

**VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY 1ST NOVEMBER, 2017 AT 9:30 A.M.**

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**Submittee : Lautoka City Council**

In Attendance

- 1) Mr. Jone Q. Nakauvadra - Chief Executive Officer
- 2) Mr. Prabin Lal - MAS
- 3) Ms. Swastika Kamoe - Assistant Prosecutor

Ministry of Local Government, Housing and Environment

Mr. Alipate Mataivilia - Senior Accounts Officer

Office of the Auditor General

- 1) Mr Dineshwar Prasad - Director of Audit
- 2) Ms Nunia Michael - Senior Auditor
- 3) Ms Unaisi Namositava - Audit Manager

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MR. CHAIRMAN.- Good morning Honourable Members, members of the public, media and staff. A special welcome to the team from Lautoka City Council to this session of the Public Accounts Committee, as you are aware we are doing an important task on behalf of the Government and the Parliament, and that is to scrutinise public spending where Government puts money, and city and town councils are some of those entities where Government has an interest.

For the past week or so we have been looking into various municipalities including the Suva City Council and Nausori, Nadi and Sigatoka Town Council. Lautoka being the second city of Fiji holds a special interest and therefore the scrutiny of these accounts are also necessary. Thank you for taking time out and responding to our invitation.

As you are aware the Auditor-General's Report of 2014 has picked certain anomalies regarding your audit opinion of 2012. We have some general questions as well but we would like to hear some introductory remarks from you and after that we will go into the questions, mostly the bullet points that are noted in the first few pages of the report starting at paragraph 7.1. Mr. Nakauvadra I will let you make your opening remarks before we go to the questions.

MR. J.Q. NAKAUVADRA.- Mr. Chairman, thank you for welcoming us to the Chambers this morning, our Manager Finance will be answering the questions and assisted by myself and the Assistant Prosecutor. I give the floor to the Manager Finance.

MR. CHAIRMAN.- Thank you, Manager Finance and CEO. You would note on the first bullet point in Part A, part 7.1, there is a notation that your accounts are qualified, it is a qualified audit report which means that if it is unqualified it is clear, if it is a qualified report that means there are some issues that the OAG needed clarification on, and therefore the Public Accounts Committee is interested in those explanations.

The first one being, the first bullet point,

“The Council made several adjustments to the income and expense account amounting to \$1,481,148 and \$714,976 respectively through general journal entries. The Council failed to provide supporting documents for these journals for verification. Consequently, the Auditor-General was unable to satisfy himself if these adjustments were correctly taken up in the journal ledger and whether the income and expenditure is correctly stated in the financial statements.”

Like some other town councils there are certain amounts of money which are substantial amounts where adjustments have been made to journal entries and the OAG was not satisfied with those entries, so can there be explanations for that please.

MR. P. LAL.- Thank you Mr. Chair. The entries were made, the Council had adopted some Journal Vouchers, and the general journal entries are passed for the correction of accounts and the transfer between the accounts. The Council has already deployed an accounting software which has been effective from 2014. All Journal entries are now passed through this system and system generated journal numbers with supporting documents are filed now.

MR. CHAIRMAN.- What were these amounts in respect of, the \$1,481,148 and \$714,976?

MR. P. LAL.- These amounts were not only one entry but it is a combination of entries. Basically correction of accounts, transfer from one account to another account.

MR. CHAIRMAN.- Was it a income account or expenditure account?

MR. P LAL.- Both.

MR. CHAIRMAN.- What are some of the entries of these accounts like rates, or is it charges, VAT?

MR. P LAL.- Yes, basically while entering there was a mis-posting of income and expenses on a different account, it is just a correction.

MR. CHAIRMAN.- It is just a correction of books, that means the amounts of money that are mentioned here are still in the accounts?

MR. P LAL.- Yes, it is just transfer from one account to another account, and the only thing is that at that point in time we were not able to provide the documents. Moving forward, we have the journal vouchers and all the supporting documents are attached and filed.

MR. CHAIRMAN.- OAG, have those documents been provided to you these corresponding journal entries?

MR. D. PRASAD.- Chair, the improvements as per the Manager Finance of the Council, the improvements are coming in 2014, and we are here to audit 2014 accounts for the Council, so at this moment I will not be able to confirm if this has been rectified and corrective action has been taken.

MR. CHAIRMAN.- What is the last accounts that has been submitted?

MR. D. PRASAD.- Mr Chair, 2013, the Council has provided 2014 and 2015 accounts this year, I think it was in June or July, and we are expected to carry out this audit sometimes mid of next month.

MR. CHAIRMAN.- Ministry for Local Government, are you aware that there were adjustments to the books of the Council?

MR. A. MATAIVILLA.- Thank you Chair. Yes, we were aware of this, and we have asked the Council to rectify all this which they have done in the next year which they have put it to Auditor-General for auditing.

MR. CHAIRMAN.- Honourable Members, any question in that regard.

HON. M.M.A. DEAN.- I thank you Mr. Chair. Manager Finance, you have mentioned about a new software, can you just explain what this software is?

MR. P. LAL.- We have adopted the accounting software that is MYOB and we also developed a customer management system to manage our rates and other business affairs, so we integrate that Sir.

HON. M.M.A. DEAN.- A very common software that the town councils have been using is the WINBIZ programme, is the Council using that as well because that accounting software is sort of creating lots of problems in their accounts.

MR. P. LAL.- Currently Sir we are not using WINBIZ, we have already implemented MYOB and it is working fine.

HON. A.M. RADRODRO.- Sir just a question to the Ministry, we note all the councils have different software, what is the Ministry's view in terms of having a standard software for all the municipalities, otherwise they will be making applications on their own and they will have a similar problem but in a different level?

MR. A. MATAIVILIA.- Thank you Chair, I think I have clarified this in the past sitting with one of the Council's. The Ministry is currently looking into reviewing the manual of accounts and following that we will try to look into the software that all the Councils are currently using to review it and come up with a uniform software especially for small council, medium council and the big council like Lautoka and Suva.

HON. A.M. RADRODRO.- How long has the ministry been looking into these issues?

MR. A. MATAIVILIA.- I am not really sure, Sir, maybe I can come back to clarify on this. My understanding is we are awaiting for the manual of accounts to be reviewed, this is one of the recommendations suggested by the Auditor General.

MR. CHAIRMAN.- The manual of accounts.

MR. A. MATAIVILIA.- No, we are waiting to complete the review, now we have the draft which I submitted last week, we waiting for the councils comments and after this we will take it to CEOs and SA's forum.

MR. CHAIRMAN.- You are working on something like a finance manual that is compiled by the ministry?

MR. A. MATAIVILIA.- Yes.

MR. CHAIRMAN.- After consultations you will apply that generally across the board?

MR. A. MATAIVILIA.- That is right, Sir.

HON. A.M. RADRODRO.- While we waiting for the manual of accounts what type of rules and regulations are municipalities adopting at the moment?

MR. A. MATAIVILIA.- They are still following the current one that we have.

HON. A.M. RADRODRO.- For all the councils standardised?

MR. A. MATAIVILIA.- Yes, for all the councils standardise all these.

HON. A.M. RADRODRO.- This first bullet point, how long has this amount been appearing in the books of the council before you start making the necessary adjustments and correct it?

MR. P. LAL.- We started this reconciliation in 2014 account when I joined, this was carried forward from previous years, I went back to 2011...

HON. A.M. RADRODRO.- Allowed to occur from 2011 and you did not take any action, and now you have taken the action going forward.

MR. P. LAL.- The thing is that we have implemented the recommendation from the Auditor-General's Office, Sir.

MR. CHAIRMAN.- The question is that it was not picked up earlier and this deals with income and expense so OAG is right when it says that it cannot accurately say what is the financial situation of Lautoka City Council when the income and expenditure were not clear at that stage. What was the reason that was allowed to carry on for a number of years?

MR. P. LAL.- Yes, Mr. Chair, before the Lautoka City Council accounts was all manual.

MR .CHAIRMAN.- Excel sheets.

MR. P. LAL.- Yes, excel sheets and other things and we were filling the big journals, and from there the accounts are extracted. Now the council has implemented a software so everything is normal.

MR. CHAIRMAN.- As a point of interest, how many ratepayers do you have for Lautoka City Council?

MR. P. LAL.- Mr Chair, 8,163 ratepayers.

MR. CHAIRMAN.- That includes residential as well as business?

MR. P. LAL.- Everything, Sir.

MR. CHAIRMAN.- Where does the Lautoka City boundary end towards Nadi side?

MR. P. LAL.- Nadi side is towards Natabua and towards Ba it goes up to Palas.

HON. A.M. RADRODRO.- A question of interest, who was in Lautoka at the time when these amounts were appearing?

MR. P. LAL.- Mr. Shiu Raj, he was the Director of Finance at that time.

HON. A.M. RADRODRO.- That was under SA too?

MR. P. LAL.- Yes, Sir.

HON. A.M. RADRODRO.- Who was the SA then?

MR. P. LAL.- Our Honourable Minister.

HON. A.M. RADRODRO.- You brought this to his attention or no?

MR. P. LAL.- It should have been.

HON. A.M. RADRODRO.- Perhaps you should bring it to his attention so he is aware.

MR. CHAIRMAN.-Mr. Praveen Kumar Bala was the SA at that time in 2012 and the CEO was the same CEO?

MR. P. LAL.- Yes, Sir.

MR. J.Q. NAKUIVADRA.- The audit reports are normally referred to respective councils for their decision and for their information as well, because of this finding the Council then invested into this new software to improve the system.

MR. CHAIRMAN.-If it was appearing before 2012 that means the earlier OAG reports of probably 2009 and 2010 would have picked it up, whom was it referred to, was it referred to the CEO or the Manager Finance at that time?

MR. J.Q. NAKAUVADRA.- Normal case it would have been referred to the CEO and the Mayor, and the Special Administrator at that time.

MR. CHAIRMAN.- The mayoral system ended in 2009 or 2010.

MR. J.Q. NAKAUVADRA.- Administrative, I think it should have gone through them in their normal procedures and process, and they would have attended to it but the normal system they are doing now, generally would have referred the OAG reports to them and they would have responded, and would have appeared before the Public Accounts Committee.

HON. A.M. RADRODRO.- Inaudible.

MR. J.Q. NAKAUVADRA.- We cannot comment on that now, its several years ago.

MR. D. PRASAD.- Thank you, Honourable Member. By the time this report was finalised I believe the former SA, Mr. Praveen Bala was not responsible for the Lautoka City Council at that time. The report was issued to the CEO for comments.

HON. A.M. RADRODRO.- But the year of the report...

MR. D. PRASAD.- Yes, the year of report is 2012.

HON. A.M. RADRODRO.- That is the delay too.

MR. CHAIRMAN.- But it was only tabled in 2014, so if it was done in 2012, tabled in 2014, the former SA was not there anymore; but it does not extinguish the responsibility of the council. But anyway if it is done now we hope that the newer reports that we get will have these issues settled.

Bullet Point 2, “Un-reconciled variance of \$643,428 exists between the rate debtors’ listing and general ledger. Consequently, the Office of the Auditor-General was unable to satisfy himself if receivable of \$4.5 million is fairly stated in the financial statements.” What that means is that the debtors’ listing that you have in general ledger does not correspond or reconcile with the debt. The account receivables that you have shown to the OAG of \$4.5 million is unsure whether it is fairly stated or not.

MR. P. LAL.- Thank you, Mr. Chair. Yes, in 2000 the Council has done the reconciliation by verifying this 8,163 ratepayer’s account from 1999 to 2013. The Council has also developed a CMS, which is Customer Management Software (CMS), in 2013 and 2014, and it has fully implemented and deployed in 2015. Currently, according to my financial statement, Council financial statement that is 2014, the GL ties.

MR. CHAIRMAN.- So the listing of debtors ties up with the debt owed?

MR. P. LAL.- With the general ledger, Sir.

HON. A.M. RADRODRO.- Inaudible.

MR. P. LAL.- We did a detailed reconciliation, Sir, that adjustment has been done in 2014 accounts.

MR. CHAIRMAN.- Adjustment meaning a write off. A general question, what sort of actions do you take against debtors or what sort of collection do you apply in terms of overdue rates?

MS. S. KAMOE.- Thank you, Mr. Chair. On overdue rates, Council has been instituting legal action against all the overdue rates accounts, and we use the services of Small Claim Tribunals and Magistrates Court.

MR. CHAIRMAN.- Do you also give discounted rates on interest to encourage debtors to pay?

MS. S. KAMOE.- That is a Ministry initiative, once we have amnesties then the ministry runs amnesty for the whole of Fiji, and we also make use of the amnesty period, Sir.

MR. CHAIRMAN.- What is the debt recovery rate like if there are 10 debtors what is the percentage of recovery; council success rate, if I may put it that way?

MS. S. KAMOE.- If I say a legal representation it is a 100 percent debt recovery, but we have challenges such as estate properties, absent landlords and other challenges where we cannot locate landlords. We are having difficulties to probably recover those debts and we are liaising with the ministry too on the actions we can take in that, Sir.

MR. CHAIRMAN.- The Local Government Act has provisions where you can actually register a caveat on the titles and then take action against the property itself if the owners are not found or are overseas. Have you taken any such action?

MS. S. KAMOE.- Not yet, Sir.

MR. CHAIRMAN.- Any question in that regard, Members?

HON. A.M. RADRODRO.- Mr. Chair, just regarding this unreconciled variances. You said moving forward you have reconciled and making adjustments. Which is the correct amount that you are working on now, the ledger balance or the subsidiary balance from this variance there was a \$5 million and then \$4 million....?

MR. P. LAL.- The subsidiary.

HON. A.M. RADRODRO.- So how did the variances come about?

MR. P. LAL.- After detailed reconciliation of the ratepayers Sir, we have passed the adjustments to the General Ledger.

HON. A.M. RADRODRO.- This is between your subsidiary and your General Ledger. Where was the SA, was SA being informed at that time?

MR. P. LAL.- Sir, SA should have been aware of that. The CEO will confirm that, what we actually did was a detailed reconciliation from 1999 to 2013 and we found some errors in the systems, some mispostings so we corrected that Sir, and then we passed the journal entries so that our General Ledger and the rate book is 100 percent correct.

HON. A.M. RADRODRO.- How sure is what you corrected now is the correct amount because how did these variances occur in the first place, was there a laxity in terms of staff, how did it happen in the first place?

MR. P. LAL.- Sir, we have taken out all the entries up to 1999, we have gone as far as that and then we have seen what rates has been charged on the respective year and we have reconciled that against the receipts and then the right interest rate and other things has been calculated.

HON. A.M. RADRODRO.- Who all are involved in this reconciliation, did the Council take any actions against the people that were involved?

MR. P. LAL.- Sir, CEO can answer that.

MS. S. KAMOE.- Basically when a rates software is run or a roll over is done on billing for the next year, there were hiccups the system faced because it is all computerised system.

Those areas are rectified and each individual who will be accessing into the system have their own user name and password. Once the accounts will balance things out, everyone will have their own access and entries into the system stating this particular staff has done these entries et cetera. All those errors which has happened we cannot say that it is the negligence of the staff because when the roll over is done it is the computer which processes the data itself. I hope that answers your query.

MR. CHAIRMAN.- We understand that part, we have had systems where wrong entries have been made. Was there any staff training to train the staff on how the entries were supposed to be made and on which side of the accounts? We have had instances where the system was at fault, we understand, but the entry process was also wrong which is called human error.

MS. S. KAMOE.- Thank you Mr. Chairman, I do commend that human errors do happen, we have not been penalising staff because they do work in the day and sometimes late in the evening and human errors do happen and that have been corrected with the journals, but no staff have been surcharged or penalised.

MR. CHAIRMAN.- That would have been the next question, what actions have you taken against the staff?

MR. S. KAMOE.- Maybe my CEO can answer that Sir.

MR. CHAIRMAN.- It is not an implication on staff but what happens is that if entries are entered incorrectly, then he is in a problem, OAG is in a problem in trying to justify, it comes to us we are in trouble trying to see what is the actual financial situation of the institution. Has there been training of staff and if the staff is not responsible, what actions have been taken?

MR. J. NAKAUVADRA.- Because of these anomalies we have improved our software, we have adopted new software effective from 2014.

MR. CHAIRMAN.- In 2014 new software, so things are improving now?

MR. J. NAKAUVADRA.- Yes, things are improving now.

MR. CHAIRMAN.- Alright any further questions in that regard.

Let us move to bullet point 3, we understand the situation here is similar to other town and city councils as well. Property, Plant and Equipment, roads, drains, footpath with "...written down value of \$45.898 million as at 31<sup>st</sup> December 2012. All municipal roads should have been transferred to the Fiji Roads Authority (FRA) in accordance with the FRA Amendment Decree 2012. Consequently, property, plant and equipment are overstated..." What is happening here is that you have not transferred that property in the books to FRA and it shows in the books as your property, so it is a misstatement. Has that been corrected and what was the reason for the oversight in the first place?

MR. P. LAL.- Thank you Mr. Chairman. After the promulgation of FRA Decree 2012 the council continued to maintain the roads, and basically that was the reason why we did not do the transfers, but that has been corrected in 2013 accounts and FRA has been updated.

MR. CHAIRMAN.- The council continued to maintain these roads and footpath, drain et cetera?

MR. P. LAL.- Yes.

MR. CHAIRMAN.- We heard from Sigatoka Town Council yesterday that what had happened is that the council paid a certain amount to FRA for doing the job for them and then FRA paid it back a year later the same exact amount. That certain sum was paid to FRA to look after the roads for them. In Lautoka City Council's case you are saying that you kept maintaining on your own accord?

MR. J. NAKAUVADRA.- In fact FRA was in the books, but on the ground there was no one there to do the job. So maintenance, in fact our electrician kept on working for almost one year after that. On the books the handover was done, but on the ground no one was there working on the roads.

MR. CHAIRMAN.- The responsibility of maintaining roads, drains and footpaths were all back to the city council?

MR. J. NAKAUVADRA.- Yes.

MR D. PRASAD.- Mr. Chairman, if I can comment on this. The issue in this qualification is that even though there were some tasks still retained by the council, as approved by the FRA, the issue over here is that the property, plant and equipment of \$45.898 million should have been adjusted from the books of the council, it was a book entry. As far as doing the task and some upgrading works is concerned that is as per the MOU signed by the FRA and the Council, but as far as the accounting is concerned, at the time of the transfer to FRA the value of the roads, footpath and drains should have been adjusted from the accounts, and that has led to the overstatement of their financial statements.

MR. CHAIRMAN.- It was too close to the 2012 Decree and these accounts are 2012, so probably it happened somewhere midway, the following question would be by 2013 was these adjustments made?

MR. P. LAL.- Yes Sir, the entries has been done in 2013.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification on the transferring of assets the process that the council adopted. Sigatoka Town Council, they made the payout and then they got receipted back from FRA. What about the case of Lautoka Town Council, how did you make that adjustment for transferring the asset to FRA; what process did you follow?

OAG, what is the standard book entry that they should make? Yesterday we noted that Sigatoka Town Council made a payout and then they got receipted back to balance their book or something like that.

MR. P. LAL.- Mr. Chairman, I think OAG will answer that. The thing is that MOU was signed for the council to maintain that road for a certain period and then that amount was charged to FRA and then FRA reimbursed us. It is just a book entry, the actual transfer of assets is basically transferring assets to FRA, this \$45 million, we have to take out from the FAR.

HON. A.M. RADRODRO.- When you transfer the assets the title is also transferred all the roads, footpath, roads et cetera?

MR. P. LAL.- Yes Sir

HON. A.M. RADRODRO.- Can that be confirmed?

MR. D. PRASAD.-- Thank you Honourable Member, at this moment I cannot really confirm the details of the agreement that was between FRA that came in 2012, but what I can confirm is that immediately effective from 2012 all the value of the roads and footpath and street lights were to be transferred to FRA. We were also discussing with FRA and we were advised that FRA is going to record the value of those assets in their accounts in 2012. However, I can come back to the Committee on that, whether FRA has recorded those values in their accounts. But as far as I can understand in 2012 that was the situation, but I can confirm that to the Committee.

MR. CHAIRMAN.- By a Decree, when a property is transferred it cannot only transfer in name, there has to be transfer of title as well. The issue here is that we are talking about roads, street lights, drains and footpath, these are real assets, real properties, roads and drains, and some attachments like streetlights. We have to actually see what is the Decree whether that actually has appeared or not but all the other actions done at that time the property has to transfer otherwise you will not be able to lay any claim on that, FRA. There is a notation usually in the Decree that all titles will hereby henceforth will vest into this particular entity and then all the stamp duty and everything will be exempted for those transfers, I think that is what has happened. We will pull the Decree out in a while.

HON. A.A. O'CONNOR.- Chair if I may, but before I do so first I declare my interest as a ratepayer of Lautoka.

MR. CHAIRMAN.- Are you paying your rates on time?

HON. A.A. O'CONNOR.- I think I am one of the best if you ask the panel here, you have to set the example. However the question is we are talking about the property assets being transferred to FRA, what has happened to the mechanical assets because I still see the pool in Waiyavi, your steam rollers et cetera, is that part of it? I know for City Council that is all been done.

MR. J.Q. NAKAUVADRA.- We are still looking after the Lautoka bus station, so the steam roller, the machines are for the sealing of the bus station.

HON. A.A. O'CONNOR.- That is a matter of interest, where you say that FRA has taken over all functions.

MR. J.Q. NAKAUVADRA.- The bus station still belongs to the Council, it is only the roads and drains, footpath, streetlights.

MR. CHAIRMAN.-. The football stadium and the bus station still remain with the Council. Is Churchill park the Council's property?

MR. J.Q. NAKAUVADRA.- Yes, the Council's property.

MR. CHAIRMAN.- The next point that is probably a more serious one, "Unreconciled variance of \$727,745 exist between the Pay As You Earn annual summary and the general ledger for salaries and wages. Consequently the OAG was unable to satisfy himself if salaries and wages of \$1.385 million are correctly stated in the financial statements." What is

happening here is that there is a variance between your Pay As You Earn General Ledger and the actual salaries and wages that are paid. The OAG was not able to satisfy himself that the actual wages and salaries paid by Council of \$1.385 million; is that the total wages that is paid, can you give some explanation on this, please?

MR. P. LAL.- Yes wages and salary reconciliation has been completed by the Council and an adjustment has been passed in 2013 accounts.

MR. CHAIRMAN.- In 2013 it was picked up?

MR. P. LAL.- Yes Sir.

MR. CHAIRMAN.- We understand that the recommendations made in 2012 have been adhered to?

MR. P. LAL.- Yes Sir.

MR. CHAIRMAN.- That is a good practise in fact something picked by OAG if it is rectified in the following year then it is good for everyone.

HON. A.M. RADRODRO.- Chair just a question, the amount of \$727,000 that is quite a big amount close to a million dollars. Is that for one year or is that accumulated over a period?

MR. P. LAL.- It is for one year Sir.

HON. A.M. RADRODRO.- It is for one year, PAYE?

MR. CHAIRMAN.- No I think this \$1.385 is the total salary.

MR. P. LAL.- Sorry Sir, that would be the total salary, but PAYE will probably be accumulated \$727,000.

HON. A.M. RADRODRO.- The SA was informed of these variances at the time?

MR. J.Q. NAKAUVADRA.- I assume they would have discussed it with the Director Finance and his team.

MR. P. LAL.- In addition to that Sir, we have also bought a new payroll software and the reconciliation for now is currently done on a monthly basis. That is separate reconciliation.

MR. CHAIRMAN.- I found that relevant section of the FRA Amendment Decree 2012, Section 18 was amended and it said

“Transfer of assets, interest and liabilities - As from the commencement of this Decree all assets, interest, rights, privileges, liabilities and obligations of the State in relation to the Department shall immediately be transferred to and vest in the Authority without conveyance, assignment or transfer.”

That is the end of the matter, there was no legal transfer needed. The law itself by automatic transformation transferred all the roads which includes drains, pavements and street lights to FRA. The stadium and bus stand, honourable O’Connor, remained with the Council.

I understand that the variance for bullet point four was reconciled in 2013. Let us move to Part 7.2 - Abridged Statement of Income and Expenditure – General Fund. What is noted there by OAG is that the Council's net surplus decreased by \$52,042 or 5 percent in 2012 compared to 2011 due to the increase in maintenance cost and salaries, wages and related payments by \$194,757 or 18 percent and \$123,430 or 10% respectively." There are two increases, one is salaries, wages and related payments and the other is maintenance cost.

"The increase in these expenses was due to the increase in general maintenance undertaken for the parks and gardens, streetlight and street maintenance brought about by the impact of Cyclone Evans." That is explained in terms of maintenance and cost. How about salaries and wages, did you hire more staff or was there some increments in the salaries and wages?

MR. P. LAL.- Actually in that year we were hit by *Cyclone Evans* and during that year we needed extra labourers and extra hours were required by our staff.

MR. CHAIRMAN.- It was all related to the maintenance work?

MR. P. LAL.- Yes Sir.

HON. A.M. RADRODRO.- A question to the CEO in terms of your staffing capacity within the council. The issues that have been highlighted may reflect there is a need to improve or increase your staffing resources and with the amount of saving that you have and the variances that have been noted even though the Council has adopted the new system, does the Council still need more resources in terms of attending to the 8000 ratepayers that you have?

MR. J.Q. NAKAUVADRA.- That is something that we need to consider because the size of the Council continues to increase and more ratepayers and developments are taking place in Lautoka. We have to ensure that service delivery to the ratepayers is paramount and remains sustainable.

HON. A.M. RADRODRO.- What we also noticed is that Lautoka and Nadi are using the same dump area, so does Lautoka charge Nadi; what is the rate that they usually charge?

MR. J.Q. NAKAUVADRA.- Not only Nadi, Sir, also the hotels in the Yasawa and Mamanucas – we carry a very big responsibility.

HON. A.M. RADRODRO.- What is the levy that you usually charge Nadi Town Council?

MR. P. LAL.- Chair I cannot confirm to you now, I will get back with the figures. It is added in the dump revenue Sir.

MR. CHAIRMAN.- Part 7.3 - Abridged Statement of Financial Position. There is good news here from 2011 to 2012 your cash at bank and on hand has increased from \$786,133 to \$1,193,671 million so your cash is increasing that means probably your debt collection mechanisms are working. What are some of the reasons for the increase in cash at bank?

MR. P. LAL.- Sir the main reason would be that there was an increase due to the debt collection as the CEO mentioned. What actually happened was that we were taking people to court as well and also staying late in the afternoon to call after hours, those were some of the initiatives that was implemented.

Stint 5

MR. CHAIRMAN.- Your prosecution team has been doing a good job in that area.

MS. S. KAMOE.- Yes, follow ups and site visits. The Council has been doing regular site visits on ratepayers, follow up through phone calls and sometimes they also go and speak with the families, if they have hardships we also take instalment payments, and they come and make arrangements.

MR. CHAIRMAN.- What sort of things do you do on site visits, you check the property, you check whether the owners are there?

MS. S. KAMOE.- Yes, we check the number of people staying in the property, where they are working, what is their financial status, what is their ability to pay rates, what are the difficulties they are facing, all those is taken into account, Sir..

HON. M.M.A. DEAN.- Yes, thank you, Honourable Chair. Apart from rate collection does this amount also attribute to the increase in the number of ratepayers as well? The number of ratepayers increase as your town council boundary increased because we see lots of development in Lautoka.

MR. J.Q. NAKAUVADRA.- The town council boundary has not increased recently. In fact, we are going through that process right now working with the ministry to review the town boundary.

HON. M.M.A. DEAN.- Ministry of Local Government, any update on this process, what new boundaries the council is planning to incorporate under the .. ?

MR. A. MATAIVILIA.- Can I come back and confirm, Sir. Currently, we are doing for Nadi and Navua.

MR. CHAIRMAN.- Certain audit issues is not incumbent on you to answer but it is for general knowledge. You are going to include the Nadi Airport?

MR. J.Q. NAKAUVADRA.- We want to move towards Wairabetia and of course the Nadi side and for Ba side we want to cover as far as Lovu, a lot of development taking place..

MR. CHAIRMAN.- Alright, that is noted.

Then we have total liabilities, we note there is a Parking Meter Fund account, you have very little increase in the parking meter fund which is tabled. We have other town and city councils who have now invested in the electronic receipt system parking meters, while the older ones are still applying what is called the lollypop parking meter. What we have seen is that the returns on the electronic parking meter system is much higher than the lollypop system. Is there any plans by the council to consider that?

MR. J.Q. NAKAUVADRA.- That is one advantage of the electronic system, the return of investment and all those, but the other part which people may not be telling you is the cost of maintenance. Cost of maintenance is getting the parts that are not easily available, readily available for the electronic system compared to the lollypops because lollypops you have your own people that can be able to carry out maintenance.

MR. CHAIRMAN.- Investment-wise in terms of parts and maintenance the lollypop system is better. Yes, Honourable Matanitobua.

HON. RATU S. MATANITOBUA.- Thank you, Mr. Chair, through you, 7.3, Capital Grant in Aid, can you verify the details on this?

MR. CHAIRMAN.- I am sorry, grant in aid.

MR. P. LAL.- Currently, I do not have details of that. Is it possible I can come back with it?

MR. CHAIRMAN.- Yes, please, if you can email it to us.

MR. D. PRASAD.- We can provide the details, Mr. Chair.

MR. CHAIRMAN.- Alright, thank you. I noticed on the table as well there is mention of Reserves and the reserves was the total of \$48.927 million in 2011, the same amount \$48.927 million in 2012. What is that reserves?

MR. P. LAL.- The reserves has been accumulated from the previous years, and the major chunk is the roads and .....

MR. CHAIRMAN.- Alright, it shows under net assets, so that is an equity.

HON.A.M. RADRODRO.- Inaudible.

MR. CHAIRMAN.- That will reduce.

MR. P. LAL.- In 2013, it has reduced.

HON.A.M. RADRODRO.- In book value?

MR. P. LAL.- Yes, Sir.

MR. CHAIRMAN.- \$48 million minus \$45 million so \$3 million is still with Lautoka City Council?

MR. P. LAL.- Yes.

HON.A.M. RADRODRO.- Going forward, OAG can also confirm to us what is the process and not only in book value because otherwise if the title is not transferred then it still belongs to the council.

MR. CHAIRMAN.- No, the Decree itself is automatic, on the date of commencement of the Decree everything is transferred automatically. If you look at the Decree, Section 8.

There is a notation underneath that table which states that, "There was an improvement in the Council's net assets in 2012. Net assets increased by \$1.086 million or 2% in 2012 compared to 2011. The increase in net assets is mainly attributed to the increase in the cash at bank and on hand \$407,538 or 52%.." After the transferring of the roads to FRA it still has an

increase in net assets. Is that just by increase in cash? There is also a decline in terms of loan. What are some of the attributing factors to increase in net assets?

MR. P. LAL.- It is in both, Sir..

MR. CHAIRMAN.- Both?

MR. P. LAL.- Yes.

MR. CHAIRMAN.- Increase in assets, increase in cash and decrease in loan.

MR. P. LAL.- Yes, Sir, we have serviced the loan.

HON. A.M. RADRODRO.- Mr. Chair, we note the amount of cash that the councils has is above \$2 million, but at the same time, you have a loan of about \$8 million. What was the purpose of the loan and whether it was utilized in the purpose that was borrowed for or did you keep it aside for additional cash for the council as reflected here?

MR. J. Q. NAKAUVADRA.- I think the loan was taken in year 2009 and 2010 to service the council at that time because of the financial predicament that it was going through. Right now we still servicing the loan. In fact we were asking the same question ourselves because the loan was taken that time which we have to service. In 2009 and 2010 the council was going through some very difficult times in terms of operation because the rates were very low and that is why in 2009 if I can recall correctly, 2009 the rates was increased by almost 30 percent, but only for Lautoka.

MR. D. PRASAD.- Mr. Chair, if I can comment on that. Basically if there is a problems that the council face with their operations normally it is a short term borrowings which probably will be a bank overdraft. In this case it is a loan of \$8 million. I believe these loans were taken for a capital expansion for some sort of properties in Lautoka at that time. To finance operations it will not require that much of loan, \$8 million is a lot of money and it will only require bank overdraft facility.

MR. J. Q. NAKAUVADRA.- I am sorry, Mr. Chair, I think that was for the Sugar City Mall.

MR. CHAIRMAN.- Sugar City Mall was built around that time; so you saying that loan is being serviced?

MR. J. Q. NAKAUVADRA.- Yes.

MR. CHAIRMAN.-. But looking at the assets of accounts they are in a healthy position to service those loans. If it was taken for administrative purpose that probably would have been a worrying sign but it has been taken for investment, Sugar City Mall, opposite the market, near the bus stand. It is a very busy place, and must be getting a lot of returns.

HON. A.M. RADRODRO.- Mr. Chair, the term deposits that the council has, what was the reason the council engaged in this exercise and for how long will it continue? What is the purpose of keeping all these funds aside?

MR. P. LAL.- Sir, these funds are for our future sustainability and to also earn some revenue on top of it.

HON. A.M. RADRODRO.- What is the ministry's opinion on the excess funds kept aside by municipalities?

MR. A. MATAIVILIA.- Thank you Mr. Chairman, I think the funding is there for future capital projects or other engagements or other commitments for the council itself, but they have to request the Ministry for approval if they want to commit those funding.

HON. A.M. RADRODRO.- (Inaudible)

MR. P. LAL.- Yes Sir, it will increase but we are having a major capital investment currently going on, we are building an Olympic size swimming pool and on the other side we are planning to do a gym and upgrading Churchill Park as well.

MR. CHAIRMAN.- You said there is an increase in the term deposit, there has been a slight decrease from 2011 to 2012, so that has been an increase now. Also the term loans there was a slight decrease in the term loans as well.

Part B - Control Issues - I think 7.4 has been substantially answered in terms of roads, drains and there is a notation at the bottom of the particular section of that Decree that allowed for the transfer to happen.

Item 7.5 - General journal entries, I think the Manager Finance explained that as well.

HON. A.M. RADRODRO.- Mr. Chairman, one question regarding these roads, footpaths. Has the council undertaken any valuation on this council assets at any point in time?

MR. P. LAL.- The last one was done five years' ago Sir, we are planning to do another one soon.

HON. A.M. RADRODRO.- If you transfer across it is the valuation amount recorded in the book value?

MR. P. LAL.- In our books currently it is a book value.

MR. CHAIRMAN.- At that time when \$45.898 million was stated that was the book value or fixed amount?

MR. P. LAL.- Book value

MR. CHAIRMAN.- What is the purpose of doing a valuation of that now because it does not belong to you anymore?

MR. P. LAL.- Sir, the main reason would be for insurance purpose. We need to revalue our assets now so that the right value is insured in terms of any risks happening. If we undervalue through insurance, if there is any mishap there would be a substantial loss.

MR. CHAIRMAN.- No I mean the roads, drains and street lights, do you insure that as well?

MR. P. LAL.- No, not that Sir, for other assets.

MR. CHAIRMAN.- You have to do the valuation of everything that is owned by you now.

MR. P. LAL.- Yes.

MR. CHAIRMAN.- Journal entry, I think you have explained that as well, you are now maintaining journals to reflect what you are owed and what you own.

Item 7.6 - Provision for Doubtful Debts. “The review of provision for doubtful debts noted that estimates have been used in calculating provisions for doubtful debts recorded in the statement of financial position amounting to \$1 million. However, no listing of the amount or the method used in calculating allowance for uncollectability was provided for audit verification to evaluate the reliability and accuracy of the method used to estimate the provision.” First of all, what constitutes these doubtful debts?

MR. P. LAL.- Mr. Chairman, this is the percentage that the council has allocated in case a debtor is not able to pay. However, currently our doubtful debt policy is being drafted Sir and will be tabled to the council for adoption as a policy and shall be the basis of calculation for provision for doubtful debt.

MR. CHAIRMAN.- What are these doubtful debts – is it rates, is it money?

MR. P. LAL.- It is overall everything Sir.

MR. CHAIRMAN.- Overall, could be hire of your stadium?

MR. P. LAL.- Yes, parking lot, base fees and other space as well

MR. CHAIRMAN.- These bus companies do they also pay particular fees with the use of your bus stand?

MR. P. LAL.- Yes Sir.

MR. CHAIRMAN.- Are they up to date?

MR. P. LAL.- No Sir, there are substantial arrears.

MR. CHAIRMAN.- That is why e-ticket is important they will get more money to pay these debts off.. You have some methods and you have already done a paper on that and it will be tabled in council for approvals.

HON. A.M. RADRODRO.- What is the current status now, has the \$1 million been reviewed up or down; what is the current status of the provision?

MR. P. LAL.- It will increase Sir according to the doubtful debts, we have to increase the provision for doubtful debts. The thing is some of the substantial owed money is still owed to the council and we have to provide provision for that.

HON. A.M. RADRODRO.- It is just a general provision not specific?

MR. P. LAL.- Just a general provision it is not actual.

HON. A.M. RADRODRO.- That \$1 million as provision is quite a big amount as compared to your revenue collection. Your \$8 million and you provide \$1 million that is suspected to be collected, that is quite a very dangerous trend. Are you charging the correct amount or are you charging the valid ratepayers?

MR. P. LAL.- We are charging the correct amount Sir.

MR. CHAIRMAN.- Coming back to that question, these doubtful debts, at what stage do you declare a debt that is doubtful? You must be going through all your recovery avenues by Small Claims Tribunal et cetera in terms of rates specifically or some unpaid base fees et cetera. To what stage or after what time do you declare that as a doubtful debt?

MR. P. LAL.- Actually Sir, according to our new doubtful debt provision policy, it is calculated based on debtors aging report, there are certain percentage for the amount of debt that is owed according to each year.

MR. CHAIRMAN.- Alright so it accumulates for over 5 years.

MR. P. LAL.- After 6 years we provide 100 percent provision for that.

MR. CHAIRMAN.- If a debt is owed for 6 years then it becomes a doubtful debt because under the law you cannot recover it anyway under statutes of limitations.

MR. P. LAL.- We assume that, Sir, this is basically the trend that has been for the debt collection. Yes for the rates the percentage that is provided is around 30 percent, we are expected to collect more than 60 percent.

HON. A.M. RADRODRO.- Of rate payers

MR. P. LAL.- Yes

HON. A.M. RADRODRO.- So 30 percent is doubtful?

MR. P. LAL.- More than 30 percent.

HON. A.M. RADRODRO.- What is the makeup, residential, business?

MR. P. LAL.- Overall.

HON. A.M. RADRODRO.- Have you done any analysis?

MR. P. LAL.- Mostly residential, substantial amount is from residential.

HON. A.M. RADRODRO.- When you had that 30 percent increase did you take into consideration the payment ability of those ratepayers, when in fact you will be providing for them why did you have to increase it in the first place?

MR. P. LAL.- Basically this is just a book entry, it is just the provision that we are providing but according to our legal she has already explained what actually we are doing in collecting that. We want to collect that, we do not want to lose that, Sir.

HON. A.M. RADRODRO.- What is the collection rate?

MR. CHAIRMAN.- 100 percent in courts and she has said when they go to court people start paying up.

MS. S. KAMOE.- Thank you Mr. Chairman, I do confirm that we do have 100 percent recovery through legal proceedings.

MR. CHAIRMAN.- The danger here is not about the legal proceedings but once a few ratepayers realize that others are getting away with it, if we let it go for six years we would not be paying it, no one will turn up to pay and that is the trend some of the councils are facing. Some people are having free rides, that is what we are trying to point out, your recovery process should start very early and it should not become six years old for it to become a doubtful debt. That \$1 million compared to your \$8 million loan et cetera is an asset and cash at bank is the serious concern and these things should not go out to other ratepayers.

MS. S. KAMOE.- We duly note your comments Sir and we will follow that from hereafter.

HON. A.M. RADRODRO.- Just another thing for this doubtful debts when you have this amnesty period do you still charge the rates to these ratepayers who are put on doubtful debts?

MR. P. LAL.- During the amnesty period we encourage them to pay the whole amount 100 percent to clear that, and this year we have collected more than \$1 million of arrears for previous years.

MR. CHAIRMAN. - Amnesty only applies to the interest portion not the lump sum, is it? You discount the rates as well.

MR. P. LAL.- We discount the rates as well.

MR. CHAIRMAN.- For all or for doubtful?

MR. P. LAL.- Amnesty is just only interest and the council also initiate some discount policies.

MR. CHAIRMAN.- To recover, some money in hand is better than nothing at all. In some countries say Australia and New Zealand they make arrangements with the utility service providers like FEA and Water Authority where a portion of the city council debts can be collected by these agencies. Like \$2 for a bill et cetera, because people are more scared to lose water and electricity connections then actually losing a title because it comes at a later state. Have you had any discussions or any thought around these or discussion with the sister cities in China that you could have a similar system where rate collection can be part of the utility service providers?

MR. J.Q. NAKAUVADRA.- That is a very good suggestion, Sir, and something for the Council to take on board as well, to work with other agencies of Government and try to have MOU's with them and vice versa for them as well.

MR. CHAIRMAN.- We note that as far as parking meter fees are concerned, once it goes into LTA records the vehicle will not be passed unless you go and pay to the council and take the receipt back to LTA, so that is one of the easier ways of collecting your debts in terms

of parking meter. Now applying the same principle, I am not saying that it is a recommendation, it is probably a suggestion; some countries have applied that and some good results have come out of that.

MR. J.Q. NAKAUVADRA.- Thank you Chair, this will require consultation with those utilities like WAF and FEA.

MR. CHAIRMAN.- Maybe in the next seminar you have with all the CEO's introduce that idea.

MR. A. MAITAVILIA.- Also the laws is currently on review now, I mean all those suggestions can be given to Committee for their considerations.

MR. CHAIRMAN.- Thank you for that.

Part 7.7 Increase in rate debtors – We were told that there is a good recovery rate and the debtors are probably becoming less but it is noted here that:

“The review of rates debtors noted that the rate debtors have significantly increased by 7.5 % during the financial year. At the end of the financial year 2012,...”

That was that time where the rate debtors have increased. Any comments on that, is that under wraps now?

MS. S. KAMOE.- Thank you Chair. Council has taken all its efforts to recover rates owed including legal action for cases taken to Tribunal and Magistrates Courts. Some of the rulings are pending and awards for repayment arrangements made are not sufficient to recover arrears. In some extreme cases where the arrears are more, people have been ordered to pay according to their affordability, courts consider their affordability of living first then comes the secondary of payments – that is one of the backlog where the recovery is slow. Though we have instituted legal proceedings the court considers their affordability for living first then comes the payments of any other avenues.

MR. CHAIRMAN.- That is the means test.

MS. S. KAMOE.- Yes.

MR. CHAIRMAN.- There is a system used by Suva City Council, they put a caveat on a property. If you get a judgement put a caveat on the property. Now that rate amount is there, it can be there for 100 years but as soon as the property is to be sold or transferred then that caveat will become alive and then they will have to pay that. What that does is that it guarantees that at some stage you will have your money back.

MS. S. KAMOE.- Yes Sir. We have had some consultation with SG's office and now we are adapting to those procedures from this year onwards. This is for the old accounts so we are looking into adapting to those avenues as well, Sir.

MR. CHAIRMAN.- That seems like a good suggestion because when people want to sell or transfer or even get a loan on the property, the caveat will be there.

MS. S. KAMOE.- Yes the caveat will be there.

MR. CHAIRMAN.- Honourable Members any questions in that regards in terms of debtors. We have had answers of substance from prosecution in that regard. We will move to the next one.

Part 7.8 Debtors with significant balance. Most of those things have been answered but there are four debtors that are mentioned there:

“Scrutiny of the rates debtors account noted that some rate payers have significant outstanding balance.”

Apart from the residential ones, 7.8 says that Pac Investments, Assessment #5787, they owe the Council \$315,985.67; Dee Cees Property, Assessment # 1644, they owe \$26,057.25; Housing Authority, Assessment # 6786, they owe \$116,692.07; Native Land Trust Board, Assessment # 5822, they owe \$23,785.04. What are these rates in respect of and what is the explanation there?

MR. P. LAL.- For Pac Investment Sir, they are doing development lots. Yes we have managed to recover 100 percent arrears this year, only the current year’s rate is owed, and that is also for the others as well. The arrears have been recovered 100 percent only the current rates are owed.

MR. CHAIRMAN.- There is a large income there, a total of \$500,000 has come in?

MR. P. LAL.- Correct Sir.

MR. CHAIRMAN.- Honourable Members that is a good sign, rates have been recovered. The notation at that time was that the Council should ensure rates, debtors, amounts that Council is unlikely to recover should be written off provided the Ministers approval is obtained, so it has been recovered and it is better than writing it off.

MR. P. LAL.- Yes Sir it has been recovered. They have taken advantage of amnesty, when we provided a 100 percent waiver on interest, they were encouraged to pay that. The arrears has been collected Sir, only this year’s rates is left.

MR. CHAIRMAN.- Part 7.9 - Variance between general ledger and debtors listing. I think that was answered by you, you are now doing a new debtors list that corresponds and balances with the funds.

Part 7.10 Accumulated leave. This is something, when I was reading I was bit worried about this, and it says:

“Officers will be eligible for leave at the rate of 15 working days for each completed year of service up to five (5) years and increased to 20 working days for those who have completed continuous service for five years and over, such leave may be accumulated by agreement of the Council. The audit noted that the Council staff had excessive leave balances as at 31 December 2012. Refer to Table 7.4 for details.”

Table 7.4: Staff with accumulated leave balance more than 10 days lists Shiva Rajan (31 days), Salvin Singh (34 days), Irinale Nabalarua (18.5 days), Ramendra Sharma 21.5 days, and Sundressan Reddy (59 days). Some people have leave up to 80 days pending, Rohit Karan Singh.

“The audit is of the view that such a significant amount of leave balance has arisen due to the poor leave administration which allowed staffs to accumulate their leave balance. Audit further noted that the Council paid leave compensation to some of the officers upon resigning from the Council.”

There are three issues here one, who is in-charge of these leave entitlements or to ensure that leaves are taken on time; two, why was it allowed to accumulate to over 80 days in some instances, and three, what sort of compensation is paid when a person has accumulated leave and he resigns?

MR. J.Q. NAKAUVADRA.- Mr Chairman, I agree with the concerns of the Committee about these leaves. The Council is now taking proactive measures to ensure that the leaves are taken annually. We have written to the individual officers and the association as well and we are planning their leaves to ensure that there is no more accumulated leaves as such.

MR. CHAIRMAN.- What is the current situation, people are taking leaves on time?

MR. J.Q. NAKAUVADRA.- That is what we are doing now.

MR. CHAIRMAN.- These people who had substantial leaves pending what has been done about them, have they been asked to go on leave to balance the days or have they been paid off?

MR. J.Q. NAKAUVADRA.- We are not paying anyone for outstanding leave, we are asking them to take their leave.

MR. CHAIRMAN.- There were two people Jeremaia Marawa and Amal Prasad because they I think they resigned so their accumulated leave was paid off totalling \$19,673 in 2012. How was that allowed to happen?

MR. J.Q. NAKAUVADRA. –That is the risk with these accumulated leave. Some people we found out they were intentionally trying to avoid taking their leave because they want some kind of payment when they suddenly leave the council.

MR. CHAIRMAN.- What is the practice now, currently, you are not allowing people to accumulate leave, and you are not paying anyone if they have accumulated leave?

MR. J.Q. NAKAUVADRA.- We are not paying anyone. Work with the council and to ensure that the leave is reduced because everyone needs rest as well, to have enough time with their families and have some time for themselves to recuperate and to have some rest as well.

MR. CHAIRMAN.- The Ministry for Labour and these unions they negotiate leave for that very purpose that you have mentioned. They must have time to spend with their families and recuperate before they come back to work. There is no point in working all year around and accommodating it for a sum of money. I think it is a good practice that you did not allow that anymore.

Honourable Members, any questions on accumulated leave. This was 2012, I hope the new accounts will not show anything of that stuff. In addition, “The Council has implemented a leave plan where all staff will be utilising their leave by June 2014.”

7.11 Re-financing of interest bearing borrowings.

“The audit noted that the Council failed to seek approval from the Minister for Local Government, Housing and Urban Development for the refinancing of the seven loan accounts.

Discussions with the Chief Executive Officer and the Director Administration and Finance revealed that Minister’s consent was obtained for Westpac Bank loans when they were uplifted in the year of the original loan. Audit was advised that there was no need for the Minister’s consent for the transfer of loan from Westpac Banking Corporation to Bank of South Pacific as they are existing loans.

The review of the new loan account statement revealed that two bank cheques were payable to Westpac Banking Corporation Limited and BSP Life (Fiji) Ltd to settle the two existing loan accounts. Hence, audit is of the view that the loan balances with Westpac Banking Corporation and BSP Life (Fiji) Ltd was not transferred to the new loan accounts; instead, the accounts were settled through refinancing. Thus, the Council should have obtained the Minister’s approval for the refinancing of the loan accounts with Westpac Banking Corporation Limited and BSP Life (Fiji) Ltd.

Without obtaining Ministers approval, the Council is seen to breach the requirements of Section 41 of the Local Government Act.“

Our concern here, CEO, we understand there was a loan and it was refinanced, so BSP paid off Westpac on behalf of the council and the loan was refinanced. You are saying that there was no requirements for the minister’s consent, but OAG is saying there was a requirement for consent –any explanation on that?

MR. J.Q. NAKAUVADRA.- What simply happened here is that Westpac was charging us an interest of almost six percent.

MR. CHAIRMAN.- Lower interest.

MR. J.Q. NAKAUVADRA.- Then we go to BSP and negotiate with BSP and they gave us an offer of only four percent of interest and that is why we changed bank. There was no fresh loan. The only loan that we took where the minister’s approval was obtained was with Westpac. In this case we just changed from Westpac to BSP.

MR. CHAIRMAN.- In your opinion the refinancing did not require any minister’s consent?

MR. J.Q. NAKAUVADRA.- No.

MR. CHAIRMAN.- OAG, your notation seems to suggest that there was a requirement under Section 41 of the Local Government Act.

MR. D. PRASAD.- Thank you, Mr. Chair. If the existing loan transferred with the same terms and conditions then there is no objections, but when a loan is transferred from one bank to the other then obviously there is a change in the terms and conditions as well. As far as the Act is concerned it talks about raising a new loan, but transferring a loan to the other bank obviously we will come with new sets of conditions. So that point the OAG believe that the minister’s approval was to be required; but the ministry official is here so probably he can clarify on that.

MR. CHAIRMAN.- Has any legal opinion been taken on this issue? I understand that banks usually have different terms and conditions. I mean they did a good wise move by switching banks because there was a lower interest rate, it is just a question of whether it was lawful without the consent of the minister. Ministry of Local Government, what is the general procedure?

MR. A. MATAIVILIA.- I have the Act here which states, "...a council may from time to time raise loans for such purposes in such amount, such terms and conditions and shall be approved by the minister responsible for Finance."

MR. CHAIRMAN.- Alright, there seems to be a requirement there raising a loan, refinancing is also raising a loan. Have you taken any future loans after this?

MR. J.Q. NAKAUVADRA.- Not taking any loans, servicing the current loan.

HON. A.M. RADRODRO.- Just a question, the council's comment at that time stated, "...has been reported to the Minister's forum in 2012 however will follow up with a letter for ratifications and records." Has that been obtained?

MR. CHAIRMAN.- The ratification been done?

MR. J.Q. NAKAUVADRA.- The Ministry was advised during the council forum with the other councils and the ministries as well. My understanding is that after that the other councils followed suit as well, some of them even changed bank after learning the steps taken by Lautoka City Council.

HON. A.M. RADRODRO.- Just an update on this Council comment then that you will follow up with the ratification letter from the minister. Was that letter obtained?

MR. A. MATAIVILIA.- Thank you, Mr. Chair. I was trying to get this record from yesterday but we can come back to the Committee if there is any written request from the council on this follow up.

MR. CHAIRMAN.- Please let us know because that will apply across the board and perhaps some explanation or opinion can be sought from the Solicitor General's Office, they are the ones facilitating these agreements. Honourable Dean, you have a question?

HON. M.M.A. DEAN.- The Committee takes it that the debt refinancing approval is only done by the Minister for Economy not the line minister of that particular ministry.

MR. CHAIRMAN.- That is what the Act requires.

HON. M.M.A. DEAN.- Is the line minister consulted?

MR. CHAIRMAN.- No there is no requirement.

HON. M.M.A. DEAN.- Is he required to be consulted in cases like this?

MR. CHAIRMAN.- There is no requirement. Is there any requirement?

MR. A. MATAIVILIA.- Because this case is refinancing, it is not a new loan, but if it is for a new loan then we have to request.

HON. M.M.A. DEAN.- Of course, yes, but is the line minister involved in any way or it is directly liaising with the.....

MR. A. MATAIVILIA.- Of course, yes, it has to come through our line minister then we request.

MR. CHAIRMAN.- We will note that, and that brings us to the end of the audit issues. Before we go to the performance audit of contractual engagement of municipal councils, there were few issues that has been raised in the Performance Audit. Are you aware of those issues?

We will take 15 minutes tea break to allow the Manager Finance, CEO and Prosecutor to relax a bit and please join us for tea and then we will start at 11 o'clock or five past 11. With Performance Audit, Honourable Radrodro will lead these questions.

The Committee adjourned at 10:48 a.m.

The Committee resumed at 11.08 a.m.

MR. CHAIRMAN.- Thank you very much Honourable Members, members of the media, secretariat and Lautoka City Council officials. We are now ready to start our second segment of today's programme and that is the Audit Report on Performance Audit Volume 1 that was carried out by the OAG and that is Contractual Engagement for Municipal Councils.

In the past weeks we have been asking different councils of the contractual engagements and the anomalies or issues that have been highlighted by the Office of the Auditor General. We have the assistance from the Office of the Auditor General here today as well; those delve around areas of procurement, tenders and quotations in terms of procuring services from suppliers. This segment Honourable Radrodro will lead the questions, he is an expert in this area.

HON. A.M. RADRODRO.- Thank you Mr. Chairman, just before we look into the audit proper, probably the Auditor General can advise the Committee and the Council on the purpose of this audit exercise. How was it initiated; what was the reasons behind it; and the methodologies undertaken and whether there will be any follow-up audits for the issues that have been identified by the auditors in this performance audit. Auditor General, maybe you can start the proceedings today.

AUDIT REP.- Thank you Honourable Member, thank you Mr. Chairman. A performance audit on contractual engagements by municipal councils was carried out across seven councils. The main objective of the audit was to determine the effectiveness of the municipal councils in managing contracts of services that they had entered into. Mostly the contracts relate to the works that are carried out by the council for improving utilities that are provided by them or in some cases we also used some capital projects. The reason for undertaking this audit arose from the financial audits that are carried out where they identified that this was an area that were lacking.

MR. CHAIRMAN.- A lot of anomalies et cetera.

AUDIT REP.- Yes, so we decided to carry out an audit on this area.

HON. A.M. RADRODRO.- Just a question to Auditor General, who initiated this auditing process for the performance audit to be undertaken for the municipal councils? Is it the municipal councils themselves; is it the ministry or is it just the Auditor General's initiatives?

AUDIT REP.- For this particular audit, this topic came about from our Auditors in-house where they have identified in the reports that they sent. This was some of the areas in which they highlighted were lacking but otherwise we do accept like from Parliament if it wants us to look into certain areas or from the Committees, we also accept that.

MR. CHAIRMAN.- Yes once we complete this process we probably identify areas where there is a need for further scrutiny, put it in the report and probably we can pick it from there.

HON. A.M. RADRODRO.- Thank you Mr. Chairman. We will just commence with the audit proper on the Audit Report. The first audit issue is the Existence of effective policy framework which is highlighted by the Auditor General 4.1.4 that is page 10. The Auditors have highlighted that for the municipal councils there is no uniform policy for all municipal

councils governing the contractual engagement at the time of this performance audit. This was done when, OAG?

AUDIT REP.- Early 2014.

HON. A.M RADRODRO.- At that time there was no uniform policy for all municipal councils governing contractual engagements, and none of the municipal councils have a policy in place to govern the management of contracts. Particularly, for Lautoka Table 4.1 there is no policy in place, "The Councils accounting policies and procedure manuals is in a draft form and yet to be approved by the Council." Can you just give us a brief update on the findings of the performance audit?

MR. J. Q. NAKAUVADRA.- Thank you Mr. Chairman, currently we have been guided by the Manual of Accounts which I think was drafted or formed in 1992 is long overdue and I know that the ministry is now in the process of reviewing the manual of accounts and all the municipal councils have been circulated with the draft which soon will be adopted, and that will be the new guiding policies for all engagements of contracts.

HON. A.M. RADRODRO.- Auditor General, your further comments on that is the use of policies and indicates that the policies are adopted without proper management and untimely review of existence manuals. What is your comments on this findings that you have highlighted?

AUDIT REP.- Thank you Honourable Member, I think the ministry is currently reviewing the manual of accounts that will incorporate all these contracts that are being entered into by municipal councils.

HON. M.M.A. DEAN.- Just adding to that any idea when this review process will be done, any timeline?

MR. A. MATAIVILIA.- Thank you Mr. Chairman, as I have already explained this issue last week, we are currently reviewing the manual of accounts. It is the draft that I have submitted and following that, one of our priorities is to look into that tender template, tender policy for all the councils. What they are following right now is the manual of accounts which is general, it does not specifically mention the criteria, the ratings that we have discussed last week. Right now we are giving those manual of accounts to the council for their input and also for their comments, and we will also see how we can accommodate some of the recommendations in this report in this draft manual of accounts already been circulated.

HON. M.M.A. DEAN.- This tender policy, Office of the Auditor General, is it standard for all the councils or it depends on the projects of the council?

AUDIT REP.- That is the one that they are reviewing right now, that should standardize all practices across municipal councils, but previously I think they were just referring to that one.

HON. M.M.A. DEAN.- We had a case with Suva City Council whereby there were different terms and conditions of one particular project which was funded by JICA, so eventually the conditions of the JICA project was not that useful so the council had to take the project on their own. What I am trying to ask is that when it comes to the involvement of donor agencies, do their standards, requirements and whatever their guidelines almost match our national tender policies in regards to the municipal councils?

MR. CHAIRMAN.- What he is asking is that Suva City Council explained to us that when JICA comes into the picture they have a different set of terms and conditions and city council has a different way to manage their Programmes and policies. What happens when donor agencies come in, who takes precedence?

HON. A. O'CONNOR.- Mr. Chairman, if I may add here it probably does not differ too much from donor agencies like JICA and KOICA et cetera with the ministries. When the donor agencies come on board there is a Memorandum of Understanding, I think the same applies with the Ministry of Local Government with any other ministries, which is the same thing in our ministry. Every donor agency comes on board with a Memorandum of Understanding which again is vetted through the SG's office before it is signed by the two parties.

MR. CHAIRMAN.- Where that question emanates from is that there was a particular project for Suva City Council where JICA did their own procurement of contractors and the project was not done properly. We asked the question to Suva City Council why was this project not done properly? They said they procured the providers and they left half way through and then the Suva City Council had to finish their own project. Was it Suva City Council or Nausori Town Council?

MR. A. MATAIVILIA.- Sir, it was SCC. It think it is a learning curve for them too because they said according to JICA they choose their contractors and the agreement was done, a two-page agreement was done by the ministry, it was not sufficient but they learned that the work was not completed by that contractor. The current arrangement we are doing now is all those contractors that are involved with the council they have to submit through the ministry and submit to SG's office for vetting.

HON. M.M.A. DEAN.- That brings us to the same question as Mr. Chairman has highlighted, what takes the precedence, the terms and conditions of the donor agency or the terms and conditions of the line ministry? When the MOU is being set up whose condition is taken into more consideration?

MR. A. MATAIVILIA.- The MOU is signed between JICA and the council, when it comes to the contract itself with a particular company or specific contractor, the contract have to be send to the SG's office for vetting.

MR. CHAIRMAN.- I think it comes back to the MOU as well. After the MOU is signed whose condition will take precedence?

HON. A.M. RADRODRO.- That is probably what was highlighted by the Auditor General in this report. The councils have an existing manual of accounts but in fact the actual applications the audits have highlighted for various reasons, the municipalities have been using different accounting standards which over the years have proven somewhat inadequate for proper control of their finances.

For Lautoka specifically, "The councils accounting policy and procedures manual is a draft form and yet to be approved by the council." It was the time of the audit. What is the current state now in terms of the existing policies and procedures?

MR. J.Q NAKAUVADRA.- We are waiting for the finalisation of the manual accounts by the Ministry, because we will have to align our manual accounts with the Ministry's one.

HON. A.M. RADRODRO.- In this particular situation while awaiting the finalisation, what kind of policy you are doing now in terms of contractual engagement?

MR. J.Q. NAKAUVADRA. Tenders and contracts are now send to the ministry for vetting and submission to the SG's office.

HON. A.M. RADRODRO.- Irrespective of the amount?

MR. J.Q. NAKAUVADRA. - Irrespective of the amount.

HON. A.M. RADRODRO.- For the current tender process, CEO if you can explain the process that you are following?

MR. J.Q. NAKAUVADRA.- The tender that is over \$10,000 that is advertised and the report is submitted to the council for the council to consider and then we call for the interview. After the interview we submit the report to the ministry for consideration and their view and approval as well.

HON. A.M. RADRODRO.- Item 4.2 – Existence of contract planning. Municipal councils have plans for capital projects and development which is incorporated in your capital works programmes. What they have highlighted is that at the planning stage, most of the councils have not decided on the project works that will be contracted, plans for capital projects usually planned out for different departments. For Lautoka existence of contract planning, “Yes, but no specifications provided. The Council has a strategic plan (5yr plan) for improvement of infrastructure. The formulation of the strategic plan involves various stakeholders and their views were also incorporated in the plan.” Can you just comment on the updated status in this particular table, existence of contract planning, and may be if you like Auditor General can lead us into the need for this contract planning or elaborate further on this contract planning.

MR. J.Q. NAKAUVADRA.- Thank you Mr. Chairman. We do acknowledge the recommendation of this report. There is a challenge from the council to have this contract planning in pace for the council. Like for the Government we have something like annual procurement plan which is issued by the Fiji Procurement office. This is something that we will need for the council to also look into in terms of setting up their Annual Corporate Plan and also their budget to indicate how many purchases or how many contracts the council will be committing during the year. We acknowledge the report here Sir.

HON. A.M. RADRODRO.- In your procurement plan, who initiated the detailed information in there?

MR. J.Q. NAKAUVADRA. - It is requested from the Fiji Procurement office and in that plan we have to indicate how many purchases or how many contracts we will engage during the year so that some of those tenders will have to go through the Tender Board. It is like a forecast for the year to indicate how many tenders sitting there will be done to identify those successful bidders.

HON. A.M. RADRODRO.- At the time of the audit there was a plan in existence but as highlighted no specification provided. At least part of the contractual engagement is done by having a contract plan, but details of the contract plan was not there. How has it been in terms of future engagement of contracts?

MS. S. KAMOE. - Sir I acknowledge the report and in future plans now all the strategic plans and the scope of work is included in the tender documents. When anyone who will come to collect the tender document to fill for a tender he will know all the scope of work and what is required and everything. Now it has been scrutinised.

HON. A.M. RADRODRO.- Inaudible.

AUDIT REP.. - Yes, when we conduct our follow up audit we will follow up on this again.

HON. A.M. RADRODRO.- Going into Human Resource, item five. “Under the current practice in most councils the responsibility of identifying the contract of service is done by the different Departments within the Councils. It was noted that all works contracted out by the Councils were results of initiations proposed by the technical personnel in their various Departments. The different projects contracted out by the councils are directly related to the various departments that exist within the Council.” Does the Lautoka City Council initiate their projects based on the technical advice or recommendations? The identification of contract works; how are the contracts identified, do you use your technical expertise?

MR. J.Q NAKAUVADRA. - Of course based on the technical expertise of the people that we have, the capacity.

HON. A.M. RADRODRO.- Do you have an engineering department within the Lautoka City Council?

MR. J.Q NAKAUVADRA. – Lautoka City Council has an engineering department, building, health, works, finance, administration and HR departments.

HON. A.M. RADRODRO.- Para 5.2.1 – Responsibility of evaluating and approving of tenders, how involved is these respective departments when Lautoka City Council engage in contracts, all these technical departments get involved in all of these works?

MR. J.Q. NAKAUVADRA.. - In that tender process all the heads of sections are involved from the respective departments.

HON. A.M. RADRODRO.- Highlighted in table 5.3 for Lautoka, “Tender Committee opens the tender which comprises of the Heads of Sections who analyses the applicants and a report is prepared during the Development and finance committee meeting. Once they approve on the tenderer the final approval is sought from the full council meeting before the tender letter is issued.”

What is the process now in terms of evaluation of tenders?

MR. J. NAKAUVADRA.- Basically the same process.

HON. A.M. RADRODRO.- The same process.

MR. J. NAKAUVADRA.- Tenders are opened and submitted to the tender committee before it is referred back to the respective department and then it goes through the tender for people who are calling for an interview and then submitted to the ministry for approval.

HON. A.M. RADRODRO.- Part of the performance audit was the valuation of the contractual contents, the contract documents that is Item 5.2.3.3.

MR. CHAIRMAN.- Just before that Honourable Member, what currently comprises of the full council meeting, I believe there is no councillors so what is the council?

MR. J.Q. NAKAUVADRA.- The council meeting is basically the CEO and the section heads. At the moment section heads in the absence of the Special Administrator.

HON. A.M. RADRODRO.- Item 5.2.3.4, “Review of existing contractual agreements provided by the council visited found that all the contracts included requirements covering insurance, liabilities and indemnities and payment arrangements. Also most of the council did not have the proper format. As for Lautoka in Table 5.5, contract between Lautoka City Council and Ambika Nand for grass cutting and cleaning of drains in Waiyavi Ward Area B.”

Audit Comments – “The General Condition of the Contract is not appropriately divided up into different sections with specific headings. The special Conditions of the Contract is divided up into sections. A number of key items are not included as part of both the General and Special Conditions. The items include:

- Contract variations – formal procedures specifying the mechanism to be used if the contract needs to be varied; and
- Confidential information and disputes – provision specifying the requirements on both parties if a dispute arises during the performance of the contract.”

OAG, may be you can elaborate further on that before the comments from the Council on these findings of format and contents of the Contractual Agreements.

MS. U. NAMOSITAVA.- We did not have the various sections for a particular contract. It was just a normal document, and that is why we raised the issue.

MS. S. KAMOE.- Thank you, Mr. Chair. As I have mentioned earlier, Sir, previously when this comment was made the Council was not adhering to all the proper terms and conditions of a contract as how it should have been but now we are even doing the advertisement of a tender or when a tender document is ready for pick-up, filling of a tender all the respective information which has been missing back then has now been filled including all the scope of work which is required in different wards. Now there are specific wards which we have specified. The council has four wards which has been specified and now for all different wards there are different sets of forms to be filled. Before it was just general which used to be done but now we have adopted a new policy.

MR. CHAIRMAN.- Every contract is now vetted by the Solicitor General’s Office?

OAG.- Yes, Mr. Chair, all the contracts are now vetted by the SG Office.

MR. CHAIRMAN.- What was the practice before this, you had some simple contract done by you in-house?

MS. S. KAMOE.- Yes, before was just a simple contract done but now all the contracts is done in-house too but it is vetted by SGs Office.

HON. A.M. RADRODRO.- Just a clarification, now your process is going through SGs Office, what is the level of feedback in terms of timely feedback?

MS S. KAMOE.- Mr. Chair, they have been very efficient. We approach SGs office through the line ministry and we get all our documents back within three weeks' time. They have been efficient in vetting documents.

HON. A.M. RADRODRO.- This particular contract with Ambika Nand, is the contract still in existence or has it been revised to accommodate?

MR. J.Q. NAKAUVADRA.- Ambika Nand is one of the good contractors. I think it is Waiyavi C, can I make some comments on this. Contracts are given to the respective wards and the wards are further divided, like Waiyavi we have Waiyavi B and C; in Simla, we have Simla A and B, Simla A, for Tavakubu we have sub Tavakubu A, B, C and so forth. They are clearly identified now and demarcated.

HON. A.M. RADRODRO.- Para 5.2.3.11, "The audit found that contractual agreements between Lautoka City and two contractors had expired and the contractors were informed through a letter to continue providing the service without contract being renewed."

Table 5.7, Lautoka City Council contractor, Sheik Mohammed, cleaning of the park and Ravindra Kumar collection and disposal of refuse. Sheik contract expired on January 10, 2014 and the Council vide letter 3<sup>rd</sup> January, to continue until 29<sup>th</sup> June 2014. Ravindra Kumar, contract had expired on 10<sup>th</sup> January 2013 and the Council advised the contractor to continue until February 1<sup>st</sup> 2013 then continue till June 2013 where a new contract was later awarded to the supplier. Any comments on this?

MR. CHAIRMAN.- It seems a bit irregular. The contractor whose contract ran out was allowed to continue and then the contract was given to the same supplier, Ravin Kumar, which probably took the rights of other applicants.

MR. J.Q. NAKAUVADRA.- That is why we virtually just wrote to him and asked him to continue with the contract under the terms and condition while the process of tender was taking place.

MR. CHAIRMAN.- There was no prior planning that this contract was going to expire or some tendering to be called earlier than the expiry.

MR. J.Q. NAKAUVADRA.- We passed a resolution that from now onwards all those tenders will have to be applied, three months advertising before the expiry.

MR. CHAIRMAN.- That is a good system.

MR. J.Q. NAKAUVADRA.- That is something that we need to improve on.

HON. A.M. RADRODRO.- Probably OAG can follow up and during the follow up audit to check.

MS. U. NAMOSITAVA.- Will follow that up during our follow up audit.

HON. A.M. RADRODRO.- Item 5.3, Records Management. For Lautoka, "A review of the files maintained at the Council revealed the following observations. Files maintained for

the individual tenders with contracts but the papers in the file are not serially numbered.” What is the normal filing process in terms of contractual engagement?

MR. P. LAL.- Thank you, Mr. Chair. Each individual file is maintained for each contractor and all their documents are kept.

HON. A.M. RADRODRO.- In this, it was highlighted that the papers were not serially numbered in the files. Have you addressed these issues and probably OAG can advise why the need for serial numbering and the ministry in terms of their position?

MS. U. MICHAEL.- When you have papers in the files serially numbered it can detect if papers have been removed from the files, the numbers will be missing, and that is why we normally highlight that they should serially number their papers in the contract files.

MR. CHAIRMAN.- It is an important process because we have had instances where papers went missing from the files and in the case of one council, Sigatoka, entire file was stolen from the SGs office that had their contract documents. It raises a few alarms with us why would someone be interested in stealing a file that has contract and tender documents; serial number is the practice now employed.

MR. P. LAL.- Duly noted, Mr. Chair, we will start doing that.

HON. A.M. RADRODRO.- Further to that is the part of the ministry’s manual of accounts.

MR. A. MATAIVILIA.- Thank you Mr. Chairman, I have already mentioned, Sir, for the review of manual accounts we will also take into account recommendations by this Performance Audit.

HON. A.M. RADRODRO.- Next Item is 5.4 - Payment of contractors, “Our review of the payment process revealed that all the Councils have a process in place for payment, however, there were lack of general internal controls in most Councils.” Specifically, for Lautoka, “After completion of work invoices are raised and passed to the finance department to prepare the cheque. The cheque is then forwarded to the signatories for signing.”

The remarks are that “Payments are made after review of supporting documents, work done according to standard requirements, certification and authorization. For grass cutting contract inspection measurement form are filled by the Horticulture Department to indicate that the work has been done by the contractor and the garbage contract invoice are certified by the department of Health. No reports to substantiate the verification done by the Council. Copies of payment voucher not filed in the individual contract file.” These are the observations during the audit regarding contractual payments.

MR. J.Q. NAKAUVADRA.- Yes we are doing that now. In fact as far as the inspection is concerned I personally do that on a daily basis with our Horticulture and Works Manager, we move around inspecting these contractors daily.

HON. A.M. RADRODRO.- The form as highlighted here was not filled at the time. Has it now been filled?

MR. J. Q. NAKAUVADRA.- The form is now been filled.

HON. A.M. RADRODRO.- For the grass cutting and other activities that are contracted out by the council?

MR. J. Q. NAKAUVADRA.- That is what I said, we normally go out on a daily basis inspecting all these places, the contractors and the wards as well.

MR. CHAIRMAN.- Just a general question CEO, I see some trucks watering those flower gardens in Vitogo Parade. Is that the council in-house or is it ....

MR. J. Q. NAKAUVADRA.- Because of the drought we are facing, maybe that is why Lautoka has been labelled as a clean city in Fiji.

MR. CHAIRMAN.- So that is an in-house team.

MR. J.Q. NAKAUVADRA.- Despite the drought we still have Lautoka green.

HON. A.M. RADRODRO.- Mr. Chairman, on the general recommendation for the Lautoka City Council on page 33, three recommendations are highlighted by the Auditor General's office.

- “Develop tender evaluation criteria to use for evaluating tenders received. A scaling system should be used to apply the criteria when evaluating tenders.” I think that is being attended to now.
- “Ensure that the General Conditions of its contractual agreements are appropriately divided into sections with proper headings.
- Ensure that existing contracts approaching expiry term are first reviewed before the contract is renewed. The performance of the contractor should also be reviewed prior to renewing the contract.”

The Lautoka City Council probably must have highlighted that earlier, individually on the recommended solutions, may be you can just make one or two sentences for recording purposes on the respective recommendation. You have your own recommendations there, should you wish to elaborate further or just read out?

MR. J. Q. NAKAUVADRA.- For the evaluation we agree, we are doing that and we already have our scope of work and everything, including the tender documents, timeframe and the budget as well. Secondly, the general conditions of contractors agreements are appropriately divided into sections and proper headings. We are working on that right now. Thirdly, the report on the performance of the contractors, before the expiry of the contract we are doing that as well. This is one area that we consider while interviewing tenders for the new contract, they normally go through that Performance Report. For the information of the Committee we are not renewing one of the contractors contract and we are giving that contract back to the council. One of the grass cutting contractors in Lautoka because of his performance.

MR. CHAIRMAN.- The four wards that the city is divided into must be of different sizes and different areas.

MR. J. Q. NAKAUVADRA.- Yes

MR. CHAIRMAN.- When you evaluate a tender, on what basis do you award a tender to a particular contractor knowing that the work that he is doing in a particular ward, say Namuka probably is much larger than other areas? Is a scaling system applied there?

MR. J.Q. NAKAUVADRA.- The fact is that we consider the size of the area, the population involved and the type of roads and drains and the number of parks and garden there, because the more the parks and gardens the more grass cutting that you need to carry out compared to areas that are basically residential. Those are things that we consider.

HON. A.M. RADRODRO.- In terms of contractual arrangement and works that are being engaged by the council, say for grass cutting, what was the arrangement before sub-contracting out, whether you actually achieved the purpose of contracting out?

MR. J. Q. NAKAUVADRA.- Most of the grass cutting works in Lautoka are contracted out, outsourced except for one or two areas which are very prime and it is important for us to take control of the activities, for instance the Natabua stretch and along the Marine drive. These are areas that are very critical for Lautoka and normally visited by people and we have taken over those place because we need to control the activities or the grass cutting. Whenever our contractors do not perform we move our people to cut the grass or clean the drains and we surcharge them, the contractors. We deduct it from their payment, and in fact it is in their contract as well.

MR. CHAIRMAN.- That means you have a team that can stand in if a contractor is not doing their part, you have an in-house team that walks in.

MR. J.Q. NAKAUVADRA.- For the grass cutting and drain cleaning, street sweeping within the city area, town area, CBD, is being run by the council. Outside the town area, the residential area that is contracted out.

MR. CHAIRMAN.- Those were most of the questions that we had regarding the performance audit. There was a monitoring system you have answered a bit on that but at para 6.1.5 it is noted that there is no documented evidence for monitoring noted. I take your point that you personally go yourself to monitor some works and we have had instances where if a contractor is not performing you would send your team to do that and then surcharge the contractor, deduct from his contract amount, but is there any document as such of the instances or at what regulatory you must inspect this works?

MR. J. Q. NAKAUVADRA.- That is an area of improvement for the council the documentation of inspection, and you can be assured that I do that on a daily basis. In fact my programme is that I do not enter my office until 11.00am in the morning.

MR. CHAIRMAN.- That is something that can be worked upon but we do not really rely on the contractors because they will know that you are coming on this particular day, that day they will work much more than the other days.

MR. J.Q. NAKAUVADRA.- When the Auditor General comes they will look at the documentation and nothing else.

MS. S. KAMOE.- Mr. Chairman, we have adopted a policy. We have a maintenance supervisor, where all these works comes under him and now he is submitting weekly reports on the progress of the contractors how they are performing. It has been documented now and he is submitting weekly reports.

MR. CHAIRMAN.- Alright so there is a person in this position, and it is a good step. In fact there was a notation at part 6.4 under Lautoka City Council that “..Special Conditions of Contracts require that the works shall be inspected by the Director Engineering Services or his representative and any shortcomings be rectified within 24 hours. Inspection work required in the contract to be conducted daily for the duration of the contract. However there is no specific requirement on the reporting of contractual works by the responsible officer. Also neither the general nor the special condition contract outlines requirements on the process of governing evaluation of the contractor’s performance.”

There are two things, one is inspections should be done on a daily basis and any complaints rectified within 24 hours. Are those things being done now on a daily basis as she has explained, but electrification works 24 hours?

MS. S. KAMOE.- We do attend to complaints impromptu Sir within 24 hours.

MR. CHAIRMAN.- I think there was something noted about Lautoka in 6.5, Managing complaints on contractors work. “The Council carries out inspections, gives out notices and even take legal action where necessary. When complaint is received by the ratepayer an inspection is carried out and a notice sent. If there is still non-compliance a second notice maybe sent or legal action taken. Complaint register maintained however register was not updated in the timely manner.” The requirement here is that if a ratepayer raises a concern probably of an un-clean drain or un-swept street you have a mechanism there to take those complaints you have explained, but the register, do you have a complaints register that is maintained regularly?

MS. S. KAMOE.- Sir back then probably the complaint register was not maintained regularly but now all the departments have a complaint register which is maintained regularly.

MR. CHAIRMAN.-All departments have it?

MS. S. KAMOE.- Yes.

MR. CHAIRMAN.- We understand that the repair works for roads and drains this is with FRA now but if there is a complaint raised by a ratepayer that probably a street has a pothole, it is not your responsibility but do you refer that complaint to FRA?

MS. S. KAMOE.- Yes we do Sir.

MR. CHAIRMAN.- Those were some of the additional questions.

Honourable Members any questions arising from those issues? Okay as far as the scrutiny of Lautoka City Council is concerned that brings us to the end of today’s proceedings. We have noted a lot of improvement shown by Lautoka City Council in terms of debt collection, management and in terms of contractual supervision.

We are thankful to Lautoka City Council for appearing and in fact adhering to the recommendations raised by the Office of the Auditor-General. What we aspire to see is that when an issue is raised by the OAG it is rectified in a timely manner and when it comes to us that leaves very little work for us, but if there is something that keeps on pending for a number of years then we are lumbered with problems in some areas as we have seen today. We hope that in future the recommendations are taken on board and acted upon in a timely manner as

you have already demonstrated in some areas. With that I would like to thank the team from Lautoka City Council, the CEO, the Finance Manager and Assistant Prosecutor for your appearance. Any final comments by any of the Members before we conclude.

MR. J.Q. NAKAUVADRA.- I take this opportunity to thank the Honourable Chairman and respected Honourable Members and also the staff from the OAG's office for the contribution and the very good discussion taken place this morning. We know that appearance before you is always very good, the sound suggestions and recommendations given by the Committee Members. Can be rest assured of our continued support and effort towards excellence for our people of Lautoka and Lautoka City.

The Committee Interview adjourned at 11.53 a.m.