

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY 07TH NOVEMBER, 2017 AT 9.24 A.M.

Submittee : Tavua Town Council

In Attendance

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|----------------------------|---|-------------------------|
| 1. Mr. Binesh Naidu | - | Chief Executive Officer |
| 2. Ms. Praveen Lata Prasad | - | Finance Mnager |

Ministry of Local Government, Housing and Environment

Mr. Alipate Mataivilia	-	Snr Accounts Officer
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MR. CHAIRMAN.- Good morning everyone, a special welcome to the team from Tavua Town Council, Mr. Binesh Naidu former policeman and Ms. Pravin Lata Prakash. Thank you for accepting our invitation and appearing before this Committee. As you are aware, we are doing a special task for the Government and the Parliament, to scrutinise spending of municipal councils. For the past few weeks we have been hearing from all the councils, Suva City Council, Lautoka City Council and Nadi Town Council et cetera. Today is Tavua's turn and you are familiar with the setup of this Committee.

On my left, we have the two Opposition members of the Public Accounts Committee, Honourable Aseri Radrodoro and Honourable Ratu Naiqama Lalabalavu, and on my right we the lone Government member sitting in today is the Assistant Minister for Health Honourable Alexander O'Connor and I am the Chairman, also from the Government side. Another Honourable government member who will be joining us later today, the Honourable Dean.

As you are aware, we are currently looking and screening through public accounts. We also have the Office of the Auditor General here represented by Mr. Dineshwar Prasad and we will also be shortly joined by an officer from the Ministry of Local Government. You would notice that the audit opinion of Tavua Town Council was i.e 31st December 2012. About five years ago and we will be asking you some questions around that area. May I request you, CEO, to make your introductory remarks and submission, and we will ask questions as we go along.

MR. B. NAIDU.- Thank you Sir. This is my first appearance in this forum. I will just quickly introduce Tavua. It is a small town at a developing stage at present and we have 247 rate payers, a small town. . We have a single ward as compared to other councils which have several wards. We have a single ward and currently all works are done in-house by the employees of the council. We have a total of 20 workers including staff who run the municipal council at present.

MR. CHAIRMAN.- What are the boundaries, CEO, of Tavua Town Council?

MR. B. NAIDU.- It is just within the town area and...

MR. CHAIRMAN.- The bridge travelling down from Rakiraki...

MR. B. NAIDU.- No Sir, the bridge is the border, both the bridges are the border.

MR. CHAIRMAN.- The bridge towards the Ba side and the bridge towards...

MR. B. NAIDU.- And the bridge towards the Rakiraki side.

MR. CHAIRMAN.- So, that is a very small stretch.

MR. B. NAIDU.- Yes Sir, and it is about 200 metres towards the Vatukoula Road.

MR. CHAIRMAN.- Tavua Hotel falls in your boundary?

MR. B. NAIDU.- Yes, Sir.

MR. CHAIRMAN.- That road that goes towards Vatukoula, there are a few houses there that are 200 metres...

MR. B. NAIDU.- Just as far as the PWD Depot

MR. CHAIRMAN.- And that school towards the coast after the road?

MR. B. NAIDU.- Only the village there is not in the town boundary Sir.

MR. CHAIRMAN.- Yes, the village is exempt. What about Tavua College?

MR. B. NAIDU.- Tavua College is out of the boundary, Sir, but we do provide services to the villages.

MR. CHAIRMAN.- In terms of rubbish collection et cetera

MR. B. NAIDU.- In everything, Sir

MR. CHAIRMAN.- Thank you. So we will move on to the audit opinion. We have read your submissions. You must have noticed that we have the officer from the Ministry of Local Government here as well to assist us. You have received a disclaimer of opinion from the Auditor General's office. Disclaimer of opinion arises when the information or documents or evidence provided to the OAG is not sufficient and they cannot reliably base their conclusions on the account of the Council. One of the reasons for the disclaimer was that the Council has not transferred the roads, drains and verges to the Fiji Roads Authority as per the FRA Amendment Decree.

So, can you please explain why that did not happen at that time? I do note from your submissions that the transfer has finally occurred in 2013? So, can you just brief us on that bit?

MR. B. NAIDU.- Yes Sir, , the MOU was not signed till the end of 2012 and therefore the transfer was not done. Now, it has been done at the end of 2013 which will be reflected in our 2013 Audit Report.

MR.CHAIRMAN.- So, in your accounts of audit report 2013 onwards, you would not find roads as a property there.

MR. B. NAIDU.- Obviously yes Sir.

MR. CHAIRMAN.- The other issue there is that some of the councils have advised us that when they had transferred the roads, verges and drains to the FRA, FRA contacted them back for the cleaning, grass cutting and general maintenance. What is the position of these roads in Tavua? Who does the grass cutting, washing of streets et cetera?

MR. B. NAIDU.- The Council still does it, Sir.

MR. CHAIRMAN.- The council still does it and who pays for it? FRA? Or is it contracted to you by FRA or you do it on your own accord?

MS. P. L. PRAKASH.- At present the council is paying for that .

MR.CHAIRMAN.- Council is paying for cleaning of drains, verges, grass cutting and roads?

MS. P.L. PRAKASH.- Yes, Sir.As for the street light repairs, Fiji Roads is Authority has private contractors to attend to this.

MR. CHAIRMAN.- But repairs et cetera are obviously done by FRA...

MS. P.L. PRAKASH.- Yes, street lights repairs and roads repairs are also being done by them.

MR. CHAIRMAN.- So, Honourable Members, the position seems to be very similar with other councils.

HON. A.M. RADRODRO.- Mr. Chairman, the arrangement that have been mentioned that Tavua Town Council keeps up the maintenance of the drainage and the grass cutting. So, do you get reimbursement from Fiji Roads Authority for performing those cleaning? That is quite different from the other councils. Some councils had transferred to FRA and they will get contractors to do those services. Now, Tavua does not do so.

MR. CHAIRMAN.- No but Lautoka was getting their own contractors to do it and Ba Town Council gets their own people, everything is done in-house. Ba Town Council is not paid by FRA for grass cutting.

MS. P.L. PRAKASH.- Actually the cleaning of roads and the drains is not contracted out, but the Council is doing this maintenance in-house, like our workers do the drain cleaning and street sweeping.

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

MS. P.L. PRAKASH.- We are not reimbursed.

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

MS. P.L. PRAKASH.- No we have not been reimbursed

MR. B. NAIDU.- No, no reimbursement Sir

HON. A.M. RADRODRO.- Because in some councils that we interviewed earlier, same arrangement but FRA pays the councils for doing those services whether it is contracted out or done by the council themselves.

MR. CHAIRMAN.- Will you be able to check later with FRA and inform us.

MR. B. NAIDU.- We will follow up, Sir.

MR. CHAIRMAN.- And what is the arrangement, if there is an uniform arrangement, probably the council can be reimbursed for the work done so far. There are some...

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

HON. A. O'CONNOR.- Mr. Chairman, can we hear from OAG and the Ministry of Local Government.

MR. CHAIRMAN.- Please advise us OAG first so what is the general practice? What is the arrangement there?

OAG REP.- Thank you Mr. Chairman, I think the arrangement between FRA and the municipal councils is based on what is stated in the MOU. Since it was the 2012 Audit, we have not sighted the MOU between FRA and the council, but as far as my experience with other municipal councils is concerned, once the MOU is signed and the roads and the drains is transferred to FRA, any subsequent works that is carried out by the municipal council is invoiced to FRA and then FRA comes and vet the claims and then make reimbursement.

So, that is the arrangement between other councils, but I am not sure and I am a bit surprised to hear that when the work is done on the road and the drains by the council, the same

is not reimbursed. So, it is something a bit different and I have noted it down. We will follow it up during our 2013 audit with FRA as well, but maybe the Ministry can also comment on that.

MR. CHAIRMAN.- We will have to give the question after to the Ministry of Local Government. Yes Ministry of Local Government, please on that point.

MLG REP.- Thank you Mr. Chairman, I do agree with OAG's comments any works that is done by the council like drains, grass cutting and the roads, they have to ask FRA to reimburse.

MR. CHAIRMAN.- For all councils?

MLG REP.- Yes, for all the councils.

MR. CHAIRMAN.- So probably you can follow it up with that council, and I think Ba Town Council was also mentioned in there that once the MOU has been signed it should be uniform across the board and the property belongs to FRA. Obviously Tavua Town Council doing some work for FRA and if the funds are reimbursed to Tavua Town Council, they can use the money for some other purposes.

MLG REP.- Maybe CEO can clarify whether those drains are council drains or ...

MR. CHAIRMAN.- No, drains and verges are all transferred, as per the FRA Amendment Decree

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

MR. CHAIRMAN.- Yes to FRA. Honourable Lalabalavu

HON. RATU N.T. LALABALAVU.- Honourable Chair, through you, I just seek clarification from the Office of the Auditor General and the ministry as well regarding this MOU. I am a bit confused as to the explanation that has been given Honourable Chair, that the transfer of roads, drains and verges has already come into effect under the Decree. I think the MOU is to do with the contract with FRA. What the town council should be doing and in terms of that maybe the reimbursement for all the expenses for works that had been done to take care of the cleaning of the roads and drains. Apart from that, the transfer has already been done.

MR. D. PRASAD.- Thank you, Honourable Member. The Decree guides the transfer of the roads and drains envisage to the FRA. But what happen is that after the transfer of the assets, roads and drains through FRA then FRA noted that the need for the council to carry on with some of the works which probably they cannot handle themselves. So, what they did, they entered with the council through an MOU for certain tasks still to be retained with the councils, and for those tasks the FRA easily reimbursed the councils. So that is what is happening through the MOU.

MR.CHAIRMAN.- That should be the normal course of events. So, Ministry of Local Government will check that and inform us after consultation with CEO of Tavua.

The next bullet point Honourable Members is that the Council did not comply with International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs) in preparing its financial statements for year ended 31 December, 2012.

Consequently, the financial statements did not include any adjustments which may have been necessary if financial statements were prepared under IFRS and SMEs.

There are two things here:

- i) That the council had not prepared its financial statements under IFRS for SMEs; and
- ii) Based on that the OAG cannot see any adjustments which could have been made under the IFRS system.

So, what is the explanation of that, Manager Finance?

MS. P.L. PRAKASH.- At that time, we had no technical support for prevailing the convention to IFRS so at present, we are now taking the assistance of Lautoka City Council finance department to assist us in the convention to IFRS.

MR. CHAIRMAN.- I understand that in 2014 you engaged Lautoka City Council to help you in IFRS?

MS. P.L. PRAKASH.- Yes.

MR. CHAIRMAN.- So, before that, what sort of system did the council use in terms of IFRS?

MS. P.L. PRAKASH.- We used the accrual basis.

MR. CHAIRMAN.- It was manual done on excel?

MS. P.L. PRAKASH.- Yes, manually and excel.

MR. CHAIRMAN.- Alright. So, Members that is the position there. On the second bullet point, the IFRS system will be used from 2014 so the future account that we see after 2014 should have that issue resolved. OAG is that the position now?

MR. D. PRASAD.- Thank you, Mr. Chair. We are yet to audit the 2014 accounts for Tavua Council because we have not received the financial statements yet.

MR. CHAIRMAN.- Which year have they submitted?

MS. P.L. PRAKASH.- 2013 has been audited.

MR. CHAIRMAN.- Why the delay in terms of submitting?

MS. P.L. PRAKASH.- The delay was because we were supposed to convert to IFRS system but due to the lack of technical support in that direction, it took us time.

MR. CHAIRMAN.- Ministry of Local Government, Tavua Town Council, a small municipality is having some difficulty. They are seeking assistance from Lautoka. Is there any arrangement made by the ministry?

MR. A. MATAIVILIA.- Thank you, Sir, I think that was the arrangement made by the ministry.

MR. CHAIRMAN.- Between Lautoka and Tavua?

MR. A. MATAIVILIA.- To seek Lautoka City Council to support Tavua Town Council in preparing the accounts.

MS. P.L. PRAKASH.- The ministry had directed us.

MR. CHAIRMAN.-The arrangement obviously was made in 2014 but this is 2017. Sigatoka and Ba Town Councils have submitted upto 2016, but Tavua is two years behind. So, OAG can you comment on the accuracy of what is happening now. Can you follow up on that please?

MR. A. MATAIVILIA.- Yes, sir. Right now we are trying to update all the accounts. All the councils are being sent reminders every month to update their accounts.

MS. P.L. PRAKASH.- The 2014 accounts will be with the OAG office at the end of this month.

MR. CHAIRMAN.- End of this month you will be submitting the 2014 Accounts. Honourable Radrodro, you have a question?

HON. A.M. RADRODRO.- Mr. Chair, on the IFRS system, these are the changes that had been implemented according to the FIA. There would be costs to the Council in terms of adopting these changes. You had mentioned that you had arranged the services of Lautoka City Council staff to help out. What are the details of this arrangement? Is there any cost involved, Mr. Chair?

MS. P.L. PRAKASH.- Yes, that is shared services.

HON. A.M. RADRODRO.- What was the arrangement?

MS. P.L. PRAKASH.- At present, they are assisting but they have not given us any charges is mostly occupied, Lautoka City Council is a big council and its finance manager with his work and he has to do overtime to carry out our work, too ,so we have offered to pay him at least for his overtime to assist us in this direction.

MR. CHAIRMAN.- How many staff do you have in your Finance section?

MS. P.L. PRAKASH.- Only one.

MR. CHAIRMAN.- Yourself?

MS. P.L. PRAKASH.- We only have two office staff in the office at present.

MR. CHAIRMAN.- All the rest are on the ground?

MS. P.L. PRAKASH.- Yes, in the field.

MR. CHAIRMAN.- So, there just two officers in the office. One is you and who is the other one?

MS. P.L. PRAKASH.- The other one is in the admin section.

MR. CHAIRMAN.- How many departments do you have in Tavua Council?

MS. P.L. PRAKASH.- We have a parking meter department, health department, market master and the office section.

MR. CHAIRMAN.- Any engineering department?

MS. P.L. PRAKASH.- No, we do not have that. For engineering works, we mostly use Ba Town Council and Lautoka City Council.

MR. CHAIRMAN.- Alright.

MS. P.L. PRAKASH.- As a shared service.

HON. RATU N.T. LALABALAVU.- Yes, Honourable Chair, just some more clarification there to the ministry. The assistance of Lautoka City Council to Tavua Town Council that had been raised by Honourable Radrodoro comes at a cost. The directive is given from who?

MR. A. MATAIVILIA.- Is given from the ministry. It is the strategy that we have put in place with the council to assist their human resources in terms of the capacity that they have. Tavua is a small council and in terms of capacity, they are lacking so that is why we requested Lautoka, Ba and sometimes Sigatoka to assist them on that area in terms of their accounts.

MR. CHAIRMAN.- Thanks for that. Those two issues have been resolved so they are on the right track.

HON. A.M. RADRODRO.- Mr. Chair, just on this particular arrangement, does the ministry living a certain amount that was supposed to be paid to this kind of arrangement or how does the ministry monitor that this process is not abused? Because even with this arrangement you still up to 2014. So, how does the ministry monitor that this arrangement is not abused?

MR. A. MATAIVILIA.- Thank you, sir, as I have already mentioned, we are continuing to follow up with Tavua Town Council and asking even Lautoka City Council to assist them in terms of trying to update their accounts.

MR. CHAIRMAN.- Alright, the overtime payment they are talking about, if they agree, who will it be paid by ?

MR. A. MATAIVILIA.- Tavua Town Council.

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

MS. P.L. PRAKASH.- So far we have not made any payments to him.

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

MR. CHAIRMAN.- Any agreement or any arrangement with the Lautoka City Council?

MR. A. MATAIVILIA.- Sir, I think there is no such agreement made.

MR. CHAIRMAN.- It is an offer. When that officer does overtime obviously he will be entitled to some payment whether that comes out from the Lautoka City Council or Tavua Town Council

MR. A. MATAIVILIA.- Yes, it has to come from the Tavua Town Council.

MR. CHAIRMAN.- Alright, it has to come from the Tavua Town Council but will the ministry subsidise it or they have to pay it from their own budget?

MR. A. MATAIVILIA.- It will depend on financial eligibility of Tavua Town Council. If they require funding for this then the ministry can assist.

HON. A.M. RADRODRO.- Very clearly, on the sort of billing arrangement, the costing, there needs to be some clear guidelines Is it going to be on the individual or is it going to be on the Lautoka Town Council? That needs to be clarified.

MR. CHAIRMAN.- So, they are not out of pocket by the end of the day.

HON. A.M. RADRODRO.- So, that the person does not seem to be double dipping.

MR. A. MATAIVILIA.- Thank you, Mr. Chair, I think it is a good point .We will have to cross check and come back to the Committee.

MR. CHAIRMAN.- One general question CEO. You mentioned that you have 247 ratepayers now. In 2012 as per the head note there, you had 253 ratepayers so about six of them are not there anymore. What has happened and the reason for the decrease in ratepayers?

MS. P.L. PRAKASH.- (Inaudible)

MR. CHAIRMAN.- The question is that the Head note in 2012 says you had 253 ratepayers and now you have 247 ratepayers so the six ratepayers who have gone?

MS. P. PRAKASH.- The alienated native land one, some of their properties have been reserved.

MR. CHAIRMAN.- All right. The lease has expired so people have moved out. This was a general question.

HON. RATU S. NANOVO.- Can you please explain a bit more on that, through you Mr Chairman? Is it to do with a village right within the boundaries?

MS. P. PRAKASH.- No, in alienated native land, those properties that have been reserved some of them are vacant so Council is not providing any service to them such as garbage collection. There are no buildings there so Council is not providing any service to them. So when a land is classified as reserved, it goes under the iTaukei Lands Trust Board (iTLTB), so we are not levying any rates on that property.

(Inaudible)

MR. B. NAIDU.- Yes Sir, towards the Water Supply on top, the hill.

MR. CHAIRMAN.- We understand that there were six properties, probably the lease arrangement with the iTLTB has expired and therefore the occupants have either left or those properties are no longer rateable.

MR. B. NAIDU.- They are vacant, Sir.

MR. CHAIRMAN.- Vacant, yes.

(Inaudible)

MS. P. PRAKASH.- Yes. When it is occupied, yes.

MR. B. NAIDU.- When somebody buys it again, Sir.

MR. CHAIRMAN.- For town boundary, the boundary does not shift, only the lease gets expired.

MR. B. NAIDU.- But I am trying to get somebody to occupy that piece of land. It is quite a good piece of land.

HON. A.M. RADRODRO.- (Inaudible)...for those kinds of arrangements, the role of the Council in terms of keeping the boundaries clean and in better health condition. How does the Council ensure that those vacant, even though they are not rateable, are kept at an acceptable standard?

MR. B. NAIDU.- Sir the edges of those properties are all clean, but inside it is all hilly and mountainous areas. We are not doing anything in there, Sir, but as far as the health is concerned, we are maintaining that place at our own cost.

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

MR. B. NAIDU.- No, we are not doing anything inside, Sir just road edges is not costing us a lot but though it is ratepayers money, we are just for the beautification of our town, we are doing it, Sir.

MR. CHAIRMAN.- All right, Thank you CEO. Just a general question, what would be the average rate charged on a residential property in Tavua Town boundary?

MS. P. PRAKASH.- One property is mostly \$300, \$250, maximum to \$400, not much.

MR. CHAIRMAN.- What about Commercial?

MS. P. PRAKASH.- Yes, Commercial too \$400, \$300.

MR. CHAIRMAN.- This is similar to what the other councils are charging?

MS. P. PRAKASH.- Yes.

MR. CHAIRMAN.- Table 1.2 Abridged statement of Financial performance General Fund. We note the explanation that the rates have decreased is probably because of the expiry of those leases. Is there any questions on the table? I had only one question regarding the drop in rates from 2011 to 2012, but I assume that it is because of those six properties or there are some other reasons as well?

MS.P. PRAKASH.- In 2011, they were a lot of aged debtors. Rate arrears accumulated over the years, so in 2011 we went door to door collection, door to door approach and then we managed to collect all the arrears in 2011.

MR. CHAIRMAN.- You managed to collect all the arrears?

MS. P. PRAKASH.- Yes, we managed. It was almost 100 percent in the arrears.

MR. CHAIRMAN.- All right. But you see in 2012 there is again a reduction from \$53,229, to \$37,301.

MS. P. PRAKASH.- That is the current amount.

MR. CHAIRMAN.- Current balance at 2012?

MS. P. PRAKASH.- In 2011, all arrears were collected.

MR. CHAIRMAN.- Would you take any sort of action against ratepayers who are defaulters and are not paying up? Court action et cetera?

MS. P. PRAKASH.- First of all, we have not taken anyone to court. For those who are working we have made arrangement for deduction at source, or if they are not working, we can approach them, and make part time arrangements so they can at least come and pay every week or every month as convenient to them so that they can pay up. But when we made personal approaches, they have been coming up and paying.

MR. CHAIRMAN.- All right, thank you for that. On row two, fees rents and charges. Your fees, rent and charges have increased to \$186,157. What are these fees, rent and charges?

MS. P.PRAKASH.- These fees, rent and charges are for business licenses and market fees as well as four local shops that we get rent from.. In August, 2011 we increased our business fees so that is why we had a slight increase there in 2012.

MR. CHAIRMAN.- Any other questions on that regards honourable members and,if not we go to table 1.3?

Alright. Table 1.3 Abridged Statement of Financial Position General Fund.

HON. A.M. RADRODRO.- Table 1.2 – the rates 2011 to 2012, you said in 2011 all the arrears were paid. Does that mean that in 2011 you were doing the accounting services on a cash basis arrangement?

MS. P. PRAKASH.- In 2012, the rate system was low too, there was flooding and cyclone so we did not pressure our ratepayers much to come and pay. We were giving them a recovery time.

MR. CHAIRMAN.- That is noted. I think Table 1.3 is clear enough, there is only one issue of reduction in property and equipment and that was because of the transfer of that property to FRA.

It says;

“Net assets declined by \$471,805 or 13 percent in 2012 compared to 2011. This was due to the decline in property, plant and equipment...”

Your property, plant and equipment decreased by \$428,000 so that is something apart from roads, drains and verges. What is the reason for a decline in property, plant and equipment (PPE)?

MS. P. PRAKASH.-The depreciation charts in 2011 and 2012 is almost the same I think, with a bit of variation there.

MR. CHAIRMAN.- Sorry the question is that there is a decline in PPE so is it because of depreciation or have you sold?

MS.P. PRAKASH.- I think it was because of depreciation.

MR. CHAIRMAN.- Depreciation? Does it show on the table?

MS. P. PRAKASH.- On 1.2, there is depreciation shown in 2012 – it was \$428,482 and in \$2011 was \$427,439.

HON. A.M. RADRODRO.- Mr. Chairman, I think what the Council is saying is there should not be much difference but maybe the Auditor General should advise us what is the cause of this difference?

MR. D. PRASAD.- Thank you Honourable Members. If there are no major changes in the property, plant and equipment (PPE) from the prior here, the only difference that will cause the PPE to decline is the depreciation cost itself. Because depreciation is on an annual basis, so if you look at 2011, the non-current assets was close to \$3.6 million and in 2012 the non-current asset was \$3.169 million. So the major reason for the decline in the fixed asset is because of the depreciation expense which is on annual basis.

MR. CHAIRMAN.- That non-current asset does it also include, as at 2012, roads and drains, et cetera?

MS. P. PRAKASH.- Yes. In 2013, the transfer was done.

MR. CHAIRMAN.- Yes, so after that was done, probably there was a significant decrease in the total non-current asset. What other sort of properties does Tavua Town Council own?

MS. P. PRAKASH.- There is Garvey Park there, pavilion, our office building, then the market building. In the children's park we have a changing room.

MR. CHAIRMAN.- This is owned by the Council?

MS. P. PRAKASH.- Yes, Sir..

MR. CHAIRMAN.- So you generate income from there?

MS.P. PRAKASH.- Yes, we generate an income from there.

MR. CHAIRMAN.- What about that bus-stand that is towards the bridge, towards Rakiraki there is a bus-stand there?

MS. P. PRAKASH.- Yes and the bus shelters too.

MR. CHAIRMAN.- It is owned by the Council?

MS. P. PRAKASH.- Yes, it is owned by the Council

MR. CHAIRMAN.- Do you charge bus companies fees?

MS. P. PRAKASH.- We levy them fees, yes.

MR. CHAIRMAN. - It is owned by the council?

MS. P. PRAKASH. - Yes, it is owned by the council.

MR. CHAIRMAN. - You charge bus companies?

MS. P. PRAKASH. - We levy them fees, yes.

MR. CHAIRMAN. - Okay. Any other question members? Let us move to 1.4 Abridged Statement of Financial Performance - Parking Meter. The parking metre has been an issue with lot of councils. Not damaging but the revenue of parking metre seems to be decreasing also for your council. In 2011 the total tolls was collected at \$6,827 and it declined in 2012. Also infringement fines declined and others also declined. So your total income from parking metre declined from \$15,691 to \$12,574 and the actual revenue from parking metre activities are \$680 in 2012. So what is one of the main reasons why the parking metre tolls have decreased? The number of vehicles obviously are increasing around Fiji. Yes, CEO?

MR. B. NAIDU. - Sir, the parking metre parts are expensive. It is not available locally. We have to import it from New Zealand and Australia and these flying wheels are quite expensive, so the council of Tavua need to have it done once in three years. That is one of the reasons why most of our parking metres were not in a firm condition.

MR. CHAIRMAN. - But CEO, the repair and maintenance in 2012 is nil? There is no repair and maintenance cost, but the actual tolls have declined like the coins people put in?

MR. B. NAIDU. - Yes, I can suggest that the metres were not working.

MR. CHAIRMAN. - Okay, metres were faulty. The lollypop systems?

MR. B. NAIDU. - Yes.

MR. CHAIRMAN. - The metre zones are in the Main Street both sides, towards the court house?

MR. B. NAIDU. - All the roads.

MR. CHAIRMAN. - In front of these hardware shops too?

MR. B. NAIDU.- A total of 90.

MR. CHAIRMAN.- Okay. I think, that just explained that there was a decline obviously.

MS. P. PRAKASH. - When we import from Australia and New Zealand, they do not give in small amounts.

MR. B. NAIDU. - They give it in bulk.

MS. P. PRAKASH. - They bring it in containers, so in most cases, we speak to Lautoka City Council or Suva City Council if they have old parts that we can replace or repair our parking metres.

MR. CHAIRMAN. - It costs about \$800 to get a new lollypop machine?

MR. B. NAIDU. - Yes. Sir, the wheels itself costs about \$150 for two flying wheels.

MR. CHAIRMAN. - It is 20 cents per 15 minutes.

MR. B. NAIDU. - It is plastic, Sir, and wears out each time the coin goes in.

MS. P. PRAKASH. - Vandalism also causes more problems.

MR. B. NAIDU. - Sometimes we find ice block sticks in there.

MR. CHAIRMAN. - *Oilei!*

MR. B. NAIDU. - Foreign coins in there.

MR. CHAIRMAN. - Some people trying to cheat.

HON. RATU S.V. NANOVO. - Mr. Chairman, is it worth the investment to the council because when it is only for three years and starts playing up?

MS. P. PRAKASH.- What we are trying to do now is that the workers who are working at the Vatukoula Gold Mines park their vehicles in town and then they go in the company provided buses. Some people do night shifts and some day shifts, they do not need to take their vehicles to the mines. We are now giving parking on prepayment basis. So if they park on one parking metre they pay for one month a certain amount so that they can park there for one month. That is going to increase our revenue now.

MR. CHAIRMAN. - The parking metre has got two fold purposes. One is to get revenue obviously and the other one, is to ease the traffic congestion. If you do not have metres, people will park there and forget about it. So I think it serves both the purposes. There is a profit in 2012, it is just that the amount is only \$680. So that is why the Honourable Member asked if it was worth the investment of getting the parts for running these metres. But I personally feel that if there are no parking metres, you will not find any space to park anywhere.

MS. P. PRAKASH. - Yes.

MR. CHAIRMAN. - Yes, Honourable Member?

HON. M.M.A. DEAN. - Thank you Mr. Chairman and good morning to the CEO and the official representing your accounts section. Are there any plans to expand the boundaries of the Council area?

MS. P. PRAKASH. - I think some talks have been done regarding the expansion of town boundaries towards Ba.

HON. M.M.A. DEAN. - Okay.

MR. A. MATAIVILIA.- Thank you Mr. Chairman, for your information, we have a Ministry for Local Government Committee which is looking after that responsibility, of extending the town boundaries for every town. They are currently having consultations for every councils and arrangement will be done if they send it for that.

HON. A.M. RADRODRO. - Supplementary question to the Ministry, what is the normal standard requirements for township and cities?

MR. A. MATAIVILIA. - Thank you Sir. From my understanding, one depends on the population for the township to be declared, two; the number of developments carried out in the town area and also the boundary. I think taking into account all that will determine how towns and cities are declared. There are some other things listed in the Ministry of Local Government Act.

HON. A.M. RADRODRO. - Inaudible.

MR. A. MATAIVILIA. - Sir, we are not really sure about the numbers, we can come back to that.

HON. A.M. RADRODRO. - Inaudible.

MR. A. MATAIVILIA. - Yes.

HON. A.M. RADRODRO. - Inaudible.

MR. B. NAIDU. - The Ministry for Local Government Committee is deciding on that Sir.

MR. CHAIRMAN. - Okay let us move to the control issues. I think the accounts have been sufficiently explained. The control issues, Part B, the first part has already discussed in terms of IFRS, they are already applying the IFRS system with the assistance of Lautoka City Council.

1.14 Inadequate Insurance Cover.

The Council's properties are insured with New India Assurance for the period 20th March, 2012 to 20th March, 2013. OAG's verification of the insurance records revealed that the Council's properties are not adequately covered for insurance relating to material damage and motor vehicle.

We also noted that furniture and equipment are excessively covered as the written down value of it is well below the sum insured. Excessive insurance cover indicates that the Council is not reviewing its insurance premiums on a progressive basis and therefore is paying higher insurance premium unnecessarily. The two issues are highlighted there, that your buildings and vehicles are not adequately insured and your furniture and equipment are excessively covered. In fact, it is not covered with the written down value, but you are paying extra premium for that. So, what is the explanation for that Finance Manager?

MS. P. PRAKASH. - This furniture and equipment were insured and the premium was paid together with the market building. Market building, equipment, plant and machinery and furniture were in one complete package and the insurance premium was paid, but for the market building, \$150,000 is just for the structure. The market stalls are included in this furniture and equipment. It is only the breakdown that is shown, but in the furniture and equipment it was paid in one package, like for the market building, plant and machinery and furniture and equipment.

MR. CHAIRMAN. - So you do not pay different policies to New India but pay for one policy for everything? Is that what you trying to say?

MS. P. PRAKASH. - Yes. It was under one policy.

MR. CHAIRMAN. - If you look at Table 1.1, you will see that for the market building, the written down value is \$454,637.50 but the amount insured is \$150,000. The question that arises there is that despite it being covered by one policy the written down value, that means the property is worth more than what it is insured for. The value of the market is \$454,637.50 but the insurance is for \$150,000.

MS. P. PRAKASH.- Because with the council funds we have less revenue. We have a budget of about \$300,000, so on the value of \$454,637.50 our premium would go up to \$2,000.

MR. CHAIRMAN. - Okay.

MS. P. PRAKASH. - The Council is finding it hard but for 2016 and 2017, the market has been valued at \$300,000 so we are coming up to..

MR. CHAIRMAN.- So your insurance is enough for \$300,000?

MS. P.L. PRAKASH.- Yes, insurance is increased. We had a meetings with our insurance agents, Sir, and they told us the reasons why we need to put a proper cover. So that is why we have now increased the market value to \$300,000, our office building to \$180,000 and Garvey Park to \$200,000.

MR. CHAIRMAN.- Alright, you have appreciated the value.

MS. P.L. PRAKASH.- Yes.

MR. CHAIRMAN.- Because if it is under insured and there is a substantial damage then the insurance paid out to you will be a very small sum, as was the case in 2012. Are you saying that has been resolved now?

MS. P.L. PRAKASH.- It has been resolved now.

MR. CHAIRMAN.- We will check the future accounts to see if that is correct, but I understand that should be done by now.

Sexennial valuation.

HON. A.M. RADRODRO.- Lands cover. Good points raised by the Tavua Town Council officials regarding affordability in terms of, at one hand, is the insurance requirements based on the Local Municipal Councils Act, Finance Manual and then there is a point of affordability. What does the Ministry view in terms of insurance coverage if there is a necessary requirements for municipalities taking into consideration their affordability? How does it view that? Does it have to be standardised in terms of insurance or can it insure only certain items of the Council like motor vehicle and probably some other buildings, but not necessarily to standardise the cover. Would that be an acceptable standard for Tavua Town Council?

MR. A. MATAIVILAI.- Thank you Chair, thank you Sir. I think for that question the Council needs to carry out this insurance cover for all their properties. We are also taking into

account their financial capacity. From this year, we are starting to give them operational grant for small councils to assist them in some of these areas.

MR. CHAIRMAN.- The Ministry is assisting them in terms of grants to get their premiums up to date and everything?

MR. A. MATAIVILAI.- Yes, Sir.

MR. CHAIRMAN.- That seems a good investment because it is property that belongs to the Council and eventually, you are responsible for.

HON. A.M. RADRODRO.- Today's rate; does it have any relations to the valuation that you carry out?

MS. P.L. PRAKASH.- This valuation does not have any relation to the rates .. This is different.

MR. CHAIRMAN.- Rates are separate from this valuation. One of our staff is from Tavua, are you paying your rates on time?

MS. P.L. PRAKASH.- She is outside the town boundary

HON. A.M. RADRODRO.- Another question is , how often do you access the claims to see whether it is actually worth covering for insurances otherwise it is just money poured down the drain for something that you will not be able to access after a certain period of time.

MR. CHAIRMAN.- So your question is why apply the insurance if you are not making claims?

HON. A.M. RADRODRO.- My question is basically, how often have you access it since you last paid?

MR. CHAIRMAN.- Made claims?

HON. A.M. RADRODRO.- Yes.

MR. CHAIRMAN.- Have you made any claims in the past?

MS. P.L. PRAKASH.- For motor vehicle, I think we made one.

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

MS. P.L. PRAKASH.- For market building and office building, no.

MR. CHAIRMAN.- I understand that you have to have your building and properties insured whether you make your claim or not because that is what insurance is all about. If something happens, they will not have the records if it is not insured.

HON. A.M. RADRODRO.- Affordability, Chair, otherwise the Ministry using public tax payers' fund, is funding something that is probably not affordable by the Council itself.

MR. CHAIRMAN.- OAG, can assist us, you have to get the property insured whether affordable or not.

(Inaudible)

MR. D. PRASAD.- Thank you, Chair through you just to comment on what Honourable Aseri Radrodro's has raised normally what happens , basically relates with the business risks. What happens is that if the assets of the Council is not adequately insured, then there is a risk that if something happens then the Council is not in the position to have those replacement assets.

Secondly, on annual basis, the Council should review the written on value or the replacement cost of the assets and have talks with the insurance companies to revise its premiums because what happens is that the value of these assets probably will depreciate, apart from the buildings, but with the other assets such as newly purchased equipment, motor vehicles, etc these will depreciate. Then the opinion should also be adjusted accordingly otherwise they will end up paying a higher premium then the value of the assets, because obviously the insurance company will only pay the insurance amount up till either at the replacement cost or the written down value.

MR. CHAIRMAN.- Yes, I understand. I think that was also picked up by you. Table 1.1 some of the properties were either under insured or over insured. I think the Council has got that under control, but I take your point that the property regardless whether you make your claim or not, be insured as it is a requirement under the Local Government Act as well.

1.15 Sexennial values. For every six years, the Council must do valuation of their properties to see the rateable land and building, what should be the rate, et cetera. But for the Tavua Town Council is the last valuation was done in 2002, if you look at 2012, it is 10 years prior. Is the Council carrying out valuation every six years as required by Section 64 of the Local Government Act?

MS. P.L. PRAKASH.- After 2002, we have not carried out the last 16 years' valuation. After 2008, we had called for tenders and the lowest bid we received was \$16,800.

MR. CHAIRMAN.- \$16,800 for valuation?

MS. P.L. PRAKASH.- Yes, Sir.\$16,800. We had few meetings and few correspondences with the Ministry of Lands and Ministry of Local Government which I have here, to assist us in this 16 years valuation. We have liaised with them and Lands Department had agreed that we pay half the deposit and we make part payments for that valuation process. So in 2018 we are preparing a budget for that so that we can carry out a valuation in 2018.

MR. CHAIRMAN.- It is also a revenue...

MS. P.L. PRAKASH.- In 2017 we had a few meetings with Lands Department regarding that.

MR. CHAIRMAN.- It also affects your revenue because the purpose of carrying out this sexennial valuation is to give you the unimproved value of the rateable land so rate can increase or decrease, usually it is increased. So in not doing this since 2012, you are not able to ascertain whether your rates are accurate. So is the Ministry of Local Government assisting the Councils in terms of having this valued because if the value increases which it probably will, they can charge a higher rate which would improve your income revenue.

MR. A. MATAIVILIA.- Thank you, Sir. This is something we picked up from this report and we will work with Tavua Town Council on trying to value all its assets.

MR. CHAIRMAN.- This is something that we found only in regards to Tavua; no other town councils has had this issue of sexennial valuation. OAG, it does not seem to be a trend in other councils; everyone else is doing this sexennial valuation.

MR. D. PRASAD.- Thank you, Chair. The requirement of the Local Government Act is that it should be done at least once in every six years so the other councils would probably have been complying and that is why OAG has not picked it up.

MR. CHAIRMAN.- Yes, Honourable Ratu Lalabalavu.

HON. RATU N.T. LALABALAVU.- Thank you Chair. Just a question to the lady from the Council. The cost levied by the Ministry of Lands, is it to do with the element of cost only or is there an element of profit as well..

MS. P.L. PRAKASH.- No, it is just an element of cost only. They are going to value 247 properties around town so that is the cost.

HON. RATU N.T. LALABALAVU.- Why I am raising this question Honourable Chair is that the practice in the past was the Ministry of Lands usually carried this out. The cost is very minimal but it is an obligation on government. Here, I am hearing that you call for tenders and then you are talking with the Ministry of Lands again.

MS. P.L. PRAKASH.- When we called for tenders we then realised that the tenders were very high so we started liaising with the Lands Department and they gave us a figure of \$16,800, the total cost of valuing 247 properties.

MR. CHAIRMAN.- All the rateable properties.

HON. A.M. RADRODRO.- The Ministry of Lands?

MS. P.L. PRAKASH.- Yes, the Ministry of Lands

MR. CHAIRMAN.- So, Honourable Ratu Lalabalavu, in your time as the Minister for Lands, who was doing the valuation for this rateable properties for town councils?

HON. RATU N.T. LALABALAVU.- It was done by the Ministry of Lands.

MR. CHAIRMAN.- On its own cost or at the cost of the council?

MS. P.L. PRAKASH.- Cost to the Council

HON. RATU N.T. LALABALAVU.- Cost to the Council, but with no element of profit in it.

MR. CHAIRMAN.- Yes, just the expense cost so now you have got a quote from whom? The Lands Department?

MS. P.L. PRAKASH.- Ministry of Lands

HON. RATU N.T. LALABALAVU.- I am surprised to hear that you called for tenders.

MR. CHAIRMAN.- Yes because Ministry of Lands is the only one that is doing it. You have sought advice from Lands Department and Mr Alipate Mataivilia they are supposed to do it.

MLG REP.- I think they were just trying to test the market and whether some other private valuations can be done at a cheaper cost, but they came back to the Ministry of Lands...

MR. CHAIRMAN.- Can you please check that for us? How the other councils are doing it and probably Ministry of Lands can assist. This is going to be for the benefit of the Tavua Town Council if this thing is done every six years, then they are able to increase the rates perhaps. Whether they are paid or not is another question but at least you will have your debtor's value here, accounts receivable and it will show that your rates have increased if they are not paying it. If they are paying it, well and good.

MS. P.L. PRAKASH.- In 2002 we were supposed to do valuation in 2008. In 2006 the economy down turn of Tavua Town was very low due to the shutdown of the Emperor Vatukoula Gold Mines so we have to again...

MR. CHAIRMAN.- Is that what you think, due to the closure of the Mine

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

MS. P.L. PRAKASH.- They have given us \$16,000

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

MS. P.L. PRAKASH.- Maybe we can ask the Ministry

MR. CHAIRMAN.- Yes, Manager Finance you were explaining the downturn in economy due to the 2006 closure of mines

MS. P.L. PRAKASH.- In 2006, there was a complete closure of the Vatukoula Gold Mine, so we had a very big town turn in economy of Tavua Town.

MR. CHAIRMAN.- So, Tavua economy depends on the Vatukoula Gold Mine?

MS. P.L. PRAKASH.- Yes

MR. CHAIRMAN.- If they closed the Mine, your entire revenue went down.

MS. P.L. PRAKASH.- Revenue goes down. Most of the people from Tavua town work in Vatukoula Gold Mine. So, it does not look good when we go and approach them, we put an increase there. The people will say that the Council is inconsiderate.

MR. CHAIRMAN.- But perhaps it will be a good idea now to do the valuation because for future if the Council changes or someone else comes in, it still has that accounts receivable. I understand the 2006 situation probably will be done with the help of the Ministry of Local Government.

HON. RATU N.T. LALABALAVU.- Just a question to the Council Mr. Chairman. There is nothing Mr. Chairman in going for a valuation because you can always apply for amnesty for exceptional cases such as the closing down of the mine and all that but that will not take us of course in how rateable...

MR. CHAIRMAN.- You can assess the rate but not claim it immediately.

MS. P.L. PRAKASH.- We did not do it because if we had revalued and we had increased our revenue, we would have to again recover that cost of \$16,800.

HON. RATU N.T. LALABALAVU.- Mr. Chairman, that will need the political will to do that.

MS. P.L. PRAKASH.- Yes

HON. RATU N.T. LALABALAVU.- So, the issue here is not being left out during the cycle of valuation. You missed it out because the Council saw that the closing of the Vatukoula Gold Mine was going to affect your income and all that, and it may affect the assessment of the valuation as well. But that can be addressed by way of amnesty and I am just suggesting that Mr. Chairman.

MR. CHAIRMAN.- Yes that point is taken. Part C – Control Issues. Again the non-adoption of International Financial Reporting Standards for Small and Medium Enterprises. I think that has been explained earlier. The council has since 2014 started that and this valuation again appears this time is the same notation. OAG is that the same as para 1.15?

OAG REP.- Mr. Chairman, this is a 2-year report, 2012 and 2013 and we have looked at 2012. This is for 2013.

MR. CHAIRMAN.- Alright .So the same comments appear here in 2013 because they have mentioned that they have changed the system from 2014 so perhaps from 2014 onwards it should not appear. Honourable Members, any questions remaining on these two issues? We have looked at the audit opinion, we have looked at control issues 2012, 2013 and Tavua Town Council pretty much seems to be in order despite being a small town has done some improvements in some sectors. I do not have any further questions.

HON. RATU N.T. LALABALAVU.- Yes Mr. Chairman, just a question to the Ministry. Is it the Ministry's duty to ensure that when the cycle of assessment falls, it should be carried out there and then of the rating of the Tavua Town Council? When the flag is raised that it is time to review the rates, is it not your duty to ensure that it is properly carried out

otherwise the Council will be making their own assumptions as to how they are being affected and take their own actions, and in the process, forgoes the review.

MLG REP.- I think Mr. Chairman, that is a good point to take note of. For the operation of the Council, it is the Ministry's responsibility to monitor and also assist the Council in terms of its needs and also in their financial difficulties.

MR. CHAIRMAN.- Under the requirements of the Local Government Act, the Ministry must ensure that things are done then later you can also, in consultation with the Council offer amnesty in terms when there are probably droughts and cyclones, but at least the legal requirements are fulfilled. That is what the Honourable Member is saying. Alright Honourable Members, that was all the questions we had in terms of the audit of Tavua Town Council. Any closing remarks CEO before we break for tea?

MR. B. NAIDU.- Sir, as far as this valuation is concerned, the Council together with the Ministry are trying to have it done in 2018. Since Tavua is at a developing stage at present, and we will ensure this is compiled with in our next report in the near future Sir.

MR. CHAIRMAN.- We thank you very much Mr. Binesh Naidu, CEO and Ms Praveen Lata Prakash, Finance Manager coming all the way from Tavua to appear before this Committee and for assisting the Committee in the work it is doing. On behalf of the Committee I thank you very much and wish you well in your endeavours for Tavua. In fact, it is one of my favourite towns in the country because it is very well organised and compact, you can walk from one end to the other in a few minutes but it is nicely kept. Thank you very much and I invite you to join us for tea. Honourable Members, we have a 15 minutes tea break before we look at Savusavu.

The Committee adjourned at 10.23 a.m.