



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review on the Audit Report of Municipal Councils for 2013



PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD

This report follows the Report of the Auditor-General of the Republic of Fiji – Audit Report for various Municipal Councils for the 2013 financial year. This is my seventh (7) report as the Chair of the Standing Committee for Public Accounts.

The report identified audit issues within the four (4) town councils within the 2013 financial year. Due to the timeframes that have lapsed, some of the issues have been resolved or are in the process of being rectified.

All responses received from Councils in relation have been attached in Appendix 2, showing many of the issues raised during the audit process and the responses from Council and the Ministry of Local Government. Both the Office of the Auditor-General and the relevant Councils can reflect on this for the future.

The Committee has identified a general concern that need to lift public sector accounting and audit skills and encourages relevant Ministries and Councils to address this as a matter of priority.

The Committee strongly believes that heads of municipal councils (CEOs) should be appointed on merit having a good background in financial management and governance. Municipal councils should be managed as a corporate organisation while maintaining its social obligation.

I would like to thank all involved in the hearings and submissions for this inquiry, including all Council representatives, Ministry of Local Government Officials and the Office of Auditor General.

I wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of the bipartisan report namely the Hon. Joseph Nand, Hon. Vijendra Prakash, Hon. Aseri Radrodro, and Hon. Ratu Naiqama Lalabalavu. Further, pursuant to Standing Order 115 (5), Hon Ratu Tevita Niumataivalu and Hon. Adi Litia Qionibaravi stood in as an alternate member to Hon Aseri Radrodro and Hon. Ratu Naiqama Lalabalavu.

On behalf of the Committee I also extend my appreciation to the Secretariat Staff for their timely support in the compilation and preparation of this Report.

With those few words, I now commend this report to the Parliament.



Hon. Alwick Maharaj

Chairperson

INTRODUCTION

Background

Standing Order 109(2) (d) mandates the Committee to “...– including examining the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review. The committee must only examine how public money has been dealt with and accounted for in accordance with the written law and must not examine the merits of the underlying policy that informs public spending”

This Report looks at the Report of the Auditor General on the Municipal Councils for the 2013 financial year, Parliamentary Paper 135 of 2018.

The Auditor General has issued modified audit opinions on all the four councils with two council’s issued a disclaimer of opinion. This was due to the non-preparation of the financial statements under the International Financial Reporting Standards for Small and Medium-sized entities as required by the Fiji Institute of Accountants. Also, unreconciled variances between the council’s general ledger balances and subsidiary records for balance sheet items specifically the rates receivable.

The Office of the Auditor General has also highlighted on other significant matters affecting the operations of the entities. These include:

- Absence of supporting documents for journal entries passed;
- Increasing trend in rate arrears;
- Variance between general ledger and subsidiary records for rates receivable;
- Absence of separation of duties;
- Variance in Value Added Tax between general ledger and subsidiary records and non-preparation of VAT reconciliation; and
- Board of survey not carried out.

The Committee conducted evidence sessions with the following councils at their council offices from the 26th to 27th March, 2019:

- Nausori Town Council;
- Rakiraki Town Council;
- Lautoka City Council; and
- Nadi Town Council.

PAC raised questions on the deficiencies identified by the Auditor General for the 2013 financial year which impacted on the overall system of control of the municipal councils. The Committee resolved that the four councils provided satisfactory responses on the queries raised.

COMMITTEE MEMBERS

The Standing Committee on Public Accounts comprises the following Members of Parliament:

Hon. Alvick Maharaj, Chairperson
Hon. Hon. Joseph Nitya Nand, Deputy Chairperson
Hon. Hon. Vijendra Prakash, Member
Hon. Aseri Radrodro, Member
Hon. Ratu Naiqama Lalabalavu, Member

During the Standing Committee's meetings, the following alternate membership arose pursuant to Standing Order 115(5):

Hon. Ratu Tevita Niumataiwalu
Hon. Adi Litia Qionibaravi

Resource Persons

The Committee together with the officials from the Office of the Auditor General conducts public hearings on each of the four (4) Municipalities office. The officials that assisted the Committee were:

OFFICE OF THE AUDITOR GENERAL:

Mr. Dineshwar Prasad
Mr. Seremaia Tupou

MINISTRY OF LOCAL GOVERNMENT, HOUSING & ENVIRONMENT:

Mr. Alipate Mataivilia
Mr. Azam Khan

CONSULTANT(s)

Mr. Robert Oakeshott

COMMITTEE RECOMMENDATION

The Committee noted the continued release of Government grants to municipalities on a regular basis whilst at the same time the municipal councils failed to adhere to the requirements of the Local Government Act Section 51(1). Also, noted Councils delay of submissions of financial statements to OAG for audit.

The Committee endorses the following audit recommendations that were provided by the Auditor General on the four municipalities and will monitor the implementation of these recommendations by these municipal councils.

The Auditor General has provided the following audit recommendations:

1. Modified (qualified) opinions were issued on all the financial statements audited which reflects very poorly on the councils. Close and immediate attention should be given to address matters which have been emphasized in audit reports including those included as other significant matters in management letters.
2. Timely preparation of quality draft annual financial statements is a major issue which needs to be addressed by those charged with governance in the councils. Delays in submission of financial statements for audit prevents the Auditor-General from giving an opinion on them on a timely basis and informing Parliament and other stakeholders of the outcome of such audits.
3. Efforts should be made to improve rate collection as most councils that were audited were carrying a significant amount of rate debtors. This is important because rates is the main source of income for the councils and its timely collection can assist the councils significantly to meet operational and capital expenditures.
4. Another key area that needs to be improved by the councils that were audited is their financial reporting. Numerous audit adjustments were proposed for correction of incorrect accounting entries and accounting misstatements. This was also one of the key reason that completion of audits of most councils were delayed.
5. The involvement of Ministry of Local Government in improving accountability and financial reporting is noted. However, there is room for improving individual capacity in financial management and reporting through active participation in seminars and workshops. It has been noted that it becomes challenging for councils to prepare annual accounts when these have not been done for some time resulting in a backlog. The Ministry can encourage councils to prepare and submit draft financial statements for audit annually.

The Public Accounts Committee strongly encourages the four Municipal Councils to implement the recommendations as a matter of priority and will recall councils that fail to do so for further investigation and enquiry.

CONCLUSION

The Committee emphasises that none of the council's opinion were issued with an unmodified audit opinion meaning that material misstatements were noted in all of the councils which were audited for the financial year 2013. PAC notes that there has been a delay in the completion of audits for Municipal Councils. This has been a recurring issue due to the delay in submission of draft accounts for audits or incomplete draft financial statements being submitted to the Office of the Auditor General by these Councils with the Ministry of Local Government.

During this inquiry the committee was informed that the Councils have a weak structure for its financial reporting and the Ministry of Local Government and Housing is working closely with the municipalities to address this control deficiency.

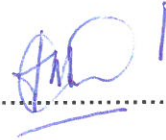
PAC has resolved to work with the Office of the Auditor General in order to ensure a process is in place for the future that develops consistency of reporting and auditing done by these municipal councils.

We, the Members of the Standing Committee on Public Accounts agree with the contents of this report:



Hon. Alvick Maharaj

(Chairperson)



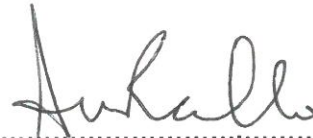
Hon. Joseph Nitya Nand

(Deputy Chairperson)



Hon. Vijendra Prakash

(Member)



Hon. Aseri Radrodro

(Member)



Hon. Ratu Naiqama Lalabalavu

(Member)

APPENDICES

APPENDIX 1:
PUBLIC ACCOUNTS COMMITTEE QUESTIONS

APPENDIX 2: WRITTEN RESPONSES

- (1) Nausori Town Council
- (2) Rakiraki Town Council
- (3) Lautoka City Council
- (4) Nadi Town Council
- (5) Ministry of Local Government