

Contractual Engagement by Municipal Councils-Lami Town Council.

Background Information:

Role and functions of Lami Town Council.

Lami Town Council was recognized as a town by ministerial declaration through the **Local Government Act in 1977**. It is a shoreline town in the north-western part of the greater Suva area and is the most compactly populated area in Fiji with 62.1 per cent of the country's total urban population. Lami is an industrial epicenter which is characterized by both low-elevation shoreline areas and mountainous topography. **Lami Town Council is responsible for certain elementary services, such as drainage, waste management traffic and enforcement, health promotion and welfare with some law-making powers on concerns such as garbage collection, building permits and local rate payments.**

Organization structure:

As per attached.

No of staff:

Established: 20

Unestablished: 18

Casuals: 10

Total: 48

Part B: Audit Findings

Lami Town Council has engaged in contractual arrangement in year 2014 which was the purchase of a compactor ISUZU FTR dump truck (7 tons per load) and the leveling of the Tikaram Park with Construction Hire Limited.

The Council had written a formal request to the Ministry of Local Government, Housing and Environment for the procurement and outlined the benefits from the acquisition to the people of Lami. Moreover, the current status of the then truck was also highlighted in the report and also the details of the new compactor truck were given, for example, cost, brand, and model. An article was advertised in the Fiji Sun by Ministry of Local Government as Call for Applications – Challenge Fund on 4th January 2014. Council had submitted to the Ministry of Local Government on 15th January its Challenge Fund proposal for 2014. The Council had received a letter on 17th June, 2014 from the Attorney General's office advising Council to request for a 7 ton Isuzu FTR dump Truck at cost of \$170000 but Council had quoted a much lower quote than

that, hence, the Ministry had deposited \$141,000 to the council on 14th July 2014. A grant agreement was also signed between the Ministry and the Council on 21st July 2014.

To highlight from the fact the Council has been subsequent not only to tenders but other aspects of bookkeeping work from the Municipal Councils Manual as of 1992 it can be said that there has not been any Act or guideline that has been created by the Ministry of Local Government which can be utilized by the Council to be on the right track and depend on certain rules and procedures.. However, as of lately a draft of the Finance Manual for the Councils have been send and it would be such a good initiative once this guide is sanctioned and being incorporated as we will be able to branch to its guidelines and regulations.

In addition to this, Lami Town Council engaged with Construction Hire equipment for the leveling and backfill of Tikaram Park. According to the audit comments the contract does not include disputes, termination and confidential information. The above existed and the council has taken this into consideration and wishes to address this matter as soon as we engage ourselves with the next contractor.

(a) Policy framework governing contractual engagements

Detailed planning to cover activities is very imperative specifically for capital projects. The Council did not have any capital projects from 2012-2014 except for the leveling of the Tikaram Park and backfill, but it realizes the prominence of this therefore in 2015 and onwards it has detailed the scope of work for the projects conducted from 2015 and onwards .Council has sent to the Ministry of Local Government stage by stage updates as acquittals of Tikaram Park and Johnny Singh park in order to be safeguarded by internal control factors and have accurate record of its funds released by the Ministry and the expenditure incurred by the Council. As noted in the audit comments the council does not have a contract policy in place and uses the Manual of Accounts. As noted before, our council will work hand in hand with the Ministry of Local Government in implementing a new finance manual for all the councils to ensure that we are on the right track.

Risk assessment of contractual activities is important especially when engaging in constructing activities .The council should include this basically when we are developing or constructing parks and doing beautifications so that there are no adverse effects on the council boundaries and potential losses. For example in the construction of Tikaram Park, the Council conducted **Environment Management Plan** in order to safeguard its shore line and natural habitat and how to protect the environment. Other sources of risk especially for projects include, contract knowledge and capacity, resourcing, contract performance measurement, contract management capability, contractor performance and changes in circumstances.Lami Town Council will make sure that all these important details are followed when we deal with our next contractor.

b.)Key Elements of Contractual Engagements

Tender evaluations have not taken place in the year 2014 in Lami Town Council but in the year 2015 and 2016 due to the construction of Tikram Park proper tender evaluations have taken place and representatives from the Ministry were also present in evaluating the tenders.

Subsequently, the foremost factor in the audit findings that most of the councils do not have a tender evaluation process and criteria since the tender procedures have been followed from the Manual of Municipal Councils endorsed in 1992.

Council will be aligning its Tender Process criteria of what is used in the Fiji Procurement Office in order to be more alert in its tender process.

The council had engaged in the 2012 upgrading of sanitary services at Kalekana Settlement through the city wide project with PCN and Department of Housing. Our contractual agreements have incorporated key boundaries as the Acquittal's for the sanitary upgrading city wide project had been sent to the Department of Housing. Together with this the progress report, supporting documents of the acquittals on the work in progress in the Kalekana settlement had been also sent to the Department of Housing.

Documentation of this contractual activity may have been well orchestrated as all the relevant documents were firstly sent to the Department of Housing to ensure if the council was on the right track. Furthermore, as highlighted in the audit report

It can be said that internal control procedures may have not been followed in our contractors payment process since the person raising the LPO, does the vouchers, and later also does the cheques. This deficiency will be given priority to be solved but it is also important to note that due to some staff deficiencies the payment process may lack internal control factors but the processes are thoroughly checked and then endorsed by the senior officers before the payment is being made.

(c.)Managing Contractor's Performance

As per audit findings from 2012-2014 there has been the upgrade of the Sanitary Services at Kalekana Settlement. Most of the documentation of monitoring of contracted works have been highly monitored especially when the phases of our Tikaram Park. The Council has not conducted an evaluation process on the contractor's performances from 2012-2014 since there had been no major contractors involved in any work, but from 2015 onwards the contractors performances have been monitored at each stages by our health, Building Inspectors and Work Supervisor. After their analysis of the contractors work then the second or third stages continue. But now that this point is being highlighted we will take an immediate effect that this is highly practiced in the future and that we maintain separate worksheets or in the form of a report for separate contractors and monitor and report their performance on a daily basis. This report will be filed in the relevant contractors file and kept for audit and reference purposes.

Lami Town Council has a complain form which is been filled by our rate payers and the public. Our form includes section of service such as health, building, works, enforcement, street light and others.

The complaint forms are endorsed by our Chief Executive Officer with the feedback and action taken is also being considered.

These complain forms are all filed in the complaint register for reference and internal control purposes.

Conclusion

I would like to thank the Office of the Auditor General in scrutinizing our accounts and also our capital projects. All the audit observations that have taken place and the auditor's comments are highly rated by our Council.

From our Special Administrator, our CEO and our Head of Department we thankfully accept some of the variances in our reporting and project management.

We give high regards to your comments and hereby the Council will make sure that all these important details are followed as soon as possible or in the near future so that we could abide by the Finance Regulations and have a better control of our organization.

Once again a big Vinaka Vakalevu.