



LABASA TOWN COUNCIL



ANNUAL REPORT 2004



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 104 OF 2020



LABASA TOWN COUNCIL

Annual Report for the Year 2004



LABASA TOWN COUNCIL

CIVIC CENTRE BUILDING

P.O.Box 92, LABASA, FIJI

PH: (679) 8811066/8811331

Fax: (679) 8813718



E-mail: lbstc@connect.com.fj

IN REPLY Please Quote:

The Honorable Premila Kumar

Minister for Local Government, Housing & Community Development

Gladstone Road

Suva

Dear Madam

I have much pleasure in submitting the Labasa Town Council Annual Report for year 2004.

The report provides details of activities for the Council throughout the year.

The Annual Report 2004 has been prepared in the accordance with the provisions of section19 (1) (a), (b) and (c) of the Local Government Act Cap.125

Yours Faithfully

A handwritten signature in black ink, appearing to read 'Sumeet', is written over a horizontal dashed line.

Mr. Sumeet Prasad

For Chief Executive Officer

Labasa Town Council

FORWARD

Labasa Town Council is delighted to present the 2004 Annual Report for Labasa Town Council. The report provides an opportunity to reflect and present details of events that have transpired through the course of the Council' Operation.

For the past years, the Labasa Town Council has sincerely endeavored to pursue its mandate of providing effective and efficient basic services to our people. Labasa Town Council was able to deliver its expected services, despite financial challenges posed to the council in year 2004, through the rates collected from 1408 rate payer, business licenses and taxi, carrier and bus operators and the assistance of the government funding through annual grants.

To conclude, Labasa Town Council with the devoted staffs and the supportive ratepayers and with the much needed support from our ministry continues to work and achieve the desired vision of achieving excellence through dedication.



Mr.Sumeet Prasad

For Chief Executive Officer

Labasa Town Council

INTRODUCTION

Annual Report is a summary of proceedings and activities of the Council from January 1, 2004 to December 31, 2004 (s19).

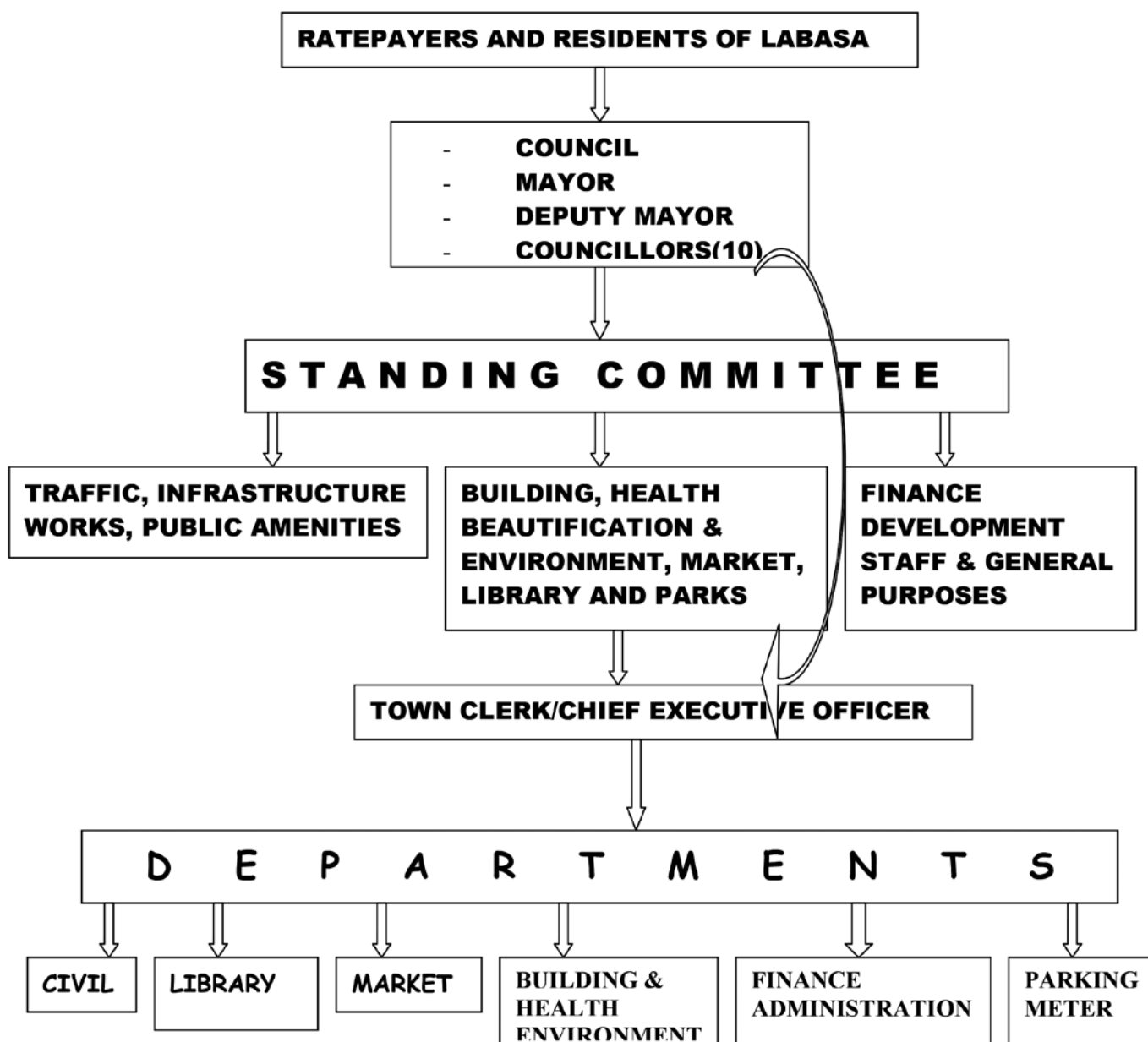
COUNCILLORS MEMBERS

MAYOR	-	CR CHARAN JEATH SINGH JP
DEPUTY MAYOR	-	CR SHER DIL
CR MAHENDRA PRATAP SINGH		
CR PAUL JADURAM MBE		
CR LESLIE DAVID WILLIAMS		
CR JOHN DUCKER SIMMONS		
CR VINOD CHAND		
CR ASHWIN RAJESH CHAND		
CR RT. MAIKALI N. DIMURI		
CR KALYAN SHARMA		
CR HARI RAM KAMODA		
CR AIYUB HAKIM BASHA		

SENIOR OFFICERS OF THE COUNCIL

Town Clerk/Chief Executive Officer	-	Mr Sharma Nand JP
Deputy Town Clerk/Treasurer	-	Mr Chandrika Prasad
Health Inspector/Building Surveyor	-	Mr Mohammed Faiz Ali
Librarian	-	Mrs Subhag L Nandan
Market Master	-	Mr Rajesh Kumar Sharma
Town Ranger	-	Mr. Ram Datt
Engineering Assistant	-	Mr. Guru Dev Asre
Parking Meter Supervisor	-	Mr. Sushil Chand
Legal Officer	-	Mr. Mohammed Rafiq

ORGANISATION STRUCTURE



POPULATION

Estimated population for 2004 (as per 1996 census):

Labasa Urban - 24,187

Racial composition:

Fijians - 5,223

Indians - 15,229

Others - 735

RATES

Town Rates are the highest income source for the Council Rates are levied on unimproved capital value of all rateable properties within the town.

Rates Levied for the year 2004 were as follows:-

General Rate - 0.737 cents in the \$ on UV

Lighting Rate - 0.125 cents in the \$ on UV

Loan Repayment Rate - 0.200 cents in the \$ on UV

1.062 cents in the \$ on UV

=====

Audited Financial Statement is attached as Appendix I

TOTAL VALUE OF PROPERTIES

Total value of rateable properties based on year 2000 valuation:

\$50,440,100 UV

COUNCIL AUDITORS

The Auditor General's Office of Fiji

COUNCIL BANKERS

Bank of Baroda

Westpac Banking Corporation Limited

Australia and New Zealand Banking Group Limited

PUBLIC HEALTH, SANITARY SERVICES AND ENVIRONMENT

Detailed report is attached as Appendix II.

APPRECIATION

The council wishes to convey its appreciation to the ratepayers for paying their rates to meet the running cost of the council administration and sincerely appreciates the assistance received from the Government through the Hon. Minister for Local Government and other departments which we deal with.

Submitted to the Hon. Minister for Local Government, Urban Development, Housing and Environment.

Cr. Charan Jeath Singh
His Worship the Mayor



8th Floor, Ratu Sukuna House,
MacArthur Street,
P. O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

REPUBLIC OF THE FIJI ISLANDS

OFFICE OF THE AUDITOR GENERAL

ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES



Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: <http://www.oag.gov.fj>

File: 735

24 July 2006

Cr. Charan Jeath Singh
Mayor
Labasa Town Council
LABASA

AUDIT OF LABASA TOWN COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2004

Two copies of the financial statements for the year ending 31 December 2004 together with the audit reports on them are enclosed. A copy of the audit report is being sent to the Minister for Local Government, Housing, Squatter settlement and Environment in accordance with section 53 of the local Government Act.

Particulars of errors and omissions arising from the audit have been forwarded to the Town Clerk/Chief Executive Officer for necessary action.

Yours sincerely

Eroni Vatuloka
AUDITOR GENERAL

cc: Minister for Local Government, Housing, Squatter settlement and Environment

Encl.



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MacArthur Street,
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LABASA TOWN COUNCIL

ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

INDEPENDENT AUDIT REPORT

Scope

I have examined the financial statements of the Labasa Town Council for the year ended 31 December 2004 in accordance with the provisions of section 57 (2) of the Local Government Act and section 13 of the Audit Act. The Labasa Town Council is responsible for the preparation and presentation of the financial statements and information they contain.

I have conducted an independent audit of these financial statements in order to express an opinion on them.

The audit has been conducted in accordance with the Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. My audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects; the financial statements are presented fairly and in accordance with statutory requirements so as to present a view which is consistent with my understanding of the Council's financial position, results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualifications

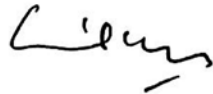
1. The Statement of Revenue and Expenditure of the Council at 31 December 2004 has been prepared using the cash basis of accounting and does not take into account revenues not received and expenditures not paid at balance date. Similarly, property, plant and equipment have not been incorporated in the statement of Financial Position as at 31 December 2004, contrary to section 57 (1) of the Local Government Act.
2. The Council used the General Fund account for Parking Meter expenses without obtaining the approval of the Minister, contrary to section 48 of the Local Government Act.
3. Section 10 of the National Fire Authority Act requires the Council to pay fire rates collected by the Council from 1995 to the National Fire Authority. Fire rates amounting to \$19,130 were still held in the Fire Service account at 31 December 2004.
4. Separate accounting records and bank accounts were not obtained for special rates levied by the Council and the Parking Meter Fund. All monies collected were banked in one

account maintained for the General Fund, contrary to section 47 (2) and 59 (3) of the Local Government Act.

Qualified Audit Opinion

In my opinion, due to the significant effects that the matters disclosed in the Qualifications paragraphs have on the financial position of the Council at 31 December 2004 and on the results for the year ended on that date, the accompanying financial statements of the Council do not give a true and fair view of the state of affairs of the Council as at 31 December 2004 and the result of the Council for the year ended on that date.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.



Eroni Vatuloka
AUDITOR GENERAL

Suva, Fiji
24 July 2006



**LABASA TOWN COUNCIL
AUDITED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004**

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**LABASA TOWN COUNCIL
GENERAL FUND ACCOUNT
STATEMENT OF FINANCIAL POSITION**

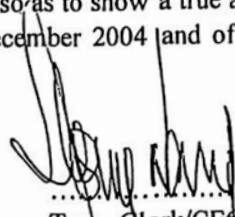
	NOTES	2004 \$	2003 \$
Current Assets			
Advances	4	255,944	235,207
Rates received in advance		-	6,281
Total Current Assets		<u>255,944</u>	<u>241,488</u>
Non-Current Assets			
Fixed Assets Less Depreciation	3	<u>382,280</u>	<u>442,596</u>
Total Assets		<u>638,224</u>	<u>684,084</u>
Current Liabilities			
Bank Overdraft	2	32,196	50,530
Miscellaneous Deposits	5	195,692	217,251
Vat Payable		66,535	11,641
Total Current Liabilities		<u>294,423</u>	<u>279,422</u>
Non-Current Liabilities			
Loan Funds Less Repayment	6	565,030	625,346
Total Liabilities		<u>859,453</u>	<u>904,768</u>
Net Deficiency		<u>(221,229)</u>	<u>(220,684)</u>
Accumulated Fund in Deficit	7	<u>(221,229)</u>	<u>(220,684)</u>

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 12 to 15.

COUNCIL'S STATEMENT

In our opinion, the financial statements have been properly drawn up so as to show a true and fair view of the Labasa Town Council's operations for the year ended 31 December 2004 and of the state of affairs and cash flows as at that date.


.....
Mayor
Cr Charan Jeeth Singh
Date


.....
Town Clerk/CEO
Mr Sharma Nand JP
Date

**LABASA TOWN COUNCIL
GENERAL FUND ACCOUNT
STATEMENT OF REVENUE AND EXPENDITURE**

	NOTES	2004 \$	2003 \$
The Revenue for the year was derived from :			
General rates		329,655	281,022
General rates on state land		20,276	18,042
Government grant - cyclone ami rehabilitation		-	71,111
Interest on overdue rates		36,027	39,755
Garbage fees arrears	9	485	190
Market fees		170,623	168,330
Gate fees - sports ground/squash courts		6,051	17,842
Building fees		4,998	6,587
Squash court - membership fees		10	46
Business, Trading professional & other licences		103,684	103,194
Rent from council properties		113,772	112,962
Bus station, car park and taxi base fees		41,774	53,170
Library fines		7	7
Library subscription		201	73
Bank interest		-	313
Contribution for management expenses	10	4,037	4,037
Swimming pool admission charges		5,837	6,034
Playing field hire charge		18,061	6,900
Interest on overdue account		2,375	5,144
Administration cost		490	720
Insurance claim recovered		-	1,413
Miscellaneous		39,037	24,061
Interest charges		325	-
Total Revenue		897,725	920,953

The Expenditure for the year was:

Personal emoluments		295,979	238,254
FNPF contribution		33,505	12,914
Fiji National Training Council levy		3,549	-
Financial loss allowance	11	10,445	8,300
Civic reception & entertainment		11,790	11,283
Travelling & subsistence		6,111	16,294
Telephone/water and electrical charges		67,545	49,340
Bank interest		5,039	701
Uniform & protective clothing expenses		2,576	5,855
Tea expenses		627	939
Printing, stationery and equipment		14,002	17,123
Insurance		11,081	4,473
Legal expenses		16,104	4,303
Land rent		4,959	4,444
Subscription		550	489

**LABASA TOWN COUNCIL
GENERAL FUND ACCOUNT
STATEMENT OF REVENUE AND EXPENDITURE (Cont'd)**

	NOTES	2004 \$	2003 \$
Garbage services		73,285	85,947
Destruction of stray dogs		449	1,598
Valuation fees		-	13,799
Maintenance expenses - market, pavillion & public convenience		75,060	93,757
Maintenance and operation of expense of plants & equipment		17,219	22,891
Maintenance of roads, footpath, drains and parks		64,625	97,748
Maintenance services on contract		78,877	116,379
Maintenance of swimming pool		10,807	29,521
Election expenses		106	2,822
Anti mosquito campaign litter awareness		9,076	12,643
Maintenance of flood lights		1,874	2,938
Advertising		9,912	11,457
Incidental		8,284	3,496
Festival of Friendly North		3,687	5,994
Cyclone ami rehabilitation		25,099	76,320
Internet services		1,516	624
Medical consultation fees		549	-
Office equipment maintenance		2,533	-
Acquisition of land		30	-
Capital Expenditure			
Traffic and street signs		5,543	5,498
Purchase of tools and equipment		6,889	17,182
Construction of footpaths		-	426
Improvement to market		400	-
House numbering		-	75
Construction of toilets		146	5,032
Reclamation of river bank		11,852	16,348
Installation of water tank		584	941
Purchase of computer		8,144	19,745
Construction of market		7,654	39,754
Construction of kava stalls		445	4,816
Construction of portable stage		-	1,077
Total Expenditure		<u>908,507</u>	<u>1,063,540</u>
Transfer from Sewarage fund		20,369	-
Deficit Balance		<u>9,587</u>	<u>(142,587)</u>
Add Deficit Balance at 1 January of		(282,739)	(140,152)
Leaving a Deficit Balance at 31 December of		<u>(273,152)</u>	<u>(282,739)</u>

**LABASA TOWN COUNCIL
LIGHTING FUND ACCOUNT
STATEMENT OF REVENUE AND EXPENDITURE**

	NOTES	2004 \$	2003 \$
The Revenue for the year was derived from			
Lighting rate		56,926	48,609
Lighting rate on state land		3,439	3,065
Total Revenue		<u>60,365</u>	<u>51,674</u>
The expenditure for the year was incurred on			
Maintenance of street lights		26,528	64,127
Installation of street lights		8,880	19,060
Maintenance & installation of festoon lights		1,667	5,399
Administrative charges to general fund	10	1,011	1,011
Total Expenditure		<u>38,086</u>	<u>89,597</u>
Net surplus/(deficit) for the year was		22,279	(37,923)
Add Balance at 1st January of		43,091	81,014
Leaving a surplus Balance as at 31 December of	7	<u>65,370</u>	<u>43,091</u>

**LABASA TOWN COUNCIL
FIRE SERVICE FUND ACCOUNT
STATEMENT OF REVENUE AND EXPENDITURE**

The Revenue for the year was derived from	2004 \$	2003 \$
Fire service rate - arrears	747	639
Total revenue	<u>747</u>	<u>639</u>
 The expenditure for the year was incurred on		
Total Expenditure	<u>-</u>	<u>-</u>
 Net surplus for the year was	747	639
Add Surplus balance at 1 January was	<u>18,383</u>	<u>17,744</u>
 Leaving a surplus balance at 31 December of	<u>19,130</u>	<u>18,383</u>

(The fire service was taken over by National Fire Authority with effect from 1 February 1995)

**LABASA TOWN COUNCIL
LOAN REPAYMENT FUND ACCOUNT
STATEMENT OF REVENUE AND EXPENDITURE**

	2004	2003
The Revenue for the year was derived from	\$	\$
Loan rate	91,685	78,584
Loan rate on state land	<u>5,502</u>	<u>4,915</u>
Total revenue	<u><u>97,187</u></u>	<u><u>83,499</u></u>
 The expenditure for the year was incurred on		
Principal repayment	60,316	50,110
Interest charges	<u>49,660</u>	<u>51,242</u>
Total Expenditure	<u><u>109,976</u></u>	<u><u>101,352</u></u>
 Net deficit for the year was	(12,789)	(17,853)
Add Deficit balance at 1 January	<u>(19,788)</u>	<u>(1,935)</u>
Leaving a deficit balance at 31 December of	<u><u>(32,577)</u></u>	<u><u>(19,788)</u></u>

**LABASA TOWN COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2004**

GENERAL FUND	NOTES	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Rates and other revenue		940,804	934,648
Interest		38,402	44,899
		<u>979,206</u>	<u>979,547</u>
Cash was applied to :			
Payments to suppliers & employees		(869,537)	(1,060,525)
Net VAT Paid		(54,894)	(8,243)
Net Cash provided by/(used in) Operating Activities		<u>54,775</u>	<u>(89,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to :			
Advance to parking meter fund		18,329	8,955
Capital purchases		(41,981)	(105,396)
Net Cash (used in) Investing Activities		<u>(23,652)</u>	<u>(96,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional Loan		-	163,000
Cash was provided from:			
Loan rate		97,187	83,499
Cash was applied to:			
Loan repayments		(60,316)	(50,110)
Interest		(49,660)	(51,242)
Net Cash (used in)provided by Financing Activities		<u>(12,789)</u>	<u>145,147</u>
Net increase/(decrease) in cash held		18,334	(40,515)
Overdraft at the beginning of year		<u>(50,530)</u>	<u>(10,015)</u>
Overdraft at the end of year	13	<u>(32,196)</u>	<u>(50,530)</u>

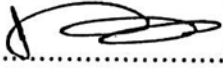
**LABASA TOWN COUNCIL
PARKING METER FUND ACCOUNT
STATEMENT OF FINANCIAL POSITION**

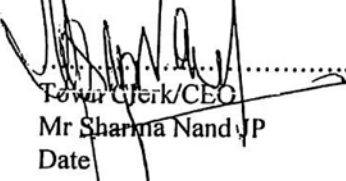
	NOTES	2004 \$	2003 \$
Non-Current Assets			
Fixed Assets Less Depreciation		3,612	3,612
Total Non - Current Assets		<u>3,612</u>	<u>3,612</u>
Total Assets		<u>3,612</u>	<u>3,612</u>
Current Liabilities			
Advance from General Fund		3,612	3,612
Bank Overdraft	2	228,265	209,936
Total Current Liabilities		<u>231,877</u>	<u>213,548</u>
Total Liabilities		<u>231,877</u>	<u>213,548</u>
Net Deficiency		<u>(228,265)</u>	<u>(209,936)</u>
Accumulated Fund in Deficit		<u>(228,265)</u>	<u>(209,936)</u>

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 12 to 15.

COUNCIL'S STATEMENT

In our opinion, the financial statements have been properly drawn up so as to show a true and fair view of the Labasa Town Council's operations for the year ended 31 December 2004 and of the state of affairs and cash flows as at that date.


.....
Mayor
Mr Charan Jeath Singh
Date


.....
Treasurer/CEO
Mr Shantana Nand
Date

**LABASA TOWN COUNCIL
PARKING METER FUND ACCOUNT
STATEMENT OF REVENUE AND EXPENDITURE**

	NOTES	2004	2003
		\$	\$
The Revenue for the Year was Derived from -			
Infringement fines		7,100	12,000
Meter tolls		13,057	11,583
Court fine and cost		30	60
Traffic infringement fine		2,165	-
Total revenue		<u>22,352</u>	<u>23,643</u>
The Expenditure for the Year was Incurred on			
Wages and related payments		30,279	21,721
Fiji National Provident Fund contribution		2,873	829
Fiji National Training levy		149	-
Administrative charges to general fund		3,025	3,025
Insurance		143	285
Printing & stationery		599	480
Telephone expenses		187	172
Purchase of office uniform		121	314
Purchase of office equipment		132	155
Office rent		1,200	1,200
Maintenance of parking meters including parking bays		1,808	4,214
Miscellaneous		165	203
Total expenditure		<u>40,681</u>	<u>32,598</u>
Net (Deficit) for the year was		(18,329)	(8,955)
Add Deficit Balance at 1 January of		(209,936)	(200,981)
Leaving a surplus balance as at 31 December of		<u>(228,265)</u>	<u>(209,936)</u>

**LABASA TOWN COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2004**

PARKING METER FUND	2004	2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Meter tolls	13,057	11,583
Infringement fines	7,100	12,000
Court fine and cost	30	60
Traffic infringement fine	2,165	-
Payments to suppliers and employees	(40,681)	(32,598)
Net Cash (used in) Operating Activities	<u>(18,329)</u>	<u>(8,955)</u>
Overdraft at the beginning of year	<u>(209,936)</u>	<u>(200,981)</u>
Overdraft at the end of the reporting period	<u>(228,265)</u>	<u>(209,936)</u>

LABASA TOWN COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
Year Ended 31 December 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out hereunder are the significant accounting policies adopted by the Council in the preparation of the accounts for the year ended 31 December 2004. Unless otherwise stated similar policies were followed in the previous year.

a) Basis of Accounting

The cash basis of accounting is adopted for all financial transactions.

b) Fixed Assets Less Depreciation

The Council has adopted the policy of charging to Income the full cost of assets at the time of acquisition, except those financed from loan funds. Fixed assets financed from loan funds are written down value by the actual amount of annual repayments over the period of the loan.

c) Arrears of Revenue

As the Council's accounts are kept on cash basis, the arrears of Rates and interest, garbage fees and other revenue at the end of the year not reflected in the accounts were:

	2004	2003
	\$	\$
Rates	383,339	342,898
Interest	620,911	549,163
Garbage fees	2,966	3,451
Other revenue	138,187	114,702
Total Arrears	<u>1,145,403</u>	<u>1,010,214</u>

2. CASH AT BANK

	General Fund		Parking Meter Fund	
	2004	2003	2004	2003
	\$	\$	\$	\$
This comprised of:				
Current account	(32,296)	(50,643)	228,265	209,936
Imprest account	100	113	-	-
Total	<u>(32,196)</u>	<u>(50,530)</u>	<u>228,265</u>	<u>209,936</u>

3. FIXED ASSETS (FINANCED FROM LOAN FUNDS) AND DEPRECIATION
GENERAL FUND

	\$	\$
Book Value 01/01/04	442,596	492,706
	<u>442,596</u>	<u>492,706</u>
Less: Repayment	60,316	50,110
	<u>382,280</u>	<u>442,596</u>

LABASA TOWN COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
Year Ended 31 December 2004

	2004	2003
	\$	\$
4. ADVANCES		
Public works department	380	380
Parking meter fund	231,877	213,548
Dishonoured cheques	3,937	1,529
Unspent balance of loan	19,750	19,750
	<u>255,944</u>	<u>235,207</u>

	\$	\$
5. MISCELLANEOUS DEPOSITS		
This comprised of:		
Sewerage fund	-	20,369
Rent securities	12,947	12,947
Subrail park security	6,578	5,978
Tender deposits	1,700	2,400
Car park contributions	99,478	99,478
Drains, streets, roads, footpaths	36,819	37,099
Library books	10,440	9,850
Hire of auditorium	4,107	3,857
Hire of chairs and tables	2,449	2,499
Naodamu park security	200	200
Installation of banner	550	550
Maintenance service security	6,650	8,250
Cleaning of market and public toilets	3,850	3,850
Garbage service security	9,924	9,924
	<u>195,692</u>	<u>217,251</u>

6 LOAN FUNDS LESS REPAYMENTS

Loan raised by the Council bear interest charges ranging from 8.5% to 10.5% per annum and repayable within periods ranging from 5 to 15 years. All loans are secured by the assets of the Council except for a \$400,000 raised in 1996 for the construction of swimming pool and roofing of Subrail Park pavilion.

The balance of the loans were as follows:

	\$	\$
GENERAL FUND		
Balance at 1 January	625,346	512,456
Add Loan raised	-	163,000
	<u>625,346</u>	<u>675,456</u>
Less Repayment	60,316	50,110
Balance at 31 December	<u>565,030</u>	<u>625,346</u>

LABASA TOWN COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
Year Ended 31 December 2004

7. ACCUMULATED FUND

	2004 \$	2003 \$
This consists of:		
Lighting Fund account	65,370	43,091
Sewerage Fund account	-	20,369
Fire Service Fund account	19,130	18,383
	<u>84,500</u>	<u>81,843</u>
Deduct Overdrawn account:		
General Fund account	(273,152)	(282,739)
Loan Repayment Fund account	(32,577)	(19,788)
	<u>(305,729)</u>	<u>(302,527)</u>
Deficit Balance at 31 December	<u>(221,229)</u>	<u>(220,684)</u>

8. DISCOUNTS ON RATES

The Council resolved to grant discounts on rates as follows:

Rates paid in full by 31st January 2004, received a 10% discount;
 Rates paid in full by 28th February 2004, received a 7.5% discount;
 Rates paid in full by 31st March 2004, received a 5% discount.

Account

General Fund account	17,532	15,206
Lighting Fund account	2,991	2,621
Loan Repayment account	4,788	4,204
	<u>25,311</u>	<u>22,031</u>

9. GARBAGE FEES

It was resolved by the Council not to levy Garbage fees with effect from January 1993. Cost of Garbage Services has been incorporated in General Rates. Garbage fees of \$485 collected in 2004 was in respected of arrears.

10. CONTRIBUTION FOR MANAGEMENT EXPENSES

Amounts representing salaries, accounting and administrative expenses as approved by the Council in conjunction with the Management and operation of Lighting and Parking Meter Fund Account have been reimbursed to the General Fund account as follows:

Account

Lighting Fund account	1,011	1,011
Parking Meter Fund account	3,025	3,025
	<u>4,037</u>	<u>4,037</u>

LABASA TOWN COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
Year Ended 31 December 2004

11. FINANCIAL LOSS ALLOWANCES

A member of the Council is entitled to an allowance at the rate of \$25 per meeting as Financial Loss Allowance in respect of loss of earnings suffered or incurred for the purpose of enabling a Councillor to perform any approved duty as a member of the Council.

12. PRINCIPAL ACTIVITY

The Labasa Town Council was established under the Local Government Act to provide for the health, welfare and convenience of the inhabitants of the Labasa Town Municipality and to preserve the amenities of credit thereof.

13. NOTES TO STATEMENT OF CASH FLOWS

	GENERAL FUND	
	2004	2003
a) Reconciliation of cash	\$	\$
For the purpose of statement of cash flows, cash includes cash		
- at bank and on hand net of outstanding bank overdraft. Cash at		
end of the year as shown in the statement of cash flows is		
reconciled to the related items in the balance sheet as follows:		
Cash on Hand and at Bank	<u>(32,196)</u>	<u>(50,530)</u>



REPUBLIC OF THE FIJI ISLANDS

OFFICE OF THE AUDITOR GENERAL



8th Floor, Ratu Sukuna House,
MacArthur Street,
P. O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

ACCOUNTABILITY IN THE PUBLIC SECTOR THROUGH QUALITY AUDIT SERVICES

Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: <http://www.oag.gov.fj>

File: 735

23rd May 2006

Mr. Sharda Nand
The Town Clerk/Chief Executive Officer
Labasa Town Council
PO Box 92
LABASA

Dear Mr. Nand

**DRAFT MANAGEMENT LETTER
FINANCIAL STATEMENT AUDIT OF LABASA TOWN COUNCIL FOR THE YEAR
ENDED 31 DECEMBER 2004**

This draft Management Letter that has been prepared following the financial statement audit of the Labasa Town Council for the year ended 31 December 2004.

It will be appreciated if an electronic copy of the management comments is provided to this Office in response to the management letter via e-mail address – tevita.bolanavanua@govnet.gov.fj within 14 days from the date of this letter to discuss the audit findings.

For any clarifications, please contact the Team Leader for this audit, Mrs. Radhika Reddy (Audit Manager).

Yours sincerely

Tevita Bolanavanua
for **AUDITOR GENERAL**

Encl.

CONFIDENTIAL

Section XX LABASA TOWN COUNCIL

Programme Statement

The Labasa Town Council was established under the Local Government Act, which provides for the constitution of the town council and the manner in which it may function, levy and collect rates, exercise powers and expand funds.

The Labasa Town Council is divided into four wards, designated as Nasea North, Nasea South, Nasekula and Viti Ward. The Councillors represent each ward. The election of the Mayor and Deputy Mayor is done by the Councillors.

The services provided by the Council include the issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation service, lighting, drainage and maintenance of parks and gardens.

Revenue generated by rates levied issuance of business licenses and rents received from Council's properties are used to finance the above services as well as the administrative expenses of the Council.

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1.0 INTRODUCTION

The Labasa Town Council was established under the Local Government Act [Cap 125 Rev.1985] and Section 5 of the Subsidiary Legislation.

2.0 AUDIT MANDATE

The audit of Labasa Town Council for the year ended 31 December 2004 was conducted in accordance with the powers conferred to the Auditor General under Section 167 of the Constitution, the Audit Act (Cap 70) and Section 51 of the Local Government Act (Cap 125).

3.0 AUDIT OBJECTIVES AND SCOPE

The principal objective of the audit was to perform sufficient audit work to enable the Auditor-General to form an opinion on the accounts and records of the Labasa Town Council.

The audit comprised of:

- i. the accounts and records from which the annual financial statements of the Council are prepared; and
- ii. the financial statements.

The audit approach of the Labasa Town Council comprised:

- an audit of the account balances to prove that all items are accurate and complete; and
- Testing the reliability and integrity of the system which produces the accounts for the purpose of ensuring that the classification and regularity of transactions are correct and in compliance with the provisions of the Local Government Act and the Generally Accepted Accounting Principles.

4.0 AUDIT METHODOLOGY

Following the Office of the Auditor General's risk based audit methodology; a risk analysis was carried out on the Council's control and overall environment. Based on the risk analysis, audit approaches were determined and tests designed to achieve the stated objectives.

Audit tests included verifying amongst other things the accuracy, completeness, occurrence, measurement and compliance of the financial transactions and accounts of the Council.

5.0 GENERAL

It is important to note that the audit was planned and conducted on a test basis. Hence, although every care was taken to minimize the detection risk, (the risk of not being able to detect material irregularities) it is possible that certain irregularities/discrepancies may not have been detected. As such it is advised that each and every finding mentioned in this be treated seriously as the real magnitude of the irregularity/discrepancy can only be known after thorough investigations.

It is also relevant to highlight that the responsibility of maintaining proper records of the Council's affairs and for safeguarding the assets of the Council rests with its management. As such, the management of the Council is responsible for ensuring that our findings are given due consideration.

6.0 ACKNOWLEDGEMENT

Our sincere appreciation is extended to the management and staff of Labasa Town Council for all their assistance and co-operation rendered during the audit.

This Office looks forward to the continuation of such fruitful relationship.

7.0 DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

7.1 HIGH RISK ISSUES

7.1.1 Arrears of Rates & Other Revenues

The Council collects rates, interest and other charges from the ratepayers and the citizens of Labasa who have been provided the necessary services under the Local Government Act. The Council may recover rates which have been levied under the powers vested to them as per Local Government Act.

The arrears of rates and other revenue as at 31 December 2004 was \$1,145,403, an increase of 13% compared to \$1,010,214 as at 2003.

The arrears position of the Council when compared to prior years is as follows:

YEAR	TOTAL AMOUNT OUTSTANDING (\$)	% INCREASE/ (DECREASE)
2000	901,093	-
2001	1,033,263	14.6%
2002	1,130,686	9.4%
2003	1,010,214	(10.6%)
2004	1,145,403	13.3%

If immediate steps are not undertaken to recover the arrears it is possible that these may become irrecoverable and the Council may end up writing off substantial amount of debts

The Council's financial statements would not depict a true and fair view for accounts receivable.

Recommendation

The Council should review its debt recovery procedures to ensure effective and efficient recovery of arrears. There should be a consistent follow up action and reminder notices should be sent and legal action taken where necessary. The Council should consider placing caveats on the property of major defaulters to ensure that its interest is protected.

Council's Comments

7.1.2 Payroll Controls

There are certain requirements of the law requiring a record of those employed to be kept. The regulations made under the Employment Act requires in respect of each employee his name, age, rate of pay as well as other conditions of employment to be recorded.

Based on our testing of payroll controls the following discrepancies were noted:

- Council does not update employees' personnel files in relation to early amended authorised pay rates after COLA increments.
- Annual leave register for all employees has been misplaced.
- Time book for un-established staff has been misplaced.
- P4 annual summary was not lodged on time. It was lodged on 10th May 2005.
- P4-1 slips were incorrectly prepared.
- FNPF and PAYE not remitted on timely basis. The 2004 deductions were paid in 2005.

Lack of compliance with payroll controls exposes the Council to disputes with its staff. The Council is also not complying with FNPF and income tax legislation.

Recommendations

- Personal files should always be updated with current pay rates to ensure that all employees are being paid the correct pay rates.
- Annual leave register should also be maintained with respect to leave entitlement and leave taken.
- Time book for un-established staff should be properly kept for future reference.
- P4 slips should be lodged before February end and the Council should ensure the P4-1 slips are correctly prepared.
- FNPF and PAYE deductions the council makes from the employees pay should be remitted on a timely basis. Both should be paid before the end of the following month.

Council's Comments

7.1.3 Goods Inward Register

On delivery of stores and services, the Purchasing Officer or the Storeman as appropriate, should give a certificate that they were received in good order and condition. It is important that any short supply or other defects should be reported without delay. A copy of the initial order should be used

to complete the receipt of the supply, unless subject to annual contract and delivery at stated periods when a separate receipt form should be used.

During our review we noted that the Council did not maintain a Goods Inwards Register to record incoming goods. In addition to this there is no matching of goods received with invoices and purchase orders prior to payments being made.

Purchases and deliveries not controlled properly increases the risk of loss or theft.

Recommendation

The Council must ensure that a Goods Inwards Register is maintained to record incoming goods. An authorised should match goods received with invoices and purchase orders. Safe keeping of documentation, proof of sale and delivery in this case is an integral part of an efficient internal control structure.

Council's Comments

7.1.4 Basis of Accounting

Section 57(1) of the Local Government Act requires the Council to prepare and submit to the Auditor General the annual statement of financial position showing the assets and liabilities of the Council as at 31 December of the preceding year. The expenditure and revenue shown in the accounts and financial statements should be the full revenue and expenditure. It should include not only what has been paid but also liabilities that have become due for payment for goods and services supplied by the end of the accounting period likewise revenue should not only be confined to cash received but also should take in the debtors at year end.

Fiji Accounting Standards 16 states the manner in which property, plant and equipment are to be disclosed in the financial statements.

Audit noted that Statement of Revenue and Expenditure at 31 December 2004 have been prepared using the cash basis of accounting and do not take into account arrears and accruals. Property, Plant and equipment have not been incorporated into the Statement of Financial Position of the Council. In addition to these debtors, creditors and prepayments have not been taken into account.

The financial statements for the year ended 31 December 2004 do not reflect the true financial position of the Council.

Recommendation

The Council should change to accrual system of accounting and should comply with the requirements of Local Government Act and the Fiji Accounting Standards.

Council's Comments

7.1.5 Tenancy Agreements

The basis of any tenancy arrangement will be the agreement between the occupier and the council. This agreement of lease should be in writing, complete and embracing.

Audit noted that some of the tenancy agreements on Council owned properties were expired and have not been renewed. Also noted was that for some of the tenants the agreements were renewed but were misplaced. Based on our testing the tenants whose agreements were not made are Rajeshni Nand and Christian Mission Fellowship. And tenants whose agreements were misplaced are Yee Sang Qwan, Dr Pradeep Singh, Kholi & Singh, Fiji Times Limited, Ramesh Prasad, Sushila Devi Charan and Fung Yee.

Not having tenancy agreements means that terms and conditions of leases are not specified in writing and are therefore difficult to enforce when disputes arise.

Recommendation

As part of the Council's risk management strategy, the agreements should be prepared and signed with all the tenants as soon as possible to provide remedies to the Council in the event of a dispute and all signed copies should be properly filed.

Council's Comments

7.1.6 Declaration of Interests by Councillors

If any councillor:

- a) has any pecuniary interest, direct or indirect, in any contract or proposed contract or any other matter; and
- b) is present at any meeting of the council or any committee meeting of the council at which the terms of such contract or a decision on such other matter is the subject of consideration,

he shall at such meeting disclose such interest or shall not, without the permission of the council given by resolution, take part in any consideration or discussion of or vote on any questions relating to such contract or other matter, and if the person presiding at such meeting so directs he shall withdraw from such meeting during such consideration, discussion or voting.

Audit review of minutes of Finance Development Staff and General Purposes Committee held on Wednesday 16th June 2004 in Council Chambers, minute number 386/04, noted an instance where the Mayor had a possible conflict of interest in the issue being discussed. However he did not declare his interest to the Council. In any event, Councillors should not unfairly take advantage of their position in Council in any way whatsoever.

Non-declaration of interest by any councillors is a breach of section 17 of the Local Government Act.

Recommendation

The Council should comply with section 17 of the Local Government Act.

Council's Comments

7.1.7 Missing Payment Vouchers

Every Council has to keep proper accounts and records which shall be kept in such manner as may be directed by the Minister.

A council may, with the approval of the auditor, destroy used or obsolete receipts books, bank pass books or statements, cheque books, registers, cash books and documents relating to the accounts of the municipality if they have not been in use for more than six years.

Audit noted that a file containing half of July's payment vouchers was missing.

In the absence of payment vouchers, the Council would not be able to determine on which invoices they have made payments.

Recommendation

The Council should ensure that all the records be properly kept at a safe place.

Council's Comments

7.1.8 VAT Returns

Every registered person, on or before the last day of month following the last day of the taxable period, without notice or demand furnish to the Commissioner a tax return, in such prescribed form as may be approved by the Minister.

Audit noted that VAT was not lodged on a monthly basis. 2004 VAT returns were lodged in 2005.

Late lodgement of VAT returns could incur penalties to the Council. To date \$62,289.57 of penalties has been imposed on the Council as per Statement of Tax Account (VAT) issued on 16th March 2006.

Recommendation

The Council should submit VAT returns as soon as they fall due to avoid late lodgements penalty and payments should be made accordingly.

Council's Comments

7.1.9 Use of General Funds for Parking Meter Accounts

Audit noted that the Council was using the General Funds for Parking Meter expenses.

If the balance in any separate account is at any time insufficient to meet the lawful charges thereon, the council may, subject to approval of the Minister, transfer such sums as are necessary from the general account to meet such charges.

However, the council did not obtain an approval from the Minister to use general funds account.

Use of General Funds account for Parking Meter expenses without approval from Minister is a breach of section 48 of the Local Government Act.

Recommendation

In accordance with section 48 of the Local Government Act, the Council should obtain approval from the Minister prior to using the general funds.

Council's Comments

7.2 MEDIUM RISK ISSUES

7.2.1 Motor Vehicle Daily Running Sheets

Except as provided in the Manual of Accounts for Municipal Councils in Fiji and by Council resolutions from time to time, a Council vehicle shall not be used except on Council business. Unauthorised use of a Council vehicle or non-compliance with these instructions shall be treated as a disciplinary offence.

The driver of a vehicle will complete the motor vehicle daily running sheet with the information about the starting and finishing times for each trip, distance travelled purpose of the journey, petrol or diesoline filled and any other service obtained for the vehicle.

During our audit we noted that for vehicles CZ 016 and CG 604, most of the motor vehicle running sheets were not properly filled with regards to drivers' signature missing. And for vehicle EF 464 the motor vehicle running sheets were not filled at all.

Lack of compliance exposes the Council to misuse of vehicles.

Recommendation

The Council should ensure that the daily running sheets are properly recorded and kept in a safe place.

Council's Comments

7.2.2 Miscellaneous Deposits

Miscellaneous deposits comprise of monies received from contractors, ratepayers and tenants as part of their contractual obligations.

These deposits should be held by the Council and used only for the purpose for which they are received. However, audit noted that the Council had utilized this money for other purposes.

Funds held by the Council in its bank account are insufficient to meet payments should there be demands by the depositors for refund of their monies.

Recommendation

The Council should have a separate account for the deposits received from rate payer so that in future if the depositors demand their money back the Council would be in a position to pay them back.

Council's Comments

7.2.3 Funds Held for National Fire Authority

The fire service of the Council was taken over by the National Fire Authority with effect from 1 February 1995. Section 10 of the Fire Services Act requires all councils to pay all fire rates collected to the National Fire Authority from the date the Act came into effect.

Audit noted that the Council had collected \$19,130 in the Fire Service Account which is yet to be paid to the National Fire Authority.

Recommendation

The Council should comply with the provisions of the National Fire Authority Act and pay the Fire Service Levy collected to the National Fire Authority.

Council's Comments

7.2.4 Misuse of Motor Vehicles

Motor vehicles and plant require effective control over their usage, maintenance and custody. If this is not the case the council could incur avoidable expense. Particularly vehicles which are mobile and the demand require special attention.

Audit review of minutes for Corporate Services Committee meeting held at 10.00am on Thursday, March 11 2004 in the Council Chambers, noted that Mr. Mahendra Prasad has been terminated because of misuse of council vehicle.

Recommendation

The Council should ensure the Council vehicles are used for official use only. This can be achieved by properly filling out the daily motor vehicle running sheets and having it checked by a senior officer of the Council.

Council's Comments

7.2.5 Overseas Grant of Town Clerk

The Town Clerk and Building Surveyor/Health Inspector are entitled to one adult return air fare passage either to Australia or New Zealand from Nausori/Nadi after every 8 years of service or

after the previous grant of passage and on a condition that the ticket be non-transferable or cashed. Upon failure to abide by the above conditions the officers will forfeit their right of the passage.

Audit noted in a memorandum from the Town Clerk to the Mayor dated 26th January 2004 requesting for the payment of accrued benefit in terms of annual leave, long service leave and for a free air passage to Australia or New Zealand. Moreover, the request was for the free air passage to be used by the Town Clerk's wife.

On 28th January 2004, a payment of \$7,731 (Voucher # 106) made to Town Clerk being payment of annual and long service leave and a return air passage (Suva/Auckland/Suva). The purchase of air ticket of \$931 that was transferred to the spouse of the Town Clerk is a clear breach of the Memorandum of Conciliated Agreement.

Recommendations

- The Council should institute the recovery of the cost of air-passage from the Town Clerk's salary.
- The Council should ensure that Memorandum of Conciliated Agreement is complied with.

Council's Comments

