

SIGATOKA TOWN COUNCIL WRITTEN RESPONSE: 2014-2017 Audit

PUBLIC ACCOUNTS COMMITTEE

QUESTIONS

MUNICIPAL COUNCILS

The Local Government Act requires that financial statements must be prepared by 31st May and published by 31st August. Generally from the report, the Councils are not adhering to the requirements of the Local Government Act 57 (1) and Section 57 (3).

1. Why is the Council unable to meet the requirements of the Act?

For Sigatoka Town Council, all financial statements are prepared by 31st May and submitted to the Office of the Auditor General on or before time. All audits are done on time and is published on Fiji Sun. Sigatoka is adhering to the requirements of Local Government Act 57 (1) and Section 57 (3).

2. What is the Council solution to the problem of delays in the preparation of financial statements to be audited?

There is no delay for Sigatoka Town Council in preparation of Financial statement – all Accounts are Audited till year 2018 and currently working for year 2019.

3. Do Finance Officers understand and are well versed with International Financial Reporting Standards for Small Medium sized entities?

For Sigatoka, all Finance Officers are well versed with IFRS for small sized entities. Sigatoka had been given unqualified Audit Opinion for 3 years in a row.

4. What is the Council doing to address the gaps in competency of finance staff to meet the requirements of the Act.

Finance department officers are doing Accounting trainings to meet the requirements of the Act. Ministry of Local Government is also assisting the Councils finance officers in providing accounting trainings.

5. Unsupported balances and un-reconciled variances formed the basis of modified audit report, what are the root cause of these problems and what has the Council done to improve on the maintenance and safe keeping of financial documents

Unsupported Balance - Sigatoka had only one recurring issues which was stated that there was no supporting documents for Sundry Advance and Sundry Deposit. This amount's was carried from 1997 till to date. Council doesn't have any supporting documents for year 1997.

Action– Finance department had kept all its documents safely in the store room from year 1999 till date. We also have plans to improve our records management by implementing systematic storage that will allow easy retrieval of documents and records in coming months.

6. What assistance or direction has the Ministry of Local Government provided to assist the Municipal Councils with meeting the requirements of the Local Government Act?

Ministry of Local Government have been assisting the Council in all ways with meeting the requirements of the Local Government Act such as monitoring the reports on monthly basis,

SIGATOKA TOWN COUNCIL WRITTEN RESPONSE: 2014-2017 Audit

checking Council' work and capital projects, Updating on all new Acts, Law and regulation, providing financial assistance such as Grant, providing approvals on request which is not in the jurisdiction of Council. They are also providing training to the Finance Officers in Accounting.

Common findings of the report noted weaknesses relating to cash management, procurement of goods and service, payroll, asset management & revenue management and are noted to be high risk areas.

1. What is the Council doing about tightening controls over cash and revenue management?

Sigatoka had been depositing all receipts in bank daily, intact, recording in respective account books as required by the Manual of Accounts for Municipal Councils in Fiji and ensures monthly bank reconciliation are prepared by the Manager Finance and reviewed by the Chief Executive Officer.

2. Is there an internal audit function that constantly checks and report on Internal control systems?

The Manager Finance does weekly checks and balances of the revenue generating areas in Sigatoka and the reports are emailed to the CEO and other respective HODS for their action. The supporting Documents are always provided to the Auditors for evidence.

3. What monitoring mechanisms are there in the Council to ensure controls are in place and are functioning as they are supposed to?

(i) Planning - Council has a Corporate plan that validates business plan, projects plans and operations plan to ensure cost can mapped to measurable objectives.

(ii) Financial statements-are as monitoring mechanism

(iii) Financial controls-Monthly Management reports are prepared and presented to the Board.

(iv) Budgets-are monitored and controlled

(v) Procurement - Due diligence in purchasing such as process of competitive bids for contracts and other purchases.

4. Does the Ministry of Local Government provide any monitoring roles or checks on the governance and controls at the Council? If yes, how often?

Yes, monthly Finance reports are prepared and sent to MLG for checks, Audited reports sent to the MLG.

5. Are standard operating procedures prepared and approved? If yes, Are they up to date to reflect current business activities of the Council?

Yes, Sigatoka has the Standing operating procedures and is Approved.

Yes, it's up to date to reflect current business activities of the Council.

6. Financial reporting issues highlighted the weakness in the financial management, what has the council done to improve? Recruitment of finance staffs that are capable and knowledgeable must be considered.

Improvement

SIGATOKA TOWN COUNCIL WRITTEN RESPONSE: 2014-2017 Audit

- (i) Council is following the plans and the vision of the Council to achieve its goals.
- (ii) It monitors the financial position regularly.
- (iii) Ensures that the customers pay the debts on time.
- (iv) Keeping the accounting records upto date.
- (v) Meeting all financial deadlines.

Council is considering recruiting capable and knowledgeable finance staffs in future.

Roles of the Council noted issues on increasing trend of trade debtors

1. What is the current debt recovery process of the council and how effective is this process?

Recovery Processes

- (i) Council gives a courtesy customer satisfaction telephone call.
- (ii) Council gives a first reminder letter with a telephone call.
 - Second reminder letter with a telephone call.
 - Third reminder letter with telephone call.
- (iii) HODs meet the debtors personally within working hours or after working hours to talk to them on their problems and allows arrangement on payments.
- (iv) If no response then Council gives a Final demand notice.
- (v) Final stage is to file with Small claims.

Council had managed to collect 40% of rates in arrears last year.

2. What Rates records management system is in-place and how else can the Council leverage technology to improve on the maintenance of these records? Future plans for rate payers database etc.

Currently, Sigatoka has a manual system of recording rates data in books and it is using excel to make reports.

Council has installed MYOB program from year 2019 is slowly changing its ways of generating reports automatically.

From mid- year 2020, Council will move all its rate payers' database to MYOB.

3. Operational deficits have been raised as well in the report, how is the Council functioning and able to meet day to day operations with the straining cash balances?

Whatever revenue is collected is used to pay the expenses. The reason is due to only having 248 ratepayers and no increase in fees and charges for the past 10 years leaving no surplus at the end of the year.

4. Outstanding TINs from parking meter infringements, which were issued on LTA tickets/ receipts, how is the council recording these outstanding fees? Will they be payable to LTA when receipted?

Council receives the parking tins using MYOB system and daily banks the income. Then the same revenue collected is used to pay for the expenses of Traffic Enforcement Officers i.e. salaries, purchase of Tin books and overhead expenses.

SIGATOKA TOWN COUNCIL WRITTEN RESPONSE: 2014-2017 Audit

Section 3.0: Results of Audit

3.1: Audit Opinion Results - (Ba/Labasa/Rakiraki)

The Auditor General has issued modified audit report and disclaimer of opinion for 2014-2017 audit. What has the Council done to deal with the issues which has resulted in Auditor General issuing these opinions.

Not Applicable to Sigatoka Town Council.

3.4: Results Summary – (All Councils)

Auditor General in his report has indicated that the quality and timeliness of the draft financial statements were ineffective. The Auditor General further states in his Conclusion that the Council has capacity and competency issues regarding the preparation of the financial statements in accordance with the Applicable Accounting Standards. How are you addressing this issue?

Sigatoka prepares its Financial statements in accordance with the Applicable Accounting Standards And on timely basis.

Section 4.0: Financial Reporting

4.1: Financial Performance – (Labasa/Rakiraki/Sigatoka)

Auditor General has raised concerns on the trend of the operating deficit of your council. This can be an issue of financial sustainability. What are the reasons your council is operating in deficits. How are you addressing this issue?

Sigatoka Town Council's is operating in deficits every year.

The main reason for this deficit is when budgets are prepared; it usually leaves with a few thousands of dollars of surplus. The major problem of this little amount of surplus is because the:

Percentage of expenditure trend that is shown below are:

| | |
|-------------------|--|
| Salaries & Wages | 38% |
| Loan Repayments | 13% |
| Contractual Works | 18% (Grass cutting, drain cleaning, Garbage Service) |
| Capital Projects | 10% |
| General Expenses | 20% |

The fixed expenditure of the Council is high due to providing services to the ratepayers leading to recruit more workers, loans were taken in prior years (2004) to upgrade roads at Nayawa and construct extension market to accommodate more farmers, clear the existing loan and complete subdivision works at MH and Duabale.

- Council didn't take any loans after year 2004.

Council is unable to increase its fees and charges for the past 10 year but the cost of living is increasing. Increase in new responsibilities been undertaken by the Council i.e. Town Boundary expansion, additional cost incurred for maintaining government granted projects such Ladies Accommodation, Cuvu Market, Multipurpose court.

SIGATOKA TOWN COUNCIL WRITTEN RESPONSE: 2014-2017 Audit

Addressing issues

- (i) Council had received and Approval from Ministry of Local Government for sexennial valuation for Rates which shall be implemented from year 2021.
- (ii) Business licence fees shall be reviewed in year 2021.
- (iii) Plans to erect 10 car parks near FSC tramline in year 2020.
- (iv) To review other fees and charges.

Section 5.0: Internal Controls

5.3: Results Summary – (all Councils)

Auditor General has concluded that overall the internal control system of your council is ineffective which is a serious issue. What has the Council done so far or what are you doing to implement effective internal control system in your Council?

Effective internal control system

- (i) Separation of Duties
- (ii) Physical audits of cash and other assets.
- (iii) Prior Approval Authority Request from managements
- (iv) Using standardized documents
- (v) Ensuring compliance with all Council policies and regulations.
- (vi) Safeguarding assets from wastage and theft.

Section 6.0: Other Significant Matters

6.1: Common Findings

6.1.1: Corporate Governance – (All Councils)

Auditor General has highlighted issues of lack of appropriate Corporate Governance structure in our council. This includes absence of:

What have you done to address these issues highlighted by Auditor General?

- (i) Internal Audit function;
Currently, Sigatoka doesn't have any independent internal auditor the audits are done by the Manager Finance.
- (ii) Risk Management Policies;
Council had prepared and submitted Risk Management policy in year 2018 to the Auditors.
Standard Operating Procedures; and
Sigatoka has a standing operating procedure in place and submitted to the Auditors
- (iii) Disaster recovery and business continuity plans
Council prepared and submitted a Disaster Management plan in 2018 to the Auditors

6.1.2: Financial Reporting

Issues highlighted by Auditor General indicates is that there is lack of appropriate personnel to carry out

SIGATOKA TOWN COUNCIL WRITTEN RESPONSE: 2014-2017 Audit

financial reporting. This issue is ongoing and why has the Council allowed this to escalate?

Sigatoka has complete finance team to carry financial reporting.

6.1.3: Revenue Management – (All councils)

What approach have you taken to improve on the revenue management as highlighted by the Auditor General?

- (i) Council is cutting cost wherever possible.
- (ii) Finding ways to increase revenue i.e. advertising, outdoor sales, flea markets.
- (iii) Promoting online payments
- (iv) Revenue Collection can be improved –especially if focus is given to the debt collection.
- (v) Review the current legislation
- (vi) Review the current fees and charges.

6.2: Other Findings – (for respective Councils as stated)

What is the status and the corrective actions taken to resolve the issues highlighted by the Auditor General? Discuss reasons for any un-resolved issues?

Sigatoka has taken in most of the audit findings in a positive way and have improved and have taken corrective actions to resolve the issues. The same evidence was provided to the Auditors.

Sigatoka had only one recurring issues which was stated that there was no supporting documents for Sundry Advance and Sundry Deposit. These amounts are carried from 1997 till to date. Council doesn't have any supporting documents for year 1997.

BA TOWN COUNCIL WRITTEN RESPONSE

| PUBLIC ACCOUNTS COMMITTEE | |
|---|---|
| QUESTIONS | |
| MINISTRY OF LOCAL GOVERNMENT | |
| <p>The Local Government Act requires that financial statements must be prepared by 31st May and published by 31st August. Generally from the report, the Councils are not adhering to the requirements of the Local Government Act 57 (1) and Section 57 (3). Why is that and what actions has the Ministry taken to address this issue?</p> | |
| 1. Why is the Council unable to meet the requirements of the Act? | <p>Ans: Previously Council was submitting Accounts on time but in 2016 there was delay in submitting because Council adopted IFRS System and in year 2017 Council submitted Accounts on time but delay was submitting 2018 account as Council was awaiting 2017 Audited Account from Office of the Auditor General's Office.</p> |
| 2. What is the Council solution to the problem of delays in the preparation of financial statements to be audited? | <p>Ans: In future Council will submit their Accounts by 31st May of each financial year and will not await for Audit Account from Office of the Auditor General,</p> |
| 3. Do Finance Officers understand and are well versed with International Financial Reporting Standards for Small Medium sized entities? | <p>Ans: In 2016 Council resolved to follow the IFRS for SMEs and hired the services of Aliz Pacific since it was the first time for the Council to prepare the FS in IFRS System. Also More Training needs to be provided to the Finance Department on IFRS System for Small Medium sized entities.</p> |
| 4. What is the Council doing to address the gaps in competency of finance staff to meet the requirements of the Act? | <p>Ans: We will provide more in-house training for Finance Staff.</p> |
| 5. Unsupported balances and un-reconciled variances formed the basis of modified audit report, what are the root cause of these problems and what has the Council done to improve on the maintenance and safe keeping of financial documents | <p>Ans: Council will appoint one Finance Manager in Lautoka City Council who will assist in rectifying the variances and improvements to the financial reporting system as these un-reconciled variances are old with no source documents.</p> |
| 6. What assistance or direction has the Ministry of Local Government provided to assist the Municipal Councils with meeting the requirements of the Local Government Act? | <p>Ans: Ministry is following up with Municipal Councils through e-mails the deadlines for the for the accounts to be submitted to Office of the Auditor General. Council will request Ministry to provide more trainings to the Finance Staff.</p> |
| BA TOWN COUNCIL | |
| <p>The Local Government Act requires that financial statements must be prepared by 31st May and published by 31st August. Generally from the report, the Councils are not adhering to the requirements of the Local Government Act 57 (1) and Section 57 (3).</p> | |
| 7. Why is the Council unable to meet the requirements of the Act? | <p>Ans: Previously Council was submitting Accounts on time but in 2016 there was delay in submitting because Council adopted IFRS System and in year 2017 Council submitted Accounts on time but delay was submitting 2018 account as Council was awaiting 2017 Audited Account from Office of the Auditor General's Office.</p> |

BA TOWN COUNCIL WRITTEN RESPONSE

8. What is the Council solution to the problem of delays in the preparation of financial statements to be audited?

Ans: In future Council will submit their Accounts by 31st May of each financial year and will not await for Audit Account from Office of the Auditor General,

9. Do Finance Officers understand and are well versed with International Financial Reporting Standards for Small Medium sized entities?

Ans: In 2016 Council resolved to follow the IFRS for SMEs and hired the services of Aliz Pacific since it was the first time for the Council to prepare the FS in IFRS System. Also More Training needs to be provided to the Finance Department on IFRS System for Small Medium sized entities.

10. What is the Council doing to address the gaps in competency of finance staff to meet the requirements of the Act.

Ans: We will provide more in-house training for Finance Staff.

11. Unsupported balances and un-reconciled variances formed the basis of modified audit report, what are the root cause of these problems and what has the Council done to improve on the maintenance and safe keeping of financial documents

Ans: Council will appoint one Finance Manager in Lautoka City Council who will assist in rectifying the variances and improvements to the financial reporting system as these un-reconciled variances are old with no source documents.

12. What assistance or direction has the Ministry of Local Government provided to assist the Municipal Councils with meeting the requirements of the Local Government Act?

Ans: Ministry is following up with Municipal Councils through e-mails the deadlines for the for the accounts to be submitted to Office of the Auditor General. Council will request Ministry to provide more trainings to the Finance Staff.

Common findings of the report noted weaknesses relating to cash management, procurement of goods and service, payroll, asset management & revenue management and are noted to be high risk areas.

1. What is the Council doing about tightening controls over cash and revenue management?

Ans: Some of the procedures are internal controls. Segregation of duties, 2 to 3 people handling cash management., Board of Survey carried out every year. Manual of Accounts are followed.

2. Is there an internal audit function that constantly checks and report on Internal control systems?

Ans: Yes , Finance Managers internally spot checks to Finance Section regarding Cash and reporting to CEO

3. What monitoring mechanisms are there in the Council to ensure controls are in place and are functioning as they are supposed to?

Ans: Chief Executive Officer has monthly meetings with HODs in controlling and organizing the functions of the Council and all reports are presented in Council Meeting

4. Does the Ministry of Local of Government provide any monitoring roles or checks on the governance and controls at the Council? If yes, how often?

Ans: Yes On Monthly Basis – Income/Expenses Report to Ministry and for Capital Projects Reports and acquittals are submitted. Once Accounts are audited the audited accounts are

BA TOWN COUNCIL WRITTEN RESPONSE

forwarded to Ministry,

5. Are standard operating procedures prepared and approved? If yes, Are they up to date to reflect current business activities of the Council?

Ans: Yes – We are following the SOP which was implemented by Council long time ago.

6. Financial reporting issues highlighted the weakness in the financial management, what has the council done to improve? Recruitment of finance staffs that are capable and knowledgeable must be considered.

Ans: Ba Town Council will get assistance from the newly appointed Finance Manager from Lautoka City Council and also trainings will be provided to the current Finance Staff.

Roles of the Council noted issues on increasing trend of trade debtors

1. What is the current debt recovery process of the council and how effective is this process?

Ans: Reminders/notices/ e-mails sent to the customers. Also house to house visitation to Rates Debtors. Also legal action being taken for recovery.

2. What Rates records management system is in-place and how else can the Council leverage technology to improve on the maintenance of these records? Future plans for rate payers database etc.

Ans: Councils Ratepayers Database has been compiled and currently Council is using MYOB Accounting System to record all the data.

3. Operational deficits have been raised as well in the report, how is the Council functioning and able to meet day to day operations with the straining cash balances?

Ans: Ba Town Council does not have Operating Deficits and Council is able to meet day to day operations

4. Outstanding TINs from parking meter infringements, which were issued on LTA tickets/ receipts, how is the council recording these outstanding fees? Will they be payable to LTA when receipted?

Ans: Council purchases TIN Books from LTA and the bookings are done by Council Enforcement Officers. The Infringement Fines are entered into our system. Council receipts the revenue and deposits into its Parking Meter Account.

Section 3.0: Results of Audit

3.1: Audit Opinion Results - (Ba/Labasa/Rakiraki)

The Auditor General has issued modified audit report and disclaimer of opinion for 2014-2017 audit. What has the Council done to deal with the issues which has resulted in Auditor General issuing these opinions.

Ans: Please note some issues were rectified in year 2018 Account. Other issues raised will be discussed with the Special Administrators and rectified.

BA TOWN COUNCIL WRITTEN RESPONSE

3.4: Results Summary – (All Councils)

Auditor General in his report has indicated that the quality and timeliness of the draft financial statements were ineffective. The Auditor General further states in his Conclusion that the Council has capacity and competency issues regarding the preparation of the financial statements in accordance with the Applicable Accounting Standards. How are you addressing this issue?

Ans: Council will review and make necessary amendments to its draft financial statements.

Section 4.0: Financial Reporting

4.1: Financial Performance – (Labasa/Rakiraki/Sigatoka)

Auditor General has raised concerns on the trend of the operating deficit of your council. This can be an issue of financial sustainability. What are the reasons your council is operating in deficits. How are you addressing this issue?

Section 5.0: Internal Controls

5.3: Results Summary – (all Councils)

Auditor General has concluded that overall the internal control system of your council is ineffective which is a serious issue. What has the Council done so far or what are you doing to implement effective internal control system in your Council?

Ans: Segregation and Rotation of duties.

Regular monitoring of Finance Officer by CEO.

The Finance Manager of Lautoka City Council will assist Ba Town Council in internal control systems.

Section 6.0: Other Significant Matters

6.1: Common Findings

6.1.1: Corporate Governance – (All Councils)

Auditor General has highlighted issues of lack of appropriate Corporate Governance structure in our council. This includes absence of:

- (i) Internal Audit function;- **Rotation of Staff, Spot Checks, daily banking different staff.**
- (ii) Risk Management Policies;- **Council will have its own Risk Management Policy in the coming years.**
- (iii) Standard Operating Procedures; and **Council is following its SOP**
- (iv) Disaster recovery and business continuity plans

What have you done to address these issues highlighted by Auditor General?

Council have its Disaster Recovery and Business Plans which reflects in Council Budget.

BA TOWN COUNCIL WRITTEN RESPONSE

6.1.2: Financial Reporting

Issues highlighted by Auditor General indicates is that there is lack of appropriate personnel to carry out financial reporting. This issue is ongoing and why has the Council allowed this to escalate?

Appointment of Finance Manager by Special Administrators will be done and more in-housing trainings will be provided to the Finance Personnel.

6.1.3: Revenue Management – (All councils)

What approach have you taken to improve on the revenue management as highlighted by the Auditor General?

More Rental Income on our commercial property

More effective measures for Rates Arrears Collection

Advertising Revenue

6.2: Other Findings – (for respective Councils as stated)

What is the status and the corrective actions taken to resolve the issues highlighted by the Auditor General? Discuss reasons for any un-resolved issues?

We are still trying to rectify and looking for the information from the previous years. We don't have old records.



BA TOWN COUNCIL

P.O. BOX 184, BA, FIJI.
ALL CORRESPONDENCE TO BE ADDRESSED
TO THE CHIEF EXECUTIVE OFFICER

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23 January 2020

The Chair Person
Public Accounts Committee
Department of Legislature
Parliament of the Republic of Fiji
P O Box 2352
Government Building
SUVA

Dear Sir

RE: SUPPLEMENTARY RESPONSES

This refers to report of the Auditor General Audit Report On Municipal Councils 2014 – 2017 Page Number 36 regarding the operating profit for the years 2015, 2016 and 2017.

There was decrease in net profit in year 2017 due to

- Pay increment for staff and workers with back pay
- Audit fees paid for year 2014 and 2015
- Demolition of Pavilion B at Govind Park after Cyclone Winston and hire of security
- Discount on rates was given to ratepayers

For your information and record, please.

Yours faithfully

Dip Narayan
CHIEF EXECUTIVE OFFICER

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Our Ref: FM-RTC

17th January, 2020

Mr. Alvick Maharaj
Honorable Chairperson
Standing Committee on public accounts
Suva.

Dear Sir,

RE: Response for 2014-2017 Public Accounts Committee Hearing

With reference to the above, enclosed are the answers based on the questions of the audit report for years 2014-2017.

For further information, you can contact the undersigned.

Thank you



Mr. Mark Hirst Tuilau
Special Administrator

PUBLIC ACCOUNTS COMMITTEE

Audit Report on Municipal Councils for the year 2014-2017

Question & Answers

RAKIRAKI TOWN COUNCIL

The Local Government Act requires that financial statements must be prepared by 31st May and published by 31st August. Generally from the report, the Councils are not adhering to the requirements of the Local Government Act 57 (1) and Section 57 (3).

1. Why is the Council unable to meet the requirements of the Act?

Council in previous years had lack of accounts personnel, however we admit being late in our submissions but we are adhering to the policies which are stated in the Manual of Accounts and finally all accounts are submitted to the Ministry and Auditor General on timely basis.

2. What is the Council solution to the problem of delays in the preparation of financial statements to be audited?

Council has all guidelines in place as per the local government act on the submissions of the report and onwards Council will adhere to the submission date and requirements as per the preparation of the Financial statement.

3. Do Finance Officers understand and are well versed with International Financial Reporting Standards for Small Medium sized entities?

Council is working closely with Ministry of Local Government in getting staffs of the council enrolled in short term financial courses relevant to International financial reporting standards of small to medium entities so that they are trained to be well versed in the required field.

4. What is the Council doing to address the gaps in competency of finance staff to meet the requirements of the Act?

Council is closely liaising with FNU & USP on the accounting courses which can help the accounts personnel to have a proper accounting system and also this will meet the requirements of the Local Government Act in terms of Finance officer's job responsibility.

5. Unsupported balances and un-reconciled variances formed the basis of modified audit report, what are the root cause of these problems and what has the Council done to improve on the maintenance and safe keeping of financial documents

Maintaining of the vital accounting records are being stored properly with major improvements from 2016.

The accounting system such as cash receipts and cash payments journals are being followed accurately and timely basis as detailed General Ledger, General Journal and Trial Balance are being prepared. The Chief Executive Officer checks and verifies the monthly report and reconciliations which are performed by the Council.

6. What assistance or direction has the Ministry of Local Government provided to assist the Municipal Councils with meeting the requirements of the Local Government Act?

The directive was to advertise the post of the Finance Manager, which was done by the Council. But in terms of financial to pay for the Finance Managers salary, the Ministry are not in the position to do that.

Common findings of the report noted weaknesses relating to cash management, procurement of goods and service, payroll, asset management & revenue management and are noted to be high risk areas.

1. What is the Council doing about tightening controls over cash and revenue management?

New Special Administrators are appointed for all Councils which will enhance all controls over cash and revenue management.

Decisions are now to be strictly adhered by the Special Administrators on the Inflows and Outflows of the Cash

2. Is there an internal audit function that constantly checks and report on Internal control systems?

Council didn't have internal control from previous years until now but recently the Management have requested for an Internal Audit from Ministry of Local Government. Thou, through internal audits, staff's will be able to enhance their mistakes before the report submitted to the auditor general's office.

3. What monitoring mechanisms are there in the Council to ensure controls are in place and are functioning as they are supposed to?

The Local Government Act, Manual of Accounts, Standard Operating Procedures

4. Does the Ministry of Local of Government provide any monitoring roles or checks on the governance and controls at the Council? If yes, how often?

Ministry of Local government provides a financial template and accounts personnel needs to have it filled and submit on a monthly basis.

5. Are standard operating procedures prepared and approved? If yes, are they up to date to reflect current business activities of the Council?

The last standard operating procedures was approved in 2014 and from there onwards, there is no change or a certain committees to review on the changes so that it reflects the current operation of the Council.

6. Financial reporting issues highlighted the weakness in the financial management, what has the council done to improve? Recruitment of finance staffs that are capable and knowledgeable must be considered.

Account personnel's will be sent to trainings to avoid weaknesses and anomalies

Roles of the Council noted issues on increasing trend of trade debtors

1. What is the current debt recovery process of the council and how effective is this process?

Current debt recovery process that is in placed is the **waiver of interest of all our Rates debtors**.

2. What Rates records management system is in-place and how else can the Council leverage technology to improve on the maintenance of these records? Future plans for rate payer's database etc.

Current record system that is in placed is that we have a Database created containing all information of all ratepayers, including contacts and email address. In terms of preparing invoices, during the previous years, we send invoices through mail box and hand delivered house to house which incurred a lot of costs. Meaning (overtime pay for rates officers dispatching invoices after hours, cost of paper, printing, purchasing of local stamps for all invoices that sent through mail). From now onwards, all invoices will be sent though their email addresses given in the database.

3. Operational deficits have been raised as well in the report, how is the Council functioning and able to meet day to day operations with the straining cash balances?

This is ongoing issues experienced by the council during the past consecutive years. The aftermath of TC Winston had brought a lot of struggles in the Municipality. One of the major earning of the Council comes from the Market Operation. During TC Winston, the Market was damaged and UN Women board in to assist with the Construction of the New Market Complex to assist the Council.

In addition to that, we have 734 rate payers from the year 2013 – 2014, On the 24/11/15 some of the areas have been de- proclaimed and the no.of rate payers' decreases to 527 only.

Furthermore, Council doesn't have a property on its own to have it developed to bring revenues to the Council. Therefore RTC has and still experience significant financial challenges, which negatively impacts on its financial sustainability and ability to delivery basic services

4. Outstanding TINs from parking meter infringements, which were issued on LTA tickets/ receipts, how is the council recording these outstanding fees? Will they be payable to LTA when receipted?

There is no parking meter infringement in Rakiraki

Section 3.0: Results of Audit

3.1: Audit Opinion Results - (Ba/Labasa/Rakiraki)

The Auditor General has issued modified audit report and disclaimer of opinion for 2014-2017 audits. What has the Council done to deal with the issue which has resulted in Auditor General issuing these opinions?

Previous CEO's doesn't take these issues seriously but we hope that our new special administrators have been recruited to assist us in terms of management and also to change the image of the Council as a whole.

3.4: Results Summary – (All Councils)

Auditor General in his report has indicated that the quality and timeliness of the draft financial statements were ineffective. The Auditor General further states in his Conclusion that the Council has capacity and competency issues regarding the preparation of the financial statements in accordance with the Applicable Accounting Standards. How are you addressing this issue?

From the year 2010 when Rakiraki was declared as a town till 2018, All final financial reports and accounts are done manually on excel. One of the main reasons this accounts are prepared manually due to the high cost of the MYOB Software. Council doesn't have much fund to purchase this software and therefore Accounts department continually preparing the accounts manually.

Last year November, the software was bought and staffs have been trained so that it can be in used for this year's financial accounts.

Section 4.0: Financial Reporting

4.1: Financial Performance – (Labasa/Rakiraki/Sigatoka)

Auditor General has raised concerns on the trend of the operating deficit of your council. This can be an issue of financial sustainability. What are the reasons your council is operating in deficits. How are you addressing this issue?

This is ongoing issues experienced by the council during the past consecutive years. The aftermath of TC Winston had brought a lot of struggles in the Municipality. One of the major earning of the Council comes from the Market Operation. During TC Winston, the Market was damaged and UN Women board in to assist with the Construction of the New Market Complex to assist the Council.

In addition to that, we have 734 rate payers from the year 2013 – 2014, On the 24/11/15 some of the areas have been de- proclaimed and the no.of rate payers' decreases to 527 only.

Furthermore, Council doesn't have a property on its own to have it developed to bring revenues to the Council. Therefore RTC has and still experience significant financial challenges, which negatively impacts on its financial sustainability and ability to delivery basic services.

Section 5.0: Internal Controls

5.3: Results Summary – (all Councils)

Auditor General has concluded that overall the internal control system of your council is ineffective which a serious issue is. What have the Council done so far or what are you doing to implement effective internal control system in your Council?

During the past years, the council have one accounts personnel handling all the accounting duties, i.e.

- Receipting of invoices
- Payments
- Banking
- Prepare financial reports

From November 2019, the council have appointed a cashier to assist the Finance manager with her accounting duties.

Section 6.0: Other Significant Matters

6.1: Common Findings

6.1.1: Corporate Governance – (All Councils)

Auditor General has highlighted issues of lack of appropriate Corporate Governance structure in our council. This includes absence of:

- (i) Internal Audit function; - this is something that the council will look into
- (ii) Risk Management Policies; - This is something that the council will look into as it can be for actions ranging from physical activity, working environment, to financial risks to protect employees.
- (iii) Standard Operating Procedures; and – Standard operating procedures are in place
- (iv) Disaster recovery and business continuity plans – Council still in a process of implementing this plans.

What have you done to address these issues highlighted by Auditor General? Answers are given above

6.1.2: Financial Reporting

Issues highlighted by Auditor General indicate is that there is lack of appropriate personnel to carry out financial reporting. This issue is ongoing and why has the Council allowed this to escalate?

Off course this is an ongoing issue, Council already advertise the posts in 2014 and we have received few applicants. The successful applicants have been contacted that he is the successful applicant and he was advised on the date of his appointment, but he refused when he was advised on his pay per annum.

6.1.3: Revenue Management – (All councils)

What approach have you taken to improve on the revenue management as highlighted by the Auditor General?

1. Year on year growth in debtors; i.e. the municipality exercising fiscal effort in collecting outstanding debt
2. 17 acres of land was given to the Council for 99 yrs. of lease. Proposed agreement between the Council and FSC. This is something that the Council will do, to improve recreational facility that will include pavilion structure, sports facilities for the people of Ra and at the same time, bringing in revenue for the Council

6.2: Other Findings – (for respective Councils as stated)

What are the status and the corrective actions taken to resolve the issues highlighted by the Auditor General? Discuss reasons for any un-resolved issues?

1. The completion date of the new market (When funds are released from the Ministry of Economy, then work will be done ready for its opening.)

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PUBLIC ACCOUNTS COMMITTEE

QUESTIONS

MINISTRY OF LOCAL GOVERNMENT

The Local Government Act requires that financial statements must be prepared by 31st May and published by 31st August. Generally from the report, the Councils are not adhering to the requirements of the Local Government Act 57 (1) and Section 57 (3). Why is that and what actions has the Ministry taken to address this issue?

1. Why is the Council unable to meet the requirements of the Act?
 - **Transformation of financials from FAS to IFRS for SME'S in 2014**
 - **Delay from Ernst and Young to submit financials in 2015**
 - **Changes in Accountants from 14.1.2014 to December 2015**
 - **Previous issues in financials 2014**
 - **Changes of Software from Winbiz to MYOB in 2014 March. This was seen as a challenge for the entire Council**
2. What is the Council solution to the problem of delays in the preparation of financial statements to be audited?
 - **Recruit Accountants who ha qualification and experience both.**
 - **Reporting of financial data to be presented on timely basis for financials to be prepared on time.**
3. Do Finance Officers understand and are well versed with International Financial Reporting Standards for Small Medium sized entities?
 - **They are not well versed with all of the standards**
4. What is the Council doing to address the gaps in competency of finance staff to meet the requirements of the Act?
 - **Finance staffs advised to upgrade their qualifications**
 - **Internal finance training to be conducted for all staffs**
 - **Qualification and experience to be worked together**
5. Unsupported balances and un-reconciled variances formed the basis of modified audit report, what are the root cause of these problems and what has the Council done to improve on the maintenance and safe keeping of financial documents
 - **Root cause was missing documents**
 - **Council has upgraded MYOB version whereby daily backups are done in Council server and hard drive.**
6. What assistance or direction has the Ministry of Local Government provided to assist the Municipal Councils with meeting the requirements of the Local Government Act?
 - **As a direction frequent follow ups on financials of the Council**
 - **Monthly reporting to Ministry on financial position of the Council for monitoring**
 - **Resolve any issues which is beyond Councils understanding and that can later be audit issues**

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LABASA TOWN COUNCIL

Common findings of the report noted weaknesses relating to cash management, procurement of goods and service, payroll, asset management & revenue management and are noted to be high risk areas.

1. What is the Council doing about tightening controls over cash and revenue management?
 - **As a way forward for 2020 formulation of new Standard Operating Procedures and Policies for each work performed in the Council will be implemented.**
2. Is there an internal audit function that constantly checks and report on Internal control systems?
 - **This will be implemented in the Standard Operating Procedure for the council.**
3. What monitoring mechanisms are there in the Council to ensure controls are in place and are functioning as they are supposed to?
 - **After the appointment of new Ceo's and Sa's we are trying to formulate the audit functions into Ceo's portfolio and daily monitoring to be done by HOD's and weekly reports to be presented by HOD's in weekly meetings by emails.**
4. Does the Ministry of Local of Government provide any monitoring roles or checks on the governance and controls at the Council? If yes, how often?
 - **Yes, they require monthly financials from the Council on 15th day of each month.**
5. Are standard operating procedures prepared and approved? If yes, Are they up to date to reflect current business activities of the Council?
 - **SOP has been prepared and implemented**
6. Financial reporting issues highlighted the weakness in the financial management, what has the council done to improve? Recruitment of finance staffs that are capable and knowledgeable must be considered.
 - **Council now monitors all finance through software implemented whereby everything is online recorded**
 - **Software is protected through Security and Audit**
 - **Finance staffs are recruited on merit and experience. Also as of 2020 onwards Council is strongly adhering to Ministerial Policy on recruitment that has no automatic renewal. It has to go through advertisement.**

Roles of the Council noted issues on increasing trend of trade debtors

1. What is the current debt recovery process of the council and how effective is this process?

Current debt recovery process:

 - **Issuing of statement and invoices**
 - **On non- payment issuing of notices (1st, 2nd, and 3rd)**
 - **Final stage is legal process and it takes ages whereby basically cost is in excess of benefit**
 -
2. What Rates records management system is in-place and how else can the Council leverage technology to improve on the maintenance of these records? Future plans for rate payers database etc.

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- Rates management system that Labasa has is MYOB Software where all ratepayer information is stored. Council also has individual rates file for all ratepayers.
 - Future plans – to create e-files in a server.
3. Operational deficits have been raised as well in the report, how is the Council functioning and able to meet day to day operations with the straining cash balances?
- **Surplus [available balances in the bank], which is able to manage the important operations of the Council.**
4. Outstanding TINs from parking meter infringements, which were issued on LTA tickets/ receipts, how is the council recording these outstanding fees? Will they be payable to LTA when receipted?
- **This is under discussion with LTA and Ministry. An MOU needs to be drawn.**

Section 3.0: Results of Audit

3.1: Audit Opinion Results - (Ba/Labasa/Rakiraki)

The Auditor General has issued modified audit report and disclaimer of opinion for 2014-2017 audit. What has the Council done to deal with the issues which have resulted in Auditor General issuing these opinions?

Labasa Town Council has resolved all the issues which was incurring from 2014 to 2016. In the year 2017 a new qualification was given by Audit Office. This issue will be solved as off 2020 when new procedures will be implemented for rates collection whereby Council will have an idea on outstanding rates collection.

3.4: Results Summary – (All Councils)

Auditor General in his report has indicated that the quality and timeliness of the draft financial statements were ineffective. The Auditor General further states in his Conclusion that the Council has capacity and competency issues regarding the preparation of the financial statements in accordance with the Applicable Accounting Standards. How are you addressing this issue?

Labasa Town Council prepares the financials internally now and it follows all the standards of IFRS for SME's. Outsourcing takes a lot of time in sharing information whereby timely preparation is not done.

Section 4.0: Financial Reporting

4.1: Financial Performance – (Labasa/Rakiraki/Sigatoka)

Auditor General has raised concerns on the trend of the operating deficit of your council. This can be an issue of financial sustainability. What are the reasons your council is operating in deficits. How are you addressing this issue?

Labasa Town Council has operated in deficit only in the year 2017 due to the projects given by Ministry of Local Government and it was not funded. The projects were not capital projects as it was basically maintenance on Roads/ kerbs and channels which are not Council assets. 2018 and 2019 Council has made surplus for the year by reducing some of the cost and increasing rental charges.

Section 5.0: Internal Controls

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5.3: Results Summary – (all Councils)

Auditor General has concluded that overall the internal control system of your council is ineffective which is a serious issue. What has the Council done so far or what are you doing to implement effective internal control system in your Council?

Internal Control system can only be effective if proper Standard Operating Procedures are there which is followed and monitored by responsible officers. As of 2020 new SOP will be in place and officers' not following it will be liable to answer.

Section 6.0: Other Significant Matters

6.1: Common Findings

6.1.1: Corporate Governance – (All Councils)

Auditor General has highlighted issues of lack of appropriate Corporate Governance structure in our council. This includes absence of:

- (i) Internal Audit function;
- (ii) Risk Management Policies;
- (iii) Standard Operating Procedures; and
- (iv) Disaster recovery and business continuity plans

What have you done to address these issues highlighted by Auditor General?

- (i) **Internal Audit function; - audit role is incorporated with Chief Executive Officers Job Description whereby all internal audits will be conducted. This is basically CEO will be responsible for monitoring of all duties performed in line with new SOP.**
- (ii) **Risk Management Policies; - Council does not have a risk management policy but this will be prepared and implemented as of 2020.**
- (iii) **Standard Operating Procedures; and – Council has a SOP which is approved and implemented but same will be amended and implemented as of 2020**
- (iv) **Disaster recovery and business continuity plans – Council will be preparing a disaster recovery and business continuity plan as of 2020. Till now Council was only reflecting in the budget for catering this expenses.**

6.1.2: Financial Reporting

Issues highlighted by Auditor General indicates is that there is lack of appropriate personnel to carry out financial reporting. This issue is ongoing and why has the Council allowed this to escalate?

Labasa Town Council has improved on this and has a full time qualified Accountant now who prepares the financials in accordance with IFRS for SME's.

6.1.3: Revenue Management – (All councils)

What approach have you taken to improve on the revenue management as highlighted by the Auditor General?

- **Reducing of Expenses**

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- **Increase revenue [rent and garbage fees]**
- **New procedures to collect outstanding rates**
- **Proper monitoring of all debts to be collected on time**

6.2: Other Findings – (for respective Councils as stated)

What is the status and the corrective actions taken to resolve the issues highlighted by the Auditor General? Discuss reasons for any un-resolved issues?

- **From the year 2014 to 2016 all issues has been solved in 2017**
- **2017 a new qualification came as audit was not satisfied that Council would be able to collect rates receivable amounting to \$1,489,232. For this Council will make a database on each Rate Payer and see their avenues as from where rates can be recovered.**