

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY 25TH OCTOBER, 2017 AT 9:30AM.

Submittees: Nausori Town Council

In Attendance:

Nausori Town Council

- | | | |
|-------------------------|---|--------------------------------|
| 1) Mr. Mitan Singh | - | Accounts Officer |
| 2) Ms. Swastika Rattan | - | Manager Finance |
| 3) Mr. Deo Narayan | - | Acting Chief Executive Officer |
| 4) Mr. Atish Naidu | - | Manager Engineering |
| 5) Mr. Melvin Prasad | - | Senior Rates Officer |
| 6) Mr. Vinay Prasad | - | Revenue Officer |
| 7) Mr. Sailosi Qalilawa | - | Senior Health Inspector |

Ministry of Local Government

Mr. Alipate Mataivilia - Senior Accounts Officer

Office of the Auditor General

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

MR. CHAIRMAN.- (Mr. Chairman welcomes the Submittees)

I thank you all, lady and gentlemen, for appearing before us today. As you know the Auditor General had scrutinized and audited your accounts and presented a report in Parliament. We are in the process of scrutinizing the municipal councils together with the performance audit that was carried out in 2010 and 2011, there are various issues. We would like to hear from you first before we refer to questions, we will ask questions as we go along, today we have the team from the Auditor General's Office to assist us in this process. So without taking further time, I would like you to make your presentation.

MR. D. NARAYAN.- The Chairman, the Honourable Members and staff of the Public Accounts Committee, we thank you for giving us this opportunity to make a submission on our 2011 audit of account. I am the Acting Chief Executive Officer, my name is Deo Narayan, and I am representing the Chief Executive Officer who is away overseas for a short training. With me I have my Finance Manager Swastika Rattan, Management Accountant Milan Singh, Acting Revenue Officer Vinay Singh, Technical Officer Attish Naidu, and Manager Nakasi/Naulu, Sailosi Qalilawa.

MR. CHAIRMAN.- Referring to the Qualification of Audit Opinion, first page.

MR. D. NARAYAN.- Sir, referring to number two, as mentioned on number 6.7, International Financial Reporting and Standards Compliance. The Council's background information shows that in 2008 the Council has commenced adjusting from cash to accrual system.

MR. CHAIRMAN.- Yes. From 6.1 (a) that is Financial Information – the Disclaimer of Opinion, if we can start from there so it will be easier once we go along. The first part if I may guide you:

“Nausori Town Council is a municipal council and its financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general purpose financial statements.”

Is that what you are responding to?

MS. S. RATTAN.- Good Morning Sir, for 6.1 that is Compliance to International Reporting Standard - from the year 2013, the draft accounts which has been submitted to the Auditor General's Office is according to IFRS SME Accounts. We have moved from accrual basis, the normal preparation to IFRS; so all accounts which has been updated to the Auditor General's Office is now under IFRS.

MR. CHAIRMAN.- Alright, in that year it was not, but now the new ones are?

MS. S. RATTAN.- Yes.

MR. CHAIRMAN.- Auditor General?

MR. D. PRASAD.- I agree to that chair.

HON. A.M. RADRODRO.- A question to Nausori Town Council regarding the submission of accounts for audit. Your last one was in 2011, why is it that there has been a delay, now it is 2017 and you are still working on the 2013 submission for auditing?

MS. S. RATTAN.- Sir, for that we have already submitted draft 2017 financials to the Auditor General's Office. We have updated to the current.

HON. A.M. RADRODRO.- And why is there a delay?

MS. S. RATTAN.- Before we had some financial officials, there were a lot of changes in our management, now we have filled all the positions, so we have staff on board to help with that.

HON. A.M. RADRODRO.- Nausori Town Council starts from which area - Nakasi?

MR. D. NARAYAN.- Sir, the boundary for Nausori Town Council starts from Rups Big Bear where the creek is moving towards Nausori Town, and from Nausori Town towards Nadali on the Airport-Wainibokasi Road, and from Vuci Road to main Raralevu Road, that is up to Waituri and Vuci cross-section, the first row of houses, those are within the municipal areas. Moving on to our right to Baulevu side it is up to Saraswati Primary School, and on Princess Road upto Waila Housing. That is the whole boundary of Nausori Town Council.

MR. CHAIRMAN. - Thank you for that. Bullet point 6.1 that is:

“The Council failed to provide a detailed Fixed Assets Register for audit. Consequently, the audit was not able to perform necessary audit procedures to substantiate the value

and existence of property, plant and equipment (PPE). Accordingly, the Auditor General was not able to confirm if PPE of \$6,975,293 and the relevant depreciation charge of \$166,103 are fairly stated...”.

The question here is that the fixed asset register detail was not provided.

MS. S. RATTAN.- Sir for that, in practice, we have a detailed register now in place from 2013 onwards, and also board of survey is now being conducted end of every year, plus for the opening balance of the previous years. This year, we have budgeted for a whole property valuation, so in 2018 we can have the value for the opening looked at, but meanwhile we are maintaining a detailed excel sheet for our fixed assets.

MR. CHAIRMAN.- So you started in 2013; what was your position before and why was it not done?

MS. S. RATTAN.- Sorry I joined the Council in 2014, we are all new members Sir.

MR. CHAIRMAN.- Anyone who has been there before 2013? Health Inspector, were you there before 2013? Any idea why the lack of issues, or lack of staff or HR issues?

MS. S. RATTAN.- Sir, before we just had two staff, Treasurer and the Account staff, they used to handle all the financial details. They used to keep our register but not a detailed breakdown register like what is needed now, the separation of building and that. What they used to do is an opening balance, addition and disposal, but not a detailed listing.

MR. CHAIRMAN.- OAG, you are probably aware of that?

MR. D. PRASAD.- Thank you Mr Chairman, I would just like to add my comments on what Manager Finance have just stated, 2010 and 2011 audit, when we conducted, I agree with the Manager Finance there were a lack of expert staff in Accounting Section. We had also discussed this in our exit meetings too and besides that I think the Accounting system was manual at that time so there were a lot of scope for errors and misstatements, and that was the result of a Disclaimer of Opinion in 2011.

MR. CHAIRMAN.- So the Manager Finance is right that things were done differently but now it is in order?

MR. D. PRASAD.- Yes, I think the major reason for lack of accounting trail and accounting entries was mainly because of the manual accounting system that the Council had at that time. When you talk about the manual accounting system, the entries are processed manually rather than through an accounting system, computerised accounting system, so there is a lot of scope for errors- human errors -I am talking about specifically.

MR. CHAIRMAN.- So what she is explaining is that there was an opening balance, there were additions, subtractions and a closing balance given without any details of how.

MR. D. PRASAD.- Yes, that is correct. When you look at FIR it comprises of the details of specific assets that the Council has, but that was not there. It was more in a summary form, but what actually makes up those balances, the details were not there. What happened is that the Audit office could not perform any procedures to determine the existence of the assets. For example, building, they will say building this much is the amount, but what makes up all those

buildings the auditors could not verify because there was no detailed listing; similarly for other types of assets.

MR. CHAIRMAN.- Any questions in that regard?

HON. A.M. RADRODRO.- What would be the current value now of your assets for Nausori Town Council?

MS. S. RATTAN.- Sir, without the valuation, it is sitting at \$19 million; but we have budgeted for a complete valuation for 2018, just to get a correct figure for the opening balances. That \$19 million is inclusive of the construction cost of the new market and bus stand, \$10 million is the construction cost at the moment, after the valuation then it will be based on the market value.

HON. A.M. RADRODRO.- This \$6 million that you had highlighted, would you be able to know what is the major portion of that?

MS. S. RATTAN.- That would be commercial buildings and Ratu Cakobau Park itself, the major portion is for our buildings, and obviously our fleets, our garbage trucks and all those things Sir.

HON. A.M. RADRODRO.- Not including the bridge.

MS. S. RATTAN.- Not including the bridge and not including the roads.

MR. CHAIRMAN.- The question that was the Property, Plant Equipment (PPE), the OAG could not confirm the amount of \$6.975 million, that was due to the lack of valuation at that time?

MS. S. RATTAN.- Yes.

MR CHAIRMAN.- But now in the current report you will be able to do that?

MS. S. RATTAN.- Yes, Sir. The full evaluation inclusive of all property and plants would be conducted in 2018, so that when the 2018 account is prepared we will be using the market value for that. At the moment, for the Fixed Asset Register we are maintaining all the construction costs and voucher values.

MR. CHAIRMAN.- So how soon will you be able to present your 2017 accounts to the OAG?

MS. S. RATTAN.- As soon as the year ends, we are trying our best to have it done by April.

HON. A.M. RADRODRO.- Financial year or calendar year?

MS. S. RATTAN.- Calendar year. It should be submitted by 25th May, but we will try to have it done by April, and at the end of this year, we are having the tender done for the property evaluation.

MR. CHAIRMAN.- Nausori Town Council operates on the government financial year that is 31st July or 31st of December?

MS. S. RATTAN.- Sir, at the moment it is January to 31st December.

MR. CHAIRMAN.- No more problems with that.

HON. A.M. RADRODRO.- OAG, will there be another set to cover right up to the government financial year or it remains?

AUDIT REP.- Since the Council has now moved its calendar year to match with the government's calendar year we will still audit the Nausori Town Council as at 31st December, so there would not be a separate audit done in the accounts.

MR. CHAIRMAN.- Bullet point 3 – “The Council's WINBIZ Rate System has not generated separate reports from 2007. As a result, special loan rates and street light rates were not appropriately disclosed in their respective accounts but included with general rates income in the General Fund Account contrary to section 47(2)(b) of the Local Government Act.”

What the OAG is pointing out is that the Local Government Act required you to perform some acts differently but you have consolidated them by putting all the funds in the general fund account.

MS. S. RATTAN.- Sir, in previous years there have been some issues with WINBIZ. After the issue we went to manual system, till to date, we are using manual system, we are maintaining excel sheets. As per the loan and street lights rates register, Sir, in 2013 it was general register. At the moment, we still have general, we have not demarcated that register.

MR. CHAIRMAN.- You are still doing the same practice of consolidating all the funds in that one account?

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- The OAG has pointed out that is against the Local Government Act.

OAG, you have pointed out that the practice Nausori Town Council uses even though that is a manual system where they enter the entries in the excel sheet, but they are still consolidating the general rates. Street lights I think that has gone to FRA?

MS. S. RATTAN.- Yes Sir, in 2013 we did not charge any special rate or loan rate or street light rate. We are just charging general rate, and that is why we are maintaining a general rate, it stopped from 2013.

MR. CHAIRMAN.- It is no longer used, it stopped.

HON. A.M. RADRODRO.- Charged to the rate payers.

MS. S. RATTAN.- We are just charging one rate which is general, we are not charging street light or loan nothing, it is just general.

HON. A.M. RADRODRO.- So that is in 2013?

MS. S. RATTAN.- Yes Sir, from 2013 onwards is just general.

HON. A.M. RADRODRO.- At this point in time, you are charging

MS. S. RATTAN.- But at that point in time they used to charge service. Yes they used to charge Sir.

MR. CHAIRMAN.- What is special loan rates, that is when the council takes the loan and then you charge the rate on the ratepayers?

MS. S. RATTAN.- Yes for 2011 that special loan rate was for the commercial property, for the development of the building, but it finished from 2013.

MR. CHAIRMAN.- Street light rates were charged at the time but it is no longer charged now?

MS. S. RATTAN.- No Sir.

HON. A.M. RADRODRO.- What used to be the rate charged at the time, the street lights, say for 2011?

MS. S. RATTAN.- Sir, I am not really sure. I would not be able to give you the exact figure but from 2013 it is 0.0012.

HON. A.M. RADRODRO.- Of...

MS. S. RATTAN.- Sir, 0.0012 of UCV.

HON. A.M. RADRODRO.- It is a percentage of that?

MS. S. RATTAN.- Yes it is 0.0012, it is less than 1 cent.

MR. CHAIRMAN.- But it is no longer charged – street lights?

MS. S. RATTAN.- That is our general rate.

MR. CHAIRMAN.- When you talk about general rates, what do they all include now?

MS. S. RATTAN.- It is for this normal council services, the drainage, garbage collection...

HON. A.M. RADRODRO.- That is the same rate that all other councils charge - 0.001?

MS. S. RATTAN.- No, Sir, different councils charge different rates. As per our Act the Council has the right to charge maximum of 10 cents, but we are still on 1 cent – 0.01. Councils can change, but we are still using the old rates Sir.

MR. CHAIRMAN.- So that is the fund that goes in the general fund account now?

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- OAG, there is no need now for demarcation because they do not charge those rates on street lights. If they do a special project and the special rates apply then you will put it in a separate account?

MS. S. RATTAN.- Yes Sir.

AUDIT REP.- Mr. Chairman, we are still in the process of finalizing the 2013, and we have noted that there is no rate funds. there was no rates.

MR. CHAIRMAN.- No rate fund?

AUDIT REP.- Apologies, Sir, no loan rate funds simply because there was no loan rates charged to the ratepayers in 2013.

MR. CHAIRMAN.- Because the project has been completed and the loan has been used?

AUDIT REP.- Yes.

HON. A.M. RADRODRO.- Mr. Chairman, the OAG has highlighted the WINBIZ rate system, and you said you are not currently using that. Why is it?

MS. S. RATTAN.- Sir, in 2010 and 2011 there had been some issues with WINBIZ, actually it is not only with Nausori Town Council, other councils did use WINBIZ. The problem with this system was every time whenever you print a report it will change, it could not support the system of the councils like the annual rate charge and what is daily rate charges. If we print a report today and we work on it, when the auditors come and check and will want a print of that report, it will change. That is why all municipalities who have been using WINBIZ they have moved to a new software. Currently for that we have already tendered for our financial software and we are in the process of receiving it, but at the moment, we are still using manual.

MR. CHAIRMAN.- Who procured this WINBIZ rate system? I understand that is used in other councils as well.

MS. S. RATTAN.- Yes it was used in Nausori Town Council, Suva City Council, and Nasinu Town Council.

MR. CHAIRMAN.- Someone must have brought this system or procured it.

MS. S. RATTAN.- Sir, I would not be able to answer that, I really do not know.

HON. A.M. RADRODRO.- Is there any person from Local Government here?

MR. CHAIRMAN.- Please explain about the WINBIZ system, it is not working in other councils as well. It is a general question it is not a reflection on Nausori Town Council, it is a reflection on the system that is not working elsewhere.

MR. A. MATAIVILIA.- Thank you, Mr. Chairman, the WINBIZ system that the Nausori Town Council have explained was used from 2011. Currently we are trying to work out a system for the council.

MR. CHAIRMAN.- To get a new system

MR. A. MATAIVILIA.- Yes, to get a new accounting system.

MR. CHAIRMAN.- The issue is that this WINBIZ system was not working fine, they are putting in a report and it automatically changed, the same problem was in other councils as well. How was this WINBIZ procured, and why this was not raised or arrested earlier that it was not working?

MR. A. MATAIVILIA.- Thank you Sir, can I come back to the Committee.

MR. CHAIRMAN.- Yes please we would like to know that because we have noticed that there are systems that have been put in place for 10-15 years and they have been giving us all the wrong results, which puts a lot of pressure on OAG, puts a lot of pressure on Nausori Town Council or other councils, and then ultimately the pressure is on the Committee to see where the problem lies. So please if you can tell us at a later day.

HON. A.M. RADRODRO.- Mr. Chairman, now that the town councils will change their system, is there any plans by the Ministry to centralise the system rather than individual municipalities buying their own system where they can do a cost sharing arrangement in terms of the accounting system that they will be using.

MR. A. MATAIVILIA.- Thank you, Honourable Member. Yes, right now we are currently reviewing the Accounts Manuals, and following that we will try to look into the plans of the system to be used by the Council, like the FMIS we have been using.

MR. CHAIRMAN.- Yes, FMIS was a centralised system, probably we can have a centralised system.

Manager Finance, currently you said you using a manual system, and you enter everything manually in the excel sheet?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- That is about all the properties?

MS. S. RATTAN.- For 4,200 ratepayers.

MR. CHAIRMAN.- All the rates that is incoming and all the expenses too?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- Is the system currently working fine?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- 4,000 ratepayers in Nausori.

MS. S. RATTAN.- Sir, as soon as they invoice in the beginning of the year our staff enter the invoice column, as soon as the payments are done they update the payments column daily, and all those, Sir.

HON. A.M. RADRODRO.- So what is the ratio like in terms of business ratepayers and ...

MS. S. RATTAN.- For business license, we have approximately around 180, that is inclusive of ratepayers is 4,300 inclusive, and another 4,200 for our garbage.

MR. CHAIRMAN.- So if there is any Council owned property in Nausori Town area you will not be charging any rates on that?

MS. S. RATTAN.- As per the Act we should be charged, and we are charging, we write the payment to our own self.

MR. CHAIRMAN.- They charge themselves?

MS. S. RATTAN.- Yes, we charge ourselves and we also pay ourselves.

MR. CHAIRMAN.- That is something different from what Suva City Council told us, Suva City Council was doing the same practice and they told us they had to stop that.

MS. S. RATTAN.- We write our own cheque, Sir.

MR. CHAIRMAN.- You pay from here and you accept here?

MS. S. RATTAN.- Yes, as long as it goes in our books from our subsidiaries.

MR. CHAIRMAN.- Bullet point No. 4:

“Included in the Statement of Financial Position – General Fund is cash on hand amounting to \$15,022. Reconciliation or supporting documents were not provided to substantiate the existence of this amount at balance date. Accordingly, the Auditor-General was not able to satisfy himself if cash on hand is fairly reported in the financial statements.”

What happened here is the amount of \$15,022 was at hand but there was no document provided of what that represented.

MS. S. RATTAN.- Sir, \$15,000 for year 2011 this is our cash float, whenever we have games in Ratu Cakobau Park, when we take floats at the end of the day it is deposited back into the account. What we are doing in practice is the technical officer whenever there is a game he will send a memorandum to us requesting for float and allowance, the Management Accountant will prepare the cheque, they will select the ticket sellers and on the day after the ticket sales finish the Management Accountant together with ticket sellers they will verify the number of tickets sold with the money and then the takings is given to the Revenue Officer for banking after the reconciliation of the takings. We do separate deposits, Sir, separate deposit for float, and separate deposit for takings as shown, that is our current practice.

MR. CHAIRMAN.- So currently you are supplying all these to the OAG?

MS. S. RATTAN.- Yes.

MR. CHAIRMAN.- It was not done previously?

MS. S. RATTAN.- Previously they had a way of doing it but for that I will not be able to say what happened in 2011, way forward this is some of the controls we have in place and it is signed by all officers, Sir.

HON. A.M. RADRODRO.- What is the amount that is usually set aside for float?

MS. S. RATTAN.- For example small games it is normally \$200 or \$150, but when we have tournaments it depends, for example, if we have Fiji Fact for four or five days maybe one ticket seller will have \$500 each and we may have seven to eight ticket sellers per day. What we are doing on the first day we will use that \$500 after the tickets are balanced, the \$500 will be given back to the ticket sellers for the next day. End of the tournament all the floats will be banked separately so that it ties in with the float check and the takings will be banked separately.

MR. CHAIRMAN.- That \$500 is given to the ticket seller for change?

MS. S. RATTAN.- Yes, as float. It depends on the type and tournament, if it is just one day it is just \$150.

HON. A.M. RADRODRO.- So it is just like the one that you saying \$500 or \$150, like absolute amount.

MS. S. RATTAN.- No, we do not have absolute amount, Sir. For example because ticket prices change suppose if Fiji Fact this year we have a \$10 or \$5 ticket sales so we can say alright we can have a \$300 float which will be ample because it is just \$10 and \$5, but suppose it is \$4, \$7 and \$10, there is a difference so the float will increase.

HON. A.M. RADRODRO.- Yes, that is what I am saying absolute amount say the \$400, \$300.

MS. S. RATTAN.- Yes, it is like that.

MR. CHAIRMAN.- It is a full round figure.

HON. A.M. RADRODRO.- This amount here is \$15,022.

MS. S. RATTAN.- So it could be, Sir, I will not be able to give a correct answer it could be for the whole tournament, for example, Fiji Fact tournaments or BOG is four or five days tournament, so \$500 by eight ticket sellers is approximately \$4,000 per day.

MR. CHAIRMAN.- It also depends on who reaches the final, if Ba reaches the final then more people would be there, right?

(Laughter)

MS. S. RATTAN.- Sir, this is what we have in place now, these are some of the controls we have.

HON. A.M. RADRODRO.- If there is no tournament ..

MS. S. RATTAN.- We do not take floats out, whenever there is a booking the technical officer will write to us and it will be authorised by the CEO then we will release.

MR. CHAIRMAN.- Noted and we understand that.

HON. A.M. RADRODRO.- When we talk about \$15,000 it is quite a big amount to keep aside as float.

MR. V. PRASAD.- Mr Chair, can I just clarify something. In 2011 what actually happened the \$500 is for each ticket seller and then we used to have approximately 12 ticket sellers at a time and during those time the setup of the games were very different, for Fiji Football for example, they were having games on a daily basis which started every morning, they had a lot of teams in each group, so we had to prepare four separate bags for each day. Now the practice is that after every game the ticket sellers has to take over that \$500 whatever floats were given on the first day to use it on the second day; the total amount withdrawn is less now.

MR. CHAIRMAN.- When does the ticket seller return the surplus money to you, at the end of the tournament or the end of the day?

MR. V. NAND.- End of the day, Sir, it is kept in the safe and the next day the same money is used. Previously in 2011 we used to bank separate for each day so each days float would have been \$4,000 or \$3000 a day.

MR. CHAIRMAN.- There is 10 ticket sellers and with \$500 each there is already \$5,000.

HON. A. M. RADRODRO.- This is \$15,000.

MR. V. NAND.- So that means it was for three days tournament.

MR. CHAIRMAN.- Madam, currently the system is alright?

MS. S. RATTAN.- Yes, Sir. We have tightened our controls now.

MR. D. PRASAD.- Chair can I just comment. That \$15,022 issue, the float was taken out for that major tournament whether it is IDC or BOG, what they have done from our preliminary investigation at that time during the audit, the Auditors were advised that the lump sum of \$20,000 cash was withdrawn for the float for the four days tournament. What happened is that we were trying to trace it, because if it is a float what needs to happen is that float needs to go back to the bank, but we were not able to substantiate the bank statement whether the funds actually was deposited. The risk here is what happened because that is hard cash. There was absence of reconciliations at that time as well so that increases high risk management and that was one of the reasons why we highlighted that as a qualification because we were not able to satisfy ourselves whether that \$15,000 actually went back into the bank account.

MR. CHAIRMAN.- But currently the system is that they are more stringent on that, have you found out any similar issues continuing?

MR. D. PRASAD.- The balance of the cash on hand has significantly reduced but the fact still remains that \$15,000 was cashed there but how has it moved from the books; actually there was a movement done in subsequent years. But when we talk about float if the tournament

ends on a Monday at the next banking date that float needs to go back to the bank account, that, Sir, is what we were not able to satisfy ourselves with, how it moved in subsequent years of audit. We have also followed up, the balance had reduced but then again it is still a risk.

MR. CHAIRMAN.- Is it the same balance there that is reduced or it is a new float?

MR. D. NARAYAN.- There were changes in this balance, in the 2012 audit it went down but how that actually went down that was also an issue that we had highlighted in the 2012 report as well. But the current system the Manager Finance is talking about seems to be working well with them but the question still remains whether that \$15000 was appropriately banked or when it was banked. We were not able to satisfy ourselves whether it was banked or not.

MR. CHAIRMAN.- When these kind of monies are banked there is a narration entered in the deposit slip, what could be the reason that the OAG could not substantiate whether these money went back? In the bank statement it will clearly show that this money was returned.

MS. S. RATTAN.- One of the reason could be Sir, I would say because at the moment we are doing two separate deposits, float is deposited separate and takings is deposited separate; before they use to have just one deposit. All the cash will be counted in the Bank of Baroda and whatever cash there will be banked, it will be inclusive of the float, but now we are having two separate deposits, float is separate, takings is separate - it is now easy to show and differentiate.

MR. CHAIRMAN.- Someone probably would have put it all in one narration, gate takings and it would have gone that side with the float remaining. What is the percentage like if the tournament is organised by Fiji FA or FRU, what is the percentage?

MS. S. RATTAN.- Sir, 20 percent of the gate takings is ours for any tournament. What we have is at the end of the tournament we will balance all from day one to day three or day five and on the day after the reconciliation we will take out the expenses like hire of the stadium, VIP lounge and all those, and then whatever is remaining 20 percent will be taken by the Council as takings and 80 percent will be returned back to the organisers.

HON. A.M. RADRODRO.- It is more than 20 percent?

MS. S. RATTAN.- No, we have different charges; 20 percent is for gate takings and the other it depends if they want to hire they will have to pay for different rates.

MR. CHAIRMAN.- So 20 percent of the net taking the expenses out?

MS. S. RATTAN.- Yes.

HON. A.M. RADRODRO.- So what is that 20 percent ?

MR. CHAIRMAN.- It is their property.

MR. D. NARAYAN.- Sir, 20 percent of the total gate keepings is for the usage of ground only and associated costs such as commentary booth, flood lights, VIP Lounge are extra apart from the 20 percent.

MR. CHAIRMAN.- 20 percent of the net after taking out all the other expenses?

MR. D. NARAYAN.- Sir, 20 percent of the gate takings is taken out first then the other deductions are made.

MR. CHAIRMAN.- So it is almost like the net?

MR. D. NARAYAN.- Includes ticket sales.

MR. CHAIRMAN.- You also have to maintain the ground, Ratu Cakobau Park is owned by Nausori Town Council?

MS. S. RATTAN.- Yes, Sir.

HON. A.M. RADRODRO.- Is it the same standard for all the grounds or you set your own percentage?

MS. S. RATTAN.- No, Sir.

MR. CHAIRMAN.- It is different like Ba Town Council, Govind Park has been leased out to Fiji FA, so they cannot take the takings anymore.

HON. A.M. RADRODRO.- Any plans to introduce that ticketing system or just continue with the normal process?

MR. CHAIRMAN.- What ticketing system, E-ticketing?

MR. D. NARAYAN.- Sir, the e-ticketing system is the call from the event organiser, it is their choice. In 2013 and 2014 we introduced the e-ticketing system but it did not work so the organisers have taken it out and they have gone manual.

MS. S. RATTAN.- Sir, for big games we need a hand/wrist for that, and ticketing system you can easily pass the tickets, so they went back to the manual system.

MR. CHAIRMAN.- With ticketing, they crossed the gate and throw the ticket over the fence to the other person.

MS. S. RATTAN.- You can share the tickets, but for manual it is on your wrist and if there is no ticket you are not allowed inside.

MR. CHAIRMAN.- It also depends on who qualifies for the finals because for the small teams no one worries about it.

Bullet point 6 – “Unreconciled difference of \$143,217 existed for sundry creditors and accrual (note 7) between the general ledger and subsidiary listing. Additionally, unreconciled variance of \$96,954 also exist between the general ledger for VAT and independent reconciliations for Statement of VAT account. The audit was not able to resolve these variances through any other alternative audit procedures. Accordingly, the Auditor-General was not able to satisfy himself in the creditors and accruals of \$759,733 are fairly stated in the statement of financial position.”

What that means is that the reconciliation was not done and OAG was not able to satisfy himself the sum of \$759,733, how it was appropriated?

MS. S. RATTAN.- Sir, for most of the Council Reports some of the balance are carried forward balance in our Balance Sheet, especially the Sundry Creditors, this is refundable deposits and all. Mostly these are opening balances which are frequently carried forward. To rectify those this year we had our General Finance Manager Workshop organised by the Ministry where we highlighted these issues, some of the balances been carried forward from 2007 until now and for us to write-off is very hard because we cannot find documents which relates to that.

Sir, we have already provided submission to the Ministry on the way forward for the sundry creditors because at the moment we can only provide refundable deposit for sundry creditors, our own tenants. Whatever tenants we have with two month deposit that will be our sundry listing; but whatever balance, for example if we have a current balance of \$90,000 and \$143,000 is shown in our financials, the way forward we have written to the Ministry to help us solve that.

For VAT, Sir, monthly returns are done in practice and whatever the variances or whatever issues which were found during the recent VAT audit it is now been rectified and is the current practice.

MR. CHAIRMAN.- So this amount of \$759,733 that is sitting in your account, that is not the money that has gone out of the Council it is something that is a creditor ...

MS. S. RATTAN.- It is in our balance sheet item.

MR. CHAIRMAN.- This sundry creditors could it be those tender deposits that people tender and then it is not withdrawn?

MS. S. RATTAN.- Yes, Sir, it could be. That is why at the moment for Council to say what is the actual figure, because if you see from previous years even 2007, 2008 some of the balance are just being carried forward but what the current system is we have a listing of refundable deposit, we have a separate bank account for that, whatever we have is input. But how to correct our accounts where we will adjust that account we have already written to the Ministry. It is not only Nausori Town Council, I think a collective submissions was done by other Councils as well but this is some of the problems we are facing with our financials because if you see some of the balance sheet items are mostly carried forward from previous years. For subsidiary creditors and accrual, current practice is we have a excel subsidiary maintained. Every week our current listing is discussed with CEO plus the listing and accruals is also endorsed in our meetings.

MR. CHAIRMAN.- There is also a mention of VAT, that account also has a VAT component and that is also sitting there and they could not reconcile what amount of VAT is payable - I think.

MS. S. RATTAN.- Sir, please note it was a manual system VAT receive and payments and they may have issued then but now we have rectified, we are lodging our monthly VAT reconciliations. Also whatever issues of 2011, some missed VAT returns we have already resubmitted and working with FRCA on monthly payments to resolve the penalties.

MR. CHAIRMAN.- VAT payment collected by the Council it rightfully belongs to the Government (FRCA) so it should be paid back to the Government.

MS. S. RATTAN.- Yes, Sir, at the moment, we have an outstanding payment for VAT which is \$128,000, which is for the grant IT project; and in relation to 2011 it is actually \$6,000. We have made arrangement with FRCA, we have monthly meetings with them, and monthly we are paying \$10,000 towards our VAT arrears.

MR. CHAIRMAN.- Will I be correct in saying that this amount of \$759,733 is not something that is missing from Council, it is something that council have in their books which has to clear by paying off?

MS. S. RATTAN.- Yes, some portion will, but some portion will be in relation to the carry forward opening balances.

MR. CHAIRMAN.- Alright, any question on that? Next Bullet point - "Included as part of current liability is sundry deposits of \$163,196 (Note 9). The Council failed to provide detailed listings or supporting documentation to substantiate the existence and valuation of these deposits. Thus, the Auditor General was unable to satisfy himself whether the sundry deposit of \$163,196 is fairly stated in the financial statements."

It is similar to what they have said.

MS. S. RATTAN.- Yes, Sir, it is in relation to what I have explained.

MR. CHAIRMAN.- Alright, the next Bullet point - "Stale cheques of \$30,860 were not written back to cash at bank general ledger. The Auditor General was not able to make the necessary adjustments to the account due to unavailability of appropriate supporting documents. Consequently, Bank Overdraft of \$86,808 is not fairly stated in the Financial Statements."

What that means is that some cheques were written out to some vendors which was not cashed so your bank overdraft states \$86,808 which may not be the right figure because some people have not cashed their cheques.

MS. S. RATTAN.- Sir, I will not be able to comment on these figures, but at the moment, what we are doing, Manager Finance and CEO signs off on daily cash flows where we match our cashier revenue with our books plus the cheques return. Daily we are signing it off, Sir, and daily it is being checked, before it comes to Manager Finance and CEO it is checked by cashier, revenue officer, management account signs off then Manager Finance, and it is daily filed. Also every day we are checking our internet banking to tie, supporting documents is provided to management and the report is submitted in the finance committee meetings as well.

For 2011, we have provided a sample of the finance committee report, you will see under the Cash equivalent report these are also submitted in our finance papers as well. All bank reconciliation for all our operating accounts were endorsed. I will not be able to tell what happened on this scenario but it could be for the stale cheques, Sir, like we were saying at that time the person who used to be working there did not have that or maybe they did not know the steps they should be taking for the stale cheques after six months; may be they were still holding and they did not adjust.

MR. CHAIRMAN.- What was the practice, six months later the cheque becomes stale and no one has cashed it, then you write it back to yourself?

MS. S. RATTAN.- Yes, but now Sir, we do not have any holding cheques. We have a practice in place which we are following, our cheque signing day is Thursday so Friday the cheques are released to the creditor. If the creditors do not pick on Friday, the latest is by the following Tuesday the cheques are released. At the moment, we do not keep any holding cheques.

MR. CHAIRMAN.- If the creditor and most of them probably would cash the cheque, the cheques only become stale if someone has picked it up but not cashed it.

MS. S. RATTAN.- Sir, there are two options, it can be deposited back into our account or we can cancel the cheque and we just have to reverse the entry which we process for the payments.

MR. CHAIRMAN.- I do not think it should be a huge problem because people just want to cash that money, right?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- This stale cheque problem is now under wraps?

MS. S. RATTAN.- Yes, Sir, at the moment, we do not have any holding cheques. Sir, whatever cheques we write we normally release.

MR. CHAIRMAN.- Hopefully the next report that we have it will all be clear.

MS. S. RATTAN.- I hope, Sir, because that is now in practice. We have improved a lot from previous years. What we are trying to do now is whatever the Auditor's recommend we are implementing as we go along, Sir.

MR. CHAIRMAN.- Thank you. The next Bullet point – “The Council failed to provide any reconciliation or listing for the general rates revenue of \$1,220,886. Therefore, the Auditor General was unable to confirm if the general rates is fairly stated in the statement of income and expenditure.” The question here is that the rates are probably deposited in a particular account but there was no reconciliation to substantiate the \$1.22 million; the actual amount is \$1,220,886.

MS. S. RATTAN.- Mr. Chair, like I stated from 2013, it is just general rates, so whatever income we have been receiving it just goes in our general fund. Sir, our revenue officer is just distributing one paper. You will see they will reconcile their takings, it is signed off and it is banked, so it is all going into our general funds. We do not have separate funds for 2013, 2014 onwards, it is all in general funds, Sir.

MR. CHAIRMAN.- What sort of revenue are we talking about when we talk about Nausori Town Council?

MS. S. RATTAN.- Rates, Business License, Garbage Fees, Building Fees, Taxi Base Fees and Market Revenue and all other services we provide for example town planning, rezoning, hire of parks, bookings for RCP taking...

MR. CHAIRMAN.- Parking meter offenses and parking meter rates?

MS. S. RATTAN.- Yes, Sir, parking meter tolls, parking meter fines, tows, litter fines. If you see through that report it is separated, we have a summary format presented in our meetings as well with charts and everything we also do variation analysis.

MR. CHAIRMAN.- So all these go in one single account?

MS. S. RATTAN.- One general account.

MR. CHAIRMAN.- Bank of Baroda account?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- Then you have a ledger which will then differentiate what that lump sum amount represents?

MS. S. RATTAN.- Yes, Sir. Even in our meetings when we report to the committee you will see that it is day takings, month takings and year to date takings, and then we have a comparison to previous years. That is how we report Sir, and all is going into our general fund, we do not have separate accounts. Only separate accounts we have is the capital account which take into account our capital projects or may be grant received by Ministry, but we do not have different capital accounts. We have one capital account but we keep different excel ledgers for each fund. Also we have refundable deposit which is equivalent to our sundry so that is for our commercial tenants, two month's deposit it goes into that. For tender deposit, Nausori Town Council, when we have any tender advertisement we do not have our portion for tender deposit, we do not provide for that.

MR. CHAIRMAN.- There is no tender deposit required?

MS. S. RATTAN.- It is not.

MR. CHAIRMAN.- It is very different from other council; it is a free application.

MS. S. RATTAN.- Yes, Sir, it is open. You just come, collect your scope of work and you submit. We do not have that. But yes, for the IT project because it was a \$10 million construction cost, yes the process was carried out through our project manager's office.

MR. CHAIRMAN.- In that one there was a tender deposit?

MS. S. RATTAN.- Yes, Sir, and it has been refunded too.

MR. CHAIRMAN.- Unsuccessful tenders will be refunded their deposit?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- It comes out from the same account?

MS. S. RATTAN.- No, for refundable deposit it goes to the refundable deposit account. Only takings in relation to general funds account comes to the general account. If you see through our cash book we have provided you will see at the bottom, Sir, there is capital account mentioned, parking meter account mentioned, and refundable deposit account also mentioned. So all other things goes in general fund, Sir.

MR. CHAIRMAN.- There is actually three or four accounts operated with Bank of Baroda, 9100065063, 103 and 193.

MS S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- Well thank you very much for that portion. I must say that the Manager Finance Ms. Swastika Rattan you are very thorough with your answers. You have a good understanding of the finances of Nausori Town Council. We had a similar person Mr. Rathod yesterday from Suva City Council, very thorough, this is the type of answers we actually need because otherwise if someone says we do not know we will go back and think about it then this does not help the Committee. Thank you for that. Members, any question on that part before we go to the other segments.

If you have a copy of OAG Report. 6.2, Abridged Statement of Financial Performance – General Fund - "Council operation realized a deficit of \$77,536 in 2011 compared to a deficit of \$194,667 in 2010. The improvement was mainly attributed to the increase in revenue from rates..."

There is an improvement in the collection rates, but has there been any improvement in that deficit currently?

MS. S. RATTAN.- Mr. Chairman for 2014 and 2015 we were in a surplus position but since everyone knows we now have a market, Council is taking on board payment of the loan and that market repayment is fully funded by the Council. Because we had *Cyclone Winston* in 2016, the occupancy rate for the market went down in the first four months from 100 percent to 50 percent, now it is slowly picking up. We had some creditors for the following like 2016 which we had to pay in 2017, and that is why we had some cash issues but we are still managing fine, Sir.

MR. CHAIRMAN.- There was a 50 percent drop in market occupancy after *Tropical Cyclone Winston*?

MS. S. RATTAN. - Yes, Sir, from 100 percent it went down to 50 percent in the first four months because of the root crops, vegetables damage, so we had to take some grace period off, we are slowly picking up now.

MR. CHAIRMAN. - Where does this stall fees vendors who pay the stall fees are used, which account does it go?

MS. S. RATTAN.- To make work easier for our loan repayment, if you note we have one account created, market bank account, where all takings for market is deposited and all payments relating to market is taken out.

MR. CHAIRMAN. - Market and bus stand together?

MS. S. RATTAN. - Yes Sir, so it is easier. Every end of the month we have money for repayment of loan, we are not using that money for our operation, we are just keeping it separate so all income goes into the market account, all expenses relating to market is taken out from the market account.

MR. CHAIRMAN.- That is a good practice. They will always have money to service the loans, so operation is kept separate and market and bus stand is kept separate.

MS. S. RATTAN. - Yes Sir.

MR. CHAIRMAN. - Any questions in that regard?

HON. A.M. RADRODRO. - Just on the rates, it is like more than 100 percent increase from 2010 and 2011, para 6.2, the rate has increased by more than 100 percent?

MS. S. RATTAN. - It could be the practice used, Sir. Before Council, I think Mr. D. Prasad will also say that they used to do cash basis accounting, so they slowly moved to accrual basis accounting so that figure could be cash basis accounting in 2010. As they moved to accrual basis accounting they changed.

HON. A.M. RADRODRO.- Is that right, changing accounting basis the figure rates have changed?

AUDIT REP. - Thank you Honourable Member for the question. In 2011 we have qualified the rates income, and that was basically because of two reasons, we have noted that there was no particular listing or reconciliation to support what that \$1.2 million consist of; and there was a huge increase from 2010 and there was no justification for VAT, even we have not seen any major increases in the rates that was levied in 2010 compared to 2011. Even if we talk about cash basis or accrual basis, a significant increase which is almost over 100 percent increase is something that we could not actually satisfy ourselves with. That was one of the reasons why we had qualified rates income in 2011.

MS. S. RATTAN. - Just to add to that, for example, beginning of the year, our invoice figure is \$1.2 million, approximately \$1.2 to \$1.3 million, but during the year we just collected, at that time if you see the analysis it was approximately \$600,000 to \$700,000. That is why I can clearly say from cash to accrual basis, if you do accrual then we will input the sales figure. It could be in relation to that but it did not have, like Mr. D. Prasad said, if you see our valuation we did not have a rate increase.

MR. CHAIRMAN.- It did not increase the rates but the collections improved?

MS. S. RATTAN.- Yes, the collection and accrual pay because what previous personnel used to do whatever was the cash book entry they posted it into the ledgers, so it was cash book entries. But with accrual basis, you will raise your invoice into the P&L, and your cash will go towards your debtors; those are one of the biggest contributing factors for that increase.

HON. A.M. RADRODRO.- You saying that in 2010 the Council was adopting a cash basis of accounting?

MS. S. RATTAN. - Yes, Sir, if you go through our Management points, you will see it was cash basis, slowly, slowly, now it is fully accrual basis accounting.

HON. A.M. RADRODRO.- But how come Depreciation is recorded in 2010?

MS. S. RATTAN. - For revenue portion, they used to have cash basis, for expense portion, they used to have accrual basis; it was semi.

MR. CHAIRMAN.- Hybrid of accounts.

HON. A.M. RADRODRO.- OAG, is it acceptable auditing accounting standards?

AUDIT REP. – Sir, no way there is a semi accrual system, it is either you are on cash basis or you are on accrual basis; but cash basis is not permitted by the Fiji Institute of Accountants. Your financial statement needs to be prepared on accrual basis in order to comply with 2011 SME's. But what the Manager Finance is saying the practice in Nausori Town Council was that, and this could be due to the fact also to the lack of expertise in accounting, where the full accrual accounting system was not maintained. Which means that the accrual part, those debtors or those ratepayers who do not pay up their rates in 2010, were not actually filed on a termly basis and recorded as receivable. So what happens is that in 2011, when they come and pay their rates and when they clear their rates for 2010 that is also recorded as a rates revenue. We had noted a few instances in there and we did not rely on the way things were done as far as rates were concerned for the Council, and we could not satisfy ourselves on the completeness of the rates income and that is why we have qualified on the rates income in 2011.

HON. A.M. RADRODRO. - This is not relating to the increase in the ratepayers or increase in the boundary, it is just that the accounting system internally.

MS. S. RATTAN.- Yes.

HON. A.M. RADRODRO.- Because if you look at the 100 percent increase your debtors is not the same movement.

MS. S. RATTAN.- That is why from 2013, a proper way of recording has been in practice.

MR. CHAIRMAN. - The issues up to paragraph 6.10 have been addressed.

6.11. Risk of debts becoming uncollectible.

"The Council should maintain an effective control on the collection of outstanding debts. This will ensure that the Council debts are timely collected. The review of the sample of rates receivables revealed that \$164,906.52 or 7.29% of the total rates receivable amount is outstanding for more than 90 days. The above shows that the Council may have an ineffective debt collecting policy. Additionally, the Council is exposed to doubtful debts." Can we get the explanation on that, what was the issue there and what is the current practice?

MS. S. RATTAN.- Sir, in 2010 when *Naulu/Nakasi* was included in our Nausori Town Council boundary, whatever figures were provided by *Nasinu* was taken over as is; so it came

as our opening balance, it is opening then our invoice and our payments. Now a collection strategy has been developed in 2011.

When we brought in the opening balances, initially we had some issues where ratepayers used to come on board and say we have made our payments but it is not reflected in our books. Based on their provision of supporting documents, now we have updated our subsidiaries, everything is actually what is due.

Apart from the invoice which is raised in the beginning of the year, there is monthly follow-ups done by the Council where we also provided statements, so the ratepayers come in. We are following our collection strategy which is provided to the members, to minimise the risk of debts becoming uncollectable.

But, Sir, the Committee to note there are some areas where we are still working on for example, in our rate arrears figures, what is still outstanding there are portions which comes as unsettlement area, housing, some informal settlements which are being carried forward but our teams are still going to them to collect because the informal settlement is the biggest risk.

MR. CHAIRMAN.- Yes, these are all over the country and that is the problem. The informal settlements, which is the squatter settlement, what sort of rates do they pay – this is for garbage collection because there are no streetlights?

MS. S. RATTAN.- There is garbage collection and general rates for the roads and all that, but they are not paying anything. We are charging them in our books because it is in our boundary, every year that figure is raised but we are not collecting that. At the moment we are working with agencies and the ministries on how we can reduce that from our books, because in our arrears listing the major contribution is informal settlements.

HON. A.M. RADRODRO.- How do you charge informal settlements?

MS. S. RATTAN.- It is general rates charged based on UCV because evaluation is conducted on those properties as well.

HON. A.M. RADRODRO.- So you actually issue invoice for individual household, say in River Road you charge individually?

MS. S. RATTAN.- Yes, we do that, it is based on the land.

HON. A.M. RADRODRO.- That is why you need to do the visitation to River Road in Narere.

MS. S. RATTAN.- It is not under Nausori.

HON. A.M. RADRODRO.- The other settlements down there.

MR. CHAIRMAN.- Where?

HON. A.M. RADRODRO.- In Nakasi there are some settlements, informal settlements, Wainibuku.

MS. S. RATTAN.- Yes Sir, Wainibuku, it is per house Sir.

HON. A.M. RADRODRO.- So you charge them individually?

MS. S. RATTAN.- Yes Sir.

HON. A.M. RADRODRO.- Is that according to Local Government Act?

MS. S. RATTAN.- Yes, because when we do our valuation, a roll is provided and it matches with our rateable listing, so every year based on our evaluation roll, the invoices are raised.

HON. A.M. RADRODRO.- Is that normal? The Suva informal settlements are also charged.

MR. S. QALILAWA.- For information, Wainibuku is not an informal settlement, it is a fully developed settlement by the Ministry of Lands. That is why we are charging them, not for the informal settlements.

HON. A.M. RADRODRO.- Not for the squatters.

MR. S. QALILAWA.- Not for the Squatters. We are charging the ones like in this instance we are doing informal upgrading like Sasawira, we have informal upgrading from the Ministry that is the area we charge but not the squatter settlement.

MR. CHAIRMAN.- So that means the informal settlements, what is known as squatter settlements, they do not pay rates? It is only those that are developed by the municipal council?

MS. S. RATTAN.- Yes, developing formal settlements.

HON. M.M.A. DEAN.- What if they fall in the town council boundaries?

MR. CHAIRMAN.- I mean legally they are taken to be aliens on that land.

HON. M.M.A. DEAN.- Ministry of Local Government, because they fall on the town council boundaries.

MR. CHAIRMAN.- They use the services, they use the road.

HON. M.M.A. DEAN.- They use the services and I think waste care or what you call it.

MR. S. QALILAWA.- The arrangement is when you get a lease then you can pay the rates.

HON. A.M. RADRODRO.- Are they are aware, otherwise they will be charging and the responsibility...

MR. CHAIRMAN.- It will be shown in the books but it will not be paid so it will keep on increasing.

HON. A.M. RADRODRO.- But in Sasawira they have yet to get the lease. Wainibuku?

MR. S. QALILAWA.- For state land, all those that got approval for lease. Approval of lease, only for iTaukei Land Trust Board (iTLTB) the unalienated land, the one which is not assigned to anybody, that is the one we do not collect from.

MR. CHAIRMAN.- Alright, now we understand that is the issue, the Council cannot do much, the law will not provide them to charge. You said that Naulu and Nakasi moved to Nausori Town Council boundary, it belonged to Nasinu before?

MS. S. RATTAN.- Yes, in 2008 Sir.

MR. CHAIRMAN.- Some of the owing rates has now come to Nausori?

MS. S. RATTAN.- Sir, whatever they had in their books was carried forward. Later on we did thorough reconciliations to actually know what happened because in the beginning of the year, when we took over we had some issues like people were coming forward that they had paid but it was not reflected in the books, it was still showing arrears, so based on whatever documents or evidence they provided, all those books were updated.

HON. A.M. RADRODRO.- In 2008, the whole boundary was transferred to Nausori. Just a question on the rates, do you also levy housing areas, like you said areas upto Waila?

MS. S. RATTAN.- Yes.

HON. A.M. RADRODRO.- People who are staying in the housing, are they also levied rates?

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- If people fail to pay their rates, do you take them to court as well?

MS. S. RATTAN.- Yes Sir, we take legal action, we take them to Small Claims Tribunal and we also help them through arrangements but for our small tribunal cases we had some issues because remember rates are taken as the least priority under the needs analysis.

Some of the awards for example, some of the rulings does not help us, if a ratepayer has a \$1000 rates when we took it to the Small Claims Tribunal some awards is \$20 a month or maybe \$5 per month, so by the end of the year it still does not cover the interest. At the end of the year when the 11 percent interest is charged, it still does not cover and the figure stays there.

MR. CHAIRMAN.- Do you make these submissions to the Small Claims Tribunal (SCT) or the Magistrates Court?

MS. S. RATTAN.- Yes Sir, we have our officer, and we do make these submissions. Before we take it to the Small Claims Tribunal we provide notices, we would have community meetings where we talk to the ratepayers, and we encourage them to pay, if they still do not then we provide them demand notices and if they still do not come then it goes to the SCT.

MR. CHAIRMAN.- It is a bit unfair on those people who are paying rates, your next door neighbour is paying rates in full and the other one is getting away with \$5 a week.

Probably the courts should be told of this, when you appear at the Magistrates Court or on the SCT, tell them that this is a reality on the ground, we cannot have people living within the city boundaries at \$5 a month.

MS. S. RATTAN.- Yes Sir but when they do that means test, what happens is they are supposed to provide stamped documents so whoever is stamping their documents, we do not really know who is checking their documents, because when they do the means test, rates come as the least priority so the awardees, the payment it does not help much.

MR. CHAIRMAN.- Yes exactly, and the legal cost probably overrides the actual collection.

HON. A.M. RADRODRO.- Do not worry, we will look after you.

MR. S. RATTAN.- So that is why our rates figure normally stays.

MR. CHAIRMAN.- Alright we understand that point.

6.12 – Discrepancies in the debtors records - “Every Council shall keep proper accounts and records which shall be kept in such manner as may be directed by the Minister. The following discrepancies were noted from the review of Council’s Accounts Receivables for the year ended 31 December 2011: Debtor’s reconciliation for the year was not prepared...” There are two issues here, (1) the uncollected debts as we have highlighted, but the other one they are saying is the records are not kept properly.

MS. S. RATTAN.- Sir, now we have proper subsidiary listing for our rates plus our rental debtors, and in our committee meetings we also endorse that and not only that, what we are also doing because it is excel, anything can happen to our IT system, we have backup systems on our subsidiary files. Every six months they provide a full listing they print the full list of debtors, we are also filing those things and we have individual files for our ratepayers who are in arrears and all those files are properly kept in our safe area, where we properly maintain. Every correspondent which is written or from the ratepayers goes to the respective files. Same thing goes for our rental debtors, so we have upgraded a lot in the sense of our debtors listing.

MR. CHAIRMAN.- As we speak every rate payer, every person with a taxi permit in the boundary, every person who is providing service to the council or the council is providing service to them is listed.

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- The next Bullet point - 6.15 - Anomalies in the annual leave. “A leave schedule in the prescribed form shall be kept in respect of every officer included in the officer’s leave file. On the Leave schedule will be entered records of all leave granted to the officer. The review of the annual leave records revealed the following anomalies:

Balance of annual leave days as per leave schedules maintained in the files does not agree with the balance as per annual leave.”

Three people are noted here Mr. Vinay Prasad, Mr. Chandra Krishna and Mr. Pita T.

MS. S. RATTAN.- Sir, in practice what we have done is we have created individual staff files and in that file you will find their contracts, their scope of work plus the leave summary sheet is attached to each file so whenever they apply for leave it is entered and updated into the system, and on six month basis our HR emails the records to our HODs as well so that we can keep track of our staff. Now at the end of the year based on their commencement date, every staff is utilizing their annual leave so we do not have much accruals on the leave balances. Only one which we may have will be for our HODs but also when their leaves are due they take it. For individual files we have summary sheets which clearly states how much leave they are entitled to, how much leave they have taken and what is the balance, which is also corresponded through our HODs.

MR. CHAIRMAN.- How long can an employee carry forward his or her leave? Does it cease at the end of the year or can carry forward?

MS. S. RATTAN.- Actually, for our normal staff it is 10 days annual leave, and 8 days sick sheet and 3 days bereavement leave. By the end of the year they usually utilize their leave.

MR. CHAIRMAN.- If they have not taken that?

MS. S. RATTAN.- What they do is they inform the HR beforehand so if they have planned for example holidays and anything they will take it next year but even if they do take it next year they use it before March, especially that applies for the HODs because at the end of year for example Finance HOD, technical HOD those are the busiest period, but by January, February we do utilize our leave.

MR. CHAIRMAN.- The second issue that was raised here is that employees who resigned or were terminated during the year had their annual leave balance compensation calculated for the whole year instead of pro-rata basis.

MS. S. RATTAN.- Now we have a system in place like I said it is updated, as soon as we apply our leave through our leave form after it is endorsed by CEO individual files are updated. Suppose if in between there is a termination or resignation what we do now it is based on pro-rata basis, so we are doing pro-rata leave payment.

MR. CHAIRMAN.- Now it is all in order, previously it was not happening. Now, you have individual files for each employee which has the record of leave et cetera.

MS. S. RATTAN.- Yes and also we have a payroll system now where whatever leave after it is approved is also shown on the system, we update the system as well. Suppose if there is any addition it will come through a proper authorization form where it will be endorsed, in the year if the staff leaves then it is based on pro-rata, but if it is end of the year then it is normal.

HON. A.M. RADRODRO.- You now have a HR Department?

MS. S. RATTAN.- We have an acting HR, he is our secretary as well as handling the leave and staff files, any other intense HR issues is handled by the CEO.

HON. A.M. RADRODRO.- This overpayment of leave, what has the council done to correct or rectify this, any action taken?

MS. S. RATTAN.- Sir, I would not be able to comment on what happened to those staff, but what I can say now there is no issue with them.

MR. CHAIRMAN.- In your time, things have improved.

HON. A.M. RADRODRO.- Are the people still working there?

MR. D. NARAYAN.- Sir, the measures we have put in place is that whatever has been identified previously we are trying to address those concerns and we are very particular, even as the Acting CEO we always look into this type of issue to avoid any repetition of anything which is not in line with the operation principles.

HON. A.M. RADRODRO.- Just off the record, there was a story about a staff from Nausori who won a vehicle using the company phone or something...

MR. CHAIRMAN.- The Nausori Town Council employee who send a text, he used the mobile phone and won a car, what happened to the car?

MR. S. QALILAWA.- He was the former CEO, he was given the option whether to give the car to the Council, but he opted to take the car and he left the office.

MR. CHAIRMAN.- Did he pay the phone bill, he obviously used the council mobile to text?

MR. S. QALILAWA.- No he opted to move out from his job.

MR. CHAIRMAN.- Yes but did he pay the bill?

MR. S. QALILAWA.- No.

MR. CHAIRMAN.- He got the car, he was let off the job but he did not pay the bill

HON. A.M. RADRODRO.- That is none of these names listed here, the overpayment of leave?

MR. CHAIRMAN.- That was not raised in the issue here, probably it will come in the next report.

MS. S. RATTAN.- Which year?

MR. M. SINGH.- 2007.

MR. CHAIRMAN.- But it is an old car now,

Next Bullet point 6.16 – Payments made to Abilesh Deo. It is noted here that the council engaged Abilesh Deo for chamber cleaning, post cleaning and painting, drain cleaning, sweeping of Rewa Bridge, road patching, cutting grass. It was noted "...the Council failed to obtain three competitive quotations nor a tender was called prior to the engagement of Abilesh Deo for the works carried out. The Council engaged Abilesh Deo without any agreement and paid \$33,703.37. It was also noted that the Council wrote several cheques amounting to \$14,411 to Abilesh Deo and the remaining \$19,292.37 to Abilesh Deo Maintenance. The above

anomalies increase high risk of fraudulent activities relating to procurement of goods and services.” Two or three questions arise, why Abilesh Deo was engaged without tender process or competitive quotes, and why cheques were written to two people one Abilesh Deo and secondly Abilesh Deo Maintenance which is an entity?

HON. A.M. RADRODRO.- Is it the same Abilesh?

MR. CHAIRMAN.- It looks like because he was paid for this.

MR. D. NARAYAN.- Thank you Mr. Chairman, first of all may I highlight the Honourable Members know the background, our Special Administrator at that time was the late Mr. Napolioni Masirewa and he had established a service delivery standard with the aim to improve the general service delivery to the ratepayers. It was noted that the contractor engaged by the council in 2008 would not carry out work effectively and the council would deduct payments, however works will remain and not be carried out. The subject contractor was hired on a temporary basis to carry out relevant works including other small jobs during the year and in accordance with the manual of accounts.

The contractor was initially brought in by our Traffic Section through quotation basis and had performed well to the satisfaction of the council. Such was recommended by the Traffic Officer, three quotes were obtained prior to engaging this contractor for the specific jobs. Since the contractor had the manpower and was within Nausori town boundary, the same contractor was engaged at times to carry out works such as drain cleaning, grass cutting as well as cleaning of the Rewa Bridge.

Sir, the works never exceeded \$10,000 in a single work scope, and the accumulative figure of \$33,703.37 was a collective amount of works for more than five work scopes. As the payments were made on a 30 day period the works carried out in drains and grass cutting were paid after deductions made to the service contractor for Nausori and Davuilevu Wards due to non-performance. From 2012 the contractors programme and policies were upgraded to ensure that piece-meal contractors are alleviated, and records show that the subject contract services last engagement was only in 2011, Sir.

MR. CHAIRMAN.- So this contractor was initially engaged because its work was supposed to be good but then he was not paid, deductions made for Nausori and Davuilevu ward because he was not doing it up to the standard?

MR. M. SINGH- Yes.

MR. CHAIRMAN.- OAG, you saying that there was no tender called but they are saying that there were three quotations taken?

MR. D. PRASAD.- Yes, Chair, since the amount of work value was less than \$10,000, three quotations were obtained then this contractor was

MR. CHAIRMAN.- The amount would probably be \$10,000 divided, usually when the amount is say \$30,000 you divide it into three parts and it becomes \$10,000 or less - a way to escape the system.

MR. D. PRASAD.- Thank you, Chair. The point that we wanted to highlight is that there was no quotations or there was no tender. If the Council has the quotations we will

request the Council to forward it to us, but at the time of the audit the quotations were not sighted, they were not provided for audit verifications. The other thing is that we also noted that the contractor was engaged for the recurrent activities, that also increased the risk of the Council to bypass the requirement for tender simply because they split the work, but those type of work is on a recurrence basis for example cleaning the bridge, if you are required to clean the bridge every month so there will be 12, or you have to clean the market that will be a weekly cleaning, so probably on a week it is less than \$10,000 but when you put a cumulative figure it is more than \$10,000. For transparent procurement process, equal opportunity to other suppliers, OAG still recommends a tender.

MS. S. RATTAN.- Sir, like Mr. Dinesh have said to resolve this issue, I just give an example Nausori Town Council we do not have a qualified electrician on board but we do have a lot of electrical works. When we started to move forward you see year end expenses collectively it goes over \$10,000, what we have done now as a way forward what we have done is called electrical tender and we have selected an electrician or a contractor. If there is any electrical work regardless which portion he will be used because why we did one initial tender. We have taken on board their recommendation and we are working on some areas where we have collective expenses over \$10,000 or maybe \$15,000 on different aspects for other services as well.

MR. CHAIRMAN.- Understand that for example if you have to change a light bulb you cannot call a tender for that light bulb every day, so you just call a general tender and then it depends if there is one light bulb burn-out in a year it is unlucky for him, if there is 12 to 100 it is good for him. The point that we are trying to raise here is for example the cleaning of Nausori Bridge, if it is done 12 times a year or painting the railings the entire contract might be \$20,000 to \$25,000. That is the contract amount for that and you have to advertise for tender calling, but divided by 12 parts that is \$10,000 per month so you cannot just say that we are paying you \$10,000 per month which is below the tender process - is that the procedure now?

MS. S. RATTAN.- No, Sir, what we are saying is that we have improved a lot. All our major contractors, major services we have all contracted out through a tender process and all the internal jobs are now done by our technical team after we had our technical officer on board. Anything major for example any projects on that is done through a normal tender procedure. We have a tender policy in place which is aligned with the Accounts Manual and also when we did the revised Manual of Account together with the Ministry we also tried to look into ways like what is happening now and what was happening before so we try to improve it and align it to the current practice when we did the revised Manual of Accounts with their help.

Sir, what we have done is whatever the old practice was we have left it behind and we have moved forward with some of the basics. For example all our things now are aligned with the tender process, even now the Ministry has helped the Council when we do call major tenders it is now send to them for vetting and it goes to the Solicitor's Office as well. What we are doing is we are strengthening our processes so there is no discrepancy.

MR. CHAIRMAN.- So far things are improving?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- Honourable Minister, you have a question?

HON. A.D. O'CONNOR.- Chair, if I may, your tender period, what duration are those tenders - one year or two years or three years period?

MS. S. RATTAN.- Three years, Sir.

HON. A.M. RADRODRO.- Chair, just a question regarding this payment any action taken by the Council regarding this particular audit issue?

MR. CHAIRMAN.- What they saying is that for him is alright, they had the tenders.

MS. S. RATTAN.- For example for this case, Sir, it was not for one job. First he came under Traffic Section to do some traffic job then he did some job for drainage but collectively we have a 30 day period payment we do not pay immediately it is normally 30 days and because of that it went to \$33,000, but initially he was brought in for those different jobs and three quotations were taken.

HON. A.M. RADRODRO.- That is for Abilesh Deo?

MS. S. RATTAN.- Yes, Sir.

HON. A.M. RADRODRO.- Who is Abilesh Deo Maintenance?

MS. S. RATTAN.- It is the same person, Sir.

HON. A.M. RADRODRO.- Also three quotes for that?

MS. S. RATTAN.- No, it says it was \$33,000 but some cheques were addressed as company cheques, some cheques were addressed as Abilesh Deo but it was given to the same person.

MR. CHAIRMAN.- Honourable Members, let us take a break for about 10 minutes let the Finance Manager relax a bit and have some coffee then we start from Paragraph 6.17 when we are back in 10 minutes.

The Committee adjourned at 11.06 a.m.

The Committee resumed at 11.30 a.m.

MR. CHAIRMAN.- We can start at paragraph 6.17:

“Late submission of financial statements – The Council did not meet the statutory deadline required under the Local Government Act for the Submission of the 2012 draft annual financial statements for audit. The draft Financial Statement was received on 5 June 2013.

Delay in the submission of the draft annual financial statement for audit is a breach of the Local Government Act. Additionally, late submission of annual accounts for audit purposes indicate that the accounts are not prepared on a timely basis hence losing its relevance.”

Can we have some comments on that?

MS. S. RATTAN.- Sir, previously we had some issues with the submission of the accounts based on our account personnel but now we are up-to-date with our submissions. We have already submitted Draft Financial 2016, and as soon as 2017 finishes we will target to have it done before the deadlines.

MR. CHAIRMAN.- The 2016 is already in?

MS. S. RATTAN.- Yes, Sir.

MR. CHAIRMAN.- That is very impressive, in fact better than some of the Government Ministries where 2013 or 2014 is the last one that has gone.

6.18 Loan Rate & Street Light Account – I think part of that has already been addressed.

“The Loan Rate account had a carried forward balance of \$393,555 from 2007. It was noted that the Council was receiving monies from the ratepayers however the same was not disclosed in the Statement.”

This is the one for capital development, they were saying that there was no separate accounts.

MS. S. RATTAN.- Like we said Sir, from 2013 onwards we did not have any loans and street lights, it is just general, so all the takings from 2013 has been going into our general funds.

MR. CHAIRMAN.- The street lights, that service is provided by Fiji Roads Authority?

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- Do they charge the ratepayers any levy on that?

MS. S. RATTAN.- No Sir.

MR. CHAIRMAN.- Members, that is the one that we have already discussed.

6.19 - Fire Service Account – this is the one that we have not discussed.

“Audit noted that the Council’s Fire Service Account had a balance of \$32,791. According to the Acting Treasurer, the Fire service rate was collected by the Council prior to 1995, and is yet to be transferred to the General Account. However, audit could not substantiate whether the balance was in fact being carried forward from 1994 due to lack of appropriate documentary evidence.”

So what exactly is this Fire Service Account and why has it not been noted?

MS. S. RATTAN.- Members to note, this account closed in 1995, but like I said these are some of the balances in our Balance Sheet which is being carried forward. Here we will need the Ministry’s help as to how we are going to adjust that because from 1995 no council is charging fire levy, we are not processing it.

MR. CHAIRMAN.- The fire service is gone to National Fire Authority?

MS. S. RATTAN.- Yes.

MR. CHAIRMAN.- This amount here it is a credit balance on Councils accounts, it is something that you owe to someone?

MS. S. RATTAN.- Yes Sir. A letter to the Solicitor-General Office because there are so many other items just like fire and there is sundry that is mostly carried forward balances, how we are going to adjust that into our accounts.

MR. CHAIRMAN.- This money is sitting in your account?

MS. S. RATTAN.- No, it is just on paper.

MR. CHAIRMAN.- So probably it will be written-off at some stage.

OAG, what usually happens in these kind of cases? The money is there, it is the service that was probably charged by Council, fire service, so it will be credit balance in their books I presume. It is money that is paid to them which they have not dispersed, is that so?

MR. D. PRASAD.- Thank you Chair. There was a legal opinion issued by the Solicitor-General on 3rd February, 1997 where he stated that the National Fire Authority should be receiving all fire services levy collected by the Council since 1995. What basically happens is that the Council had the funds prior to that and also collected in 1995, so there was a non-compliance where they kept showing this as a fire service levy in their accounts, in fact it should have been transferred to the National Fire Authority.

However, we need some clarification from the Ministry as well where the collections that were made prior to 1994 whether those funds need to be paid to the National Fire Authority or those funds can be kept by the municipals because it was under a special fund account so more like a trust account. The Ministry probably needs to make a decision whether those funds could be utilised by the Council otherwise it needs to be rightfully transferred to the National Fire Authority.

MR. CHAIRMAN.- Ministry, what should be the position? This is one Council but there must be other councils as well who had credit balance in their accounts, that money

collected as levies should have been transferred or should be transferred to NFA or should they be able to use it?

MR A. MAITAVILIA.- Thank you Sir, moving forward, we will take OAG's comment on board and discuss with NFA and Council on how to rectify this.

MR. CHAIRMAN.- Probably, the Manager Finance is saying it is a book entry, the funds probably are lying there in a lump sum with all the other amounts.

MS. S. RATTAN.- Sir, if you see we do not have a separate account, so in those years it must be deposited into the general fund account, it is just a paper entry in the books on the credit side, but it is in the general accounts.

MR. CHAIRMAN.- In the general ledger it will show that it was in the account?

MS. S. RATTAN.- Yes.

MR. CHAIRMAN.- So once the directive comes then that cash is sorted out.

MS. S. RATTAN.- Yes.

MR. CHAIRMAN.- Next Bullet point - 6.20 - Anomalies in accounting for property, plant and equipment. We have already discussed that, Fixed Assets Register is now in order.

6.21 - Sundry deposits - we have also discussed that.

6.22 - Tenancy agreement, "The basis of any tenancy arrangement will be the agreement between the landlord and the tenant. Audit was not provided with a copy of valid tenancy agreement for most of the Council's properties that was given for lease." And those include Sunbeam Transport, Goloka Vegetarian, Keshni Lata, Vallabhai & Co, Hirday Ram, Suriya Ali - Gulams Dairy, Station Bookshop, Mahendra Patel, Irene Investment, Newman Ltd, Farmers Top Up, Vatukoula Express, Reginald Singh. About 13 people on Council property but there is no contract sighted by the audit team.

For Shopping Complex - Bank of Baroda – okay I think there is contract, Colonial Bank, Delta Timber, Deoji & Sons, Dr Reddy - No contract sighted as this was not produced for, Grants Waterhouse, Lovers Point. What is Lovers Point?

MS. S. RATTAN.- A restaurant, Sir.

MR CHAIRMAN.- In addition, Commercial Property lists Razak Optometrist, Yummy Meals, Tebara Studio, Wishbone and Pizza King, and Saniz Fashion. Are the agreements now provided?

MS. S. RATTAN.- Sir we have updated our tenancy agreement register. Now we have agreement for all our tenants plus commercial and even at the new market and the bus stand, all in place now.

MR. CHAIRMAN.- OAG, is that an issue that is settled now in the future accounts, have they given the records?

MR. D. PRASAD.- Sir, we still need to verify that comment.

MR. CHAIRMAN.- Please let us know so that we can note that.

“Discussion with the Assistant Treasurer revealed that the agreements have expired and the Council has given the file to solicitors for preparation of the new agreements.”

At that time, the new agreements were going on?

MS. S. RATTAN.- Yes.

MR. CHAIRMAN.- “In case of losses or damages to the properties, the Council may face the risk of bearing the full cost of the losses.” Legally, if the agreement expired and someone is just a monthly tenant there are a lot of things you cannot enforce against them. If there is a damage to property, probably the Council will lose that out and it becomes harder to enforce those in court so probably now if the agreements are in order as you say, that should not be a problem that is already solved. Honourable Members any question in that regard, that was the audit issue.

HON. A.M. RADRODRO.- Chair just a question, in regards to the new bus stand and the old bus stand, a lot of tenants are there, what is the arrangement?

MS. S. RATTAN.- They have legal contracts.

HON. A.M. RADRODRO.- What are they paying to the Council?

MS. S. RATTAN.- Initial contract was two years, renewed in September. It was \$360 before per month.

HON. A.M. RADRODRO.- Which one is it?

MS. S. RATTAN.- That is the kiosk at the market bus stand.

HON. A.M. RADRODRO.- No the old bus stand?

MS. S. RATTAN.- They have all moved to the new market, they have shops in the new market.

HON. A.M. RADRODRO.- Currently, there are some food kiosk at the old bus stand, what is the arrangement?

MR. S. QALILAWA.- At the moment, they have submitted their plans for commercial development on that particular area. By the time that development is approved all those people who are there will be moved out for them to build.

MR. CHAIRMAN.- They are operating from there?

MR. S. QALILAWA.- They are operating from there through their discussions with the village, the landowner.

MR. CHAIRMAN.- Where was the old Nausori bus stand?

MR. S. QALILAWA.- On the river side.

MS. S. RATTAN.- On the main street, Sir, opposite Jacks.

MR. CHAIRMAN.- People are operating there.

MR. S. QALILAWA.- At the moment, yes.

MR. CHAIRMAN.- And they have tenancy agreements with you?

MS. S. RATTAN.- No, Sir, because that is not our land.

MR. S. QALILAWA.- They are paying rates to Council, the landowner, but they have already submitted their development plan for commercial building.

MR. CHAIRMAN.- So once that is approved they will move out of the old bus stand.

Thank you Team Nausori Town Council, those were the audit issues as raised in the 2014 Reports.

Now we will come to the special audit. Performance Audit, Volume 1, Contractual Engagements by Municipal Councils. This is the document that was prepared by Auditor-General after reviewing the respective contractual engagement by municipal councils around the country, and Nausori Town Council is also one of those entities that was scoped in this report. There are some specific questions around Nausori Town Council which I will put to you.

OAG, you had briefed us earlier. Can you brief the whole Committee and the Nausori Town Council what these involves, the scope of what you looked at and what areas you have identified.

MS. N. MICHAEL.- Thank you, Mr. Chair. In 2014 we carried out the Performance Audit on Contractual Engagements by Municipal Councils, the performance audit focused only on that aspect for the years 2012 to 2014. Out of the 13 municipal councils we selected seven as a sample for the audit, of which Nausori Town Council was one of them. We looked into three areas, the audit objective was to determine the effectiveness of municipal councils in managing contracts of services by examining three areas which were:

- i) the policy framework governing contractual agreements;
- ii) engagements key elements of contractual engagements; and
- iii) managing contractors performances.

MR. CHAIRMAN.- That is what we also experienced with Suva City Council yesterday, those scopes. Coming back to the merits of the Report, Paragraph 4.0, Policy Framework Governing Contractual Engagements, and the existence of effective policy framework. It was noted under Paragraph 4.1.6, that Nausori Town Council does not have a contract policy in place. Audit comment, “The Council is currently using a tender policy which is currently under review. “ This is in terms of awarding tenders to service providers, but it was noted way back in 2014 that the Nausori Town Council does not have a contract policy in place at that time. What is the position now?

MS. S. RATTAN.- Sir, we now have an endorsed tender policy which we have submitted, and we are following that for all our contract works.

MR. CHAIRMAN.- What are some of the key areas that you look at when assessing a tender?

MS .S. RATTAN- For example, Sir, call for the tender depends on the departments, mostly it is from engineering section, before they call for tender our technical officer will do the scoping plus the costs. Just because of our manpower mostly and equipment we do not have equipment to carry some project work then they will decide that it will be outsourced or it will be done in-house, that is the first practice. After it has been decided then they call for tender and normally the tender opening is the same, we will do a tender opening, the evaluation report will be prepared by the technical officer based on the scope provided and then it will be endorsed in the tender committee meeting. Moving forward, during that process we will also check with the Budget or grant needed then it will be submitted under PSIP.

MR. CHAIRMAN.- You have a section in the council for this kind of works?

MS. S. RATTAN.- We have engineering section that looks after capital projects and capital works, internal and outsourced, but like we said there are some technical people who are not on board like we do not have a civil engineer. If work is in relation to that kind of job then definitely it is outsourced, otherwise internal jobs which can be in-house is done by the technical team.

MR. CHAIRMAN.- The tender procedure committee is there as well?

MS. S. RATTAN. –Yes, Sir, normally all HODs present and the technical team.

MR. CHAIRMAN.- Under what amount are you allowed to just call in quotes and give the job?

MS. S. RATTAN.- Less than \$10,000.

MR. CHAIRMAN.- You obtain three quotes, and if there is more than \$10,000 you will apply the same tender process.

MS. S. RATTAN.- Yes.

HON. A.M. RADRODRO.- Mr. Chair just a question regarding the tender processes, we note that you have submitted these processes. Is there anywhere you have properly discussed with the ministry where your tender process is in uniformity with other municipal councils?

MS. S. RATTAN.- Yes, Sir, it is aligned with our current Manual of Accounts . Actually if you see nearly all municipalities are using the same tender process because it is aligned with our Manual of Accounts.

MR. A. MATAIVILIA.- Thank you, Sir. There was a directive given by the Ministry to all the Councils to call the tenders and once they have completed their tender process they have to submit to the Ministry for scrutinising, submitted to management for approval before

they can award the contract - so that practice is in place in all municipals. Mr. Chair, I think we are still facing the challenge for that but after reviewing the manual of accounts you will see the uniformity of the tender process.

MR. CHAIRMAN.- But not regarding Nausori, elsewhere, or the challenge is here as well.

MR. A MAITAVILIA.- For Nausori they have their own templates.

MR. CHAIRMAN.- Alright, it seems in order.

MR. A. MAITAVILIA.- In terms of scrutinising we use to follow the FPO standard where they look at the administrative part of contractors, the financial and the technical areas then see how they have awarded the tenders to the successful bidder.

MR. CHAIRMAN.- This current specs and the memorandum send by the Manager Finance, is that in order?

MR. A. MAITAVILIA.- Yes.

AUDIT REP.- Yes it is in order for Nausori.

MS. S. RATTAN.- Sir ,to rectify that issue we did a review of the manual of accounts we were part of the committee and that is how in the new manual of accounts you will note, we will provide the documents, we are waiting for formal endorsement after the meeting with OAG office, we will be using that format to take across. But there were steps taken by the ministry in the beginning of this year we have three collective manager finance meeting where we collectively set and discussed these things.

HON. A.M. RADRODRO.- For all municipalities.

MS. S. RATTAN.- Yes, for all municipalities. During the discussions we came to know the basic rule of tender which is being applied is standard, it is just the detail with the evaluation part and the scoping that is a different issue which we have highlighted in this amended manual of accounts, but we are still waiting for the forum discussion for endorsement of that.

MR. CHAIRMAN.- Maybe the Ministry should make Nausori Town Council an example and circulate their documents to the other municipalities.

MR. A. MATAIVILIA. - Of course we have circulated those documents to all the councils and for councils to provide their comments. We are currently waiting for their comments and we will provide it to the forum for the CEO and the SA.

MR. CHAIRMAN. - Let Nausori Town Council lead the idea or the concept probably they will do better.

MR. A. MAITAVILIA.- - That review is supposed to be implemented next year in 2018.

MR. CHAIRMAN. - *4.2.4. Existence of Contract Planning.* It is noted that for existence of contract planning, Nausori Town Council does not have any existence of contract

planning. The audit commented that “No capital project plan was provided. There were no HODs for Engineering, Health and Building to prepare the plans. However capital expenses were incorporated in the budget but no project work details provided.”

MS. S. RATTAN.- Sir, this has been rectified. Now we have Head of Engineering, our Technical Officer, Mr. Atish, and we also have the Senior Health Inspectors on board. Like I said all proper scoping with costing, plans and everything are being submitted and also these are now checked by the Ministries, so apart from Council we now have independent checks by the Ministry, they approve the final awards. I would like to also thank the Ministry this year they have taken initiative to send our Manager Finance on overseas training for example, India training, where we were taught how to do capital project costing, road blocks were supposed to be looked into. These are some of the things we have brought on board.

Whenever they are doing capital project costing we are advising our technical officers that they should also be projecting for road blocks. These are some of the issues for example delay in project cost that never used to be budgeted, that is why you will find that there will be variance costing provided in the capital project. After those trainings now we are able to tell our technical officers that they should also be budgeting for these overheads. Moving forward we have a better project planning process.

MR. CHAIRMAN.- Currently, if there is something budgeted in your yearly budget for capital work and that work is not carried out then what happens to that budgeted amount?

MS. S. RATTAN. - For example, if the work has not commenced then again that budget is provided for next year’s budget. For this capital project, we have a sample file with us as to what are some of the steps we are taking and how they are doing the costing and everything, the documents are also here.

MR. CHAIRMAN. –The next item is *5.0. Key Elements of Contractual Engagements*. I have seen your documents, and I think part of that is addressed here. What was noted by the OAG on Page 20, is that, “The council has two separate meetings held to discuss the tender of contracts. The first meeting is called the Opening of Tender Documents Meeting where there is no restriction to the Members of the Committee and any of the Town Council Officer presents in the meeting can chair the meeting. The second meeting is made up of the individual Department’s “Sub Committee Meetings” where the Special Administrator usually chairs the meeting.” That is the current procedure, is that still followed?

MS. S. RATTAN.- Yes, Sir. Now instead of SA we have CEOs chairing the meeting for the endorsements.

MR. CHAIRMAN. - Alright, it is no longer the SA.

MS. S. RATTAN. - Because we do not have the Special Administrator so in his absence CEO chairs.

MR. CHAIRMAN. - Nausori does not have a SA. Do you see any problem with that system or is it working fine?

MS. S. RATTAN. - No, Sir, because even after the endorsement through CEO the final report still goes through the Ministry for independent check.

MR. CHAIRMAN. - There is a double check system and if a tender is awarded in a suspicious manner then there is another check by the Ministry?

MS. S. RATTAN. - Yes, Sir.

MR. CHAIRMAN. – Your solicitor or Solicitor General?

MS. S. RATTAN. - Both.

MR. CHAIRMAN. - Do you know, I do not think you would be able to know that as it is not appointed by his Ministry?

MR A. MATAIVILIA.- I am not really sure Sir, but the current arrangement now if SA is not there the CEO is Acting SA.

MR. D. NARAYAN. - Sir, for Levuka previously they did not have a reputable CEO in Levuka, now a former Director of Ministry of Local Government is the CEO, so he is manning *Levuka*. When our previous SA passed, our CEO was there so the work according to what the Ministry's expectation were well executed. That is why I think the CEO's are manning the fort now.

MR. CHAIRMAN. - The CEO is equivalent to what used to be the Town Clerk?

MR. D. NARAYAN. - Yes, Sir.

MR. CHAIRMAN. – And the SA is what used to be the Mayor.

MS. S. RATTAN. - Yes.

MR. CHAIRMAN. – Usually the town clerk was the main man responsible, the Mayor was a political appointment.

5.22. Evaluation and Documentation of Tender. What is noted by the OAG here is that Nausori Town Council existence of documented tender evaluation criteria, there was none. Audit comment on criteria for Nausori Town Council stated, "Council apply the lowest tender criteria." That is something different from Suva because Suva does not usually allow or does not usually take lowest tender but they engage reputable companies who have good record and good financial backing.

MS. S. RATTAN. - Sir, that is the current practice as well and also now some of the tenders are awarded based on quality and quantity assurance, and also in line with our budget because for Nausori Town Council whatever budgets have been provided or whatever funds we are receiving based on the costing that is how we align it with our tender awards.

MR. CHAIRMAN. - When you do a tender evaluation do you check if a particular contractor has insurance, public liability insurance?

MS. S. RATTAN. - Yes, Sir, that is part of the tender documents. They are supposed to provide all those with company registration, public liabilities, certification, business license and everything. Those are must documents and they are supposed to provide with the tender forms.

MR. CHAIRMAN. - Do you have a sample tender advertisement with you which we can refer to; you said there is no deposit needed anymore?

MS. S. RATTAN. - No we do not take deposits, Sir.

MR. CHAIRMAN. - If you do not have the document now you can pass it later, we will compare it with other councils.

MS. S. RATTAN. - Alright, Sir.

MR. CHAIRMAN. - You stating that it is now under control?

MS. S. RATTAN. - Yes, Sir.

MR. CHAIRMAN. - Thank you. Members any questions around that area, the Nausori Town Council does not apply the lowest criteria any more, they also look at what we heard from Suva yesterday, quality of work, previous records so that no one runs off half way through the job. There was a case in one of the municipalities, the contractor started doing the job and then ran off so they had to do it themselves.

5.2.3. *Contractual Agreement, Format and Contents of Agreement.* What is noted about Nausori Town Council by the OAG is that, “Nausori Town Council and *Viti-i-Loma Youth Club* for the raking and maintaining the drains; mowing the loans...; Nausori Town Council and E-Care Environmental Consultants for the initial environmental examination; Nausori Town Council and *Tahila Group*, the pre-feasibility study for the proposed relocation of the market and transport terminal. The three signed contracts all have different formats.

“The General Condition of the first contract did not divide requirements into sections and with the separate headings. The Specific Condition divided up requirements into sections and under separate headings.

- The first contract did not specify confidential information and termination, penalties and contract end dates requirements.
- The second contract did not specify confidential information, disputes and penalty requirements.
- The third contract did not specify contract variation and penalty requirements.”

These are some of the issues.

MS. S. RATTAN.- Sir, before our technical staff used to help with the preparation of the agreements but we have standardised this, now all our contracts are vetted by KS Law before it is formally done. Before signing, the contracts are sent to the Ministry for verification, Solicitor General’s office, then it is signed off. Now there is a second vetting on all the contracts; also note that scope of work is also added.

MR. CHAIRMAN.- KS Law is your counsel?

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- After that is vetted you still refer to the Solicitor General’s office?

MS. S. RATTAN.- Yes Sir.

MR. CHAIRMAN.- This is a very basic issue, the two lawyers should be able to pick that up.

MS. S. RATTAN.- Council does not have a legal department in-house, to standardise any kind of contract, if it is a service contract or rental contract or anything it goes to the KS Law, and from there it goes to the Ministry. If the contract is more than \$50,000, grant contract or any other contracts is vetted by the Solicitor General's office.

MR. CHAIRMAN.- Who does your prosecutions for recovery of fines et cetera, unpaid levies?

MS. S. RATTAN.- Sir, if it is more than \$2,000 to \$3,000, then it is outsourced to several lawyers, otherwise Small Claims Tribunal cases, our staff attend it.

MR. CHAIRMAN.- So you do not specifically have a legal unit?

MS. S. RATTAN.- No Sir, we are working towards that.

MR. CHAIRMAN.- It was not an audit issue, it was just a general question.

Vetting of contracts by Solicitor, it is noted for Nausori Town Council: "No legal section to vet contracts but Council outsourced any legal service required." That is alright, you have already answered that.

5.3 Records Management and Maintenance of files on contractual works. Nausori states: "The Accounts Section maintaining all the operational contract files whilst the big capital project contract files are maintained by the Project Manager. All the minutes are kept by the SA's secretary." What is the demarcation between small and big contracts, operational contracts, and how is it done now?

MS. S. RATTAN.- Sir, this is in relation to the ITP project, the new bus-stand and market, because that was the first big project Nausori Town Council took on board, that was more than \$10 million project, so that was fully outsourced project because of the technical aspects so a project manager was hired. But for all capital grants projects and everything, it is done in-house, so all the files are maintained in-house.

MR. CHAIRMAN.- All minutes for both projects are kept by SA's secretary?

MS. S. RATTAN.- For this one, the ITP project, because project manager used to provide monthly reports and all those minutes, that was kept by the secretary. But other minutes, the opening tender minutes for other small capital projects is maintained in our own engineering section. For example any drainage project we have taken on board or any upgrades in the buildings so those are small projects, but only biggest project for Nausori Town Council was that ITP project, Inter Transfer Project.

MR. CHAIRMAN.- Just a general question, if there is maintenance works or some painting works needed for Ratu Cakobau Park and it is under \$10,000 then you will just ask for quotes, you will not tender?

MS. RATTAN.- Yes Sir, we have two kind of budgets, Capital Projects is the major one and Repairs and maintenance budgets are also provided in our operating budget, so if any job they are taking on board, yes three quotations are taken for jobs less than \$10,000..

MR. CHAIRMAN.- Any questions around that area members or is it alright? The next item 5.4 *Payment of Contractors, Control in payments of contractors*, what was noted for Nausori Town Council at that time was:

“Invoices are first verified by the supervisors in the field before cross-checked by HODs and submitted to Finance Section for payments.

- The Council does not have the capacity to check or verify the capital projects works under ITP, thus the reliance on the project manager to verify on behalf of the council.
- The Council paid the Project Manager without any independent verification on the work undertaken by the Project Manager.”

Who was the project manager?

MS. S. RATTAN.- Alright, for ITP project, the project manager was Mr. Anare. Sir, like I said the construction started in 2014 but all the consultation works, the basic works started in 2011. A project manager was hired by the Council to look at the work performance by the other subcontractors. But please note, the payment process was such, a report will be provided by the architect, Mr. Ashok, it will be checked by the quantity surveyor, Mr. William, then the Government architect will approve the payment.

There is another independent check by the Government architect as soon as he approves, he gives the certificate then project Manager will forward those documents to Nausori Town Council for the release of cheques. We were the last party, before it comes for the release of cheque, these are the independent checks done. The Government architect plays the major part as the independent person who checks the project managers.

Mr. CHAIRMAN.- OAG, your notation here is that there was no independent verification on the works undertaken but the explanation with the Finance Manager there seems to be an overkill, there is a lot of checks and balance, and even the Government architect checks that? What are your views on that? Like the works were done and before it was verified, there is an architect there on site, there is a project manager, there is someone who does the scope of works, and before the payment is released, the last person to release and there is Government engineer also checking in the interim. Which other checks and balance do you suggest should be included so that we are prepared for other municipalities?

MS. N. MICHAEL.- The explanation given by the Manager Finance now seems alright.

MR. CHAIRMAN.- Thank you Manager Finance for that there was independent verification. Is the bus stand performing fine?

MS. S. RATTAN.- Yes Sir, we do not have any major issues, it is performing very well. No legal issues, only issue like I highlighted before, after TC Winston, the collection was down because of the damages, but apart from that, we do not have any issues because we are keeping that account separate.

MR. CHAIRMAN.- Which means that all the players played their part well, there is no collapsing, no sinking. There are some general recommendations for Nausori's case and those were::

“That the Nausori Town Council should;

- Ensure that an Engineer and Health Head are recruited to facilitate proper identification of projects to be contracted out.
- 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 your notes are sufficient on that, but is a scaling system used?

MR. S. RATTAN.- We do not have a scaling system, like I explained it is based on the cost and the quantity, the only assurance is that before we award and do the legal document it is vetted by the third party.

MR. CHAIRMAN.- OAG, scaling system, what exactly is that, and why is it necessary?

MS. N. MICHAEL.- Mr. Chairman, I think at the time the audit was conducted, the explanations that were provided that is why we came up with these findings, but with the explanations provided right now I think it is sufficient.

MR. S. QALILAWA.- Maybe the scaling system was not on the evaluation portion but on the work output portion, there is a scaling system in place Sir. When we evaluate tenders, we did not have a scaling system, but on the output we have a scaling system.

MR. CHAIRMAN.- How is the scaling system used, how do you do that? If you can please explain the scaling system.

MR. A. NAIDU.- Sir, normally it depends on the work scope of the contracts which are being given, for example if there is a drain, it goes with the linear meters of length, the type of drains, for Nausori majority of the drain are A-drains compared to other councils whereby a concrete Q-drains are placed which is easier to maintain, then with the assistance of the Ministry we have from this year started replacing concrete drains on these areas.

Scaling normally depends on the contractors which are supplying their machinery and tools. When we are evaluating contracts, there are certain contractors who hire machinery from other companies and there are some contractors who have their machineries, these are the areas which we consider though cost maybe a factor which sometimes we do choose a more expensive because of the availability of machineries as well. We have previously seen by giving contracts to some contractors who do not own machineries and at times when the machines are needed, hiring is an issue there, whereby they do not get those tools. Our scaling is mostly done on that basis.

MR. CHAIRMAN.- For instance if a V-drain has to be maintained it is already concrete so there will be a lesser work needed, and if there is a drain which is only earth will need digging and grass cutting et cetera, so that is how scaling is done, the work needed there is different from the work needed here.

MR. A. NAIDU.- Yes Sir.

MR. CHAIRMAN.- Honourable Members understood that part. The next point was “Ensure standard format is used for contractual agreement the contracts should be appropriately divided into sections with proper headings.” I think that has been done because there are two sets of solicitors vetting that.

“Ensure that contractual agreements are vetted by a solicitor”, that is under control.

“Ensure that all contractual agreement drawn up for services to be rendered to the council are signed and properly dated. In addition the contract should specifically state the services agreed to be provided by the contractor. “ That is done.

“Ensure that all contractual agreements engagements are conducted in proper and transparent manner.” It is done now?

MS. S. RATTAN.- Yes Sir, first, the offer letter is given and as soon as they accept it we move to the next step, the acceptance letter is also part of our agreement, if it is not accepted then we will go for the next one, but normally it is accepted. When we do the contracts we also include those as part of the contract, that was also followed up.

MR. CHAIRMAN.- This Abilesh Deo type of contract that is still in practice where work could be carried out for a period of time?

MS. S. RATTAN.- Like we said, we have three year contracts, so those were the grass cutting contracts, it is now on three year basis. For three years it will remain the same, after the expiry date it is reviewed. But we do not review the contract, automatically it goes to the tender process after the process..

MR. CHAIRMAN.- There is no automatic renewal.

MS. S. RATTAN.- No

MR. D. NARAYAN.- Mr. Chairman, one of the criteria of the contract is that if the contractor fails to perform to the expectation of the council, the council may engage another contractor to carry out the work and do it to the council’s expectation, and then whatever the cost is incurred that will be deducted from the contractors payment.

MR. CHAIRMAN.- I think there was a case in Nausori Town Council on that issue.

MS. S. RATTAN.- Yes

MR. CHAIRMAN.- Abilesh Deo is one of the issues.

MR. M. SINGH.- But he was engaged to carry out works for a contractor who did not complete his work so the payments made to Abilesh was deducted from the contractors payment.

MR. CHAIRMAN.- There was this drain I think near Ratu Cakobau Park that was supposed to be dug by a contractor and they left midway.

MR. M. SINGH.- Yes it is a funded project from the Department of Housing and the council is still working on that in engaging another contractor to complete the works.

MR. CHAIRMAN.- That was picked up by an earlier report, I think your previous council.

MR. M. SINGH.- Yes, there were two stages of work, the first stage of work has been completed which is behind the Ratu Cakobau Park. The second stage of work included the drain from inside Nausori village which is still ongoing and the council has to advertise for another tender for that since the contractor has left.

MR. CHAIRMAN.- In this type of three year contracts, what happens if the amount does not exceed \$10,000 for the three years?

MR. M. SINGH.- No Sir those kinds of contracts are one-off contracts, but the contracts which you are saying is for three years is the service contractors. For example Nausori has got four wards and each ward is outsourced to one of these contractors who shall look after the grass cutting, drain cleaning, rubbish picking and verges. These kind of service contracts are three year contracts.

MR. CHAIRMAN.- It has to be tendered.

MR. M. SINGH.- Yes Sir.

MR. CHAIRMAN.- That also includes chopping down branches of those trees.

MR. M. SINGH.- No Sir, those branches are done by us and FEA.

MR. CHAIRMAN.- Your internal team does that...

MR. M. SINGH.- Yes Sir it is our internal team.

MR. CHAIRMAN.- "Ensure that contractors engaged to conduct services are based within the Central Division to avoid charging of additional cost to the council." That is something new that I read. Does that mean that some of your contractors were outside Central Division and they charged extra costs while coming in?

MS. S. RATTAN.- No, normally all our contractors are based in Nausori area.

MR. CHAIRMAN.- Honourable Members that was all that we had on the special audit, any other questions? If there is no further question, I would once again like to thank the team from Nausori Town Council for appearing before us today and assisting the Committee in the important work it is doing on behalf of the Government and the Parliament in preparing the Report.

A special thanks to Mr. Deo Narayan, the Acting CEO, Mr. Millan Singh, Mr. Atish Naidu, Mr. Melvin Prasad, Mr. Vinay Prasad, Mr. Sailosi Qalilawa and Ms. Swastika Rattan, Manager Finance, for your input. As we have said earlier it was a very thorough answering session, it has helped us greatly. Your knowledge on the council affairs is quite good and should we have any further question we will revert to you by your given contacts. Once again

thank you very much. Any final comments CEO or Manager Finance before we close this meeting.

MR. D. NARAYAN.- Mr. Chairman, Honourable Members of the Standing on Public Accounts Committee, on behalf of the Nausori Town Council I would like to take this opportunity to thank you all Sir and the Honourable Members for assisting us in presenting our side of the story.

To the honourable Committee, we hope that whatever has been discussed, whatever that has been relayed to your Committee are true records, reports of the council. Some of our members have learned appearing to this type of forum. This has been a maiden appearance for most of our members, but I comprehend that they have done their part very well. As the CEO I congratulate them and also thank all the Honourable Members of this Committee for being very eager to listen and very supportive of that role. Thank you very much.

MR. CHAIRMAN.- Thank you very much CEO, this is the closet you will come to the High Court situation, only oaths are not taken here but this is how it is done in the actual Chambers. Once again thank you very much.

The Committee Interview adjourned at 12.18 p.m.