



OFFICE of the AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2019-2020 Audit Report on Municipal Councils





OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

VISION

**Promoting public sector accountability
and sustainability through our audits**

To provide independent value adding
audit services

MISSION

To provide an environment where
our people can excel

RESPECT

We uphold respect
in our relationships.

INTEGRITY

We are ethical, fair and
honest in our duties.

INDEPENDENT
& OBJECTIVE

We work independently
and report objectively.

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We deliver to the best
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the highest standard of
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Our processes
are transparent.

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PROFESSIONAL FRAMEWORK

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International Standards on Auditing

LEGAL FRAMEWORK

2013 CONSTITUTION OF THE
REPUBLIC OF FIJI

AUDIT
ACT 1969

ENVIRONMENT
MANAGEMENT ACT

NDP AND OTHER
LEGISLATION

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File: 102

29 November 2021

The Honorable Ratu Epeli Nailatikau
Speaker of the Parliament of the Republic of Fiji
Parliament Complex
Gladstone Road
SUVA.

Dear Sir

2019 – 2020 AUDIT REPORT ON MUNICIPAL COUNCILS

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on Municipal Councils for 2019 - 2020.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ajay Nand'.

Ajay Nand
AUDITOR-GENERAL

Encl.



The Auditor-General and Office of the Auditor-General – Republic of Fiji

The Auditor-General has the mandate under the Section 51 (1) of the Local Government Act 1972 to audit the accounts of the Municipal Councils.

The Office of the Auditor-General is established as an Independent Office by the Constitution of the Republic of Fiji to assist the Auditor-General in carrying out the audits on behalf of Parliament.

At least once every year, the Auditor-General must report to Parliament on the audits conducted and on *other significant matters* the Auditor-General wishes to bring to the attention of Parliament.

This report satisfies these requirements.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high-quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers, the general public as well.

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AUDITOR-GENERAL'S FOREWORD



I am pleased to present my report on the financial audits of the Municipal Councils for the audits that were completed after my last report to Parliament on 28 August 2020. I would like to draw attention that Municipal Council audits are generally behind and there are quite a number of audits which were completed were in backlog. Although backlog audits which were audited recently may not be of much interest to users, as a matter of transparency and accountability, I have included them in my report.

Section 51 (1) of the Local Government Act 1972 mandate the Auditor-General to audit the accounts of the Municipal Councils. Nevertheless, financial accountability by the Municipal Councils in terms of financial reporting and making available to the rate payers of the councils and public audited financial statements is seriously lacking. The audits of most of these Municipal Councils is behind by more than five years as financial statements were not submitted annually to the Auditor-General.

The amendments made to the Local Government Act 1972 through Local Government (Budget Amendment) Act 2020¹ required all Municipal Councils to update the audit of annual financial statements up to 31 July 2020 and have them published in an English language newspaper in Fiji by 31 March 2021. While, the Councils were unable to meet the dates stipulated in the Local Government (Budget Amendment) Act 2020, they have expressed their commitment to update their audits by providing the financial statements on time and assisting through providing relevant accounting records and documents for audit in a timely manner.

The enormous responsibility of resourcing the audits of the huge number of draft financial statements which are in backlog is a challenge that my Office will embrace in the financial year 2021/2022.

Status of the Audits

I am pleased to report that we have completed the audit of six financial statements for five Municipal Councils since my last report. Audit of nine financial statements are in progress, 11 audits are yet to commence while 45 financial statements are yet to be received which also includes some financial statements which will need to be resubmitted for several reasons.

Report

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting by Municipal Councils, the audit opinions issued on the financial statements and

¹ Act no. 25 of 2020 – 31 July 2020

the key reasons for such opinions, internal control assessments, other significant issues identified from the audits and high level recommendations aimed to strengthen financial reporting, governance and internal controls.

The issues discussed in this report require the immediate attention and prompt actions by the Special Administrators, Chief Executive Officers and senior officers of the Municipal Councils and the Ministry of Local Government to improve financial accountability by the Municipal Councils.

On that same note, I would like to acknowledge the efforts already made by the Management of the Councils, Special Administrators and the Ministry of Local Government to improve financial reporting by the Municipal Councils.

My Office is committed to fulfilling the immense task of updating the audits of Municipal Councils and will continue to work with those charged with governance to ensure that this is achieved.



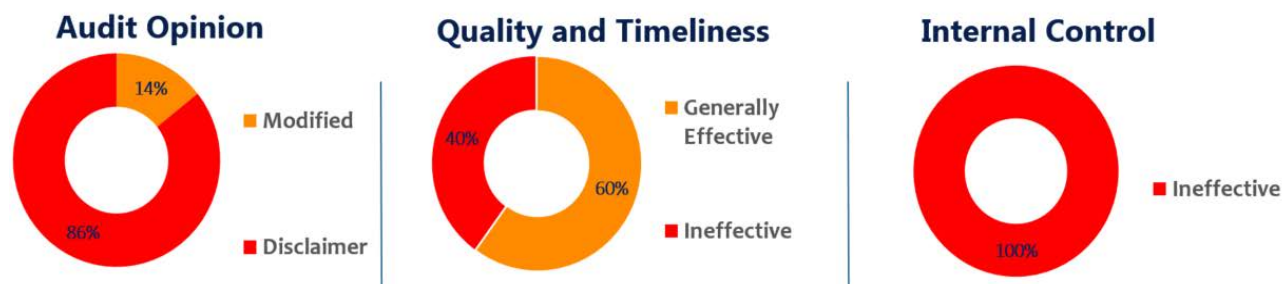
Ajay Nand
AUDITOR-GENERAL

Date: 29 November 2021

EXECUTIVE SUMMARY

This report includes the audit results of six financial statements for five Municipal Councils audited as at 31 October 2021.

AUDIT RESULTS



Quality and Timeliness of Financial Statements

The overall quality and timeliness of financial reporting has been assessed as unsatisfactory, which requires substantial improvements.

Internal Control Assessment

The results summary in [Section 3.3](#) shows the strength of controls in key elements for the councils. Our assessment indicated that risk assessment, control activities and monitoring activities were areas where majority of the significant deficiencies were identified. The Municipal Councils need to strengthen controls over cash and receipts management, journal voucher documentation & reconciliation, purchases & payments and payroll.

Common Audit Findings

Other areas that require immediate attention by the Special Administrators/Chief Executive Officers for the Municipal Councils for priority and prompt action for resolution include: significant delays in submission of draft financial statements for audit, non-compliance with the accounting standards, limitation of scope due to insufficient supporting documents, poor records management, poor asset management, lack of documentation for key account areas such as general rates, loans and advances, policies & procedures not updated or non-existent, poor collection and recording of Municipal rates, absence of proper reconciliations for cash, debtors, VAT, rates, and payroll expenses.

Audit Conclusion

Modified audit opinions were issued on six financial statements audited, which reflected negatively on the governance and internal control framework of the councils. Urgent and close attention should be given to address matters highlighted in the Auditors' Reports including the significant matters raised in [Section 4](#).

1.0 Introduction

Municipal Councils are essentially territorial in nature and thus are concerned with activities and provision of service within defined areas. They are established by statute and their powers, duties and responsibilities are prescribed by the relevant law.

Generally, the Local Government Act 1972 requires the councils to promote the health, welfare and convenience of the inhabitants of the municipality and to preserve the amenities.

Section 51 (1) of the Local Government Act 1972 mandate the Auditor-General to audit the accounts of the Municipal Councils.

This report includes the audit results of six financial statements for the five Municipal Councils as follows:

Municipal Council	Year
1. Sigatoka	2019
2. Rakiraki	2019
3. Ba	2019
4. Tavua	2015
5. Levuka Town Council	2012 - 2013

The audits of Municipal Councils have been extensively delayed and primarily due to the non-submission of financial statements annually to the Auditor-General.

An update on the progress of the Municipal Councils' audits is provided under [Section 1.3](#).

1.1 Legislative Framework

The following legislation establishes the financial accountability frameworks and legislative time frames to complete financial statements audits for the Municipal Councils:

Legislative Framework	Requirement	Legislative Timeframe
Local Government Act 1972, Section 57 (1)	Prepare financial statements	31 st May
Local Government Act 1972, Section 57 (3)	Publish audited financial statements	31 st August

Each year, on or before 31 August, municipal councils are required to publish the balance sheet and summarized income and expenditure of the councils in local newspapers and annual reports containing:

- A balance sheet and a summarized statement of income and expenditure of the council on 31 December immediately preceding, together with any report by the auditor thereon and;
- Notification that any ratepayer or any person holding any security charged upon the property of the council, may at all reasonable time inspect, at council's office, the full annual statement as certified by the auditor and the council's annual report prepared pursuant to the provision of section 19 and may take copies from any part of the statement or report.

The Minister responsible for Local Government is required to lay before Parliament the copies of the annual statement and reports on or before 31 July in each year, for the preceding financial year.

The Local Government Act 1972 was amended by Local Government (Budget Amendment) Act 2020 on 31 July 2020. The amendment effective from 01 August 2020 prescribes, amongst other things, revised reporting dates for submission for audit and publication of annual audited financial statements. The amendment requires all Municipal Councils to update the audit of annual financial statements up to 31 July 2020 and have them published in an English language newspaper in Fiji by 31 March 2021. The amendment also prescribes the transition for change in financial year. Municipal Councils would be required to submit for audit and publish financial statements for seven months (01 January 2020 to 31 July 2020).

1.2 Types of Audit Opinions

In accordance with International Standards on Auditing, the Auditor-General expresses an *unmodified opinion* when the financial statements are prepared in accordance with the relevant financial reporting framework and legislative requirements. This type of opinion indicates that material misstatements, individually or in aggregate, were not noted in our audit, which would affect the financial statements of an entity.

Modified Opinions:

A *qualified opinion* is issued when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An *adverse opinion* is expressed when, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in aggregate, are both material and pervasive to the financial statements.

A *disclaimer of opinion* is issued when sufficient appropriate audit evidence is unable to be obtained on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

1.3 Status of Audits – Update

As at 31 October 2021, a total of 22 draft financial statements for Municipal Councils were submitted to the Auditor-General for audit. Due to the significant number of outstanding audits, resourcing to promptly complete these audits continues to be a challenge.

Below is a summary of the status of audits as at 31 October 2021.

City/Municipal Council	Draft Financial Statements Received	Audits Completed	Audits in Progress as at 31 Oct 2021	Audits Yet to Commence as at 31 Oct 2021	Draft Financial Statements not submitted for audit
Sigatoka	2019	2019	2020	---	---
Rakiraki	2019-2020	2019	---	2020	---
Nadi	2017	---	2017 ²	---	2018-2020
Tavua	2015 - 2019	2015	2016-2017	2018-2019	2020
Suva	2016 - 2018	---	2016	2017-2018	2019-2020
Nausori	2015	---	2015	---	2016-2020
Lami	2015	---	2015	---	2016-2020
Nasinu	---	---	---	---	2011-2020
Ba	2019	2019	---	---	2020
Lautoka	2015	---	---	2015	2016-2020
Labasa	---	---	---	---	2018-2020
Savusavu	---	---	---	2011 - 2013	2014-2020
Levuka	2012-2017	2012-2013	2014-2015	2016-2017	2018-2020
Total	22	6	9	11	45

² Audited Accounts Issued for signing on 29/09/21

Of the 22 draft financial statements submitted to the Auditor-General, audit opinion on six or 27% of the financial statements were issued, audits for nine financial statements were in progress and audits on 11 draft financials statements were yet to commence. A total of 45 draft financial statements are yet to be submitted to Auditor-General for audit.

As the Auditor-General is mandated to audit the Municipal Councils, the Office of the Auditor-General is strongly committed to fulfilling this mandate and will continue to work closely with the Ministry of Local Government, Special Administrators/Chief Executive Officers for these Municipal Councils to update the audits of all Municipal Councils by the end of 2022.

2.0 Financial Reporting

Sound financial management require the important elements of accurate and timely financial statements. They bring accountability and transparency to the way public resources are utilized by the Municipal Councils. We have assessed financial reporting for the Municipal Councils by the following aspects:



- quality of financial reporting
- timeliness of financial reporting

2.1 Quality of financial reporting

The following indicators assisted us in assessing the quality of the Councils' financial statements:

- modified and unmodified audit opinions; and
- significant matters reported to management and those responsible for governance of the Councils.

As shown in the Table below, we assessed the quality of financial reporting by the type of audit opinion issued on the financial statements and the impact and number of significant issues reported to management and those charged with the governance of the Municipal Councils:

Rating	Quality of financial reporting assessment
 Effective	Unmodified opinions with minimal issues reported to the Municipal Council
 Ineffective	Modified opinions with more than five significant issues reported to the Municipal Council

The modified audit opinions issued on all six financial statements and the prevalence of the significant matters reported across the Municipal Councils indicated that the overall quality of financial reporting is ineffective and require substantial improvements.

Audit opinions

The main outcome of our audits are independent auditors' reports on the financial statements of the Municipal Councils that were produced and submitted to the Auditor-General.

We issued one modified (qualified) audit opinions and five modified (disclaimer of opinion) on the financial statements of six Municipal Councils reported in this report. The table below shows the breakdown of the modified audit opinions issued:

Municipal Council	Year	Qualified Opinion	Disclaimer of Opinion
1. Sigatoka	2019	✓	
2. Rakiraki	2019		✓

Municipal Council	Year	Qualified Opinion	Disclaimer of Opinion
3. Tavua	2015		✓
4. Ba	2019		✓
5. Levuka	2012-2013		✓

[Appendix A](#) contains details of the issues, which resulted in qualification of the Auditors' Reports, issued to the five Municipal Councils.

The abridged financial statements are presented as [Appendix B](#)

Significant Matters Reported

The Audit Act 1969 requires that the Auditor-General report on significant matters identified during the audit to parliament and those responsible for the governance of Municipal Councils.

Issues that are classified as medium to high risks are control and compliance weaknesses of such fundamental significance or substantial importance to the Municipal Councils that they require immediate attention, by those charged with governance in the Municipal Councils and the Ministry of Local Government, priority and prompt actions for resolution.

An analysis of common significant issues across the Municipal Councils and those issues specifically related to a Municipal Council are discussed further on Sections 3 & 4 of the report.

2.2 Timeliness of financial reporting

To assess the timeliness of draft acceptable financial statements, we have compared the date the draft financial statements were received for audit after allowing for at least 30 days before the legislative deadlines for our audit.

Rating	Timeliness of financial reporting assessment
🟢 Effective	Acceptable draft financial statements received within 60 days before legislative deadline of 31 May
🟡 Generally effective	Acceptable draft financial statements received within 30 days before legislative deadline of 31 May
🔴 Ineffective	Acceptable draft financial statements received less than 30 days before legislative deadline of 31 May

Three financial statements of the two Municipal Councils did not comply with the statutory requirements to submit to the Auditor General financial statements for audit by 31 May each year³.

The submissions of financial statements to the Auditor-General were more than five years behind the statutory deadline. In some cases, draft financial statements for multiple years were presented

³ Local Government Act 1972, Section 57 (1)

for audit, which further delayed the audits for some Councils, as it is impractical to allocate resources to such audits.

The timeliness of financial reporting has been assessed as ineffective due to the length of time it took Municipal Councils to prepare and present the financial statements, submit them to the Auditor-General for audit and make them available to the public.

2.3 Results Summary

The quality of the six financial statements audited were assessed as ineffective. Similarly, timeliness of financial reporting for two Municipal Councils have been assessed as ineffective. This requires immediate attention of those charged with governance for prompt resolutions.

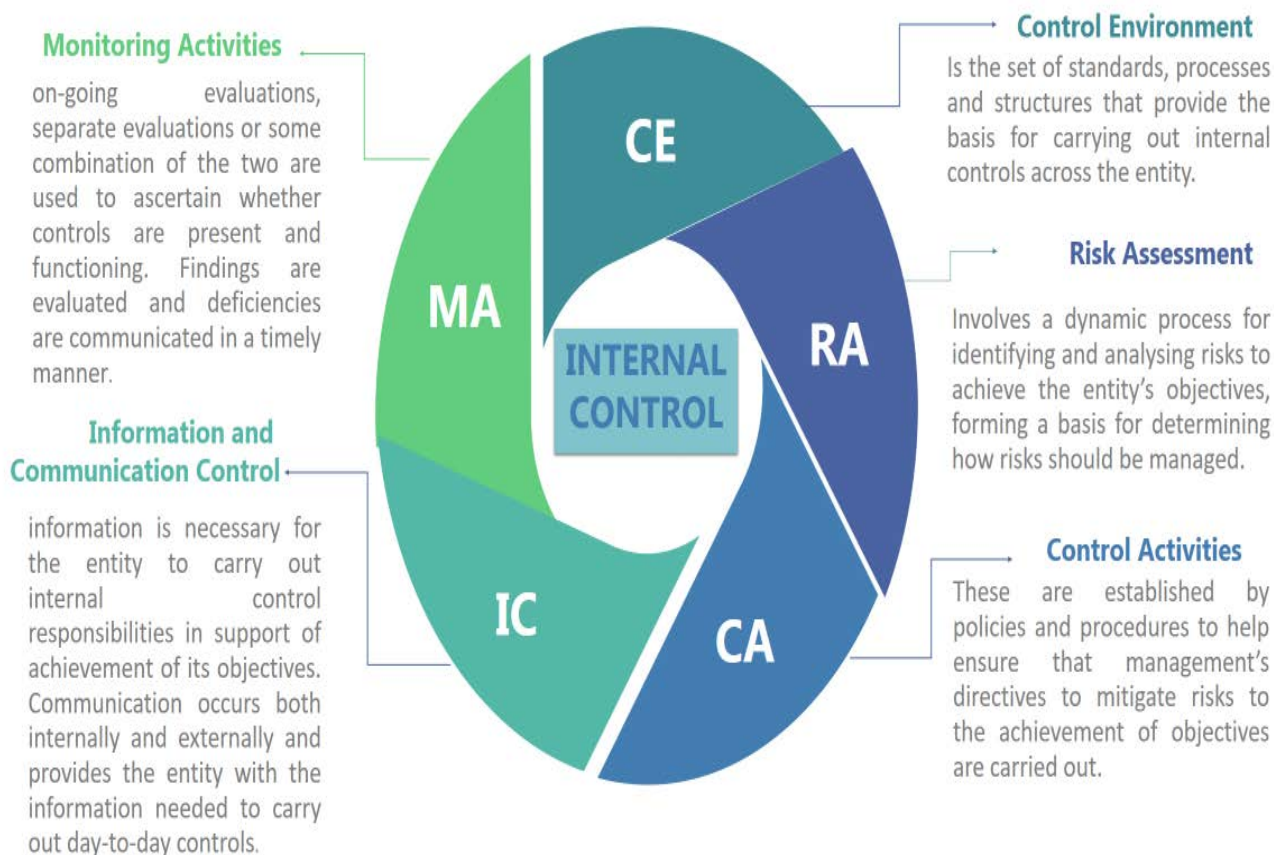
The following Table summarizes our assessment of financial reporting processes:

Municipal Council	Year	Financial Reporting	
		Quality	Timeliness
Sigatoka	2019	✖	✔
Rakiraki	2019	✖	✔
Tavua	2015	✖	✖
Ba	2019	✖	✔
Levuka	2012-2013	✖	✖

3.0 Internal Controls

3.1 Internal Controls Assessments

Good internal controls provide reasonable assurance that an entity is achieving its objectives relating to operations and reporting and support the production of effective financial statements.



When we identify that internal controls in any of these elements are missing or are not operating as intended, we refer to them as *control deficiencies (audit finding)*. If we identify that a control deficiency, either alone or in combination with other deficiencies, may lead to a material misstatement in the entity's financial statements, we refer to this as a *significant audit finding*. If we identify a deficiency (audit finding) with any of these internal controls as part of our audits, we report the finding to the entity's management.

A deficiency occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing. A significant deficiency is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

The Results Summary in [Section 3.3](#) shows the strength of controls in key elements for the five Municipal Councils for which six financial statements were audited. Our audit indicated that all five components were areas where significant deficiencies were identified.

The following Table outlines the rating we have used to assess internal controls:

Rating	Internal Control Assessment
• Effective	No deficiencies identified in internal controls
• Ineffective	Significant deficiencies identified in internal controls

It is important to note that the deficiencies detailed below were identified during our audit and may have been subsequently resolved by those charged with governance at the Municipal Councils. These have been included in this report as they impacted on the overall system of control of the Municipal Councils as at the dates of the financial statements.

3.2 Common Findings Related to Internal Control

Internal control deficiencies identified were communicated to the Municipal Councils through our Management Letters. Common internal control weaknesses relate to the following key areas:

- Cash and revenue management
- Journal voucher documentation and reconciliations
- Procurement of goods and services
- Payroll control
- Management of assets

Our audits found the following internal control weaknesses to be prevalent in Municipal Councils included in this report:

Cash and Revenue Management

- Monthly bank reconciliations were either not prepared or if performed were untimely and inaccurate.
- Receipts were not banked intact as deposits could not be traced to the bank statements. This indicated that receipts may have been issued but could not be substantiated due to missing records. This was common for market and parking meter fees.
- Petty cash were replenished with more than the approved petty cash limit.
- Daily or regular banking of receipts were not done.
- Accurate and timely cash flow analysis were not performed.
- Stale cheques were not appropriately dealt with.
- Lack of audit trail on undeposited funds at balance date.
- Cash records such as lodgment books, cheque books and cashbooks were not properly maintained hence could not be provided for audit review.

The various internal control weaknesses identified indicated that cash management in Municipal Councils is a high-risk area that is susceptible to fraud and mismanagement.

Journals and Reconciliations

- Inadequate supporting documents were noted for journals posted to the General Ledger.
- Reconciliations for key accounts areas such as payroll, trade and other receivable, accounts payable, general rates, sundry advances and VAT were not prepared. Reconciliations were not reviewed or if reviewed, were not done independently and in a timely manner.

Journals without appropriate documentation and oversight increases the risk of error and fraud. The Municipal Councils need to improve the process in preparing and reviewing account reconciliations by performing timely reconciliations that are independently reviewed.

Procurement of Goods and Services

Purchases and payments processes were not complied with as follows:

- Local Purchase Orders were not always issued for purchases.
- Competitive quotations were not obtained in most cases.
- Payment vouchers and supporting documents were not always stamped "PAID".
- Payments were not always supported with proper and appropriate documentations.
- Supporting documents for payment vouchers were missing in some cases.

As records such as payment vouchers and supporting documentations have been misplaced, some payments made during the period under audit could not be substantiated.

Improving internal controls for the purchases and payments function for Municipal Councils are crucial to minimizing the risks of unauthorized purchases and fraud.

Payroll

- Payments of wages were not supported with approved timesheets/timecards.
- Employee details such as employment agreements, salary rates and positions, and leave schedules were not updated in staff personnel files.
- Personnel files and pay run reports were not always provided for audit verification.
- Salary reconciliations were not performed in some cases.

Weaknesses in payroll controls could result in incorrect payments to employees due to either error, omission or fraud. As employee salaries/wages and related costs represent the largest portion of operational expenditures for Municipal Councils, effective payroll controls are crucial.

Management of Assets

- Absence of asset capitalization policy was noted for some councils.

- Annual board of surveys to determine the physical existence of fixed assets and whether assets were in good order or condition were not always carried out or were not carried out in a timely manner.
- Asset were not tagged hence making it difficult to ascertain the existence of assets.

Weaknesses in controls around assets management could result in assets being stolen or used for unauthorized purposes. Proper maintenance of assets is crucial for efficient performance of Municipal Councils.

3.3 Results Summary

For the years audited, we have assessed the internal controls for the Municipal Councils as ineffective. The common significant findings discussed in Sections 3 & 4 have contributed to this assessment.

The Table below summarizes our assessment of internal controls across the Municipal Councils which were audited:

Municipal/City Council	Year	Internal Controls				
		CE	RA	CA	IC	MA
Sigatoka	2019	✖	✖	✖	✖	✖
Rakiraki	2019	✖	✖	✖	✖	✖
Tavua	2015	✖	✖	✖	✖	✖
Ba	2019	✖	✖	✖	✖	✖
Levuka	2012-2013	✖	✖	✖	✖	✖

CE-Control Environment	RA-Risk Assessment
CA-Control Activities	IC-Information and Communication Control
MA-Monitoring Activities	

4.0 Significant Matters

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which could cause or is causing severe disruption to the process or on the ability of the Municipal Councils to achieve process objectives and comply with relevant legislation, which are in addition to those discussed in [Section 3.2](#).

It is likely that these issues may have an impact on the operations of the Municipal Councils in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry of Local Government and the Municipal Councils. These have been included in this report as they have impacted the overall system of control of the Municipal Councils as at the dates of the financial statements.

4.1 Common Significant Matters

Significant matters identified during the audit were communicated to the Municipal Councils through our Management Letters. These related to the following areas:

- **Submission of financial statements for audit** – Significant delays in the submission of draft financial statements for audit, which is discussed in detail in [Section 2](#) of this report. Lack of accounting capacity has been identified as a contributing factor to preparing complete, timely and accurate draft financial statements that are in compliance with accounting standards.
- **Compliance with the accounting standards** – Non-compliance with the requirements of the applicable financial reporting framework such as International Accounting Standards or International Financial Reporting Standards for Small and Medium Enterprises used by the Municipal Councils.
- **Compliance with the Local Government Act** – Non-compliance with the requirements of the applicable sections of the Local Government Act.
- **Limitation of scope** – Lack of sufficient appropriate supporting documentations to substantiate the account balances reported in the financial statements. The absence of records created a significant limitation on the scope of our audits and restricted the performing of necessary audit procedures.

- **Records management** – Records management for the Municipal Councils were generally found to be poor resulting in missing financial and related records to support most of the balances reflected in the financial statements.
- **Asset management** - The accuracy and completeness of the Fixed Assets Registers/Schedules could not be determined as the balances in the General Ledger and the Fixed Assets Schedule did not reconcile. Other significant issues noted were:
 - ❖ Board of surveys not performed;
 - ❖ Asset tagging not done;
 - ❖ Asset capitalization policy not documented to set the threshold for recording expenditures related to fixed assets;
 - ❖ Reconciliation not performed;
 - ❖ Impairment assessment on the Council’s assets not carried out;
 - ❖ Incorrect recording of work in progress and capitalization of assets; and
 - ❖ Assets were incorrectly recorded in the fixed assets schedule.
- **Policies and procedures** - Absence of clear policies to support the development of strategic and operational plans. These included but not limited to business plans, risk management plans, disaster recovery plans.

We also looked at whether policies and procedures for various aspects of the Municipal Councils’ operations existed and were maintained up-to-date. For the years audited, we noted that in a number of cases, policies and procedures were not reviewed and updated.

- **Corporate Governance** - Weaknesses in the governance of the Municipal councils was noted where by the Councils as highlighted in this report did not have appropriate Corporate Governance structures in place. Our audit of the councils found the following anomalies relating to governance of the Councils.
 - ❖ Absence of Internal audit function;
 - ❖ Absence of Risk Management policies;
 - ❖ Absence of disaster recovery and business continuity plans;
 - ❖ Legislative Compliance; and
 - ❖ Meeting minutes not signed or properly documented.
- **Financial Reporting** - Our audit identified high number of issues relating to financial reporting processes. Most Councils did not have a structured financial reporting system. This is evident in the number of errors and omission identified in the draft financial statements submitted for audit.

Common high-risk issues noted were:

- ❖ Non maintenance of journal voucher system with supporting documentations;

- ❖ Non-performance of key account reconciliations;
 - ❖ Manual or semi manual accounting system still used by councils;
 - ❖ Level of key responsibility and accountability for financial reporting not defined;
 - ❖ Lack of capacity to deal with new accounting standards or complex accounting treatments;
 - ❖ Non-compliance with accounting policies; and
 - ❖ Incorrect recording of transactions and lack of audit trail.
- **Revenue management** – Generally, the Councils audited had poor revenue management systems. Revenue includes those derived from general rates, business and trading licenses, garbage fees, parking meter fees, public car park fees, and other fees and charges.

Common high-risk issues noted were:

- ❖ Revenue and receivables reconciliations were not prepared or if prepared were not prepared in a timely manner and were not checked for accuracy by supervising officers. As a result, variances were noted between various revenue and receivables account records and financial statements;
 - ❖ Revenue registers, receipt books, market, public convenience and car park tickets, and revenue invoices were generally not properly maintained;
 - ❖ Rates revenue for most Councils are fluctuating while there are no significant changes in rate payers or the rates per annum;
 - ❖ Rates receivables and other receivables are showing an increasing trend indicating ineffective collection of outstanding rates, fees and charges. In addition, aging report of receivables are not maintained;
 - ❖ Revenue transactions incorrectly classified and recorded in the books of accounts and financial statements;
 - ❖ Instances where revenue transactions were not supported;
 - ❖ Rental agreements between Council and various tenants were not provided;
 - ❖ Discount allowed on rates listings not provided and if prepared was not recognized in the financial statements;
 - ❖ Sexennial Valuation not carried out in accordance with the requirements of the Local Government Act 1972; and
 - ❖ Revenue not recorded in the correct accounting period.
- **Payroll and Human Resource (HR) management** - Our audit continues to report internal control issues relating to payroll. Significant discrepancies were noted in relation to maintenance of personal files, annual pay report not prepared and if prepared reconciliations were not performed between payroll report and general ledger resulting in variances between salaries and wages amount recorded in the financial statements and payroll report. In addition, leave records were not appropriately maintained.

It was noted that most Councils do not have qualified HR officers and well-structured HR functions. There is a high risk of policies not being developed and enforced that are fair and consistent for everyone in the workplace.

- **Cash Management** – internal control over cash management were generally found to be weak. Bank reconciliations were not prepared or if prepared were not done in a timely manner. As a result of ineffective reconciliations process, variances were noted in the cash at bank balance.

Cash is the most high-risk component and adequate internal controls are required to safeguard cash from fraud and mismanagement. Despite highlighting this issue in previous reports most Councils highlighted in this report have not improved their internal controls over cash management. Continuous ignorance of implementing internal controls over cash exposes the Councils to high risk of occurrence of fraud/error.

Procurement and payment process - Issues continue to be identified in procurement and payment, and recording of purchase of goods and services such as tenders not called or competitive quotations not obtained, payments not adequately supported, payments not authorized by responsible officers, no stamp "Paid" on the payment vouchers and supporting documents, incorrect classification and recording of expenses transactions, and expenses not recorded in the correct accounting period. These findings indicate that Councils are not consistently applying the procedures as per the financial regulations.

The above anomalies increase high risk of collusion, mismanagement of Council funds and unauthorized expenditures.

- **Accounting for government grant** – There is lack of understanding on the management and accounting for government grant by Councils, which are requirements of International Accounting Standards. In particular, the following issues were noted:
 - ❖ Non-compliance with the requirements of the IFRS for SMEs when accounting for government grant. As a result, government grants were incorrectly recorded and accounted for in the financial statements;
 - ❖ Details and records of all government grant received, utilized, and unutilised were not properly maintained;
 - ❖ Variances noted between government grant recorded as deferred income liability account and independent reconciliations;
 - ❖ Copies of signed grant agreements were not maintained by some Councils;
 - ❖ Accounting policy on deferred income reported in the financial statements was not in compliance with the IFRS for SMEs of the recognition and measurement of government grants; and
 - ❖ Certain disclosures required under IFRS for SMEs in relation to government grant was not made in the financial statements.

The above anomalies increase the risk of not correctly disclosing the government grant in the financial statements.

- **Value Added Tax (VAT)** – Internal controls and accounting for VAT is found to be weak. In particular, VAT reconciliations from the Statement of VAT account were not prepared or if prepared were not reconciled with the general ledger and financial statements resulting in variances.

4.2 Specific Significant Matters

In addition to the qualification issues which are discussed in detail in Appendix A, the following are other significant matters identified during the audit of each Municipal Council:

Municipal Council	Other Significant Matters
<p>Sigatoka</p> <p>2019</p>	<p>1. Anomalies in the Reclamation of the Sigatoka River Bank Project</p> <p>The Council may decide to get most of the work done by contractors. Depending on the size of the Council’s operations, public tender system, may have to be applied.⁴ For larger works, over \$10,000, the by-laws and rules should provide for tenders from the public to be invited.⁵</p> <p>While supervision of any kind of construction or service performance is necessary, it assumes particular significance when employing a contractor. It should be made a condition that payment will be subject to the council’s officers being satisfied with the work done. In the event of difference of opinion, the contractor should provide for an arbitration.⁶</p> <p>In 2016, the Council received \$845,000 from the Ministry of Local Government reclamation of Sigatoka River bank.</p> <p>Audit review of the reclamation of Sigatoka River Bank project revealed the following anomalies:</p> <ul style="list-style-type: none"> • The Council had used funds totaling \$619,708.94 from the total grant received of \$845,000.00. However, the project was yet to be completed due to structural failure defects noted.

⁴ Manual of Accounts for Municipal Councils in Fiji, Chapter 17.3, paragraph 1

⁵ Manual of Accounts for Municipal Councils in Fiji, Chapter 14.6, paragraph 3 and 5

⁶ Manual of Accounts for Municipal Councils in Fiji, Chapter 17.3, paragraph 3

Municipal Council	Other Significant Matters
<p>Sigatoka 2019 (con't)</p>	<ul style="list-style-type: none"> • The Council did not tender works carried out for landfill upgrade, which cost the Council over \$10,000. • A total payment of \$54,086.09 was made to an engineer even though there was no contract in place between the Council and the engineer. • There was no evidence to indicate the following: <ul style="list-style-type: none"> i. Basis on which the Engineer was selected; and ii. That the Council sought confirmation or undertook reasonable steps to ascertain the ability of the Contractor and Engineer to undertake such projects. • Variance of \$100,731 was noted between the balance utilized as per the work in progress amount and details of payments provided by the Council. • A payment of \$75,651 was made to the contractor in 2018 for the second progress payment, even though the progress payment certificate provided by the project manager for this payment was not signed. <p>The management of the Council agreed with our findings and confirmed that a legal counsel has been engaged on the advice of Ministry of Local Government to recover the cost that was paid to the Design Consultant and Contractor for a failed project, as the Contractor is unable to provide an Engineers Certificate.</p> <p>2. Anomalies in the Capital Fund Account</p> <p>While municipal Councils have certain legislative powers, such powers are subordinate to those of the central government.⁷</p> <p>In the financial year 2011, the Council had deposited a sum of \$795,200 in its Capital Fund bank account which was a refund from a Company in relation to the purchase of land and rates due from the land. In a letter dated 28/03/2013, the Ministry of Local Government had enquired with the Council to provide reasons funds were still held by the Council when it was meant to repay loan from the bank.</p> <p>The Council responded to the letter on 10/04/2013 and requested approval from the Ministry to use a sum of \$500,000 to repay loan and the balance of \$295,200 to be used for council's general operations.</p>

⁷ Manual of Accounts for Municipal Councils in Fiji, Chapter 2.2, paragraph 3

Municipal Council	Other Significant Matters
<p>Sigatoka 2019 (con't)</p>	<p>The Ministry approved the Council's request through a letter dated 28/05/2013.</p> <p>Audit review of payments made from the Capital Fund Account, from the financial years 2013 to 2019, revealed that the Council had not used \$500,000 from the \$795,200 for loan repayment as stipulated in the approval letter. Instead, funds were used for council's general operations. Capital Fund Account cash at bank balance as at 31/12/2019 amounted to \$797.</p> <p>The management of the Council agreed with the audit recommendation to take appropriate actions to repay the \$500,000 into the capital fund account and use the fund for loan repayment as approved by the Ministry of Local Government.</p> <p>3. Difficulty in Meeting Current Obligations</p> <p>At its minimum, the Council's current assets should be sufficient to cover current liabilities.</p> <p>The cash at bank balance includes the government grant totaling \$473,150 (2018: \$234,089) relating to the reclamation of the Sigatoka riverbank project, maintenance and upgrading of municipal Council drains, and new market/bus stand project. Consequently, excluding the fund that is not available for use except for purposes noted above, the Council has a negative working capital position of \$353,590 for the financial period 2019 (2018: \$225,206), whereby current liabilities exceed the current assets. This indicates uncertainty in whether the Council will be able to pay its debts when they fall due.</p> <p>The management of the Council agreed with audit recommendation to develop appropriate strategies to generate sufficient revenue to fund short term debts and operational expenses, and engage in a more comprehensive and aggressive collection mechanism of its receivables.</p>
<p>Rakiraki</p>	<p>1. Missing Accounting Records for Carnival Account</p> <p>Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji</p>

Municipal Council	Other Significant Matters
<p>Rakiraki 2019 (con't)</p>	<p>Institute of Accounts) in such manner as may be directed by the Minister.⁸</p> <p>The Council did not provide the receipts, payments vouchers, and invoices to substantiate the income received totaling \$36,521 and expenses incurred totaling \$3,202 in relation to the Carnival account, and recorded in the financial statements.</p> <p>The Council informed us that the matter has been referred to FICAC for further investigation.</p> <p>It is recommended that all proceeds from future Carnival should be banked on a daily basis and proper records are maintained.</p> <p>2. Anomalies in Cash and Cash Equivalents</p> <p>It should be recognized as a mandatory rule that for any money paid to a Council a written receipt must be issued.⁹ It is a good practice to lodge at the bank all cash received intact and this should be insisted upon.¹⁰</p> <p>The Council did not provide the details of receipts and copy of receipts to substantiate the undeposited cash of \$4,804 reported in the financial statements.</p> <p>The Council informed us that the matter has been referred to FICAC for further investigation.</p> <p>The Council agreed with the audit recommendation to improve its internal control around cash management and that cash are banked on a daily basis.</p> <p>3. No Interest Charged on Outstanding Rates</p> <p>Section 78 (2) of the Local Government Act, Cap 125, states that rates which are overdue shall bear interest at the rate of 7 percent per annum and such interest charged shall be included in the expression "rates"; the Minister may by order vary the rate of interest.</p> <p>Our audit noted that the Council did not charge interest on overdue</p>

⁸ Local Government Act, Section 47(2)

⁹ Manual of Accounts for Municipal Councils in Fiji, Chapter 6.1, paragraph 1

¹⁰ Manual of Accounts for Municipal Councils in Fiji, Chapter 6.3, paragraph 1

Municipal Council	Other Significant Matters
<p>Rakiraki 2019 (con't)</p>	<p>rates relating to the period 2015 to 2018 in accordance with the requirements of the Local Government Act. Instead, interest on overdue rates was only charged for rates due in 2019.</p> <p>The Council agreed with audit recommendation to charge interest on overdue rates at 11% and properly record the interest income in the financial statements.</p> <p>4. Grant Received for CEO's Salary</p> <p>The purpose of the Government Grant under this agreement is for the payment of CEO salary for the year 2019. (Agreement between the Ministry of Local, Government, Housing and Environment).</p> <p>The Council received a government grant of \$40,000 for CEO's salary during the financial year 2019 but utilized only a sum of \$26,503.56. The balance of \$13,496.44 was not refunded to the Government in accordance with the requirements of the Grant Agreement. We noted that the Ministry's approval was not obtained for the utilization of the balance of \$13,496.44 for the payment of staff wages.</p> <p>The management of the Council agreed with audit recommendation to ensure compliance with the Grant Agreement and obtained Minister's approval for utilization of government grant other than the purpose stipulated in the Grant Agreement.</p> <p>5. Inadequate Cash Flows</p> <p>It is highly imperative that the Council maintains a healthy financial status for an effective operation.</p> <p>Our audit noted that the Council incurred a net loss of \$100,166 in the financial year 2019, and excluding grant of \$260,778, the Council would have incurred a negative operating cash flows of \$161,795. This indicates that the Council is unable to generate adequate cash flows to meet its short-term obligations.</p> <p>The management of the Council agreed with audit recommendation to develop appropriate strategies to generate sufficient revenue to fund short-term debts and operational expenses.</p>

Municipal Council	Other Significant Matters
<p>Rakiraki 2019 (con't)</p>	<p>6. Provision for Doubtful Debts not Provided</p> <p>The amount owing to debtors will not show a true and fair position if there is a doubt in the value of the debtors. This position can be countered by making a reserve to provide for any doubtful debtors.¹¹</p> <p>The Council did not provide any provision for doubtful debts for its trade and other receivables balance, even though the age receivable listings indicated that receivables balance may be impaired. A total of \$64,939 or 75% of the total rates debtors have been long outstanding or are 90 days old and over.</p> <p>The management of the Council agreed with audit recommendation to take prudent approach and make adequate provision for trade and other receivables balance.</p> <p>7. Sexennial Valuation not Carried out</p> <p>Section 64(1) of the Local Government Act (Chapter 125) states that, for the purpose of ascertaining and determining the unimproved value of rateable land a valuation to be made at least once in every six years.</p> <p>Rates levied by the Council for the year 2019 were based on the valuation of rateable land carried out in 2012. There was no valuation done in 2018 as required by section 64 (1) of the Local Government Act.</p> <p>The Council informed us that the valuation was not carried out due to cashflow constrains.</p> <p>The Council should seek assistance from the Ministry or consult the Ministry in terms of funding the sexennial valuation which is required under Section 64(1) of Local Government Act.</p>
<p>Ba</p>	
<p>2019</p>	<p>1. Anomalies noted in the Govind Park Project</p> <p>The Council received a total amount of \$4,468,928 as at 31/12/19 from the Ministry of Local Government for the purpose of the Govind Park Project (Phase 1).</p>

¹¹ Manual of Accounts for Municipal Councils in Fiji, Chapter 7.1, paragraph 4

Municipal Council	Other Significant Matters
<p>Ba 2019 (con't)</p>	<p>Our review of the project documents noted correspondences, which indicated that the project manager and quantity surveyor's advice was not adhered to by the contractor and the Council. In addition, the contractor carried out additional works which were not part of the scope without obtaining approval from the Council, and other parties to the project. The Council later accepted the changes after the completion of the work.</p> <p>There was also a significant delay in the completion of the project. The project manager approved the revised contract completion date to 05/04/19 and after the extension of time approval, the completion date was set to 02/08/19. However, the practical completion certificate was issued on 17/07/20 which was more than 11 months after the set completion date. On the date of our site visit (25/02/21), it was noted that the contractors were still on site rectifying the defects.</p> <p>Furthermore, there is no evidence that the Contractor had declared his interest of being the President of a District Football Association whereby the Soccer team was allowed to use the facilities while under construction.</p> <p>The management of the Council agreed with our findings and will be more vigilant in reviewing/monitoring the progress, and completion of the project on a regular basis. In addition, the Council should be more aware of the requirements of the contract in such instances to take appropriate action against parties in breach of the agreement.</p> <p>2. Anomalies in Property, Plant and Equipment</p> <p>The entity shall recognise the cost of an item of property, plant and equipment as an asset if, and only if:</p> <ul style="list-style-type: none"> • it is probable that future economic benefits associated with the item will flow to the entity; and • the cost of the item can be measured reliably.¹² <p>Audit review of Property, Plant and Equipment revealed the following anomalies:</p>

¹² Paragraph 17 – IFRS for SMEs Property Plant and Equipment

Municipal Council	Other Significant Matters
<p>Ba 2019 (con't)</p>	<ul style="list-style-type: none"> • The Council did not adjust the fixed assets schedule with the adjustments taken up in the financial statements. As a result, a variance of \$243,407 was noted between the work in progress amount as per FAR and financial statements; • We noted that the Written Down Value (WDV) of building totaling \$10,715,734 include the WDV of the Clopcott sub-division of \$234,868 even though there was no evidence that the settlement/sub-division is owned by the Council; and • A variance of \$12,728 was noted between the opening WDV of furniture, plant, and equipment as per the amended FAS and the 2018 closing financial statement balance. <p>The Council agreed with the following recommendations:</p> <ul style="list-style-type: none"> • Reconciliations between the fixed assets register and general ledger/financial to be carried out. • Variances arising between the fixed assets register and general ledger/financial statements should be investigated and rectified. • The Council should review its fixed assets register and ensure that only assets owned by the Council are recorded in the register. <p>3. Booking of Accruals and Creditor</p> <p>The expenditure shown in the accounts and financial statements should be the full 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.¹³</p> <p>Audit review of various expenses items revealed the following anomalies:</p> <ul style="list-style-type: none"> • Transactions totalling \$189,658 recorded as expenses in the 2019 general ledger related to expenses incurred in the financial year 2018. • The Council did not record accrued expense relating to 2019 audit fees in the books of accounts and financial statements. • Legal expenses owed by the Council to its Solicitor were not recorded in the books of accounts and financial statements.

¹³ Section 9.1 paragraph 1 – Manual of Accounts for Municipal Councils

Municipal Council	Other Significant Matters
Ba 2019 (con't)	The Council agreed with our recommendation to develop and implement process and procedures in recording accrued expenses in the correct financial year.
Tavua 2015	<p>1. Anomalies in the Construction of the Multipurpose Hall</p> <p>The Council shall: (i) Closely monitor, supervise and inspect the Contractor's performance under this Agreement with due diligence and professionalism; (ii) Ensure that the Contractor is given all the assistance, advice, clarifications and guidance as may be sought by them; (iii) Ensure that all statements and invoices are in accordance to the percentage (%) of work carried out; (iv) Strictly adhere to the phases of payment to the Contractor...¹⁴</p> <p>The Council received a sum of \$89,685 in 2015 from the Ministry for the construction of the multipurpose hall. Our review noted that the Council paid a total of \$106,887 for Phases 1 to 5 work, even though works done by the contractor was only completed till the third phase. In addition, the full phase 4 and phase 5 payment was made even though the progress was not in accordance with the agreement.</p> <p>Our review further noted that the progress reports of the project were not properly maintained by the Council. In addition, there was a significant delay in the completion of the project and proper approval was not obtained for the extension of the completion date after 07/08/15. The Council also did not institute the delay damages clause against the contractor according to the agreement.</p> <p>The management of the Council agreed with our recommendation to be more vigilant in reviewing / monitoring the progress, and completion of the project on a regular basis. In addition, the Council should be more aware of the requirements of the contract in such instances to take appropriate action against parties in breach of the agreement.</p> <p>2. Business Licenses – No Proper Records</p> <p>It is necessary that every Council must have adequate control to safeguard and protect its revenue. The system should provide for</p>

¹⁴ Memorandum of Agreement between the Tavua Town Council and the Contractor

Municipal Council	Other Significant Matters
<p>Tavua 2015 (con't)</p>	<p>prompt raising of claims as revenue falls due, proper accounting for the moneys received and safe custody of the cash.¹⁵</p> <p>The Council did not maintain business, trading and license fees listings for the businesses that were operating within the municipality for the 2015 financial year. As a result, we could not determine whether the business, trading and license fees income of \$63,996 is completely and accurately recorded in the financial statements.</p> <p>The management of the Council agreed with our recommendation to ensure that trading and license fees listings for the businesses that were operating within the municipality are prepared.</p> <p>3. Anomalies in Property, Plant and Equipment</p> <p>Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister.¹⁶</p> <p>The Council did not depreciate the multi-purpose court of \$92,929 and renovation to office reception and garage of \$4,586, and did not amortize leasehold land over the terms of the lease totalling \$310,000. In addition, the Council motor vehicle registration number DR496 was not recorded in the Fixed Assets Schedule. Furthermore, the Council did not disclose the policy of the intangible assets and parking meters' amortization rate / useful life in the financial statements.</p> <p>The management of the Council agreed with audit recommendation to correctly record all assets in the fixed assets schedule, and to disclose policy on amortisation rate or the useful life of the intangible asset in the financial statements.</p> <p>4. Building Fees Register Not Updated</p> <p>The application of the construction of a new building, addition, renovation and major repairs is serially numbered and entered in the building fees register. This register also functions as a control record to</p>

¹⁵ Manual of Accounts for Municipal Councils in Fiji, Chapter 7.1, paragraph 1

¹⁶ Local Government Act, Section 47(2)

Municipal Council	Other Significant Matters
<p>Tavua 2015 (con't)</p>	<p>ensure no unauthorized constructions take place within the municipal boundaries.¹⁷</p> <p>The Council's building fees register was not updated with all building applications and required information in accordance with the requirements of the Manual of Accounts for Municipal Councils in Fiji, Section 7.11.</p> <p>The management of the Council agreed with our findings and has engaged the services of a Building Inspector who updates the building register and processes the applications accordingly.</p> <p>5. Anomalies in cash and cash equivalent</p> <p>Audit review of the cash and cash equivalents account revealed the following anomalies:</p> <ul style="list-style-type: none"> • Bank reconciliation statements of the General Fund bank account No. 936527 included stale cheques totalling \$2,512.31 that were not reversed by the Council; • The Council did not close its Citywide bank account when balance of funds of \$24,447.53 were refunded to the Ministry of Local Government. As a result, the Council had to transfer \$71.95 from the General Fund bank account to the Citywide bank account in December 2015 to pay bank charges. Charges to the bank account after the transfer of funds amounts to \$93.52 and the account had an overdraft of \$25.97 as at 31 December 2015; • Petty cash was replenished with more than the approved petty cash limit of \$50. The Manager Finance explained that the excess expenses are Council expenses that were paid by staffs from their own personal funds and the amount was refunded to them when petty cash reimbursement was made. However, relevant supporting documents were not provided to substantiate the reimbursement made to staffs from the petty cash fund; and • The Council did not disclose that the Challenge Fund cash balance of \$113,210 as disclosed in the financial statements is not available for use except for the construction of the multipurpose hall and the purchase of the dumper truck. <p>The Council agreed with the following audit recommendations:</p>

¹⁷ Manual of Accounts for Municipal Councils in Fiji, Chapter 7.11

Municipal Council	Other Significant Matters
Tavua 2015 (con't)	<ul style="list-style-type: none"> • All cheques that remain unrepresented for more than 6 months should be written back to the cash ledger and respective expenses or liability account. • Unused bank accounts are closed. • Reimbursement of petty cash with more than the approved amount are appropriately supported. • Cash balances that are not available for use except for certain purpose are appropriately disclosed in the Notes to the financial statements <p>6. Approved Budget not Maintained</p> <p>Every council shall ... during the month of November in every year, prepare and approve an estimate of the income and expenditure of the council for the next succeeding year ...¹⁸</p> <p>Every council may at any time during the year for which an estimate has been made cause a revised or supplementary estimate to be prepared and, where appropriate, submitted for approval.¹⁹</p> <p>There was no evidence to indicate that the budget for the year was approved as required under the Local Government Act.</p> <p>The management of the Council agreed with our recommendation to ensure annual budgets are reviewed and approved by the Council, with approval supported by documentary evidence and are properly maintained.</p>
Levuka 2012 - 2013	<p>1. Anomalies in Grant</p> <p>The Grant Recipient must maintain proper files and accounting records, adequate to show, without limitation, all costs incurred and the utilisation of the Government Grant.</p> <p>“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”.²⁰</p>

¹⁸ Local Government Act, Section 46(1)

¹⁹ Local Government Act, Section 46(3)

²⁰ Local Government Act, Section 47(2)

Municipal Council	Other Significant Matters
<p>Levuka 2012 - 2013 (con't)</p>	<p>The Council did not provide details, reconciliations, and acquittals to substantiate the amortization for the year 2012 of \$172,580 as reported in the financial statements.</p> <p>In addition, the amount of \$172,580 included an unidentified adjustment of \$76,311, which could not be substantiated due to lack of supporting documents.</p> <p>Furthermore, the Council did not provide acquittals for the expenses or payments incurred in 2012 and 2013 of \$248,891 and \$150,171 respectively from the total grant received. Additionally, the Council did not provide details and supporting documentations to substantiate grant income and amortisation of deferred income of \$112,308 as reported in the 2013 financial statements.</p> <p>The management of the Council agreed with the recommendations to ensure that policies and procedures are developed and implemented and internal controls are strengthened to ensure that complete and accurate set of books of accounts, accounting records, supporting schedule, reconciliations, agreements, and acquittals are prepared, and properly maintained.</p> <p>2. Anomalies in Revenue</p> <p>Section 7.1, paragraph 1 of the Manual of Accounts for Municipal Councils in Fiji states that, "It is necessary that every Council must have adequate control to safeguard and protect its revenue. The system should provide for prompt raising of claims as revenue falls due, proper accounting for the moneys received and safe custody of the cash".</p> <p>The Council did not provide satisfactory explanations/details and supporting documentations to substantiate an amount of \$129,969 recorded as an unidentified adjustment and included in the other income balance of \$148,815 reported in the financial statements for the year ended 31 December 2013.</p> <p>In addition, the Council did not provide the subsidiary ledgers or detailed listings and reconciliations for the following revenue account:</p> <ul style="list-style-type: none"> • Rates; • Business license fees; and • Garbage fees, and Stand fees recorded as fees;

Municipal Council	Other Significant Matters
Levuka 2012 - 2013 (con't)	<p>The management of the Council agreed with the following audit recommendation:</p> <ul style="list-style-type: none"> • The Council should undertake critical review of systems and processes with a view to enhance and improve the internal controls, systems and processes. • Policies and procedures should be developed and implemented to ensure that complete and accurate set of books of accounts, accounting records, supporting schedule and reconciliations are prepared, and properly maintained. • The Council should perform reconciliations of its revenue accounts with subsidiary records. Any variances arising should be investigated and rectified. <p>3. Anomalies in VAT Account</p> <p>“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”.²¹</p> <p>Section 33 of the Value Added Tax Act 1991 states that “Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Chief Executive Officer a tax return with the accompanying Input tax schedule, in such prescribed form as may be approved by the Chief Executive Officer”.</p> <p>Section 36 of the Value Added Tax Act 1991 states that “Subject to this section, every registered person shall account for tax payable on an invoice basis for the purposes of section 39”.</p> <p>The Council did not lodge VAT returns on time during the financial years 2012 and 2013. As a result, the Council had incurred late lodgment and payment penalties.</p> <p>In addition, the Council did not account for VAT receivable / payable in the 2013 financial statements, and there were instances where VAT were not correctly accounted for.</p>

²¹ Local Government Act, Section 47(2)

Municipal Council	Other Significant Matters
Levuka 2012 - 2013 (con't)	<p>The Council agreed with the following audit recommendation:</p> <ul style="list-style-type: none"> • The Council should comply with the requirements of the VAT Act 1991 and lodge VAT return on time to avoid penalties charges. • VAT reconciliations should be prepared and reconciled to the books of accounts. Any variances arising should be investigated and rectified. • The Council should improve its processes and procedures for recording transactions which would also ensure that VAT are properly accounted for in the books of accounts and financial statements. <p>4. Anomalies in Receivables</p> <p>The standard procedure is to keep a control account for debtors as well as an account for each debtor. Rates may be separately controlled from rest of the revenue.²²</p> <p>The Council did not provide age debtors listings, subsidiary ledgers, and reconciliations to substantiate the rates receivable balance of \$88,325 recorded in the 2013 financial statements.</p> <p>The Council agreed with the audit findings and recommendation and stated that, in an effort to rectify the problem, the recruitment of an Accounting Advisor would take place to review the existing cash accounting system of the Council and to implement corrective measures to address weaknesses and train staff accordingly. These improvements and implementation should be shown in the 2014 accounts.</p> <p>5. Anomalies in Liabilities</p> <p>“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”.²³</p> <p>The Council did not account for creditors and accruals in the books of accounts and financial statements for the years ended 31 December</p>

²² Manual of Accounts for Municipal Councils in Fiji, Appendix 3, No. 10, paragraph 2

²³ Local Government Act, Section 47(2)

Municipal Council	Other Significant Matters
<p>Levuka 2012 - 2013 (con't)</p>	<p>2012 and 2013.</p> <p>The Council agreed with the audit findings and recommendation and stated that, in an effort to rectify the problem, the recruitment of an Accounting Advisor to review the existing cash accounting system of the Council and to implement corrective measures to address weaknesses and train staff accordingly. These improvements and implementation should be shown in the 2014 accounts.</p> <p>6. Non-Performance by the Accounting Advisor</p> <p>A total of \$35,402 was paid by the Council to an Accounting Advisor during his 14 months of employment with the Council to undertake the tasks of assisting in improving the Council's accounting system, facilitate the conversion from cash basis to accrual basis of accounting, and perform all the duties of the Treasurer. However, the audit noted that there was no improvement from recording transactions in a cashbook to maintaining a general ledger system.</p> <p>The Council agrees with the audit findings and recommendation raised and stated that they have learnt from this and in future the Council will ensure to engage consultant/advisor to give the best value for the services being paid for.</p> <p>7. No Supporting Documents for Conservation Loan</p> <p>"Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister".²⁴</p> <p>The audit was not provided with the details and reconciliations to substantiate the loan balance of \$5,475 and \$4,975 reported in the 2012 and 2013 financial statements respectively.</p> <p>The Council agrees with the audit findings and recommendation raised and will ensure that proper records are established to ensure systematic storage that will allow easy retrieval of documents in future.</p>

²⁴ Local Government Act, Section 47(2)

Municipal Council	Other Significant Matters
Levuka 2012 - 2013 (con't)	<p>8. Anomalies in Property, Plant and Equipment</p> <p>“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”.²⁵</p> <p>The Council did not provide valuation report to substantiate the value of land and buildings with a written down value of \$3,982,641 and \$4,002,263 as at 31 December 2012 and 2013 respectively. In addition, the Council did not provide payment vouchers, invoices and any supporting documents to substantiate the additions to PPE totaling \$88,089 in 2012 and \$43,480 in 2013. Furthermore, the fixed assets register provided by the council did not provide detail description of its assets.</p> <p>The Council agreed with the audit findings and recommendation and revealed that corrective measures will be put in place for improvement in maintaining the fixed assets.</p> <p>9. Unidentified Adjustments</p> <p>“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”.²⁶</p> <p>Audit review of the trial balance provided by the Council revealed unidentified adjustments being recorded in the trial balance and reported in the financial statements. The Council did not provide any satisfactory explanations or supporting documentations to substantiate the unidentified adjustments as follows:</p> <ul style="list-style-type: none"> (i) Unidentified adjustment in 2012 of \$8,312.09 included in the other expenses account; (ii) Unidentified adjustment in 2012 of \$76,311.45 included in the amortization of deferred income amount. (iii) Unidentified adjustment in 2013 of \$129,969.49 included in the other income amount.

²⁵ Local Government Act, Section 47(2)

²⁶ Local Government Act, Section 47(2)

Municipal Council	Other Significant Matters
Levuka 2012 - 2013 (con't)	<p>The Council agreed with the audit findings and recommendation raised and corrective measures with proper procedures will be undertaken to rectify the problem.</p> <p>10. Anomalies in Petty Cash Account</p> <p>Section 45(1) of the Manual of Accounts for Municipal Councils in Fiji states that, "A council may by resolution establish an imprest account".</p> <p>There was no petty cash balance disclosed in the financial statements even though the cashbook of the Council shows petty cash reimbursements being made during the financial years 2012 and 2013.</p> <p>In addition, the Council did not provide supporting documents for various petty cash payments made.</p> <p>The Council agreed with the audit findings and recommendation raised and admitted that there were continued discrepancies but will now ensure that corrective measures are implemented.</p> <p>11. Approved Budget not Maintained</p> <p>"Every council shall ... during the month of November in every year, prepare and approve an estimate of the income and expenditure of the council for the next succeeding year ..."²⁷</p> <p>Every council may at any time during the year for which an estimate has been made cause a revised or supplementary estimate to be prepared and, where appropriate, submitted for approval.²⁸</p> <p>There was no evidence to indicate that the budget for the year was approved as required under the Local Government Act 1972.</p> <p>The Council agreed with our recommendation to maintain proper documentation to substantiate the annual budget approval process.</p>

²⁷ Local Government Act, Section 46(1)

²⁸ Local Government Act 1972, Section 46(3)

5.0 Audit Conclusion and Recommendations

5.1 Audit Conclusion

Modified audit opinions were issued on all the six financial statements audited which reflected negatively on the Municipal Councils. Urgent and close attention should be given to address matters which have been highlighted in the Auditors' Reports including the significant matters raised in Management Letters.

Quality and timely financial reporting is a major concern that needs to be addressed by those charged with governance of the Municipal Councils. Delays in submission of financial statements for audit prevents the Auditor-General from giving an opinion on them on a timely basis and informing Parliament and other stakeholders of the outcome of such audits.

Good governance and internal controls are absent because regulations, formal policies and procedures to govern all aspects of the Municipal Councils' operations were not reviewed and updated for a long period of time or they do not exist. This has not been given due consideration over the years. In addition, records management is poor resulting in missing financial records. There is no policy currently existing that is directed towards effective records management.

The monitoring role of the Ministry of Local Government on the operations of the Municipal Councils should be strengthened to improve financial accountability. It has been noted that it becomes challenging for Municipal Councils to prepare annual financial statements when these have not been done for some time resulting in backlog.

5.2 Recommendations

1. Ministry of Local Government, Special Administrators and Chief Executives of Municipal Councils, as a matter of priority, should urgently address all the issues that give rise to modified audit opinions, internal control deficiencies and other significant issues discussed and identified in Sections 3 & 4 and [Appendix A](#) of this report.
2. Improving the quality and timeliness of financial statements should be given the utmost priority. The quality of financial reporting can be improved by involving suitably qualified accountants in the Municipal Councils that are capable of preparing and presenting draft financial statements on time and in accordance with the requirements of the applicable financial reporting framework.
3. Ministry of Local Government and the Special Administrators should consider the establishment of a robust and capable audit, risk and improvement committee to specifically look at the quality and timeliness of financial reporting by the Municipal Councils and formulate action plans to resolve governance and internal control deficiencies and significant audit findings reported by

the Auditor-General.

4. Ministry of Local Government and Special Administrators should consider employing a pool of qualified accountants who could assist small to medium Municipal Councils perform the accounting function better.
5. Formulation of strategic plans and annual business plans including risk management framework and plans for the Municipal Councils should be given due consideration. Regulations and policies and procedures to support effective governance and internal controls should be regularly reviewed and kept up to date or established for those that do not exist.
6. The Ministry of Local Government and the management of the Municipal Councils need to ensure that plans, policies, standards and guidelines are available to all staff and that staff are aware of them. These should provide direction for the day-to-day operations of the Municipal Councils, promote consistency across the 13 Municipal Councils, clarify accountability and support compliance with laws and regulations by staff and management of the Councils.
7. Maintaining accurate and complete fixed assets records is important to ensure effective management of property, plant and equipment and accurate financial reporting. In addition, there should be a clear plan on asset valuations to ensure that the process is appropriately managed and documented.
8. The Municipal Councils should maintain accurate and updated records and information.
9. The monitoring role of the Ministry of Local Government on the operations of the Municipal Councils should be strengthened to improve financial accountability.

Similar recommendations were made in the last report which indicates that little effort has been made to address them.

6.0 Appendices

Appendix A: Qualification Issues

Due to the absence of documentations to appropriately support the various balances reflected in the financial statements, we were unable to determine the necessary adjustments to correct the financial statements.

Municipal Council	Qualification Issues
Sigatoka:	Modified (Qualified) Opinion
2019	<ol style="list-style-type: none"> <li data-bbox="505 620 1441 1108">1. The Council recorded sundry deposits of \$64,317 and sundry advances of \$4,879 in the statement of financial position as at 31 December 2019. The Council was unable to provide detail listings and receipts to support the sundry deposit of \$57,817 out of the total of \$64,317 and sundry advances of \$4,879. As a result, the completeness and accuracy of the balances and if any adjustments which might have been necessary in respect of sundry deposits, and sundry advances balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position could not be determined. <li data-bbox="505 1160 1441 1464">2. There was an unreconciled variance of \$53,144 between the VAT payable amount reflected in the financial statements and the independent reconciliation performed from the Statement of VAT account. The Council was unable to provide details and reconciliations to substantiate the variance. As a result, the accuracy of the VAT payable balance of \$53,907 could not be determined. <li data-bbox="505 1516 1441 2004">3. The Council has not commenced a full review on impairment of assets with zero written down value totalling \$135,463. These assets with zero written value are recorded under furniture and fittings, plant and machinery, office equipment, office computers, and motor vehicle classes. As a result, the remaining economic useful life and the correct carrying amount and whether these assets are overstated, and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could

Municipal Council	Qualification Issues
Sigatoka – 2019 (con't)	<p>not be determined.</p> <p>4. The Council did not comply with the requirements of IFRS for SMEs Paragraph 24 – Government Grants by not recognizing government grant totalling \$533,712 when performance conditions are met. In addition, the accounting policy on deferred income as disclosed on Note 2(j) to the financial statements is not in accordance with paragraph 24 of the IFRS for SMEs. Furthermore, the Council has not disclosed the nature and amounts and unfulfilled conditions of government grants received during the year. Consequently, the accuracy of the deferred income of \$1,860,316 stated in the financial statements could not be determined.</p> <p>5. The Council did not comply with the requirements of IFRS for SME's Paragraph 10 - Accounting Policies, Estimates and Errors by not restating opening balances of assets and equity to account for prior years' arrears relating to the transfer of Lawaqa Park in 1997 amounting to \$125,200 owed by Fiji Sports Council and garbage fees amounting to \$24,010 owed by Government Quarters occupants from 2012 to 2018. The amount owed by Fiji Sports Council and garbage fees from prior years has been booked as income in current financial year. As a result, the total income balance of \$1,755,168 is overstated by \$149,210.</p>
Rakiraki:	Modified (Disclaimer of Opinion) Opinion
2019	<p>1. The Council recorded rates receivable balance of \$86,263 in Note 8 to the financial statements. Provision for doubtful debts has not been provided for during the year. In addition, the Council was unable to provide reconciliations to support the above rates receivable balance. As a result, the completeness and accuracy of the amounts and whether any adjustments might have been necessary in respect of the provision for doubtful debts balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.</p> <p>2. The Council was unable to provide reconciliations to support the VAT receivable balance of \$96,085 reported in the financial statements for the year ended 31 December 2019. Consequently, sufficient audit evidence to ascertain the accuracy of VAT</p>

Municipal Council	Qualification Issues
Rakiraki – 2019 (con't)	<p>receivable as stated in the financial statements could not be obtained.</p> <p>3. The Council has not commenced a full review on impairment exercise of the assets with zero written down value totalling \$410,591 by performing a review of the depreciation rates and assessing the remaining economic useful lives of individual major classes of property, plant and equipment in a progressive and structured manner. These assets with zero written down value are recorded under plant and machinery, office equipment, and parking meter asset classes. As a result, the remaining economic useful life and the correct carrying amount and whether these assets are overstated and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.</p> <p>4. The Council was unable to provide invoices and payment vouchers to support payments totalling \$29,025 which relates to expenses incurred for organizing the Vodafone Rakiraki Carnival. As a result, the accuracy and completeness of the carnival expenses totalling \$29,025 recorded in the financial statements could not be ascertained.</p> <p>5. The Council was unable to provide copies of revenue receipts to support revenue totalling \$36,521 which were received through sponsorship, ground hire and stall fees during the Vodafone Rakiraki Carnival. As a result, the accuracy and completeness of the carnival revenue totalling \$36,521 recorded in the financial statements could not be ascertained.</p> <p>6. There was an unreconciled variance of \$5,246 between the garbage collection fees listings and the garbage collection fees amount of \$13,970 reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the accuracy of the garbage collection fees of \$13,970 recorded in the financial statements could not be ascertained.</p>

Municipal Council	Qualification Issues
Rakiraki – 2019 (con't)	<p>7. There was an unreconciled variance of \$32,732 between the rates income listings and the rates income amount of \$43,199 reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the general rates of \$43,199 being fairly stated in the financial statements could not be ascertained.</p> <p>8. There was an unreconciled variance of \$15,877 between the bus station, commercial, taxis base fees listings and base fees amount of \$47,211 reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the bus station, commercial, taxis base fees of \$47,211 being fairly stated in the financial statements could not be ascertained.</p> <p>9. The Council did not provide for employee entitlement in the statement of financial position for the year ended 31 December 2019, which is a departure from the requirement of paragraph 28 – Employee Benefits, of IFRS for SMEs. As a result, whether any adjustments might have been necessary in respect of the provision of annual leave balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position could not be determined.</p> <p>10. The Council has recorded \$4,804 as un-deposited cash in the financial statements. The un-deposited cash relates to funds receipted from the Carnival organized by the Council during the financial year. I was not provided with deposit slips to ascertain whether funds were deposited subsequent to balance date. As a result, the existence of the un-deposited cash balance of \$4,804 recorded in the financial statements could not be ascertained.</p>
Ba	Modified (Disclaimer of Opinion)
2019	<p>1. The Council was unable to provide the reconciliations and satisfactory explanations to support, the advance to Parking Meter Account of \$156,646, the unreconciled variance of \$26,613 between the other sundry debtors' listings and amount reflected in the financial statements, and the unreconciled variance of \$3,194 between rates debtor listing and the amount reflected in the financial statements. Consequently, the accuracy of the trade and</p>

Municipal Council	Qualification Issues
Ba 2019 (con't)	<p>other receivables balance of \$914,910 recorded in the financial statements could not be ascertained.</p> <ol style="list-style-type: none"> <li data-bbox="499 331 1442 678">2. Included in the Property, Plant and Equipment is the Clopcott subdivision valued at \$234,868. The Council has not obtained the legal title to the land as at 31 December 2019. Consequently, any adjustment that would be required in respect to the amortization of the land and the impact that it will have on the carrying amount of the land in the statement of financial position and the amortization expense in the income statement could not be determined. <li data-bbox="499 725 1442 1346">3. The Council has not commenced a full review on impairment exercise regarding the assets with zero/negative written down totaling \$346,625. These assets with zero/negative written down value are recorded under furniture, plant and machinery, motor vehicle and parking meter asset classes. In addition, the Council did not depreciate a tractor and trailer since it was purchased more than 18 years ago with a cost of \$15,000. As a result, the remaining economic useful life and the correct carrying amount cannot be determined. In addition, whether these assets are overstated and any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined. <li data-bbox="499 1393 1442 1966">4. The Council recorded deferred income of \$5,328,002 in the Statement of Financial Position as at 31 December 2019. The Council was unable to provide the comprehensive details of the total amount recognized in revenue of \$1,121,018, total grant utilized of \$1,332,036, and balance of \$388,952 as reported in the Financial Statements. In addition, the Council did not disclose the unfulfilled conditions and other contingencies attached to government grants that have not been recognized in income. Furthermore, the accounting policy on deferred income as disclosed in the Financial Statements is not in accordance with paragraph 24 of the IFRS for SMEs. Consequently, the accuracy of the deferred income balance of \$5,328,002 recorded in the financial statements could not be ascertained.

Municipal Council	Qualification Issues
Ba – 2019 (con't)	<p>5. Reconciliations to substantiate the advance from General Fund to Parking Meter Account of \$155,562, as reported in the financial statements were not provided for audit review. In addition, the Council did not record creditors and accruals totaling \$30,711 into the books of accounts as at 31 December 2019. As a result, the creditors and accruals balance of \$292,228 being fairly stated in the financial statements could not be ascertained.</p> <p>6. Unreconciled variance of \$180,731 exists between the VAT reconciliation provided by the Council and the VAT payable balance reflected in the Statement of Financial Position. The Council was unable to provide satisfactory explanation or documentary evidence to substantiate the variance. As a result, the VAT payable balance of \$203,000 being fairly stated in the financial statements could not be ascertained.</p> <p>7. Paragraph 16 of the IFRS for SMEs defines Investment property as “property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both...” The Council has leased properties valued at \$1,834,100 which were not disclosed separately as investment property in accordance with the requirements of IFRS for SMEs. As a result, whether any adjustments might have been necessary in respect of the Council’s investment properties in the current year or comparative years, and the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.</p> <p>8. The Council was unable to provide details and reconciliations to support the amortization balance of deferred income amounting \$1,121,018 transferred from deferred income and recognised as income for the year ended 31 December 2019. As a result, the accuracy of the utilization of government grant balance of \$1,121,018 transferred to Statement of Comprehensive Income could not be ascertained.</p> <p>9. The Council did not comply with the requirements of IFRS for SME’s Paragraph 10 - Accounting Policies, Estimates and Errors by not restating opening balances of assets and equity to account for prior years’ errors relating to the work in progress of the Clopcott project, drainage works, and waterways project of \$151,774. The</p>

Municipal Council	Qualification Issues
Ba – 2019 (con't)	<p>amount relating to prior years has been booked as expenses in current financial year. As a result, total expenses balance of \$2,741,585 is overstated by \$151,774.</p> <p>10. The Council recorded prior year adjustment balance of \$13,479 in the Statement of Changes in Accumulated Funds for the year ended 31 December 2019. This is a departure from the requirements of Section 10 – Accounting Policies, Estimates and Errors, paragraph 10.21 of the IFRS for SMEs, which requires the Council to record prior year adjustment balance by restating the comparative amounts for the prior period presented in which the error occurred or restate opening balances of assets, liabilities, and equity for the earliest prior period presented.</p> <p>11. The Council did not disclose Interest Bearing Deposit of \$1,899 in the financial statements. This is a departure from the requirements of the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) on Section 11 – Basic Financial Instruments.</p>
Tavua:	Modified (Disclaimer of Opinion)
2015	<p>1. The Council recorded trade and other receivables balance of \$43,230 in the Statement of Financial Position as at 31 December 2015. Included in the amount are trade receivables of \$28,280, enforcement and parking meter infringement of \$3,500, and other debtors of \$11,450. The Council was unable to provide debtors listing, subsidiary ledgers and reconciliations to support the above balances. Furthermore, the Council has not provided evidence of impairment assessment carried out on its receivables balance. Consequently, the accuracy of the trade and other receivables balance of \$43,230 stated in the financial statements could not be ascertained.</p> <p>2. The Council has not commenced a full review on impairment exercise of the assets with zero written down totalling \$41,255 by performing a review of the depreciation rates and assessing the remaining economic useful lives of individual major classes of property, plant and equipment in a progressive and structured manner. These assets with zero written value are recorded under plant and machinery, office equipment, and parking meter classes. As a result, the remaining economic useful life and the correct</p>

Municipal Council	Qualification Issues
Tavua – 2015 (con't)	<p>carrying amount and whether these assets are overstated and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the statement of Comprehensive Income Statement of Financial Position could not be determined.</p> <ol style="list-style-type: none"> <li data-bbox="499 510 1442 725">3. The Council was unable to provide reconciliations to support the VAT payable balance of \$41,473 reported in the financial statements for the year ended 31 December 2015. Consequently, sufficient audit evidence to ascertain the accuracy of VAT payable as stated in the financial statements could not be obtained. <li data-bbox="499 770 1442 1211">4. The Council did not comply with the requirements of IFRS for SMEs Section – Government Grants by not recognizing government grant totalling \$8,597 when performance conditions are met. In addition, the accounting policy on deferred income as disclosed in the financial statements is not in accordance with paragraph 24 of the IFRS for SMEs. Furthermore, the Council has not disclosed the nature, amounts and unfulfilled conditions of government grants received during the year. Consequently, the accuracy of the deferred income of \$113,781 stated in the financial statements could not be ascertained. <li data-bbox="499 1256 1442 1653">5. The Council did not provide for employee entitlement in the statement of financial position for the year ended 31 December 2015, which is a departure from the requirement of paragraph 28 – Employee Benefits, of IFRS for SMEs. As a result, any adjustments which might have been necessary in respect of the provision of annual leave balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position could not be determined. <li data-bbox="499 1697 1442 1957">6. The Council recorded total revenue of \$442,862 in the Statement of Comprehensive Income for the year ended 31 December 2015. Included in this balance is business, trading and license fees of \$63,996. The Council was unable to provide detailed listing of business license fees to support the above balances. As a result, the accuracy and completeness of the total revenue balance of

Municipal Council	Qualification Issues
Tavua – 2015 (con't)	<p>\$442,862 reflected in the financial statements could not be ascertained.</p> <p>7. The Council did not maintain a certificate of the amounts collected from each parking meter as required by the Manual of Accounts for Municipal Councils in Fiji, section 7.7. Accordingly, the accuracy and completeness of the parking meter revenue amounting to \$11,279 reflected in the financial statements could not be ascertained.</p>
Levuka	Modified (Disclaimer of Opinion)
2012	<p>1. The Council did not comply with the requirements of IFRS for SME's Paragraph 28 – Employee Benefits by not recognizing employees annual leave due as at 31 December 2012. In addition, the Council did not account for trade payables, accruals and trade receivables in the financial statements for the year ended 31 December 2012 in accordance with the requirements of Paragraph 2.36 of the IFRS for SMEs.</p> <p>Furthermore, the Council did not include in its financial statements various accounting policies in the Notes to the Financial Statements in accordance with the requirements of IFRS for SME's Paragraph 8 – Notes to the Financial Statements and related party transactions as required by Paragraph 33 – Related Party Disclosures. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of IFRS for SMEs.</p> <p>2. The Council was unable to provide the VAT reconciliations and relevant supporting documentations to support the VAT receivable balance of \$8,563 recorded in the Statement of Financial Position. In addition, the Council did not lodge VAT returns during the financial year 2012. VAT returns for the financial year 2012 were lodged in the year 2014. Consequently, the completeness and accuracy of the VAT receivable balance of \$8,563 recorded in the financial statements could not be ascertained.</p> <p>3. The Council was unable to provide the basis on which the value for Property, Plant and Equipment totalling \$3,940,310 were brought into account upon transition to IFRS for SMEs. In addition, the Council did not provide details of office equipment with written down value of \$23,730 as reported in Note 10 to the financial</p>

Municipal Council	Qualification Issues
Levuka – 2012 (con't)	<p>statements. Furthermore, detailed listings, payment vouchers and supplier invoices to support the additions to property, plant and equipment of \$88,089 as disclosed in Note 10 to the financial statements were not provided. Consequently, the accuracy and completeness of the total property, plant and equipment balance of \$4,007,621 recorded in the financial statements could not be ascertained.</p> <p>4. The Council recorded loan balance of \$5,475 in the statement of financial position as at 31 December 2012. The Council was unable to provide the details of the loan and loan reconciliation which was necessary to confirm the existence and completeness of the balance. As a result, the accuracy of loan balance of \$5,475 recorded in the financial statements could not be ascertained.</p> <p>5. The Council received government grant totaling \$400,000 for heritage work during the financial year. As at 31 December 2012, the Council expended \$248,891 from the grant funds. The Council was unable to provide appropriate supporting documents such as payment vouchers, supplier invoices, and supporting documents to support the expenses incurred from the government grant. As a result, the accuracy of government grant bank account balance of \$151,109 recorded in the financial statements could not be ascertained.</p> <p>6. The Council was unable to provide the reconciliation and relevant supporting documents to substantiate the amortization of deferred grant for the year amounting to \$172,580 as reported in Note 6 to the Financial Statements. In addition, the Council has not disclosed the nature and amounts of government grant recognized in the financial statements and unfulfilled conditions and other contingencies attaching to the government grant that have not been recognized in income. Furthermore, the accounting policy on deferred income as disclosed on Note 2.5 to the Financial Statements are not in accordance with paragraph 24 of the IFRS for SMEs. Consequently, the accuracy of the deferred income balance of \$227,420 recorded in the financial statements could not be ascertained.</p> <p>7. The Council was unable to provide detailed listings, subsidiary records, and reconciliations to substantiate the business and</p>

Municipal Council	Qualification Issues
Levuka – 2012 (con't)	<p>trading license fees of \$24,160, rates of \$110,733, garbage fees of \$21,457, market fees of \$2,496, and stand fees of \$10,082. In addition, the Council did not provide acquittals and supporting documentations to substantiate the grant income of \$172,580. The Council was also unable to provide the details and reconciliations to substantiate the variance of \$6,092 between the rent listings provided by the Council and the amount reported in the financial statements. Furthermore, the Council recorded revenue on cash basis of account. Consequently, the accuracy and completeness of the total revenue amount of \$397,772 recorded in the financial statements could not be ascertained.</p> <p>8. The Council was unable to provide the annual pay reports, employee signed timesheets and reconciliations to support wages and salaries of \$170,951 disclosed in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2012. As a result, the accuracy of the wages and salaries amount of \$170,951 recorded in the financial statements could not be ascertained.</p> <p>9. The Council recorded other operating expenses of \$269,399 in the Statement of Profit and Loss. Included in the balance is payments for various goods and services totaling \$72,853. The Council was unable to provide appropriate supporting documents such as payment vouchers, supplier invoices and supporting documents for journal adjustments made to the general ledger to support the expenses. As a result, the accuracy and completeness of the operating expenses amount of \$269,399 recorded in the financial statements could not be ascertained.</p> <p>10. The Council did not account for discount allowed on rates for the financial year ended 31 December 2012. Furthermore, relevant details and records for discount allowed was not provided by Council. As a result, any adjustments which might have been necessary in respect of the discount allowed on rates and any corresponding adjustments to the elements making up the Statement of Profit or Loss and Other Comprehensive Income could not be determined.</p>

Municipal Council	Qualification Issues
Levuka	Modified (Disclaimer of Opinion)
2013	<p>1. The Council did not comply with the requirements of IFRS for SME's Paragraph 28 – Employee Benefits by not recognizing employees annual leave due as at 31 December 2013. In addition, the Council did not account for trade payables, accruals and trade receivables in the financial statements for the year ended 31 December 2013 in accordance with the requirements of Paragraph 2.36 of the IFRS for SMEs.</p> <p>Furthermore, the Council did not include in its financial statements various accounting policies in the Notes to the Financial Statements in accordance with the requirements of IFRS for SME's Paragraph 8 – Notes to the Financial Statements and related party transactions as required by Paragraph 33 – Related Party Disclosures. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of IFRS for SMEs.</p> <p>2. The Council was unable to provide the rates receivables listings, subsidiary records, and reconciliations to support the rates receivable balance of \$88,325 recorded in the Statement of Financial Position. Consequently, the completeness and accuracy of the receivables balance of \$88,325 recorded in the financial statements could not be ascertained.</p> <p>3. The Council received government grant totaling \$52,500 in 2013 for heritage work project. As at 31 December 2013, the Council expended \$399,062 from the grant funds. The Council was unable to provide appropriate supporting documents such as payment vouchers, supplier invoices and supporting documents to support the expenses incurred from the government grant. As a result, the accuracy of government grant bank account balance of \$53,438 recorded in the financial statements could not be ascertained.</p> <p>4. Detailed listings, payment vouchers and supplier invoices to support the additions to property, plant and equipment of \$43,480 as disclosed in Note 9 to the financial statements were not provided. In addition, the Council did not provide details of office equipment with written down value of \$23,441 as reported in Note 9 to the financial statements. Furthermore, no proper records have been maintained by the Council for fixed asset verification performed in 2013, thus alternative means could not be satisfied.</p>

Municipal Council	Qualification Issues
Levuka – 2013 (con't)	<p>Consequently, the accuracy and completeness of the total property, plant and equipment balance of \$4,026,454 recorded in the financial statements could not be ascertained.</p> <p>5. The Council recorded loan balance of \$4,975 in the statement of financial position as at 31 December 2013. The Council was unable to provide the details of the loan and loan reconciliation which was necessary to confirm the existence and completeness of the balance. As a result, the accuracy of loan balance of \$4,975 recorded in the financial statements could not be ascertained.</p> <p>6. The Council was unable to provide the reconciliation and relevant supporting documents to substantiate the amortization of deferred grant for the year amounting to \$112,308 as reported in Note 7 to the Financial Statements. In addition, the Council has not disclosed the nature and amounts of government grant recognized in the financial statements and unfulfilled conditions and other contingencies attaching to the government grant that have not been recognized in income. Furthermore, the accounting policy on deferred income as disclosed on Note 2.5 to the Financial Statements are not in accordance with paragraph 24 of the IFRS for SMEs. Consequently, the accuracy of the deferred income balance of \$167,612 recorded in the financial statements could not be determined.</p> <p>7. The Council was unable to provide detailed listings, subsidiary records, and reconciliations to substantiate the business, and trading license fees of \$26,737, rates of \$121,567, garbage fees of \$24,013 and stand fees of \$8,925. In addition, the Council did not provide acquittals and supporting documentations to substantiate the grant income of \$112,308. Furthermore, the Council was unable to provide satisfactory explanations/records to substantiate an unidentified adjustment of \$129,969 included in the total revenue balance. Consequently, the accuracy of the total revenue amount of \$474,644 recorded in the financial statements could not be ascertained.</p> <p>8. The Council was unable to provide the annual pay reports, employee signed timesheets and reconciliations to support wages and salaries of \$210,313 disclosed in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31</p>

Municipal Council	Qualification Issues
Levuka – 2013 (con't)	<p data-bbox="555 208 1433 327">December 2013. As a result, the accuracy of the wages and salaries amount of \$210,313 recorded in the financial statements could not be ascertained.</p> <p data-bbox="507 376 1433 725">9. The Council did not account for discount allowed on rates for the financial year ended 31 December 2013. Furthermore, relevant details and records for discount allowed was not provided by the Council. As a result, any adjustments which might have been necessary in respect of the discount allowed on rates and any corresponding adjustments to the elements making up the Statement of Profit or Loss and Other Comprehensive Income could not be determined.</p>

Appendix B: Abridged Financial Statements

For each Municipal Council, abridged financial statements are presented. The abridged statement of financial performance reflects revenue, expenses and net income while the abridge statement of financial position presents the council's assets and liabilities.

Sigatoka Town Council

Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Rates	360,427	360,494
Bus stand charges	14,121	14,884
Business license	117,429	126,576
Market fees	238,656	210,302
Garbage fees	114,277	93,796
Taxi stand fees	47,655	47,132
Parking meter	49,114	55,359
Public convenience	93,949	93,665
Government grant	108,109	40,093
Others	611,431	379,941
Total Income	1,755,168	1,422,242
Administrative and operating costs	816,132	624,389
Depreciation	107,090	101,545
Employees' salaries and wages	678,364	617,648
Finance Cost	65,997	88,622
Total Expenditure	1,667,583	1,432,204
Operating Surplus/(Deficit) for the Year	87,585	(9,962)

Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Cash at bank and on hand	474,147	303,929
Term deposits	68,711	66,992
Debtors	224,137	141,473
Advances, prepayments and deposits	18,143	14,291
Property, plant and equipment	2,657,224	2,622,226
Total Assets	3,442,362	3,148,911
Bank overdraft	77,452	55,657
VAT payable	53,907	58,097
Employee entitlement	10,556	19,942
Loan funds	884,765	968,826
Creditors and other accruals	201,235	96,391
Sundry deposits	64,317	63,917
Deferred income	1,860,316	1,716,207
Income received in advance	62,734	30,379
Total Liabilities	3,215,282	3,009,416
Net Assets	227,080	139,495

Rakiraki Town Council

Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Rates	43,199	63,323
Business, trading and other licenses	55,515	59,997
Market fees	39,822	43,211
Garbage collection fees	13,970	18,066
Bus station/commercial/taxi	47,211	42,285
Public convenience	20,012	22,641
Government grant	300,778	1,343,953
UNDP grant	---	1,120,000
Other revenue	56,409	68,198
Total Income	576,916	2,781,674
Administrative and operating expenses	430,932	622,252
Depreciation	25,300	24,311
Salary and wages	220,495	220,182
Finance Cost	355	210
Total Expenditure	677,082	866,955
Operating (Deficit)/Surplus for the Year	(100,166)	1,914,719

Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Cash and cash equivalents	112,127	1,197,974
Trade and other receivables	193,178	380,214
Property, plant and equipment and intangible assets	5,682,915	4,523,385
Total Assets	5,988,220	6,101,573
Trade and other payables	191,515	204,702
Total Liabilities	191,515	204,702
Net Assets	5,796,705	5,896,871

Ba Town Council

Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Rates	545,174	559,687
Business, trading and other license fees	167,116	158,630
Rent from Council properties	661,003	657,850
Market fees	350,080	269,858
Bus station	30,210	29,810
Municipal car park	182,863	182,594
Government grant	1,121,018	60,958
UN Women grant	---	30,679
Parking meter income	18,757	23,221
Others	158,019	131,233
Total Income	3,234,240	2,104,520
Personnel expenses	1,011,034	919,025
Depreciation	271,018	230,812
Repairs, maintenance and upgrading	426,549	292,949
Motor vehicle related expenses	85,568	127,723
Garbage services	94,522	54,451
Electricity and water	92,077	80,776
Development of Clopcott settlement	204,902	---
Other expenses	555,915	508,196
Interest	86,791	88,567
Total Expenditure	2,828,376	2,302,499
Operating Surplus/(Deficit) for the Year	405,864	(197,979)

Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Cash at bank and on hand	1,531,328	1,152,187
Trade and other receivables	914,910	1,109,435
Property, plant and equipment	21,238,318	21,172,638
Total Assets	23,684,556	23,434,260
Creditors and borrowings	292,228	263,532
Interest bearing borrowings	1,861,296	2,009,224
Provisions	31,183	21,949
VAT payable	203,000	178,796
Deferred grant	5,328,002	5,411,255
Total Liabilities	7,715,709	7,884,756
Net Assets	15,968,847	15,549,504

Tavua Town Council

Abridged Statement of Financial Performance

Description	2015 (\$)	Restated 2014 (\$)
Rates	54,751	49,233
Business, trading and licence	63,996	67,888
Market fees and charges	85,557	88,358
Taxi, bus, and carrier stand fees	26,404	22,752
Rent from property	19,926	8,980
Government grant	141,156	306,800
Other revenue	51,072	52,376
Total Income	442,862	596,387
Depreciation and amortisation	84,280	66,442
Operating expenses	186,152	210,087
Personnel expenses	176,298	162,155
Finance cost	1,281	1,031
Total Expenditure	448,011	439,715
Operating (Deficit)/Surplus for the Year	(5,149)	156,672

Abridged Statement of Financial Position

Description	2015 (\$)	Restated 2014 (\$)
Cash and cash equivalents	115,057	105,559
Trade and other receivables	43,230	35,333
Property, plant and equipment	1,447,165	1,422,046
Intangible asset	8,766	10,957
Total Assets	1,614,218	1,573,895
Bank overdraft	1,749	1,452
Trade and other payables	97,745	67,576
Deferred income	113,781	98,775
Total Liabilities	213,275	167,803
Net Assets	1,400,943	1,406,092

Levuka Town Council

Abridged Statement of Financial Performance

Description	2013 (\$)	2012 (\$)	Restated 2011 (\$)
Rates	121,567	110,733	108,624
Business and trading license	26,737	24,160	21,659
Fees	44,648	40,278	29,875
Government grant	112,308	172,580	13,643
Rent	20,569	5,907	6,980
Hire charges	3,405	3,141	4,875
Other income	145,410	40,973	14,434
Total Income	474,644	397,772	200,090
Salaries and wages	210,313	170,951	126,609
Conservation fund expenses	---	65,000	---
Garbage fees	35,718	26,360	31,527
Repairs and maintenance	57,791	90,771	39,305
Depreciation	24,647	20,778	17,690
Finance costs	378	715	-
Other expenses	45,523	87,268	34,652
Total Expenditure	374,370	461,843	249,783
Operating Surplus/(Deficit) for the Year	100,274	(64,071)	(49,693)

Abridged Statement of Financial Position

Description	2013 (\$)	2012 (\$)	Re-stated 2011 (\$)
Cash at bank	93,069	151,698	---
Receivables	88,325	8,563	81,040
Property, plant and equipment	4,026,454	4,007,621	3,940,310
Total Assets	4,207,848	4,167,882	4,021,350
Overdraft	---	---	11,432
Deferred income	167,612	227,420	---
Payables	---	---	4,885
Loan	4,975	5,475	5,975
Total Liabilities	172,587	232,895	22,292
Net Assets	4,035,261	3,934,987	3,999,058

Appendix C: Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws.
Audit evidence	Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information.
Audit Memorandum	Management Letter highlighting areas where improvements can be made by an entity following an audit.
Audit Strategy	The strategy that sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan.
Business continuity risk	Business interruption can result from natural occurrences and accidental or deliberate criminal acts. Those interruptions can have significant financial and operational ramifications. Over time, an organization will experience an event that will result in the loss of information, access to properties (tangible or intangible), or the services of personnel. Exposure to those types of risks and the planning for business continuity is an integral part of an organization's risk management process.
Backlog	Accumulation of draft financial statements not submitted for audit. Draft financial statements prior to 2019 not submitted to Auditor-General for audit is taken as a backlog audit.
Capital works	Amount capitalized to the balance sheet for contributions by an entity to major assets owned by the entity, including expenditure on: <ul style="list-style-type: none"> • capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally • capital expansion which extends an existing asset at the same standard to a new group of users.
Deficiency	Failing, weakness or shortcoming.
Deposits from public	Deposits received from the public for specific purpose.
Depreciation	The systematic allocation of a fixed asset's capital value as an expense over its expected useful life to take account of normal usage, obsolescence, or the passage of time.
Disclaimer of opinion	The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion. It is therefore not possible to form an opinion on the financial statements.

Term	Definition
Express an opinion	A written expression of the auditor's overall conclusion on the financial report based on audit evidence obtained.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
Governance	Governance is defined as the manner in which those in vested authority uses its powers to achieve the institution's objectives, including its powers to design, implement and innovate the organization's policies, rules, systems and processes and to engage and involve its stakeholders.
Government grant for operating and capital expenses	This is financial assistance provided by the Government to the Municipal Councils for the operational and capital expenditures.
Impairment	When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.
Accounting Standards	Standards adopted by Fiji Institute of Accountants for financial reporting by large and medium entities in Fiji.
Management	Those with the executive responsibility for conducting the Council's operations.
Material misstatement	A significant difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Materiality	The size or nature of the item or error judged in the particular circumstances of its omission or misstatement. Information is material if its omission or misstatement could influence the economic decisions of users, taken on the basis of the financial statements.
Misstatement	A difference between the amounts, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.
Significant matters	Include control weaknesses which could cause or are causing severe disruption of the process or severe adverse effects on the ability of an auditee to achieve process objectives and comply with relevant legislation. It is likely that these issues may have an impact on the operations of the entities in future, if action is not taken to address them.

Term	Definition
Revaluation	The action of assessing the value of something again.
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.
Standards on auditing	International Standards on Auditing adopted by the Fiji Institute of Accountants and applied by the Office of the Auditor-General for audits carried out.
Valuation	The process of determining the fair value of an asset.
Value-adding	Financial or non-financial gains arising from improved compliance or mitigation of risks.



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