiji Procurement Office had included the 15%</p>

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		<p>WHT for non-residents in the Bidder's checklist. The Ministry had raised its concerns to the FPO in 2015 and requested that such condition be considered.</p> <p>The Consultancy for the designs for Naboro Landfill Stage 2 was then for five months beginning from 8th May, 2015 until 8th October, 2015.</p> <p>Due to the delays in obtaining the designs consultancy, the Ministry had therefore requested for the consultant, Coffee Geotechnics Pty Ltd to provide an immediate designs (Stage 2- Cell 1) to cater for the much needed landfill space which has resulted in the variations to the contract.</p> <p>The Ministry has therefore had no option but to request for waiver of tender for the construction of the first cell of Stage 2 due to the limited airspace at the landfill and the timelines for adhering to the tender process which normally takes another 3- 6 months. The Ministry received Minister of Finance approval on the waiver of tender on 25th of November, 2015 and the contract was then finalized and signed on 29th January, 2016.</p> <p>The Ministry is now fully aware of the 15% WHT requirements for future tender works.</p>

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37.11	<p>Significant Outstanding Debtors for Naboro Landfill</p>	<p>The Ministry fully acknowledged the recommendations of the OAG.</p> <p>As per our response in the 2014 Audit Report:</p> <p>The contractor as per the conditions of Contract has to pass all revenue from the operations of the Naboro landfill to the principal and assumes responsibility for recovering all debts that are incurred for customers allowed on credit basis. The specifications state that the contractor must ensure that there are sufficient funds in the nominated trust fund to ensure payment to the contractor for the previous month's; this in itself acts as a control for requiring the contractor to recover a minimum of \$230k-\$250k from its creditors.</p> <p>We also note that majority of the debtors are municipal councils and the Ministry also being responsible for the affairs of Local Governments appreciates the variable and volatile cash flows experienced by the councils mentioned.</p> <p>The subsidy is relied on regardless of the state of the creditors as the revenue in any given month is certain not to exceed the contractual costs; this is due to the fact that the gate fees are set at a level whereby revenue does not break even with the costs. To address the above disparity, cabinet had approved on 23rd June, 2015 an increase in gate fee thus the Landfill is in a</p>

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		<p>position to break even with the contractual costs for the first time in its history.</p> <p>The increase in gate fees will come into effect on 23rd June, 2016.</p>
37.12.1	Anomalies in Award of Tender for Naboro Landfill Operations	<p>The Ministry fully acknowledges the recommendations of the OAG.</p> <p>The Ministry has taken on board the findings of the audit report in particular the cost savings analysis for the purpose of engaging a most economical contractor for Naboro Landfill Operations</p>
37.12.2	Savings Foregone due to Delay in GTB approval and signing of Agreement	The Ministry fully acknowledges the recommendations of the OAG and has taken on board the findings for our necessary action.
37.12.3	Incorrect Estimate Used for Total tonnes of rubbish for the 5 years	The Ministry fully acknowledges the recommendations of the OAG and has taken on board the findings for our necessary improvements in future tender works.
37.13	Non- Submission of Audited Financial Statements	<p>The Ministry fully acknowledges the report of the OAG, please note that the Ministry is aware of the status of the financial accounts of the Municipal Councils and has also instructed all Councils to have their accounts audited.</p> <p>A few of the Councils mentioned in the table 8.11 are</p>

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		<p>awaiting the respond from the OAG on the draft accounts submitted for auditing, this include Levuka, Nausori and Nadi.</p> <p>Councils have engaged professional accounting firms to carry out the preparation of their draft accounts.</p> <p>On the above note, the Ministry noting this progress and the need for the basic infrastructures to be developed have given funds to Council on the conditional that Councils submit acquittals on quarterly basis and the continuous monitoring of the grants.</p>