



**STANDING COMMITTEE ON PUBLIC ACCOUNTS
REPORT NO. 38 OF 2018**

***Report of the Public Accounts Committee on the Audits of
Municipal Councils for the year ended 31st December, 2014***



**PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No. 38 of 2018**

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Chair's Foreword

This report follows the Report of the Auditor-General of the Republic of Fiji – Audit Report on Municipal Councils – December 2014. This is my sixth report as the Chair of the Standing Committee for Public Accounts.

The report identified audit issues within seven town councils within the audit years 2009-2013. Due to the timeframes involved, most issues have been resolved.

Two serious outstanding issues involving Savusavu Town Council and Ba Town Council have been identified, and have been referred to FICAC for further investigation. Letters of referral are attached in Appendix 1 of this report.

All responses received from Councils in 2017 have been attached in Appendix 2, showing many of the issues raised during the audit process could have been addressed at the time, rather than being reported on for a further 5-8 years. Both the Office of the Auditor-General and the relevant Councils can reflect on this for the future.

What was clearly evident throughout this inquiry was the challenge for Council's to modernise accounting systems on limited resources. Transitioning to international accounting standards, and transitioning all road assets to the Fiji Roads Authority, were both major issues throughout the audit period. In correspondence received in 2017 and 2018, both these major challenges now look complete.

PAC has made one recommendation. In previous work, PAC has noted the general improvements occurring across all-of-Government in public sector accounting involving Ministries and Agencies. In Fiji, Councils have not been included in this process, and do not have access to, or reporting requirements from, FMIS and the Ministry of Economy.

Standards, however, should be the same. It is still 'other people's money' that is being handled by Council's, and standards of accounting and reporting need to improve. This is more important, not less important, when resources are limited. No money can go unaccounted for on a limited budget.

PAC is of the view a major reason for public sector financial management improvement across all-of-Government is due to the leadership role taken by central agencies in strengthening human capacity alongside the new FMIS technology. It is the human capacity improvement that is more important than technology improvement in improving public sector accounting. This has taken a lot of combined work across all agencies.

Councils, and the central Department of Local Government can learn from this all-of-Government process currently underway over the past five years. Leadership is required from the Department in developing consistency in reporting, and capacity building within each Council. The central Ministry of Economy can also provide full support to the Department of Local Government to ensure this occurs.

In order to drive this reform process, PAC has agreed to host a two-day roundtable with the Ministry of Economy, Department of Local Government, Office of the Auditor-General, and key Council finance representatives, in order to ensure a process is in place for the future that develops consistency of reporting and auditing, alongside

capacity building of key staff.

I would like to thank all involved in the hearings and submissions for this inquiry, including all Council representatives and the Office of Audit General. As always, I would like to thank the Members of the Public Accounts Committee namely: Hon. Mohammed Dean, Hon. Alexander O'Connor, Hon. Aseri Radrodro, and Hon. Ratu Naiqama Lalabalavu, the alternate Members who made themselves available when the substantive Members could not attend, and the secretariat.



.....
Hon. Ashneel Sudhakar
Chairperson

CHAPTER 1: Introduction

Background

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

This Report looks at the Report of the Auditor General on the Municipal Councils for the year ended 31st December, 2014, Parliamentary Paper 1 of 2015.

Copies of the relevant Auditor-General's reports are available for perusal on the Parliament website www.parliament.gov.fj under "*Parliament Business*".

The following councils appeared before the Public Accounts Committee:

- Tavua Town Council;
- Savusavu Town Council;
- Sigatoka City Council;
- Nadi Town Council;
- Ba Town Council;
- Nausori Town Council;
- Lautoka City Council; and
- Suva City Council

Committee Recommendation

Due to the high number of issues raised by the Office of the Auditor-General in their 2014 report, and the high number of Council concerns about the same matters, the Public Accounts Committee has agreed to hold a two-day roundtable meeting before the end of the 2017/2018 financial year with the relevant Councils, OAG, Department of Local Government, and Ministry of Economy, to clarify many of the issues raised, and to ensure common (and consistent) practices occur in the future. PAC recommends participation by all parties to progress relevant Town Council's to the highest possible standard of public sector accounting under the International Financial Reporting Standard.

The Committee noted the continued release of Government grant to municipalities on a regular basis whilst at the same time the municipal councils failed to adhere to the requirements of the Local Government Act Section 51(1).

Committee Members

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

Hon. Ashneel Sudhakar MP, Chairman
Hon. Mohammed Abe Dean MP, Deputy Chairman
Hon. Alexander O'Connor MP (Member)
Hon. Aseri Radrodro MP (Member)
Hon. Ratu Naiqama Lalabalavu (Member)

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

Hon Ratu Suliano Matanitobua

Resource Persons

The Committee together with the officials from the Office of the Auditor General conducts public hearings in the Parliamentary precincts. The officials that assisted the Committee were:

OFFICE OF THE AUDITOR GENERAL:

Mr. Dineshwar Prasad
Mr. Jayant Ram
Mr. Amit Pal
Mr. Kuruwara Tunisalevu
Mr. Niraj Kumar
Ms. Unaisi Namositava
Ms. Nunia Michael

MINISTRY OF LOCAL GOVERNMENT, HOUSING & ENVIRONMENT:

Mr. Alipate Mataivilia

CONSULTANT(s)

Mr. Robert Oakeshott

TAVUA TOWN COUNCIL

The Council was established after being declared a town in 1992. As at 2014, it had a total of 253 ratepayers and 217 rateable properties in the town headed by an Administrator and a Chief Executive Officer. The Council is responsible for the provision and maintenance of a wide range of services for the benefit of the ratepayers within the defined town boundaries. Such services are financed through rates, fees and service charges. All capital projects are financed via external loans, which are repaid by the Council using a special loan rate levied onto the ratepayers.

Audit Opinion

The audit of the financial statements of the Tavua Town Council for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was given as the Council is a Municipal Council and its financial statements are required to be prepared in accordance with International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). Since audit recommended the adoption of IFRS for SME's, the Public Accounts Committee (PAC) welcomes the Council undertaking this reform.

The deficit in the General Fund Account decreased by \$455,879 or 97 % in 2013 compared to 2012. The improvement in the deficit position was mainly attributed to the decrease in depreciation costs as a result of transfer of roads, footpaths and drains to the Fiji Roads Authority.

Net assets declined by \$1,916,522 or 60% in 2013 compared to 2012. This was due to a significant decline in property, plant and equipment by \$1,935,773 or 61% as a result of the transfer of roads to Fiji Roads Authority.

For the purpose of ascertaining and determining the unimproved value of rateable land, every Council shall cause a valuation hereinafter called a general valuation, of all such land to be made at least once in every six years. Audit noted the last valuation on rateable land and building was done in 2002. The above anomaly indicates that the rateable land and buildings does not reflect its true value. Consequently, the Council may be charging lower land rates thus Council's revenues are not maximized.

SAVUSAVU TOWN COUNCIL

The Council was established after being declared a town in 1972. As at 2014, it had a total of 273 ratepayers and 495 rateable properties. The Council is responsible for the provision and maintenance of a wide range of services for the benefit of the ratepayers within the defined town boundaries. Such services are financed through rates, fees and service charges. All capital projects are financed via external loans, which are repaid by the Council using a special loan rate. Apart from these services required from the Local Government Act, the Council also provides other services such as collection of rubbish, cleaning of streets and Council drains and maintenance of streetlights.

PLEASE NOTE: As referenced in Appendix 1, the Public Accounts Committee has referred certain matters relating to Savusavu Town Council to FICAC for further investigation. As such, these matters are not considered as part of this report.

Audit Opinion

The audit of the financial statements of the Savusavu Town Council for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The issues qualified are as follows:

1. Included in the current liabilities are un-identified land sales deposits amounting to \$427,456. The Council failed to provide records, listing or reconciliations to substantiate these deposits. The audit was also not able to verify these deposits with any other alternative procedures. It was also not able to verify the existence and accuracy of these deposits. Accordingly, the Auditor General was not able to satisfy himself if current liabilities are fairly stated in the financial statements.
2. Included in the rate debtor's amount (Note 3) is Native Land Trust Board (NLTB) rates of \$64,341. A letter dated 30 June 2005 from the Ministry of Local Government, Housing, Squatter Settlement and Environment to all the Town Clerks required that all rates outstanding in relation to NLTB be waived. The directive was given following the amendments made to Local Government Act and specifically with reference to section 60(1) (a) "Rateable land" which exempts NLTB land not leased or licensed from paying general rates. The Council has not made any adjustment to its rate debtors account to comply with the directive of the Ministry.
3. Additionally, the Council failed to provide documentary evidence to substantiate accounts receivable from tenants of \$32,006 and sundry debtors of \$16,327. Accordingly, the Auditor General was not able to satisfy himself if the total receivable of \$293,064 is fairly stated in the financial statements.
4. The Council has not provided any provision for doubtful debts for its rates debtors

totalling \$293,064. If a charge of doubtful debts was recorded, it would result in a decrease of net surplus in the Statement of Income and Expenditure of General Fund. Accordingly, the Auditor General was not able to satisfy himself if the receivables and net surplus amounting to \$293,064 and \$59,216 respectively are fairly stated in the financial statements.

The Council recorded a surplus of \$115,511 in 2009 compared to a deficit of \$72,260 in 2008. This was due to the increase in revenue by 12% and effective control exercised over expenditure which resulted in a decline in expenditure by 22%.

The net assets recorded by the Council in 2009 increased by \$36,210 or 153% compared to 2008. This was mainly due to the increase in property, plant and equipment by \$51,662 or 8% in 2009.

Issues of concern in 2014 audit

1. Failure to produce documents for audit

For the purpose of any audit, an auditor may by notice in writing require any person to produce any document of relevance to the audit. Unfortunately, the Council failed to produce some important documents and records for audit (refer to Table 2.1 of the Audit Report).

As at 31 December 2009, the Council's current liabilities exceeded its current assets by \$420,058, which was an increase by \$5,170 from \$414,888 as at 31 December 2008. Continuous poor working capital will expose the Council to risk of going concern. Additionally, the Council may face difficulties in settling its debts as and when they fall due. The Council must consider ways to improve its working capital.

2. No approval to use funds from land dealings account

The Council may, with the approval of the Minister, from time to time transfer to the general account any cash surplus remaining to the credit of any separate account which the Council is obliged or authorised by law to keep shown the money's accruing from any public works or trading undertakings executed, maintained or carried on by the Council or may transfer the whole or any part of such surplus to a separate account for the maintenance or renewal of such works.

Review of movement in land dealing account revealed that \$10,000 was withdrawn through cheque number 223 and paid to Public Works Department for construction of Shiu Chand Road. The audit was however not provided with the approval from the Ministry of Local Government allowing the Council to use this fund for the road upgrade.

The anomaly implies that the Council has breached the Local Government Act undermining the authority of the line Ministry. Unauthorised use of the cash from land dealings account increases the risk of abuse of funds of a special purpose account. The Council should ensure the approval to use the funds is obtained from the Ministry of Local Government.

The Council should ensure that all reconciliations are accurate and that amounts or balances recorded agree with the other records and the financial statement.

3. Un-alienated native land rates not adjusted

Native Land Trust Board (NLTB) rates on un-alienated land should be waived. A letter dated 30 June 2005 from the Ministry of Local Government, Housing, Squatter Settlement and Environment was sent to all the Town Clerks advising them that all rates outstanding in relation to unalienated land administered by NLTB be waived. The review of the rate receivable listing revealed that the Council has not made any provisions in its rate debtors to account for this adjustment. The total rates levied in this instance was \$64,631 which is very significant compared to the total rates receivable of \$222,233. The receivable of \$293,064 may not be fairly stated in the statement of financial position.

4. Variance in revenue as per financial statements and VAT lodgements

Audit of the Value Added Tax of the Council revealed a variance of \$37,008 in vatable revenue between the financial statements and the VAT lodgements. The variance either indicates that the Council has not disclosed all revenue subject to VAT in the VAT lodgement or the Council has overstated the revenue in the financial statements. The Council should investigate the variance above and ensure that all VAT related transactions are identified and accounted properly.

5. No interest charged on outstanding rates

Any rates which are overdue shall bear interest at the rate of 11% per cent per annum and such interest charges shall be included in the expression "rates". Audit noted that no interest was charged on outstanding rates on the following ratepayers. 11% interest is supposed to be charged on the balance at the end of the year. The Council has not complied with the Manual of Accounts. Additionally, not charging of interest deprives the Council of receiving additional cash flow. The Council should ensure that interest is charged to all outstanding rates

6. Failure to exercise due diligence in selecting contractors

The audit noted that the Council failed to properly assess bidder's information in

awarding the streetlight contract during the financial year.

In 2009 the contract for streetlight repairs was awarded to Xpro Electrical Works. Upon signing the contract, the Council noted that Xpro Electrical Works employees were neither authorised nor competent to access the FEA pole and did not possess a workman's compensation policy.

In addition, the audit noted that following issues after review of the tender and contractors' files:

1. the second bidder to the contract was only rejected since it was geographically not located in Savusavu;
2. the Contractor failed to clean streetlights as stated in the Contract;
3. the Contractor failed to attend to requests on time;
4. and the Contractor did not comply with OHS requirements. Failure to properly assess bidders for contractual work could result in inefficient delivery of services to the Council. Additionally, the Council may incur additional costs and time to align loop holes in the contractual agreement.

SIGATOKA TOWN COUNCIL

The Sigatoka Town Council was established in 1972 under the Local Government Act which provides for the constitution of the town council and the manner in which it may function, levy and collect rates, exercise powers and expand funds. The services provided by the Council include the issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation services, lighting, drainage and maintenance of parks and gardens. Revenue generated by rates, issuance of business license and rents received from Council's properties are used to finance the above services as well as the administrative expenses of the Council.

Audit Opinion

The audit of the financial statements of the Sigatoka Town Council for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion. The bases for the disclaimer of opinion are as follow:

1. The Council was unable to provide any supporting documentation to substantiate the existence of sundry deposits amounting to \$57,817 as stated in the Statement of Financial Position. Accordingly, the Auditor General was not able to satisfy himself if the sundry deposits balance is fairly stated in the Statement of Financial Position.
2. Sigatoka Town Council is a Municipal Council and the Financial Statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general purpose financial statements.

Accordingly, the audit was unable to determine the impact on the financial statements of the Council if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

The Council recorded a deficit of \$505,677 in 2013; an increase of \$327,257 or 183% compared to the amount reported in 2012. This was mainly attributed to the increase in other expenditure by \$299,244 or 68%.

The Council recorded negative net assets of \$114,814 in 2013 compared to a positive net asset of \$390,863 in 2012. The occurrence of a negative net asset is attributed to the huge reduction in cash at bank by \$510,240 or 77% due to a payment of \$409,970 made to the Fiji Roads Authority.

Issues raised by Audit

1. Non-Adoption of International Financial Reporting Standards for Small Medium Enterprises

Every Council shall keep proper accounts and records which shall be kept in accordance with the accounting standards approved by the Fiji Institute of Accountants. Smaller Accounting entities will, following FIA's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn. The audit noted that the Council failed to prepare its annual financial statements under IFRS for SMEs. Thus, the annual financial statements prepared are contrary to the instruction stipulated in section 47 of the Local Government Act. The Council should work towards the adoption of IFRS for SMEs in preparing the financial statements.

2. Lack of Separation of Duties

Separation of duties is an important form of internal control. Its objective is to ensure that duties are assigned to individuals in a manner such that no one individual can control a process from start to finish. It provides a complementary check by another individual by allowing an opportunity for someone to catch error before a transaction is fully executed and/or before a decision is made based on potentially erroneous data. In addition, having adequate separation of duties reduces the 'opportunity' factors that might encourage an employee to commit fraud or to embezzle. When the duties cannot be sufficiently segregated due to the small size of a unit, it is important that mitigation controls, such as detailed supervisory review of the activities, be put in place to reduce risks.

The audit noted that the payments clerk/cashier is responsible for cash receipting, preparation of banking, writing of cheques, preparing payment voucher, maintaining and updating creditors and debtors' subsidiary ledger, and maintaining and updating of cash book. From the review of duties performed by the accounts officer, it was revealed that there is no separation of duties in the area of receipting and banking. Furthermore, no evidence existed that the officer's work was being reviewed and checked by an independent authorised officer. The anomaly poses a risk in that cash could easily be mismanaged and concealed without being detected.

The Council should separate the duties of receipting and banking and writing of cheques and preparation of payments voucher, and ensure that there is supervisory checks and reviews in the handling of cash.

3. Journal vouchers not supported

Journal voucher system is an important internal control measure to record and report all accounting adjustments and transactions of non-cash in nature. All general journals must be adequately supported with supporting documents.

The Council passed general journal entries in the general ledger during the year. However, audit was not able to sight supporting documentation for general journals that was selected for inspection. Further review of general journals revealed that the council does not maintain journal voucher system for documenting and approval of the journal.

Non-preparation of supporting documents for journal vouchers increases the risk of unauthorized or fraudulent entries passed in the general ledger to conceal fraud.

The Council should ensure that a journal voucher system is implemented to record all non-cash transactions and accounting adjustments made during the year.

General Ledger

The book of the final entry is the ledger. Depending on the extent of mechanisation or computerisation the ledgers may be handwritten or machines produced or even a mixture of the both. It is not unusual to come across a general ledger kept by hand by one person and personal or debtors and creditors ledgers produced by another person on a machine. Where such subsidiary ledgers are kept, it is important to have control accounts in the general ledger. However books of final entry such as ledgers and rate registers and also the minute book should be retained indefinitely.

The accounting general ledger is a report that provides a detailed description of every general ledger account and the transactions that make up the balance in that account. The general ledger holds all the financial information used to create the income statement and balance sheet reports, and serves several main purposes in the financial operation of the business.

The review of the general ledger revealed the following anomalies:

- a) Variances were noted between some revenue accounts as per financial statements and the general ledger. The audit was informed by the Manager Finance that listing was used to post entries in the financial statements. Audit was further advised by Manager Finance that it is a past practice to prepare financial statements in this manner.
- b) Some debtors balance recorded in the debtors' listings were paid off during the financial year but were not updated.
- c) A variance of \$1,800 was noted between the monetary contribution balance

reported in the financial statements and the balance as per listing and general ledger.

- d) Variances were also noted between the opening balance of some debtor accounts in the general ledger and closing balance as per the 2012 audited accounts.
- e) Council was not able to provide evidence as how amount owed by DISMAC in 2012 of \$27,318 was adjusted to nil balance in 2013. Audit did not cite any receipt of payment from DISMAC or any approval for write off, of this debtor in 2013.
- f) Review of Council's property, plant and equipment (PPE) revealed that the Council has no general ledger for (PPE). The audit further noted that posting to the financial statement is done from the fixed assets schedule.

The errors and omissions from the general ledger for significant accounts increase the risk of incorrect financial accounting. This increases the risk of the Financial Statements being materially misstated. Furthermore, lack of proper audit trail may result in manipulation of accounting data posted to the financial statements.

NADI TOWN COUNCIL

The Nadi Town Council was established under the Local Government Act (Cap 125 Rev. 1985) and section 5 of the Subsidiary Legislation. The Nadi Town Council is divided into three wards, Namaka, Martintar and Nadi. The Council's daily operations are administered by the Special Administrator appointed by the Ministry of Local Government. The services provided by the Council are issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation services, lighting, drainage and maintenance of parks and gardens. Revenue generated by rates levied, issuance of licences, rents received from Council properties and miscellaneous revenue are used to finance the above services as well as to meet the administration expenses of the Council.

Audit Opinion

The audit of the financial statements of Nadi Town Council for the year ended 31 December 2012 resulted in the issue of a qualified audit report. The issues qualified are as follows:

1. Included in property, plant and equipment (Note 4) are roads and footpaths with written down value of \$14,909,315 as at 31 December 2012. All Municipal roads have been transferred to the Fiji Roads Authority (FRA) in accordance with the FRA Amendment Decree 2012. Consequently, property, plant and equipment are overstated in the financial statements.
2. Appropriate reconciliations and records were not provided to substantiate miscellaneous debtors of \$81,562 as at 31 December 2012. Additionally, there is an un-reconciled variance of \$212,042 between VAT receivable general ledger and Statement of VAT account from FRCA. Accordingly, the audit was not able to satisfy itself about the valuation and completeness of the receivables of \$1,754,484 as presented in the financial statements. Therefore, the audit was not able to confirm if the accounts receivable balance is fairly stated in the Statement of Financial Position.
3. There is an un-reconciled variance amounting to \$6,418 between the cash at bank as per the general ledger and the bank reconciliation statement for general fund account. Additionally, cash at bank balance as per financial statement of \$115,440 was not supported by general ledger. Accordingly, the audit was not able to satisfy itself if the cash at bank is fairly stated in the Statement of Financial Position.
4. Included in current liability (note 7) are sundry deposits of \$706,930 as at 31 December 2012. The Council failed to provide a detailed listing for these deposits. Consequently, the audit was not able to perform necessary audit procedures or any other alternative audit procedures to verify its existence and valuation. Accordingly,

the audit was not able to satisfy itself if current liabilities of \$1,270,385 are fairly stated in the statement of financial position.

5. Un-reconciled variance of \$722,823 exists between the Council's rates listing and the income statement in respect to general rates. Additionally, appropriate listings and reconciliations were not prepared for Council's other revenues such as Business and trading fees, Rental income and taxi and carrier charges. Consequently, the audit was unable to satisfy itself regarding the completeness and accuracy of these revenue accounts in the general ledger. Accordingly, the audit was unable to satisfy itself if total income of \$2,436,301 is fairly stated in the statement of income and expenditure for general fund.

Without further qualifying the audit opinion, attention was also drawn to the following matters:

1. The value of parking meters has not been incorporated in the Statement of Financial Position as at 31 December 2012. The audit was not to ascertain the value of these items due to lack of supporting documentations.
2. Included in the Statement of Financial Position under Receivables is an account, Enforcement, & Parking Meter Infringement amounting to \$43,717. The Council has not successfully obtained the legal rights over the receipts of the infringement fines which are collected by Land Transport Authority. The Council is still negotiating with LTA relating to this matter.
3. Included in Statement of Financial Position under Parking Meter Fund is Cash at bank amounting to \$62,471. The Council records this balance through a book entry by adding the opening accumulated funds to the surplus made by Parking Meter Account. The total is then subtracted from the General Fund Bank account to determine Parking Meter cash at bank balance. The Council does not maintain a separate cash book for this account.

The Council again recorded a deficit of \$339,506 on its General Fund Account in 2012; an increase of \$253,286 or 294% compared to the deficit recorded in 2011. The increase in the deficit amount was mainly attributed to increase in miscellaneous and contingency expenditures by \$173,193 and \$82,076 respectively.

Net assets decreased by \$339,506 or 1% in 2012 compared to 2011. The decrease was mostly attributed to the decrease in property, plant and equipment by \$338,572 or 1%.

Issues raised by audit

1. Roads, Drains and Footpaths not transferred to Fiji Roads Authority

Effective from 14 May 2012 all assets, interests, privileges, liabilities and obligation of Municipal Councils in relation to municipal roads shall be immediately transferred to and shall vest in the Authority without conveyance, assignment or transfer.

The audit noted from the review of Council's property, plant and equipment that the Council has not transferred the roads, drains and verges to Fiji Roads Authority (FRA) as at 31 December 2012. The carrying amount of these assets is \$14,909,315.

The Council has not complied with the Fiji Roads Authority (amendment decree) 2012. Consequently, value of property, plant and equipment is overstated by \$14,909,315 in Council's the statement of financial position.

OAG recommended Council should comply with the Fiji Roads Authority (Amended Decree) 2012 and transfer all assets in relation to municipal roads to FRA. Additionally, the Council should make necessary adjustments to its financial records after the transfer. Council has done the necessary adjustments in the 2013 audit.

2. Bank Reconciliation

The bank reconciliation should be checked by the supervisor to determine its timely preparation and that it contains no unusual entries requiring further investigation.

All cheques written by the Council and not presented to the bank after 6 months becomes stale and should be written back.

Despite having the bank reconciliation prepared and presented during the monthly meeting, the audit noted the following anomalies in bank reconciliation:

1. Independent reconciliation carried out noted that there was a variance of \$4,474 between cash book reconciliation and bank reconciliation.
2. Monthly bank reconciliations for the months of March and July were not signed by the Treasurer and Chief Executive Officer for the preparation and verification of the balances.
3. Bank reconciliation for Westpac account number 9803171579 was not prepared. The account had a balance of \$170,714

The above findings indicate ineffective control over the preparation and review of bank reconciliation. This may result in incorrect financial reporting and mismanagement of Council funds.

3. Anomalies in Value Added Tax

The net amount receivable or payable in respect of VAT should be included as part of accounts receivable or payable. Assets should be recorded net of VAT if the tax is recoverable.

It is imperative that the Council's VAT account should be reconciled on a monthly basis with the statement of VAT account issued by Fiji Revenue and Customs Authority. The monthly reconciliations would allow the Council to identify and rectify the understatement or overstatement of VAT input and VAT output in the VAT returns on a timely basis.

The review of the VAT revealed the following anomalies;

Variance amounting to \$212,042.21 was noted between the General Ledger and the independent reconciliation carried out by audit with the Statement of VAT account received from FRCA.

4. Discrepancies in debtors record

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

The following discrepancies were noted in the Accounts receivable balance amounting to \$1,760,706 reflected in the Financial Statement for the year ended 31 December 2012.

Included in Statement of Financial Position under Receivable is an account namely Enforcement and Parking Meter Infringement amounting to \$43,717. The Council has not successfully obtained the legal rights over the receipts of the infringement fines which are collected by Land Transport Authority. The Council is still negotiating with LTA relating to this matter.

Miscellaneous debtors amounting to \$81,562 was not supported with documentary evidence. According to the Manager Finance, this balance has been brought forward from previous years. In addition, the audit noted that a general journal amounting to \$29,457.81 was passed to reverse the 2011 creditors. The journal vouchers and the supporting documents were not provided for audit verifications.

The review of the ratepayers' statement revealed that some ratepayers have credit balances while some have large outstanding balances.

The copy of the rate notices for 2012 sent out to the ratepayers was not filed in the ratepayers' files.

Rent debtors increased by \$36,881 or 134% in 2012, hence indicating that the Council

policy for debt collection is ineffective. Lack of appropriate documentary records for enforcement and parking meter infringement and miscellaneous debtors account may result in inaccurate financial reporting. Furthermore, the Council may find it difficult to recover these deposit amounts in future.

Audit recommended all relevant documents should be produced for audit verification to substantiate the figures reported in the Financial Statement, the internal control procedures in the Accounts and Rate Collection division, specifically supervisory checks should be strengthened to avoid above discrepancies, and that the Council should ensure that any correspondence between the ratepayer and Council is filed in the ratepayers file.

Council responded to this by confirming they have started filing all the correspondence by the ratepayers into their individual files, and that the new Manager Finance has designed the new journal voucher and a copy of the journal is filed in the journal file and is also filed to the respective rate payers file. The yearly invoices are also filed in separate rate payers file in the year 2013. Each rate payer will have relevant documents in their file.

BA TOWN COUNCIL

Ba Town Council was established under the Local Government Act (Cap 125 Rev 1985) and section 5 of the Subsidiary Legislation. The services provided by the Council are issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation services, lighting, drainage and maintenance of parks and gardens. Revenue generated by rates levied issuance of business licenses, rents received from Council properties and miscellaneous are used to finance the above services as well as to meet the administration expenses of the Council.

PLEASE NOTE: As referenced in Appendix 1, the Public Accounts Committee has referred certain matters relating to Ba Town Council to FICAC for further investigation. As such, these matters are not considered as part of this report.

Audit Opinion

The audit of the financial statements of the Ba Town Council for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion as follows:

1. The Council is a municipal council and its financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, the Auditor General was unable to determine the impact on the financial statements of the Council if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.
2. Included in the Statement of Financial Position is term loan of \$2,632,926. As per the Fiji Roads Authority (FRA) Decree 2012, all loans taken by the Council for road purposes should be transferred to the FRA. Included in the term loan balance is loan amount of \$236,310 which the Council took specifically for construction and maintenance of roads in Ba. As at 31 December 2013, the Council has not transferred this loan balance to FRA. Consequently, the term loan balance of \$2,632,926 is not fairly stated in the financial statements.

Management attention is also drawn on the Council's loan with Fiji National Provident Fund of \$2,302,855. As at 31 December 2013, the Council defaulted on its loan repayment which is in arrears of \$324,822.

Issues identified by audit

1. Non – Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SMEs)

Every Council shall keep proper accounts and records which shall be kept in accordance with the accounting standards approved by the Fiji Institute of Accountants.

Smaller accounting entities will, following FIA's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.

Audit noted that the Council failed to prepare its annual financial statements under IFRS for SME. Thus, the annual financial statements prepared are contrary to the instruction stipulated in section 47 of the Local Government Act.

2. Non-Transfer of Loan to Fiji Roads Authority

All loans taken in relation to construction or maintenance of roads by the Council will be transferred to Fiji Roads Authority.

The Council has recorded a total term loan of \$2,632,926 in its financial statements. Including in that loan is loan balance of \$236,310 which was specifically taken for the construction and maintenance of roads. The Council has failed to transfer this loan balance to the Authority as at 31 December 2013.

The Council has not complied with FRA decree 2012. Additionally, term loan in the financial statements is not fairly stated. Council has indicated the delay was due to other parties in the transfer, which subsequently occurred in early 2014.

3. Tavua and Ba end museum projects

The ledger account of each expenditure item or code should show the total budget approved by the Council at any time. The normal progression is initial budget at the beginning of the year, subsequent increases for additional needs and decreases for funds wired to other programmes. It is also imperative that proper planning is carried out before execution of any project.

The audit noted the following with respect to the creation of outdoor museums at both ends of the town entrance from the Kings Highway; There was no evidence of approval noted in the minutes of the Council to carry out this project; there was no feasibility study carried out prior to carrying out this project. Consequently, the Council had to remove the museum constructed at Tavua end as it was built on top of a sewer line and

obstructed the railways for locomotive trains transporting sugar cane to the Rarawai Mill; no approval was obtained from Fiji Roads Authority, Water Authority of Fiji and Fiji Sugar Corporation (for Tavua end) for access, right of way and site permit for construction; Improper records were kept by the Council for the cost of the construction for audit verification. Discussion with the Accountant revealed that most materials used in the project were provided by the general community of Ba free of costs. The Council in turn supplied the labour and construction ideas from its workforce. However, no evidence existed to substantiate these arrangements. The above anomalies indicate improper planning by the Council in the construction of the Museum.

4. Anomalies in property, plant and equipment

There should be periodical survey or stock-take, at least once a year, to determine the existence of the assets and their physical condition. At such surveys opportunity should be taken to report on deteriorating condition of any item and the provision made for proper maintenance, or even disposal to save further loss

Depreciation expense should be allocated to the asset across the year. Additionally, all negative written down values of the property, plant and equipment should be investigated and appropriate adjustment taken to adjust the difference.

The audit noted the following anomalies in the audit of property, plant and equipment; the Council did not carry out a board of survey for its assets as required by the Manual of Accounts for Municipal Council of Fiji; items of plant and equipment were not charged depreciation for the whole year.

5. Breach in FNPF Loan

Audit noted that the Council made four monthly loan repayments during the year instead of twelve. Consequently, a confirmation dated 30 June 2014 from the Fiji National Provident Fund to audit stated that the Council had breached the term of the mortgage by not meeting its repayment schedule. As at

31 December 2013 the loan was in arrears of \$324,882.30 which incurred accrued interest charge amounting to \$199,423.

The Council has not complied with the loan agreement and would find difficulty in obtaining any further financing assistance from the Fund in future. Additionally, the Council could lose its assets pledged as securities if it continues to default on the loan repayments.

6. Value Added Tax

It is imperative that the Council's VAT account should be reconciled on a monthly basis with the statement of VAT account issued by Fiji Revenue and Customs Authority. The monthly reconciliations would allow the Council to identify and rectify the understatement or overstatement of VAT input and VAT output in the VAT returns on a timely basis.

Our review of Council's VAT revealed a variance amounting to \$100,388 between the general ledger and the independent reconciliation carried out by audit with the statement of VAT account received from FRCA.

The above variance indicates that no reconciliation was prepared during the year between the general ledger and the statement of VAT account. Consequently, VAT in the financial statements is incorrectly reported.

NAUSORI TOWN COUNCIL

The Nausori Town Council was established under the Local Government Act (Cap 125 Rev 1985) and Section 5 of the Subsidiary Legislation. As at 2014, Council had a total of 2,855 ratepayers and 1,109 rateable properties in the Town. The Council's daily operations are administered by the Special Administrator appointed by the Ministry of Local Government. The services provided by the Council are issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation services, lighting, drainage and maintenance of parks and gardens. Revenue generated by rates levied issuance of licences, rents received from Council properties and miscellaneous revenue are used to finance the above services as well as to meet the administration expenses of the Council.

Audit Opinion

The audit of the financial statements of the Council for the year ended 31 December 2011 resulted in the issue of a disclaimer of opinion. The basis for the disclaimer of opinion is as follows:

1. Nausori Town Council is a municipal council and its financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, the Auditor General was unable to determine the impact on the financial statements of the Council if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.
2. The Council failed to provide a detailed Fixed Assets Register for audit. Consequently, the audit was not able to perform necessary audit procedures to substantiate the value and existence of property, plant and equipment (PPE). Accordingly, the Auditor General was not able to confirm if PPE of \$6,975,293 and the relevant depreciation charge of \$166,103 are fairly stated in the financial statements.
3. The Council's WINBIZ Rate System has not generated separate reports from 2007. As a result, special loan rates and street light rates were not appropriately disclosed in their respective accounts but included with general rates income in the General Fund Account contrary to section 47(2)(b) of Local Government Act.
4. Included in the Statement of Financial Position – General Fund is cash on hand amounting to \$15,022. Reconciliation or supporting documents were not provided to substantiate the existence of this amount at balance date. Accordingly, the Auditor General was not able to satisfy himself if cash on hand is fairly reported in the

financial statements.

5. Un-reconciled difference of \$143,217 existed for sundry creditors and accrual (note 7) between the general ledger and subsidiary listing. Additionally, un-reconciled variance of \$96,954 also exists between the general ledger for VAT and independent reconciliations of Statement of VAT account. The audit was not able to resolve these variances through any other alternative audit procedures. Accordingly, the Auditor General was not able to satisfy himself if the creditors and accruals of \$759,733 are fairly stated in the statement of financial position.
6. Included as part of current liability is sundry deposits of \$163,196 (Note 9). The Council failed to provide detailed listings or supporting documentation to substantiate the existence and valuation of these deposits. Thus, the Auditor General was unable to satisfy himself whether the sundry deposit of \$163,196 is fairly stated in the financial statements.
7. Stale cheques of \$30,860 were not written back to cash at bank general ledger. The Auditor General was not able to make the necessary adjustments to the account due to unavailability of appropriate supporting documents.
8. The Council failed to provide any reconciliation or listing for the general rates revenue of \$1,220,886. Therefore, the Auditor General was unable to confirm if the general rates are fairly stated in the statement of income and expenditure.

Council operation realised a deficit of \$77,536 in 2011 compared to a deficit of \$194,667 in 2010. The improvement was mainly attributed to the increase in revenue from rates by \$612,529 (101%) in 2011 compared to 2010.

Council's net assets decreased by \$77,537 or 1 % in 2011 compared to 2010. This was mainly attributed to the increase in trade creditors, accruals and provisions by \$252,921 and a decline in investments by \$158,480 during the year.

Issues identified by Audit

1. Non – adoption of International Financial Reporting Standards for Small Medium Enterprises

Every Council shall keep proper accounts and records which shall be kept in accordance with the accounting standards approved by the Fiji Institute of Accountants.

Smaller accounting entities will, following FIA's adoption of the IFRS for SMEs Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting

Standards (FASs) have been withdrawn.

The audit noted that the Council failed to prepare its annual financial statements under IFRS for SMEs. The annual financial statements prepared are also contrary to the instruction stipulated in section 47 of the Local Government Act.

Council has been working towards shifting to IFRS for SMEs from 2012. It is expected that from 2014 accounts shall be IFRS for SMEs adaptable. In 2012, the Treasurer had drawn up a program which had all Council properties valued late in 2012. However, work did not continue in second half 2013 due to management changes and work shall be completed in 2014.

2. Failure to carry out bank reconciliation

It is necessary to have the cash book balance reconciled with the balance shown in the banks records. This should be done at least once a month. Any continuing items causing a difference between the two records should be investigated and resolved.

Audit noted that the bank reconciliations were not carried out for the Garbage fund, Vehicle fund and Labourers fund accounts.

Non-preparation of the bank reconciliation is a significant breakdown in internal control over cash at bank. Additionally, balance stated in the balance sheet could be misstated due to errors or omissions not being detected on time.

Council has provided feedback they have been receiving Bank Reconciliation statement with cash book balances in its standing Finance Committee meeting from 2012. In 2011, Council management had been working towards reforming the Finance Department which included bringing structural adjustments to improve these areas.

3. Risk of debts becoming uncollectible

The Council should maintain an effective control on the collection of outstanding debts. This will ensure that the Council debts are timely collected.

The review of the sample of rates receivables revealed that \$164,906.52 or 7.29% of the total rates receivable amount is outstanding for more than 90 days.

The above shows that the Council may have an ineffective debt collecting policy. Additionally, the Council is exposed to doubtful debts.

Council has responded by indicating rates collection for 2011 had been improving compared to previous years following an introduction of Rates policy guideline. However, Council management noted that engagement of certain solicitors had become a costly exercise and lawyers were claiming high fees for taking cases to court. Emphasis on 2011 and 2013 (first half) had been to improve ratepayers' awareness and

collect rates. Defaulting ratepayers from the end of 2014 shall be taken through the legal process and first chance shall be given to solicitors practicing in Nausori. The Council has indicated the overall process of collection shall be strengthened and Local Government Act Cap 125 shall be strictly adhered.

4. Discrepancies in the debtors records

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

The following discrepancies were noted from the review of Council's Accounts Receivables for the year ended 31 December 2011; Debtor's reconciliation for the year was not prepared; Debtor's listings were not provided for outstanding rates, fees, charges and rents.

- a. Other receivables amounting to (\$4,124) was not supported with supporting documents. The above findings increase risk of incorrect financial reporting of accounts receivable balance. Recommendations The Council should ensure that:
- b. proper reconciliation of debtors is carried out by the Council so that variances between records and general ledger are identified and addressed on a timely basis.
- c. all relevant documents are produced for audit verification in order to ascertain that the figures reported in the Financial Statement are not misstated.
- d. It carries out its own inspection of individual debtor's records on a regular basis so that any anomalies are addressed on a timely manner.
- e. the internal control procedures in the Accounts and Rate Collection division, specifically supervisory checks should be strengthened to avoid above discrepancies.

Council has indicated they will commence a Subsidiary and General Debtors reconciliation from August 2014.

5. Value Added Tax

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 Commissioner a VAT return, in such prescribed form as may be approved by the Commissioner. It is imperative that the Council's VAT account should be reconciled on a monthly basis with the statement of VAT account issued by Fiji Revenue and Customs Authority. The monthly reconciliations would allow the Council to identify and rectify the

understatement or overstatement of VAT input and VAT output in the VAT returns on a timely basis.

The review of the VAT revealed the following anomalies;

- a. Variance amounting to \$96,954 was noted between the General Ledger and the independent reconciliation carried out by Audit with the Statement of VAT account received from FRCA.
- b. Monthly VAT reconciliations were not prepared by the Council in 2011.
- c. The Council failed to maintain copies of the VAT Lodgement Form for the months of August, October, and December.
- d. Review of the vat lodgements/returns revealed that the VAT return were not lodged for the months of February, March, April, May and June. In addition, there is no evidence of VAT return being lodged on the VAT return form, as there is no stamped "Received" from Fiji Revenue and Custom Authority on the VAT return form and VAT return form is not properly filled.

Failure to properly process, account and lodge for VAT may result in incorrect financial reporting and breach of statutory requirements. Furthermore, inaccurate and delay in lodgement of VAT returns could result in unnecessary penalties being imposed by the Fiji Revenue and Customs Authority.

The Council has indicated their VAT reporting has been upgraded since 2012.

6. Anomalies in the annual leave

A leave schedule in the prescribed form shall be kept in respect of every officer included in the officer's leave file. On the Leave schedule will be entered records of all leave granted to the officer commencing from the date he first joined the service. This leave schedule shall be produced upon demand for inspection by staff of the Public Service Commission, the Auditor General's Officer and Ministry of Finance. In the event of resignation, termination of appointment on any grounds or death of an officer, he or his representative shall be paid pro-rata compensation for, annual leave due to the officer up to the date of his resignation, termination, or death.

The review of the annual leave records revealed the following anomalies:

- a. Balance of annual leave days as per leave schedules maintained in the files does not agree with the balance as per annual leave listing.
- b. Employees who resigned or were terminated during the year had their annual leave

balance compensation calculated for the whole year instead of pro-rata basis. The anomaly may result in incorrect leave days used in determining the provision for annual leave liability for the year ended thus increasing the risk of overpayment of annual leave compensation to staffs.

Council has responded to these concerns by appointing a designated position to reconcile and maintain leave details which shall be matched with the Finance section on a quarterly basis.

9. Payments made to Abilesh Deo

Once it becomes apparent or is determined that supply of a particular item of stores or service will exceed a certain limit approved by the Council (\$10,000 is reasonable amount in the present circumstance), a contract for the year or specific supply should be considered. Every contract and every instrument in documents which a council is lawfully empowered to execute shall be deemed to be duly executed by or on behalf of the Council, if signed by the mayor or by the town clerk or by any one or more councillors duly authorised in that behalf by any resolution of the Council. Audit noted from the review of payment vouchers revealed that the Council engaged Abilesh Deo for chamber cleaning, post cleaning and painting, drain cleaning, sweeping of Rewa Bridge road patching, cutting grass. The following discrepancies were noted during the review of payments made to Abilesh Deo:

- a. the Council failed to obtain three competitive quotations nor a tender was called prior to the engagement of Abilesh Deo for the work carried out
- b. The Council engaged Abilesh Deo without any agreement and paid \$33,703.37. It was also noted that the Council wrote a several cheques amounting to \$14,411 to Abilesh Deo and the remaining \$19,292.37 to Abilesh Deo Maintenance. The above anomalies increase high risk of fraudulent activities relating to procurement of goods and services. Council has indicated this business is a small-scale enterprise all round contractor, introduced to Council in early 2010 by the then Technical Officer. In 2011, the business due to its availability had been given a few ad hoc works to improve services to ratepayers. Jobs given were on a temporary basis and discontinued from 2012. Ad hoc job scope included:
 - 1) Grass cutting and drain cleaning in town and Davuilevu ward. Existing contract signed by Council in 2008 for the two Wards had noted that in cases where signed contractors were in default then Council will hire a contractor and pay the dues as per contract in between Council and the two contractors. This temporary contractor was hired on a piece meal based on the same.
 - 2) Rewa Bridge cleaning and Highway Verges. Director National Roads had been funding for cleaning services and had demanded that Rewa Bridge be properly

cleaned including chambers (which had silt coverage to road level) due to non-cleaning from previous years.

- 3) Post Cleaning and Painting Post cleaning and painting of parking meters was carried under the supervision of the Parking Meter Supervisor after receiving quotations.

Records including requisition have been maintained by the Technical Section with briefs on activities presented in weekly Monday meetings. Contractors' issues from 2012 have been improved upon and by September 2014 we plan to have list of approved suppliers. Total supervisory control by Chief Executive Officer over procurements shall be activated from immediately.

10. Late submission of financial statements

An annual statement showing the financial position as regards the general and special accounts of municipal fund in a form approved by the Minister shall be prepared by the Council on or before 31 May in every year showing that assets and liabilities of the Council on 31 December immediately preceding year. The annual statements prepared by the Council shall be audited.

The Council did not meet the statutory deadline required under the Local Government Act for the submission of the 2012 draft annual financial statements for audit. The draft Financial Statement was received on 5 June 2013.

Delay in the submission of the draft annual financial statement for audit is a breach of the Local Government Act. Additionally, late submission of annual accounts for audit purposes indicate that the accounts are not prepared on a timely basis hence losing its relevance.

Council management has indicated it is working out a plan where all attempts are being made to have accounts audited before 31st December 2014.

11. Loan Rate & Street Light Account

A Council may make and levy special rates in all or any part of the municipality for the purpose of undertaking any works or services which may be lawfully undertaken by the Council or for the payment of interest and sinking fund of any loan raised by the Council for such purposes. Moneys raised on a special rate shall be accounted for separately in the books of the council and such moneys shall not be used for any other purpose than that for which the rate is imposed.

Section 47(2) (b) of the Local Government Act also requires that Councils should keep separate accounts of all monies raised as levied or appropriated or allocated to or held

for any special purpose.

Review of Loan rate and Street Light account revealed the following anomalies;

1. The Loan Rate account had a carried forward balance of \$393,555 from 2007. It was noted that the Council was receiving monies from the ratepayers however the same was not disclosed in the Statement of Income and Expenditure for the Loan Rate Fund Account. There was no movement in the account since 2007. Discussion with the Acting Treasurer during the audit revealed that since 2007 the Council could not generate separate reports for general and special rates. Thus, the amount for Special Loan Rate is not separately disclosed in the accounts.
2. Council's street light fund account has a carried forward balance of \$371,196 as at 31 December 2011. It was noted that the Council was receiving monies from the ratepayers however the same was not disclosed in the Statement of Income and Expenditure for Street Light Account. The above is contrary to Section 47(2) of the Local Government Act.

Council has responded to this concern by indicating proper separate accounts from August 2014 shall be presented in Monthly Finance Standing Committee meetings.

12. Fire Service Account

Section 10 of the National Fire Service Act states that on the date of its commencement all real and personal property of every fire brigade nested in the Board of Fire Commissioners of Suva and all Municipal Councils shall vest in the Authority without conveyance or assignment, subject to all charges, encumbrances, contracts, engagements, debts, liabilities, and powers of the Board of Fire Commissioners of Suva and Municipal Councils.

According to the legal opinion issued by the Solicitor General and Secretary for Justice on 3rd February 1997 National Fire Authority should be receiving all fire services levy collected by the Council since 1995.

Audit noted that the Council's Fire Service Account had a balance of \$32,791. According to the Acting Treasurer, the Fire service rate was collected by the Council prior to 1995, and is yet to be transferred to the General Account. However, audit could not substantiate whether the balance was in fact being carried forward from 1994 due to lack of appropriate documentary evidence.

Council may not be complying with the directive by the Solicitor General and Secretary for Justice.

Council has responded by indicating no funds have been allocated since 1995, as per Finance comments from 1995 that Council not to strike Fire rates. Now, however, Council has indicated Reconciliation will be made and Hon. Minister requested to transfer from special to General fund account.

13. Anomalies in accounting for property, plant and equipment

There should be periodical survey or stock-take, at least once a year, to determine the existence of the assets and their physical condition. At such surveys opportunity should be taken to report on deteriorating condition of any item and the provision made for proper maintenance, or even disposal to save further loss

While the ledger account for an asset will show its current balance, it is not convenient to include full identification details, and break-downs for each item making up the ledger account. As an example, for motor vehicles the ledger balance will show the total value of the asset but no information about individual vehicle. A further subsidiary record, called register of assets has been devised to record such additional information. For each item of fixed asset, the register should show the date of acquisition, certificate of title, lease or registration number, make, model and serial or engine number, and other identification as applicable to the particular item, initial cost, additions, disposals and the balance. For any periodical revaluation, the relevant evidence should be quoted in the register. It should also show the accumulated provision for depreciation for the item.

Depreciation means diminution in value. In accounting, it is decrease in value of fixed assets resulting from wear and tear caused by their usage over time. When an asset is purchase and used up in the organization for a number of accounting periods its cost is spread among such accounting periods. To do so a method is adopted so that the total cost less disposal value in the end is charged to the revenue over the period.

The following discrepancies were noted in the Fixed Asset records;

- a. The Council failed to maintain a Fixed Assets Register for its fixed assets.
- b. Due to insufficient documents provided, audit was not able to determine the total costs of Parking Meter assets.
- c. Depreciation expenses for the parking meter assets were calculated using the carrying amount instead of the total costs.
- d. Fixed assets purchased during the financial year were not depreciated, including some fixed assets purchased in prior years. The anomalies indicate ineffective control and lack of supervisory checks in the Account and administration section. This increases the risk that fixed assets may not be properly recorded and accounted for. Also, in the absence of proper annual board of survey and Fixed Assets Register the Councils' fixed assets are at risk of misappropriations.

Recommendations The Council should open a fixed assets register, and depreciate all assets from the time they are purchased.

14. Sundry deposits

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Sundry deposits of the Council are made up of deposits paid by tenants occupying Council properties, Bus, Taxi, Carrier and Mini Bus stands.

The following anomalies were noted in the recording of Sundry Deposits:

- a. Breakdown of deposits received from tenants were not provided for audit examination. Hence, the above deposits could not be substantiated.
- b. The Council failed to maintain individual Tenant files hence details of individual Tenants could not be substantiated as majority of the Tenants are operating within Council properties for many years.
- c. Car park deposit included interest and bank charges totalling \$10,045.58 and \$35.47 respectively for which no justification was provided for audit. Failure to maintain proper sundry deposit records may lead to dispute between the Council and tenants during the time of refunding deposits. Poor record keeping can also lead to poor decisions making.

Council has responded by indicating all tenants files shall be upgraded during the month of August 2014.

15. Tenancy agreement

The basis of any tenancy arrangement will be the agreement between the landlord and the tenant. This agreement or lease should be in writing, complete and all embracing. The responsibilities of the landlord and tenant should be clearly set out.

Audit was not provided with a copy of valid tenancy agreement for most of the Council's properties that was given for lease.

Discussion with the Assistant Treasurer revealed that the agreements have expired and the Council has given the file to solicitors for preparation of the new agreements.

In case of losses or damages to the properties, the Council may face the risk of bearing the full cost of the losses. Council has responded by indicating tenancy agreements and proper upkeep shall be maintained by the Finance department from August 2014.

LAUTOKA CITY COUNCIL

The Lautoka City Council is established under the Local Government Act which provides for the constitution of the city council and for the manner in which it may function, levy and collect rates, exercise powers and expend funds. It is responsible for the provision and maintenance of a wide range of services for the benefit of ratepayers within the city. Key services provided by the Council include:

- a. Provision and maintenance of transport related facilities, including roads, streets and footpaths, car parks and parking meters, street names;
- b. Provision and maintenance of recreational facilities, including street cleaning, garbage removal, mosquito control, upkeep of public convenience and stray dog control;
- c. Maintenance and regulation of the Lautoka Market and Bus Station; and
- d. Other various matters including overseeing of building and subdivision, issuance of business, trading and other licenses.

The city boundaries are defined under the Act, which also set out four wards comprising the city namely Veitari, Waiyavi, Simla and Tavakubu.

Audit Opinion

The audit of the financial statements of Lautoka City Council for the year ended 31 December 2012 resulted in the issue of a qualified audit report. The qualification issues were as follows;

1. The Council made several adjustments to the income and expense accounts amounting to \$1,481,148 and \$714,976 respectively through general journal entries. The Council failed to provide supporting documents for these journals for verification. Consequently, the Auditor General was unable to satisfy himself if these adjustments were correctly taken up in the general ledger and whether income and expenditure is correctly stated in the financial statements.
2. Un-reconciled variance of \$643,428 exists between the rate debtors' listing and general ledger. Consequently, the Auditor General was unable to satisfy himself if receivable of \$4,550,547 is fairly stated in the financial statements.
3. Included in property, plant and equipment (Note 10) are roads, drains and footpaths with written down value of \$45,898,723 as at 31 December 2012. All Municipal roads have been transferred to the Fiji Roads Authority (FRA) in accordance with the FRA Amendment Decree 2012. Consequently, property, plant and equipment are overstated in the financial statements.
4. Un-reconciled variance of \$727,745 exists between the PAYE annual summary and the general ledger for salaries and wages. Consequently, the Auditor General was unable to satisfy himself if salaries and wages of \$1,385,533 are correctly stated in the financial statements.

The Council's net surplus decreased by \$52,042 or 5% in 2012 compared to 2011 due to the increase in maintenance cost and salaries, wages and related payments by \$194,757 or 18% and \$123,430 or 10% respectively. The increase in these expenses was due to the increase in general maintenance undertaken for the parks and gardens, streetlight and street maintenance brought about by the impact of Cyclone Evans.

There was an improvement in the Council's net assets in 2012. Net assets increased by \$1,086,946 or 2% in 2012 compared to 2011. The increase in net asset is mainly attributed to the increase in the cash at bank and on hand by \$407,538 or 52% and the decline in term Loan by \$487,018 or 5%.

Issues identified by Audit

1. Roads, drains and footpaths not transferred to Fiji Roads Authority

Effective from 14 May 2012 all assets, interests, privileges, liabilities and obligation of Municipal Councils in relation to municipal roads shall be immediately transferred to and shall vest in the Authority without conveyance, assignment or transfer. The audit noted from the review of Council's property, plant and equipment that the Council has not transferred the roads, drains and verges to Fiji Roads Authority (FRA) as at 31 December 2012. The carrying amount of these assets is \$45,898,723. The Council has not complied with the Fiji Roads Authority (amendment decree) 2012. Consequently, value of property, plant and equipment is overstated by \$45,898,723 in Council's statement of financial position.

Council has responded by indicating that after the promulgation of FRA decree in 2012 the council continued to maintain the roads, drains and footpaths and the understanding was that the asset would be transferred after the MOU was signed off. The MOU was signed in January 2014.

OAG has further responded by indicating although the Memorandum of Understanding was signed in January 2014, the Fiji Roads (Amendment) Decree 2012, clearly states that effective from 14 May 2012 all assets, interests, privileges, liabilities and obligation of Municipal Councils in relation to municipal roads shall be immediately transferred to and shall vest in the Authority. Additionally, OAG confirmed the MOU was signed after the date of the financial statements hence the Council had sufficient time to adjust its financial statements.

2. General journal entries

To be reliable, information must represent faithfully the transaction and other events it either purports to represent or could reasonably be expected to represent.

Journal voucher system is an important internal control measure to record and report all

accounting adjustments and transactions of non-cash in nature. All general journals raised as at balance date should be numbered, authorized, must contain narrations and supporting documentations to support the journal entries of non-cash nature.

The audit was not provided with supporting documents to substantiate the journal vouchers raised during the year. Consequently, audit was not able to verify if journal vouchers posted to the general ledgers were properly authorized and was accurate.

The above practice increases the risk of unauthorized or fraudulent entries passed in the general ledger.

Council has subsequently indicated they have adopted Journal Vouchers. The journal voucher will pass through the check procedures before being posted to the General Ledger.

3. Provision for doubtful debts

The certainty that applies to cash in hand does not apply to the amount owing by debtors. Accordingly, it will 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.

The review of provision for doubtful debts noted that estimates have been used in calculating provision for doubtful debts recorded in the statement of financial position amounting to \$1,000,000. However, no listing of the amount or the method used in calculating allowance for un-collectability was provided for audit verification to evaluate the reliability and accuracy of the method used to estimate the provision.

The above increases the risk of incorrect financial reporting of allowance for un-collectability in the Financial Statements.

In 2014, Council has indicated their doubtful debt provision policy was being drafted, and was to be tabled with council for adoption as policy.

4. Increase in rate debtors

As soon as the rate has been made and publicly notified, the payment for it becomes due. The next requirement is for the town clerk on behalf of the council to send out a demand notice to each ratepayer. While payment by instalments is for the convenience of the ratepayer, a council could also resolve to give discount for prompt payment. This would mean some loss of rate revenue but at the same time the incentive gives earlier access to cash and saves work for the count on follow up of debtors. A council may also recover rates which have been levied under provisions of this act and payable to the council and payment of which arrear and also the costs of proceedings, if any, for

their recovery from a person liable to pay them, by action at the suit of the council in a court of competent jurisdiction.

The review of rates debtors noted that the rate debtors have significantly increased by 7.5% during the financial year. At the end of the financial year 2012, the Council has a significant number of rates in arrears.

The significant outstanding rates show that the current collection strategy being implemented by the Council may not be effective.

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

Council has responded by indicating all efforts are being taken to recover rates owed including legal action. For cases taken to the Small Claims Tribunal or the Magistrate Court, some of the ruling or awards for repayment arrangement made are not sufficient to simultaneously cover arrears and new rates, thus rates arrears keep on compounding

5. Debtors with significant balance

It is imperative that long outstanding debtor's balances are investigated and appropriate adjustments to provision for doubtful debt account is made to ensure debtors are fairly reported in the financial statements.

Scrutiny of the rates debtors account noted that some rate payers have significant outstanding balance as at 31 December 2012.

Discussions with the rates officer, Manager Finance and Administration Services, Director Finance and CEO, revealed the following in respect to the above assets;

- a. Housing Authority - the land is an undeveloped land, and there is some dispute to the land.
- b. Native Land Trust Board - The land is not given to the Council to develop by the land owners and is an undeveloped land.
- c. Pac Investment - the land is still with the Lautoka Lands Development.
- d. Dee Cees Property - the owner has died, and the property is vacant. It was further noted that all of the above properties are un-developed land. Rates are charged as the properties within the city boundary. The above indicates that the debts may not be recovered by the Council. This increases the risk of rates debtors balance being over-stated by the rates charged by the Council to the un-developed land.

Since the audit, Council has indicated they are taking legal actions to recover

outstanding debts and write-off will be the last resort.

Audit has also further responded, by indicating the audit was not provided with any documentary evidence to indicate that legal actions are being taken for long outstanding rate debtors.

6. Variance between general ledger and debtors listing

It is imperative that debtors' ledger is reconciled to the debtors listing to ensure that all debtors have been booked.

The audit noted that the Council did not prepare any reconciliation of receivables during the financial year. Furthermore, audit found that the rate debtors' amount in the rate debtors listing did not agree with the amount in the general ledger.

Un-reconciled rates debtors balance between the general ledger balance and the listing is directly caused by non-preparation of receivable reconciliation.

Council has responded by indicating the variance is for the rates debtors where difference between the individual rates ledger has been carried forward from previous years. The variance was due to discounts given, change in rate of VAT and write-offs that had not been reflected in both ledgers giving rise to difference between the two ledgers. Currently the council is reconciling individual rate accounts from subsidiary ledger to general ledger and final variance will be put forward to the Council for adjustments.

7. Accumulated leave

Officers will be eligible for leave at the rate of 15 working days for each completed year of service up to five (5) years and increased to 20 working days for those who have completed continuous service for five years and over, such leave may be accumulated by agreement of the Council.

The audit noted that the Council staff had excessive leave balances as at 31 December 2012.

The audit is of the view that such a significant amount of leave balance has arisen due to the poor leave administration which allowed staffs to accumulate their leave balance.

Audit further noted that the Council paid leave compensation to some of the officers upon resigning from the Council.

Poor administration of leave would allow staffs to accumulate leave balances resulting in un-necessary compensation of annual leave at a higher rate in future.

the audit was not able to ascertain whether Trade and Other Receivables balance of \$6,785,880 in Note 6 are fairly stated.

5. The Council had Inventories balance of \$466,636. The audit was not able to verify the existence and valuation of the Inventory as no stocktake was carried out by the Council. As a result, the audit was not able to ascertain whether the Inventory balance of \$466,636 is fairly stated in the Statement of Financial Position.
6. The Council made adjustments of \$16,229,810 to Investment Property balance. As a result, the Investment Property balance decreased to \$11,457,774. The Council did not provide details of this adjustment. The audit was not able to substantiate the correctness of Investment Properties balance totalling \$11,457,774 stated in the Statement of Financial Position.
7. The Council was not able to provide details of Accruals of \$2,416,194 (included in Trade and Other Payables) and Sundry Deposits of \$1,416,115. As a result, the audit was not able to verify the existence, completeness and accuracy of Trade and Other Payables balance of \$3,080,440 and the Sundry Deposits of \$1,416,115 stated in the Statement Financial Position.
8. The Council had a VAT Receivable balance of \$934,211 which was netted off against Accounts Payables. This is a departure from International Accounting Standard 1 section 32 which states that assets and liabilities, and income and expenses, shall not be offset unless required or permitted by a standard or an interpretation.
9. The Council recorded Interest on Overdue Rates totalling \$1,772,541 in the General Rate Fund – Operating Statements. The details of the Interest on Overdue Rates are maintained in Property Wise System. The audit was not able to trace Interest on Overdue Rates details from Property Wise System to the Navision Accounting System which maintains Council accounting records. As a result, the audit was not able to ascertain whether the Interest on Overdue Rates totalling \$1,772,541 have been accurately accounted for and disclosed in the financial statements.
10. The Council did not provide payment vouchers and appropriate supporting documents totalling \$1,237,597 for the year ended 31 December 2010 for audit verification. As a result, the audit was not able to ascertain whether the expenses totalling \$19,021,410 have been accurately accounted for and disclosed in the financial statements for the year ended 31 December.

The Council recorded a surplus of \$1,796,950 in 2010 compared to \$681,197 in 2009. The increase in operating result is the result of significant increase in interest income

and decrease in user maintenance costs.

The Council's operating surplus decreased to \$152,186 for its Parking Meter Fund in 2010 compared to \$403,475 in 2009. The decrease in operating surplus was due to decrease in parking meter collections and increase in management expenses.

The net assets of the Council improved by \$1,544,755 or 3.4% in 2010 compared to 2009. This was due to increase in the total assets by \$1,319,547 or 2.3% in 2010.

Issues identified by Audit

1. Incorrect Opening Balances

All amounts stated in the current financial statements should have audited opening balances. The movements in each account during the year should be included in the current year's calculations.

The audit noted that the Council did not include the audited opening balances for the Aid Granted Assets and Investment Properties in the financial statements for the year 2010. In addition, the Council did not include the movements in the Aid Grant Assets in the 2010 financial statements.

Financial statements did not match with the amounts stated in the Fixed Asset Register. The amounts in Note 11 of the financial statements were from the general ledger. The variances indicate that general ledger balance for Grant Aid Assets and Investment Properties were not reconciled with fixed assets register and the audited opening balances were not used for the calculation.

Council has responded to the concerns by stating they have noted the discrepancy in opening balances of the assets and the absence of proper postings in the fixed assets, and will look into the issue and will take appropriate steps to rectify the discrepancy.

2. Balancing Figure in Statement of Movement in Funds

The financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

The Council included an amount of (\$437,479) in the Statement of Movement in Funds as the effect of change in previous years. The Council did not provide supporting documents relating to the amount. The Council also did not provide disclosure notes in

the financial statements for the amount of (\$437,479) stated in the Statement of Movement in Funds.

The finding indicates that the amount stated in Statement of Movement in Funds is an amount used by the Council to balance its financial statements.

In the absence of supporting documents and disclosure notes relating to the amount of \$437,479 the audit could not ascertain the accuracy of the Statement of Movement in Funds.

Council has noted the amount of \$437,479 and has indicated they will further investigate the breakdown and relevance of the amount in the statement of movement of Funds.

3. Amounts Posted Manually in the Financial Statements

All figures in the financial statements are derived from the general ledger which is taken up in the Trial Balance. The Trial Balance is then used to prepare the annual financial statements.

The Council posted figures manually in the financial statements which did not appear in the Councils trial balance. As a result, the audit could not ascertain the accuracy of the amounts reported in the financial statements for Administrative and Operating Costs totalling \$6,760,172 and Health Services Department totalling \$428,420.

The finding indicates that the amounts reported in the two expenditure accounts were deliberately posted manually to balance the financial statements. Thus, the amounts reflected in the financial statements are incorrect.

Council has indicated they will ensure that correct amounts are posted in the general ledger and consequently the financial statements drawn from the trial balance. The Council has noted the seriousness and magnitude of the incorrect posting and will investigate on the figures.

4. Cash Flow Statement

It is essential that cash flow worksheets and reconciliations are prepared to form the basis of amounts stated in the cash flow statements.

The Council did not prepare a cash flow worksheet for the amounts reported in the cash flow statement. In addition, the Council did not prepare a detailed reconciliation of operating activities.

As a result, the audit could not substantiate the amounts stated in the cash flow

statement submitted by the Council for the year 2010.

Council has noted these concerns and has agreed to address this matter immediately.

5. Variance between Amounts in Trial Balance and the Financial Statements

Annual financial statements are prepared from the system generated trial balance. All the amounts appearing in the trial balance are to be correctly stated in the financial statements.

A review of the Council's 2010 financial statements revealed variances between the amounts appearing in the trial balance and the amounts stated in the financial statements.

As a result, the audit could not substantiate if the amounts were fairly stated in the Council's financial statements.

6. The Council may be over/under reporting its liabilities and expenses.

Council has responded by indicating this matter has been noted, and the Council will ensure that the financial statements reflect correct amounts which are derived from the trial balance.

7. Cash at bank

Monthly receipts and payments amounts in the general ledger should reconcile with the cash book and bank statements. The Council uses Navision accounting software to prepare its daily bank reconciliations.

The audit could not verify the monthly receipts and payments total in the general ledger due to unavailability of the cash receipts journals or subsidiary ledgers. According to the Acting Revenue Accountant, Ms. Archana Singh the general ledger and the cash receipts journal and cash book modules of the Navision accounting software were not inter-grated. As a result, the audit could not establish the total receipts and total payments for the year 2010 taken up in the Councils cash book reconciliation were correctly stated.

The Council noted the comments and indicated they will meet with the Software supplier and discuss ways to rectify the issue.

8. Trade Receivables

Supporting evidence is to be maintained for accounting entries. Subsidiary ledgers are to be updated as final records for all accounts including debtors. The standard

procedure is to keep a control account for debtors as well as an account for each debtor.

The balance of the debtor's control account must equal the total of the debtors' list, which represents the amounts owed by the individual debtors.

The Council did not to provide details of individual balances in the subsidiary ledger for each debtor. Therefore, the audit failed to ascertain the accuracy and completeness of the following balances appearing in the debtors control account. This indicates that proper and timely debtors reconciliations have not been performed. In the absence of proper reconciliation, the accuracy of debtors balance in the debtors control accounts cannot be ascertained.

The Council noted the comments and indicated they will look into the reconciliations of the general ledger control and subsidiary ledger of debtors' and ensure that a listing is maintained.

9. Rates Arrears Write-off

A Council may, in case of hardship, with the approval of the Minister write off rates which have been levied and any interest payable thereon in respect of rateable property, payment of which rates or interest is in arrears.

The Council wrote off arrears of rate amounting to \$219,876 in 2010. The Council failed to produce the approval from the Minister for Local Government to write off rates arrears amounting to \$219,876 for audit verification.

Hence the audit could not ascertain whether the writing off of the rates arrears was approved by the Minister for Local Government.

Council noted the comments and indicated they will ensure that proper records of approvals and Ministerial correspondences are kept.

10. Doubtful Debts

Doubtful debts should be provided for debtors who are highly likely to default payment of their accounts and become bad in a near future.

The Council provided provision for doubtful debt of \$1,532,578 in 2010 compared to \$1,791,797 in 2009.

The audit noted that the Council failed to provide a list of debtors for which provisions were made. In addition, the audit noted that the Council did not have any policy on providing for provisions for doubtful debts.

Furthermore, the audit noted that the Council did not consult the Minister for Local Government on the amount and arbitrarily decided \$1,532,578 to be provided for doubtful debts.

The finding indicates that proper process was not followed before creating the provision of \$1,532,578 in 2010 accounts.

As a result, the audit could not ascertain whether the amount provided for bad and doubtful debts was actually uncollectable.

The Council noted the audit findings and indicated they will develop a policy for provision of doubtful debts. It will also seek approval from the Minister of Local Government for any future provisions of doubtful debts.

11. Anomalies in Property, Plant and Equipment

Adequate description of all property, plant, and equipment of the Council should be kept on record. References to title numbers, description of the structures and land location and area should be briefly but clearly stated. Serial numbers of plant and equipment should be shown as well as describing them.

The audit noted the following anomalies in fixed assets records:

- a. The Council disclosed \$797,397 as additions to and \$170,286 as disposals of Property Plant and Equipment. However, the Council failed to provide details and supporting documents for additions and disposals. As a result, the audit could not ascertain the accuracy and completeness of the additions and disposals.
- b. The Council disclosed \$261,896 as Leasehold Land in the general ledger. The Council failed to provide details of the lease terms hence the amortization rate of Leasehold Land could not be established. In addition, the Council failed to provide details of the annual lease payments as a result the operating lease commitments could not be ascertained. Based on the above findings, the audit could not ascertain the accuracy and completeness of the value of Leasehold Land and operating lease commitment disclosed in the financial statements.
- c. The Council made adjustments totalling \$729,865 into the general ledger for Property Plant and Equipment. However, the Council failed to provide the journal entries and supporting documents for the adjustments made to property, plant, and equipment. Hence, the audit could not substantiate whether the adjustments were properly approved, verified, and accurately made. The above findings indicate that the property, plant and equipment disclosed in the financial statement may not be correctly stated.

Council noted the issues raised and indicated they will look into the discrepancies identified in the fixed asset register and the general ledger.

12. Variances between the General Ledger (GL) and Fixed Asset Register (FAR)

All amounts stated in the financial statements should be traced to general ledger balance. The amount for property, plant and equipment in the general ledger should reconcile with the amount in the Fixed Asset register.

The audit noted that property, plant and equipment and the accumulated depreciation amounts recorded in the general ledger were not the same as the Councils Fixed Asset Register.

The variances indicate that general ledger balances for property; plant and equipment are not reconciled with FAR.

The Audit Office recommended the Council should ensure that all assets are properly recorded in the general ledger and the fixed assets register; and the property, plant and equipment balance in the general ledger is reconciled with FAR.

Council has noted these concerns and indicated that all assets are properly recorded and the fixed asset register is reconciled with the general ledger.

13. Investment Properties

Adequate description of all property, plant, and equipment of the Council should be kept on record. References to title numbers, description of the structures and land location and area should be briefly but clearly stated. Serial numbers of plant and equipment should be shown as well as describing them.

The Council has investment properties of \$11,457,774 disclosed in the financial statement. The review of the general ledger noted the following anomalies:

- a. The Council made an adjustment on \$16,229,810 to the Investment Property Account. However, the Council failed to provide the details of the adjustment made in the Investment Property Account. As result, the audit could not ascertain the accuracy and completeness of the Investment Property disclosed into the financial statement.
- b. A decrease in Investment Properties by \$793,257 was noted in the financial statement.

However, the Council failed to provide details and supporting documents to substantiate the decrease in the investment properties.

The above findings indicate that the Council failed to maintain proper records and carry

out reconciliation for the Investment Properties Account. As a result, the audit failed to substantiate whether investment properties of \$11,457,774 was fairly stated in the financial statement.

Council noted the comments and agreed to investigate the amounts mentioned, and will also ensure that proper records are kept at all times.

14. Annual Board of Survey

The audit noted that the Council was yet to complete its Board of Survey for the year 2010.

Council indicated they will carry out the Board of Survey in the future.

15. Physical Stock Count Not Carried Out

A stock count should be carried out at least once a year to confirm that equipment, stores and materials shown on records do in fact exist.

The Council did not undertake inventory stock count in 2010. As a result, the audit was not able to substantiate the inventory balance of \$466,636 as per the general ledger.

The finding indicates that the Council did not have an effective control over its inventory.

In the absence of a physical stock count, there is a high risk of mismanagement and misappropriation of the Councils inventory.

Council noted this and has provided assurance that a yearly stock count is carried out.

16. Discrepancies in Accruals

Continuous and regular review of the accrual balance should be carried out by the accounting staff so that the un-reconciled variance is substantiated.

Council recorded \$2,355,227.48 as 'Other Payables' in the general ledger. The Council booked accruals totalling \$2,416,194.06 as part of other payables in the financial statements. However, the audit noted that the Council failed to provide the detailed listings of accruals and their relevant supporting documents for individual accounts that comprise the total accruals of \$2,416,194.06. In addition, the Council netted off a VAT receivable balance of \$934,211 against accounts payable. This is a departure from International Accounting Standard 1.

The above indicates that the Council failed to maintain proper accounting records and failed to carry out proper reconciliation. As a result, the audit was not able to ascertain

whether Other Payables balance totalling to \$2,355,227 was fairly stated in the general ledger.

Council noted these concerns and indicated relevant supporting documents will be maintained and that proper reconciliations will be carried out for accruals.

17. No Records Provided by Council for Sundry Deposits

Proper maintenance of accounting records is fundamental in the compilation of final accounts.

The Council disclosed \$1,416,115 as sundry deposits in the financial statements. The audit noted that the Council failed to provide detailed listings of the deposits held by the Council. Furthermore, the review of refundable deposits cash at bank account noted that the Council does not have adequate funds to refund the deposit held by the Council. As at 31/12/10, the Council had \$151,041 in its refundable deposit bank account which is only 10.7% of the total refundable deposits held by the Council. Failure by the Council to maintain proper records of the sundry deposits and non-reconciliation to the payments made resulted in a significant variance of the amounts deposited in the refundable deposit account and the general ledger. The findings indicate that the Council does not have adequate funds to pay for the refundable deposits when such deposits fall due.

The Council has indicated they are now aware of the non-availability of the sundry deposits listing and the cash holding for refunds. They have also indicated they will carry out a reconciliation to ascertain the listing for sundry refunds and will look into the cash holding for the deposits.

18. Anomalies in Lease Liability

The Council entered in a Finance Lease agreement with Westpac Banking Corporation for the purchase of several vehicles. These vehicles were used by the Council in its daily operations. An un-reconciled variance of \$52,983 was noted between the Council's lease liability reconciliation and the bank's confirmation balance.

The finding indicates that the Accounting Head did not reconcile the Council's records to the banks record. Failure of the Accounting Head to carry out proper reconciliation may result in under/overstatement of lease liability.

Council has indicated they will investigate and rectify the variance identified in the lease liability account.

19. Liabilities and Expenses Understated by the Council

The audit noted that year end creditors balance recorded in the general ledger were not the same as the balances provided in the creditors statement.

The variances indicate that general ledger balance for creditors are not reconciled with the statements provided by the creditors.

Council has committed to ensuring creditors' balances are reconciled with their statements and the general ledger is updated accordingly.

20. Held to Maturity Investment

The Local Government Act empowers Councils, with the consent of the Minister, to invest funds under their control in stocks, bonds, debentures or other securities.

The Council invested the sum of \$874,069.24 as a term deposit at Merchant Finance in the year 2010. The audit noted that the Council failed to obtain approval from the Minister of Local Government to invest in Merchant Finance. Furthermore, the audit noted a variance of \$56,755 between the interest revenue reconciliation carried out by audit and the general ledger.

The findings indicate that the Council did not comply with the Local Government Act in obtaining approval for investment undertaken by the Council and failed to carry out proper reconciliations. In the absence of approval from the Minister of Local Government, the short-term investment is unauthorized.

The Council has indicated they will ensure appropriate authority is sought from the Minister of Local Government for any future short-term deposits. It will also reconcile the interest revenue in the general ledger to the term deposit statement.

21. Interest on Overdue Rates

The Council may charge interest on overdue accounts. The Council had a total of 11,287 rate payers and is the largest municipal Council in Fiji. The interest on overdue rates is applied to all overdue rates account at 11 per cent and on pro rata basis for the respective duration that has lapsed.

The Council disclosed \$1,772,541 as interest on overdue rates in the financial statements for the year ended 31/12/10. The amount in the financial statement is derived from the general ledger which is maintained in the Navision Accounting System.

However, the audit noted that the Council failed to provide detailed listing of the interest on overdue rates from the Property Wise System which maintains records of individual rate payers.

Hence the details of interest on overdue rates maintained in the Property Wise System

cannot be traced to the Navision Accounting System.

In the absence of the details listing of the interest on overdue rates from the Property Wise System, the audit could not ascertain the accuracy and completeness of the interest on overdue rates disclosed in the general ledger (Navision Accounting System).

Council has indicated they will reconcile the interest charged on overdue rates in the Property Wise System and the Navision Accounting System. They have also indicated they will ensure proper records are kept.

22. Variance in Business License Levy

The Council is mandated by the Government for granting approval for the operation of businesses in its boundary. In doing so, the Council levies a fee each year for renewal of business licence after inspection of premises and other things being equal and satisfactory.

The Council maintains its business license debtors records in the Property Wise System. The review of the business license billing in the Property Wise System revealed that a total of \$1,141,032 was billed to business license customers for 2010.

However, the audit noted that the Council only recorded \$823,225 into the general ledgers which is maintained in the Navision Accounting System. The Council failed to reconcile the variance of \$317,807.

The above finding indicates that the Accounting Head failed to carry out reconciliation of accounting records produced by the two systems. (Property Wise and Navision Accounting System).

As a result, the audit was unable to ascertain the accuracy and completeness of the business license balance stated in the general ledger.

Council has indicated they will investigate the variance highlighted in the business license levy.

23. Property Valuation

The Council had a total of 11,287 rate payers as at 31/12/10. The Council is authorised to charge the rate payers a specified sum for the services rendered by the Council. These charges are calculated on the Unimproved Capital Value (UCV) undertaken by the Council or a tendered evaluator for property valuation. The rates that are charged by the Council are apportioned into General, Loan and Street Light rates on the basis of 40, 51 and 8 per cent respectively.

Valuation of all land holdings within the boundaries of municipalities are to be carried out every six years. The last valuation of all land holdings was carried out in 2005. The Council failed to carry out the revaluation of properties in the Councils boundaries in 2011. The revaluation was carried out in 2012. In the absence of the timely revaluation, the Council may have forgone potential revenue through increase in rates.

The unimproved value of land is the basis for rating and the Council may perform valuation due to changes in status of the land. The audit noted that the Council did not provide a listing of the rateable properties that were amalgamated or sub divided after the 2005 property valuation. As a result, the audit could not ascertain the number of properties amalgamated or sub divided from the Council's overall rate payer listing. The finding shows that there is lack of monitoring by the Council on the maintenance of proper ratepayer records.

Council has indicated they will ensure that UCV valuation is done every 6 years and details of amalgamation of properties are properly maintained.

24. Anomalies in Rates Charged

The Council had a total of 11,287 rate payers as at 31/12/10. The Council is authorised to charge the rate payers a specified sum for the services rendered by the Council. These charges are calculated on the Unimproved Capital Value (UCV) undertaken by the Council or a tendered evaluator for property valuation. The rates that are charged by the Council are apportioned into General, Loan and Street light rates on the basis of 40, 51 and 8 per cent respectively.

The Council failed to prepare UCV reconciliation for the general rates, loan rates and street light rate for 2010. The audit carried out an independent UCV reconciliation and noted variances in rates recorded in the general ledger.

The Council was not able to substantiate the above variances. This was due to the Council failing to prepare unimproved capital value reconciliations. As a result, the audit was not able to ascertain if the general ledger balance of general rate, loan rate and street lights rate were fairly stated.

Council, in response, has indicated they will ensure that UCV reconciliations are carried out and agree to the balances in the general ledger.

25. Poor Maintenance of Accounting Records

The Director Finance should be responsible for the safekeeping and proper maintenance of all accounting records or documents.

The audit noted several instances where payment vouchers and appropriate supporting

documents were missing and could not be located for audit verifications. As a result, the audit could not ascertain the accuracy and completeness of several payments made by the Council.

The above finding indicates laxity on the part of the Director Finance in ensuring that proper accounting records are maintained.

Without payment vouchers and sufficient supporting documentation, there is a risk of items not delivered, misappropriation of funds and items purchased without immediate need.

Council has indicated they will ensure all payment vouchers are properly filed and kept in a secured place. Furthermore, the Council will take staff responsible to task for not performing their duties diligently.

26. Construction of Kiosk at the Suva Bus Stand

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 payments will be subject to the Council's officers being satisfied with the work done. If repeated breach of contract is wilfully ignored by the officers it could give adequate ground to the contractor to contend that the terms have changed.

The Suva City Council called a tender on 09/10/10 for the construction of Kiosks at the Suva Bus Stand. A total of 8 companies responded to the tender. The tender evaluation committee in its meeting on 27/10/10 awarded the contract for the construction of 8 kiosks to Sun Maintenance Works amounting to \$99,906.00(VIP).

The review of the Project Files revealed the following anomalies:

- a. The due date for completion of the said works is ten (10) weeks from date of execution of this agreement. The audit noted that the agreement did not specify the date of commencement of the project, nor the completion date of the project. In the absence of an agreed timeline, Sun Maintenance Works will commence and complete the work at its own convenience and the Council would not be able to take action against Sun Maintenance Works for delays in the project.
- b. The Payment Officer must ensure that the Certificate of Tax Exemption submitted by the contractor is valid before making progressive payments.

The Certificate of Tax Exemption submitted by Sun Work Maintenance expired on 31/03/11. The audit noted that the Council did not deduct provisional tax from Sun Maintenance for payment made after 31/03/11.

The above finding indicated that the Council did not comply with Income Tax Act. As a

result, provisional tax was not deducted and submitted to FRCA by the Council. By not complying with the Income Tax Act, the Council may not pay correct tax to FRCA and may be subject to penalties being imposed by FRCA. In addition, the Council may not be able to hold the contractor liable for delays in the project.

In response, the Council has indicated they will ensure that a proper agreement is drawn which states all relevant details of the project. The Council will also ensure that Income Tax Act requirements are also complied with.

27. Repair and Painting of Suva Olympic Pool

The Council awarded the contract to Gunac South Pacific Limited on 6/8/09 for repair and painting of Suva Olympic Pool. The total contract price for the project was \$37,500 (VIP). The work commenced on 18/12/09 for a period of 12 weeks and was expected to be completed by 12/03/10. As at 31/12/10, the Council paid \$37,500 or 100% of the contract sum.

However, the audit noted that the Council failed to provide the signed contract agreement for audit verification. Hence the audit cannot substantiate whether the contract agreement was signed between the Contractor and the Council.

The finding indicates that the Council did not follow proper procedures before engaging with the Contractor.

In response, the Council has indicated they will ensure that all requirements of the contract are met and disciplinary action is taken against responsible officers.

28. Refurbishment of Suva Civic Centre

The Suva City Council invited written tenders from reputed organizations to undertake the roofing refurbishment works at Suva Civic Centre. The tender was advertised in the Fiji Sun dated 15/10/11. The tender submissions closed on 20/10/11.

A sum of \$1000 must be paid as tender deposits in the form of bank cheque. Tenders submitted without the tender deposits will not be accepted and considered by the Council. The audit noted that the Council accepted tenders from bidders who did not pay the correct tender deposits. In addition, Gunac South Pacific Limited and Rams Maintenance paid a tender deposit of \$200 each instead of \$1,000 as required. Furthermore, the Council in its emergency meeting of 2/11/11 resolved that the tender be awarded to Gunac South Pacific Limited at a total cost of \$193,678.40 (VIP) even though they failed to comply with the tender requirements.

A contract agreement establishes the terms and conditions the parties have to comply

with whilst the agreement is in existence. The Council failed to prepare a contract agreement with the vendor to undertake the above works. In the absence of the contract agreement the Council may not be able to hold the vendor liable in case for any wrong doings.

The Council communicated to Gunac South Pacific Limited on 09/11/11 that they were to provide a bond of 10% of the contract sum or \$19,368 and also a valid workers compensation policy. The audit noted that the Gunac South Pacific Limited failed to provide the bond sum and a valid workers compensation policy. The contractor commenced works on 12/12/11, even though they did not provide a bond sum and a valid workers policy. The Council did not take any action against the contractor for not providing the above documents. The findings indicate that the Council did not follow proper procedures for engaging the Contractor, Gunac South Pacific Limited.

In response, the Council has agreed to ensure that tenders are considered for those that fully meet the requirements of the tender process. Furthermore, contract agreements are drawn before the commencement of work.

29. Tender not Called for Contracts Exceeding \$10,000

A tender must be called for the procurement of goods, services or works valued at \$10,001 and more.

The Council engaged several contractors for providing goods and services valued more than \$10,001 without calling for tenders.

The finding shows that the Council did not follow the proper procurement process when awarding the contracts for procurement of goods and services in excess of \$10,001. Hence the selected contractor may not be the best and most economical supplier.

In response, the Council has agreed to ensure that proper procurement procedures are followed at all times and appropriate disciplinary action is taken against officers who fail to comply.

30. Garbage and Refuse Collection, Grass Cutting and Drain Cleaning

The Council awarded the contract for collecting refuse and garbage, grass cutting and drain cleaning to various Contractors in various sectors subject to the stipulated requirements and signing of the contract Agreement. These Contractors were Ravens Contractors, Nadave Transport, Namadai Methodist Church and Raiwai Grantham Reform.

Review of the project file and the contract document revealed the following anomalies; a formal contract for the supply of the stores or service should be entered with the supplier who was successful and entered in the contract register. Contrary to the above

requirement, the Council failed to establish contractual agreements with these vendors for collecting refuse and garbage, grass cutting and drain cleaning. Instead, the Council relied on the acceptance letter of these vendors which was in response to the Councils offer letter.

Such findings indicate that the Council did not follow procedures before engaging with these Contractors.

As a best practice, the contractual agreement should clearly state the contract price to be paid to the Contractors for carrying out the required works. However, the audit noted that the Council did not enter into contractual agreement with the Contractors. Instead, the Council gave offer letters to the contractor. Furthermore, the audit noted that the contract price stated in the offer letter was estimated contract price. Hence, the audit could not ascertain the exact cost for engaging the Contractors. Such finding indicates that the Council failed to engage the Contractors with a fixed contract amount.

The Council will only be in a position to enter in to an agreement after the Contractor has provided an irrevocable Bank Guarantee for an unspecified period for the sum of 2.5% of the contract value in favour of the Suva City Council. However, the audit noted that the Council engaged the Contractors to carry out the required works without obtaining the Bank Guarantee (surety) of 2.5% of the contract sum.

The findings indicate that Councils interests are not fully protected which may result in substantial loss of public funds. In absence of a contract agreement, the Council may not be able to take any action against these Contractors if they fail to carry out their work properly. Failures by the Council to obtain the bank guarantee may result in substantial financial loss should the Contractor fail to complete the project properly.

In response, Council has indicated they will ensure an agreement is entered into with contractors and that the contractors provide a performance bond before they engage in work.

31. Purchase Order issued after Procurement of Goods and Services

The Council shall place its official orders for repairs to street lights in the municipality and the Contractor shall issue invoices directly to the Council for payment as provided in the tender documents.

There were several instances where purchase orders were issued after repairs and maintenance were carried by Southern Electric Limited. The audit also noted that purchase orders were issued by the Council to regularise the procurement process and make payments to Southern Electric Limited.

The finding shows that proper procurement procedures were not followed by the Council. In addition, there was lack of supervisory check for procurement of goods and services. Hence goods and services were procured without purchase orders.

Council has noted the concerns, and has indicated they will ensure purchase orders are issued and details filed. Appropriate disciplinary action will be taken on the officers who fail to comply.

Conclusion

As an observation, PAC notes a general trend of improvement across most, if not municipal councils.

What was clearly evident throughout this inquiry was the challenge for Council's to modernise accounting systems on limited resources.

PAC has agreed to host a two-day roundtable with the Ministry of Economy, Department of Local Government, Office of the Auditor-General, and key Council finance representatives, in order to ensure a process is in place for the future that develops consistency of reporting and auditing, alongside capacity building of key staff.

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



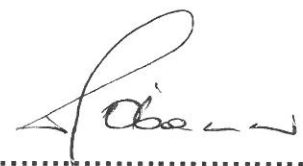
Hon. Ashneel Sudhakar

(Chairperson)



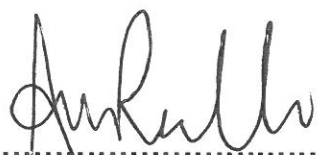
Hon. Mohammed Dean

(Deputy Chairperson)



Hon. Alexander O'Connor

(Member)



Hon. Aseri Radrodoro

(Member)



Hon. Ratu Naiqama Lalabalavu

(Member)

APPENDICES

Appendix 1

Letters from PAC to FICAC regarding several issues with the Savusavu and Ba Town Councils

- 1) Savusavu Town Council issue – 30th November 2017 (*NB: to support the whistleblowers on this matter, please note names and contact details have been withheld from public release*)
- 2) Ba Town Council issue – 30th November 2017



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PARLIAMENT

REPUBLIC OF FIJI

STANDING COMMITTEE ON PUBLIC ACCOUNTS



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Parl 3-1

30th November, 2017

**The Deputy Commissioner
Fiji Independent Commission Against Corruption
Rev John Hunt Building
3 Fort Street
Suva**

Dear Sir,

RE: Complaint Against Ba Town Council

Reference is made to the Public Accounts Committee (PAC) meeting held on Wednesday 29th November, 2017 and the Audit Report on Municipal Councils of December 2014.

The PAC notes from the Ba Town Council's control issue of Tavua and Ba end Museum Projects at 5.10, Page 6 of the Report (copy attached). The audit noted the following with respect to the creation of outdoor museums at both ends of the town entrance from the Kings Highway.

- There was no evidence of approval noted in the minutes of the Council to carry out this project.
- There was no feasibility study carried out prior to carrying out this project. Consequently, the Council had to remove the museum constructed at Tavua end as it was built on top of a sewer line and obstructed the railways for locomotive trains transporting sugar cane to the Rarawai Mill.
- No approval was obtained from Fiji Roads Authority, Water Authority of Fiji and Fiji Sugar Corporation (for Tavua end) for access, right of way and site permit for construction.
- Improper records were kept by the Council for the cost of the construction for audit verification. Discussion with the Accountant revealed that most materials used in the project were provided by the general community of Ba free of costs. The Council in turn supplied the labour and construction ideas from its workforce. However, no evidence existed to substantiate these arrangements.

The Committee also notes the Management comments where the Council admits that no feasibility study was done but reiterates that most of the items were donated by the public and the ideas and construction works were carried out by the Council Workforce. These projects were solely administered and supervised by the then Special Administrator and the Council followed the instructions given by him.

During the submission received from Ba Town Council officials on Thursday 2nd November, 2017, the Committee was advised that the then Special Administrator, Mr. Arun Prasad was advised by Chief Executive Officer, Mr Dip Narayan on the lack of permission from Fiji Roads Authority, Water

Authority of Fiji and Fiji Sugar Corporation but he arbitrarily went ahead with the projects. The projects were later demolished and relocated causing a loss to the council and rate payers.

In view of the Public Accounts Committee, this is a loss of public money caused by the actions of the then Special Administrator. The Special Administrator, Mr. Arun Prasad was subsequently dismissed from his position but no further action was taken against him.

The Committee now refers the complaint to your Commission to pursue this matter and investigate any mismanagement or corruption involved on the part of the SA.



Hon. Ashneel Sudhakar

Chairman, Public Accounts Committee

SECTION 5: BA TOWN COUNCIL

Programme Statement

Ba Town Council was established under the Local Government Act (Cap 125 Rev 1985) and section 5 of the Subsidiary Legislation.

The services provided by the Council are issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation services, lighting, drainage and maintenance of parks and gardens. Revenue generated by rates levied issuance of business licenses, rents received from Council properties and miscellaneous are used to finance the above services as well as to meet the administration expenses of the Council.

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PART A – FINANCIAL INFORMATION

5.1 Audit Opinion - 2013

The audit of the financial statements of the Ba Town Council for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion as follows:

- The Council is a municipal council and its financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general purpose financial statements.
- Accordingly, the Auditor General is unable to determine the impact on the financial statements of the Council if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.
- Included in the Statement of Financial Position for General Fund and Parking Meter Fund are VAT payable amount totaling \$110,529. However, there is an un-reconciled variance between

the general ledger and VAT reconciliation of Statement of VAT account amounting to \$100,388. Due to the variance the Auditor General is not able to satisfy himself if the VAT payable amount is correctly stated in the financial statements.

- Included in the Statement of Financial Position is term loan of \$2,632,926. As per the Fiji Roads Authority (FRA) Decree 2012, all loans taken by the Council for road purposes should be transferred to the FRA. Included in the term loan balance is loan amount of \$236,310 which the Council took specifically for construction and maintenance of roads in Ba. As at 31 December 2013, the Council has not transferred this loan balance to FRA. Consequently, the term loan balance of \$2,632,926 is not fairly stated in the financial statements.

Management attention is also drawn on the Council's loan with Fiji National Provident Fund of \$2,302,855. As at 31 December 2013, the Council defaulted on its loan repayment which is in arrears of \$324,822.

5.2 Abridged Statement of Financial Performance- General Fund

Year Ended 31 December	2013 (\$)	2012 (\$)
Revenue		
Rates	486,497	562,376
Interest	51,913	11,982
Bus stand charges	29,522	28,023
Business trading and other licenses	150,157	157,160
Market fees	301,083	268,824
Municipal car park fees	177,567	170,382
Rent from Council properties	536,755	617,965
Others	244,649	351,463
Total Revenue	1,978,143	2,168,175
Expenditure		
Administration expenses	221,347	291,900
Public works	371,380	526,069
Health & building	261,081	221,405
Interest on loan	240,367	211,960
Market expenses	100,933	94,693
Depreciation and amortisation	245,928	515,192
Municipal car park	64,464	58,732
Property expense	73,222	89,386
Parks and gardens	86,112	81,590
Streetlights	72,930	155,495
Others	160,271	157,294
Total Expenditure	1,898,035	2,403,716
Result For The Year From Ordinary Activities	80,108	(235,541)

The Council recorded a surplus of \$80,108 compared to a deficit of \$235,541 in 2012. The surplus was attributed to a major decline in depreciation and amortization expense by \$269,264 or 52% in 2013.

5.3 Abridged Statement of Financial Position- General Fund

As at 31 December	2013 (\$)	2012 (\$)
Assets		
Cash and cash equivalents	90,822	70,505
Receivables	569,637	563,692
Other assets	175,721	189,276
Property, plant and equipment	16,971,775	18,116,704
Total Assets	17,807,955	18,940,177
Liabilities		
Creditors & borrowings	468,633	479,314
Provisions	19,595	16,630
Term Loans	2,632,926	2,595,764
Total Liabilities	3,121,154	3,091,708
Net Assets	14,686,801	15,848,469
Accumulated Funds		
General Fund	4,331,694	4,374,735
Loan Repayment Account	571,016	457,116
Reserves	9,784,091	11,016,618
Net Accumulated Funds	14,686,801	15,848,469

The net assets of the Council declined by \$1,161,668 or 7% in 2013 due to the decrease in property, plant and equipment by \$1,144,929 as the roads, footpaths and the drains were transferred to Fiji Roads Authority.

5.4 Abridged Statement of Financial Performance- Parking Meter Fund

Year Ended 31 December	2013 (\$)	2012 (\$)
Revenue		
Tolls	15,973	21,682
Fines	4,843	8,321
Others	5,127	8,939
Total Revenue	25,943	38,942
Expenditure		
Salaries, Wages and Related Payments	11,142	22,576
Meter maintenance	3,102	-
Others	11,022	15,115
Total Expenditure	25,266	37,691
Result For The Year From Ordinary Activities	677	1,251

The Council recorded a decline in surplus by \$574 in 2013 as compared to the amount recorded in 2012 in its parking meter account. The reduction in the amount is attributed to the reduction in revenue received by \$12,999 or 33% and the incurrence of meter maintenance expense of \$3,102 in 2013.

5.5 Abridged Statement of Financial Performance- Parking Meter

As at 31 December	2013 (\$)	2012 (\$)
Assets		
Cash at Bank	8,394	8,195
Non-Current Assets	184	3,146
Total Assets	8,578	11,341
Liabilities		
Creditors and accruals	159,668	161,833
Vat Payable	146	892
Provisions	639	1,168
Total Liabilities	160,453	163,893
Net deficiency in Assets	(151,875)	(152,552)
Net Accumulated Losses	(151,875)	(152,552)

A negative net asset of \$151,875 was again recorded by the Council in 2013 compared to \$152,552 recorded in 2012 for the Parking Meter Account.

5.6 Abridged Program Information

Year Ended 31 December	2013			2012
	Revenue (\$)	Expenses (\$)	Net Cost of Services (\$)	Net Cost of Services (\$)
General Fund	1,838,213	1,872,005	(33,792)	(377,571)
Special Rate Fund	139,930	26,030	113,900	142,030
Parking Meter Fund	25,943	25,266	677	1,251
Total	2,004,086	1,923,301	80,785	(234,290)

PART B – CONTROL ISSUES

5.7 Non – Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SMEs)

Every Council shall keep proper accounts and records which shall be kept in accordance with the accounting standards approved by the Fiji Institute of Accountants.¹

Smaller accounting entities will, following FIA's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.²

Audit noted that the Council failed to prepare its annual financial statements under IFRS for SME. Thus, the annual financial statements prepared are contrary to the instruction stipulated in section 47 of the Local Government Act.

¹ Local Government Act, Cap 125 – Section 47(2)

² Fiji Institute of Accountants Annual Report for 2011 – page 14

Recommendation

The Council should work towards the adoption of IFRS for SMEs in preparing the financial statements.

Management Comment

Noted.

5.8 Non-Transfer of Loan to Fiji Roads Authority

All loans taken in relation to construction or maintenance of roads by the Council will be transferred to Fiji Roads Authority³.

The Council has recorded a total term loan of \$2,632,926 in its financial statements. Including in that loan is loan balance of \$236,310 which was specifically taken for the construction and maintenance of roads. The Council has failed to transfer this loan balance to the Authority as at 31 December 2013.

The Council has not complied with FRA decree 2012. Additionally, term loan in the financial statements is not fairly stated.

Recommendation

The Council should liaise with FRA and transfer the loan balance to the Authority.

Management Comment

The delay was from FRA hence transaction took place in early 2014.

5.9 Failure to recover advance to parking meter

The Council should make all effort to recover money advanced to Parking Meter Fund account. This will assist the Council in its operations.

Audit noted that stated in the statement of financial position is the amount totalling \$156,616 which constitutes a receivable from Parking Meter Fund. However, the Council made no effort to recover this amount from Parking Meter. Instead receipts from parking meter which are accidentally banked in the General fund are offset against this receivable.

The above anomaly poses doubt on the existence and valuation of the amount reported as advance to Parking Meter.

Recommendation

The Council should ensure that the amounts owed internally are cleared.

³ Fiji Roads Authority (FRA) Decree 2012
Report of Municipal Councils – December 2014

Management Comment

Comments Noted. The advance given from the General Fund for the installation of the parking meters was basically to have a controlled traffic flow in town. However, Council will now have a target to deposit certain amount of money monthly to clear the advances made to Parking Meter.

5.10 Tavua and Ba end museum projects

The ledger account of each expenditure item or code should show the total budget approved by the Council at any time. The normal progression is initial budget at the beginning of the year, subsequent increases for additional needs and decreases for funds wired to other programmes.⁴ It is also imperative that proper planning is carried out before execution of any project.

The audit noted the following with respect to the creation of outdoor museums at both ends of the town entrance from the Kings Highway.

- There was no evidence of approval noted in the minutes of the Council to carry out this project.
- There was no feasibility study carried out prior to carrying out this project. Consequently, the Council had to remove the museum constructed at Tavua end as it was built on top of a sewer line and obstructed the railways for locomotive trains transporting sugar cane to the Rarawai Mill.
- No approval was obtained from Fiji Roads Authority, Water Authority of Fiji and Fiji Sugar Corporation (for Tavua end) for access, right of way and site permit for construction.
- Improper records were kept by the Council for the cost of the construction for audit verification. Discussion with the Accountant revealed that most materials used in the project were provided by the general community of Ba free of costs. The Council in turn supplied the labour and construction ideas from its workforce. However no evidence existed to substantiate these arrangements.

The above anomalies indicate improper planning by the Council in the construction of the Museum.

Recommendation

The Council should ensure that it plans adequately and obtain all necessary approvals for any future projects.

Management Comment

Comments noted. Council admits that no feasibility study was done but reiterates that most of the items were donated by the public and the ideas and construction works were carried out by the Council Workforce. These projects were solely administered and supervised by the then Special Administrator and the Council followed the instructions given by him.

5.11 Anomalies in property, plant and equipment

There should be periodical survey or stock-take, at least once a year, to determine the existence of the assets and their physical condition. At such surveys opportunity should be taken to report on

⁴ Manual of Municipal Councils Appendix 8

deteriorating condition of any item and the provision made for proper maintenance, or even disposal to save further loss⁵

Depreciation expense should be allocated to the asset across the year. Additionally, all negative written down values of the property, plant and equipment should be investigated and appropriate adjustment taken to adjust the difference.

The audit noted the following anomalies in the audit of property, plant and equipment;

- The Council did not carry out a board of survey for its assets as required by the Manual of Accounts for Municipal Council of Fiji.
- Some items of plant and equipment were not charged depreciation for the whole year. Refer to Table 5.1 for details.

Table 5.1: Items not allocated depreciation

Asset	WDV (\$)
Table for Sushil	228.28
3 office tables	504.34
2 office chair	253.92
4 x Maroon Euro Visitors Chair	473.32
1x Red Typist Chair - Health	98.84
1x Grey Typist Chair	145.77
1 Piece (Grey) Curtain Blinds	399.99
2 Piece (Grey) Curtain Blinds	(45.46)
1 View Sonic set	1,092.59
1 Computer set	1,551.38
APC - UPS	159.26
1 set computer - health	1,347.15
1 Finger Machine- time clock	653.62
HL-2030 PRINTER-CASHIER	150.73
BROTHER-MFC-J6510DW-HEALTH	572.46
2 x TH48 Kawasaki Brush Cutter	1,401.62
2 x TH48 Kawasaki Brush Cutter	1,390.14
2 x TH48 Kawasaki Brush Cutter	1,459.24
2 x TH48 china brand	508.70
2 Water Pump - Diesel	1,409.85
Bosch hammer Drill	674.08
Makita Angle Grinder	122.71
1 Makita Drop Saw	700.44
Plate Compactor Machine 80kg	508.70
Sid chrome Socket set tool for Kato	1,439.42
Combination Pliers 2 - electrical	188.41
Maxton Hot Water URN	226.43
Maxton Chest Freezer	729.62
Toshiba Torch	56.52

- No depreciation was allocated against the costs of tractor and trailer during the year. As at balance date, the tractor recorded a written down values of \$10,000 while the trailer recorded \$5,000.
- Some items of property, plant and equipment had negative written down value. Refer to Table 5.2 for details.

⁵ Manual of accounts for Municipal Councils in Fiji, section 19.3
Report of Municipal Councils – December 2014

Table 5.2: Items with negative written down values

Asset	WDV (\$)
Complete Sound System Set	(725.35)
4 Drawer Steel Cabinet	(8.50)
1 x 2 Drawer Steel Cabinet	(6.25)
2 x 4 Drawer Steel Cabinet	(8.50)
1 x 2 Drawer Steel Cabinet	(6.25)
4 x 4 Drawer Steel Cabinet	(8.50)
1 x 4 Drawer Steel Cabinet	(8.50)
2 x 4 Drawer Steel Cabinet	(8.50)
Burn Site Small Steel Safe	(11.25)
Crown Steel Safe	(5.00)
Ceiling Fan	(2.00)
Ceiling Fan	(2.00)
Ceiling Fan	(2.00)
Power Mate Rotating Ceiling Fan	(3.75)
	(806.35)

- The amount for property plant and equipment recorded in the financial statements was more by \$4,778 when compared to the amount calculated from the fixed asset register.

This implies that the amount disclosed for property plant and equipment in the accounts is incorrect.

Recommendations

The Council should:

- ensure that annual Board of Survey is conducted at least once a year and a report prepared about the conditions of its assets;
- depreciation is allocated against all the assets available for used during the year;
- reverse the depreciation on assets which have zero written down value;
- carry out reconciliation between the Fixed Asset Register and the balance of the property plant and equipment recorded in the accounts; and
- resolve any difference noted between the fixed asset register and the amount for property plant and equipment recorded in the financial statements.

Management Comment

Comments noted and ensures that Board of Survey be conducted before financial year ends.

5.12 Breach in FNPF Loan

The charge created by this Deed shall become enforceable if the mortgagor fails to pay any part of the secured moneys on the due date of the payment thereof.⁶

The audit noted that the Council made four monthly loan repayments during the year instead of twelve. Consequently, a confirmation dated 30 June 2014 from the Fiji National Provident Fund to audit stated that the Council had breached the term of the mortgage by not meeting its repayment schedule. As at

⁶Deed of Debenture between Ba Town Council and Fiji National Provident Fund dated 2/4/2004- Paragraph 7.1(a)
Report of Municipal Councils – December 2014

31 December 2013 the loan was in arrears of \$324,882.30 which incurred accrued interest charge amounting to \$199,423.

The Council has not complied with the loan agreement and would find difficulty in obtaining any further financing assistance from the Fund in future. Additionally, the Council could lose its assets pledged as securities if it continues to default on the loan repayments.

Recommendation

The Council should give upmost priority to the required repayment agreement with FNPF and make monthly loan repayments on time.

Management Comment

Comments noted. Council's revenue for that property is less than the repayment per month since lot of space is vacant. At present Council is not in a position to pay the full repayment, but is making every effort to have the whole area rented out to pay the arrears. Since then Council had meetings with FNPF and other financiers and has finally decided to refinance its loans by the Bank of the South Pacific whose interest rate is 4.5% annually which Council can repay.

5.13 Value Added Tax

It is imperative that the Council's VAT account should be reconciled on a monthly basis with the statement of VAT account issued by Fiji Revenue and Customs Authority. The monthly reconciliations would allow the Council to identify and rectify the understatement or overstatement of VAT input and VAT output in the VAT returns on a timely basis.

Our review of Council's VAT revealed a variance amounting to \$100,388 between the general ledger and the independent reconciliation carried out by audit with the statement of VAT account received from FRCA. Refer to Table 5.3 for details:

Table 5.3: Variance in VAT

Particulars	Amount (\$)
VAT payable as per SVA reconciliation	10,141
VAT payable as per financial statements	110,529
Variance	100,388

The above variance indicates that no reconciliation was prepared during the year between the general ledger and the statement of VAT account. Consequently, VAT in the financial statements is incorrectly reported.

Recommendation

Monthly VAT reconciliations should be prepared between the Council's records and FRCA's statement of VAT account and any variance arising thereon should be properly investigated and resolved.

Management Comment

The Council does monthly Vat reconciliation. The Council does not pay VAT on rates which are not collected. As we collect rates, Vat is paid accordingly.



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Parl 3-1

30th November, 2017

The Deputy Commissioner
Fiji Independent Commission against Corruption
Rev John Hunt Building
3 Fort Street
Suva

Dear Sir,

RE: Complaint Against Savusavu Town Council

Reference is made to the Public Accounts Committee (PAC) meeting held on Wednesday 29th November, 2017 and the Audit Report on Municipal Councils of December 2014.

The Public Accounts Committee notes from the Savusavu Town Council's audit opinion that there were various anomalies in the accounts of the Council. The Committee notes from the Council's control issues that the current liabilities include unidentified land sales deposits amounting to \$427,456. The Council failed to provide records, listing or reconciliations to substantiate these deposits.

The Committee understands that these deposits are for sub-division and land sales which are paid by the people of Savusavu among other people. Upon inquiry with the Special Administrator and Chief Executive Officer who appeared before the Committee, it was revealed by them that the Council had attempted to locate the people who had paid up the deposits by advertising in the newspapers but no one turned up to make any claims.

However, after the news went to the media many people turned up and contacted the Committee revealing that they had in fact enquired of the Council about their deposits but did not receive satisfactory answers or were turned away. We attach two emails containing letters from two such persons. The Committee is however unsure if these letters relate to the same subdivision.

The Committee feels that they may have been misled by the CEO and SA of the Council as PAC has now received numerous correspondences from people who claim that they paid the deposits to the council but the council refused to hear them out or refund their deposits. There are possibly other people who may come up with information.

In Part B - Control Issues, it is noted that the Council failed to produce some important documents and records for audit. Refer to table 2.1 for details.

Table 2.1: Missing Documents and Records

Account	Amount	Documents & records not provided
Nakama Tenants	31,943	Register and Reconciliation
Navaqiqi Tenants	15,769	Register and Reconciliation
Sundry Debtors	15,487	Register and Reconciliation
Land Sales Deposits	447,357	Register and Reconciliation
Other Loan	9,500	Register and Reconciliation
Rent arrears	1,438	Register and Reconciliation

In the absence of records for these subdivisions and accounts neither the Office of the Auditor General nor the PAC can rule out misuse of public money. Further, the Council did not prepare any employee leave listing to record and recognize leave. The non-existence of records to support the amounts questions the accuracy of items as recorded in the financial statements.

The Committee further notes the control issue of no approval to use funds from land dealings account. The Officials of Savusavu Town Council informed the Committee that it was an oversight on the part of the Council. This issue is serious as there are complaints that land deposit moneys have been siphoned out of the account and is no longer available.

The above are some of the audit issues picked up by the Auditor General to which the PAC has not received sufficient explanation thus requiring an enquiry.

After the issues of Savusavu Town Council were reported in the media, the Committee through its chair received various complaints and allegations from the general public on the affairs of the Council. Whilst some of these were not reported in the Auditor General's Report, the Committee feels these issues should be investigated to put the matters to rest. Some of the issues brought up are:

- i. Misuse of ratepayers money by the CEO and SA;
- ii. Issuance of most of Council's tenders for works to the CEO, Mr. Dharmendra Lal's brother's company; Sant Lal Construction;
- iii. Improper or inadequate renovations to Ganilau Park and the Children's Park;
- iv. Misuse of carnival funds collected by SA and CEO. It is alleged that these carnivals are organized by the SA and CEO taking time off from official hours;
- v. Improper handling of land deposit money; and
- vi. Missing money collected from rates and rents, among other things

We attached herewith some of the correspondence received by us.

The following people are willing to speak to any investigating authority and provide further evidence on the above issues. The contacts are as follows:

- i. Ms Rozeleen Vickery PH: +64212702220;
- ii. Mr Raijeli Lal PH: 9870790;
- iii. Mr Shankar Singh PH: 9260469;
- iv. Mr Sanjay Lal PH: 9047877;
- v. Mr Lasaro, a Council Employee; and
- vi. Mr Patel, PH: 9440111

The Committee now refers the complaints to your Commission to pursue this matter and investigate any mismanagement or corruption involved.



Hon. Ashneel Sudhakar

Chairman, Public Accounts Committee

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Fw: Savusavu Town Council Petition (3)

Ashneel Sudhakar Sent Thu, 11/30/2017, 1:21 PM To: priya.chand01@parliament.gov.fj Today at 1:21 PM

Priya Chand Sent Thu, 11/30/2017, 1:26 PM To: priya.chand01@parliament.gov.fj Today at 1:26 PM

Priya Chand <chand.priya0594@yahoo.com> To: priya.chand01@parliament.gov.fj Today at 1:39 PM

--- On Thu, 11/30/17, Ashneel Sudhakar <ashneel.sudhakar@yahoo.com> wrote:

- > From: Ashneel Sudhakar <ashneel.sudhakar@yahoo.com>
- > Subject: Fw: Savusavu Town Council Petition
- > To: "chand.priya0594@yahoo.com" <chand.priya0594@yahoo.com>
- > Date: Thursday, November 30, 2017, 2:21 PM
- >
- > Sent
- > from: Yahoo Mail on Android
- >
- > ----- Forwarded message ----- From:
- > "Ashneel Sudhakar"
- > <ashneel.sudhakar@yahoo.com> To:
- > "Priya P. Chand"
- > <priya.chand01@parliament.gov.fj> Cc: Sent: Thu 30 Nov
- > 2017 at 1:46 pm Subject: Fw: Savusavu Town
- > Council Petition
- >
- > Sent
- > from: Yahoo Mail on Android
- >
- > ----- Forwarded message ----- From:
- > "Ashneel Sudhakar"
- > <ashneel.sudhakar@yahoo.com> To:
- > "Priya P. Chand"
- > <priya.chand01@parliament.gov.fj> Cc: Sent: Sun 12 Nov
- > 2017 at 12:12 am Subject: Savusavu Town
- > Council Petition
- > Dear Sir
- > We, the people of Savusavu Fij, would
- > like to make an urgent request to the Prime Minister Of Fij
- > Hon. Josua Voreqe Bainimarama, to take urgent action to
- > make the CEO Dharwendia Lal and the SA Vijay Chand to step
- > down from their duties immediately.
- >
- > We the people of Savusavu show no
- > confidence and unite to sign this petition that we do not
- > wish to give any of our Rates money to the Savusavu Town
- > Council while it is in the leadership of Dharwendia Lal.
- >
- > We vote no confidence because
- > 1) they are unqualified for the job
- >
- > 2) they misuse the Government Grants
- > for the development and projects proposed for Savusavu
- >
- > 3) the Bank Balance of the Council
- > Account do not reflect what is in the Council Financial
- > Statements. The SA can not account for the shortfall of
- > more than \$400,000 of Land Sale Deposit as shown in the
- > Council records.
- >
- > 4) Money is missing from the past 20
- > years of Rates and Permit payments
- >
- > 5) Under their leadership, the CEO and
- > the SA coordinate a Carnival every year to ask local public
- > and businesses to donate for projects to improve the town.
- > We the people would like to know what was the total amount
- > of the carnival money collected and we would like to also
- > know how all that money was spent. That is charity money and
- > we need audited reports for the past 20 years immediately
- >
- > 6) the SA and the CEO are not present
- > in the office for duties when they are supposed to. The
- > other Council staff have written to the AG's office
- > numerous times, making him aware of the bullying and
- > unprofessional nature of the CEO. A few staff have resigned
- > because they have not been treated fairly by the CEO.
- >
- > 7) The CEO is also the Manager of Funds
- > of the local Hindu Temple for the past few years. With
- > evidence of mismanagement of funds people there have shown
- > no confidence and are investigating accounts.
- >
- > We do not know how Dharwendia Lal and
- > Vijay Chand have been in power for so many years. They are
- > unqualified and incompetent to manage the Savusavu Town
- > Council
- > Please take immediate action for our
- > people
- >
- > Kind Regards
- > Rozelreen Vekery
- >
- >
- >

Reply Reply to All Forward More

Priya P. Chand

From: Ashneel Sudhakar <ashneel_sudhakar@yahoo.com>
Sent: Wednesday, November 29, 2017 12:13 PM
To: Priya P. Chand
Subject: Fw: Ganilau Park Savusavu
Attachments: image1.jpeg; image2.jpeg; image3.jpeg; image4.jpeg

Sent from Yahoo Mail on Android

----- Forwarded message -----

From: "rozeleen@xtra.co.nz" <rozeleen@xtra.co.nz>
To: "karan.opm@gmail.com" <karan.opm@gmail.com>, "ashneel_sudhakar@yahoo.com" <ashneel_sudhakar@yahoo.com>, "ps.opmfj@gmail.com" <ps.opmfj@gmail.com>
Cc: "unaisi.moceisuva@govnet.gov.fj" <unaisi.moceisuva@govnet.gov.fj>, "aiyazsk@gmail.com" <aiyazsk@gmail.com>, "frankjosh156@gmail.com" <frankjosh156@gmail.com>
Sent: Thu, 16 Nov 2017 at 9:09 am
Subject: Ganilau Park Savusavu

The Savusavu Town Council was given grants by the Ministry to get Ganilau Park repaired just after Cyclone Winston. The Fiji Soccer Association donated a lot of money towards the repair too. Instead of accepting tender from qualified builders to do this repair job, the Council staff decided to take on the job themselves. The allegation is that Council staff paid themselves more than they needed to without competing this job.

The park is still closed. The replaced timber is rotting away in the stands. The gates have been shut for 2 years.

Our secondary school children used this Park for all their athletics, rugby and soccer. The this was the home ground to Savusavu Soccer and Rugby.

Our sportsmen, sportswomen and public have been waiting patiently for the only sports park to reopen so that we have some normality back in town. We don't have much to look forward to. We don't have malls, cinemas or gaming arcades. This is all we have where people gather in masses every weekend to have fun watching sports.

Savusavu hasn't had a sports field for almost two years.

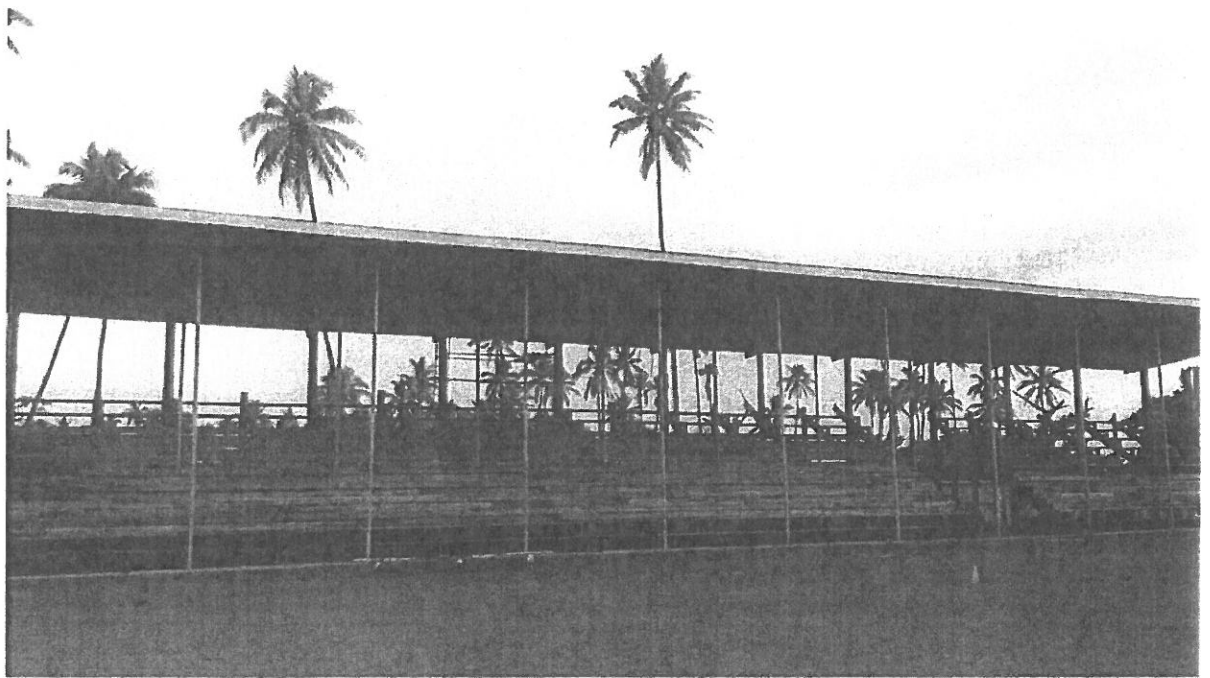
The people want their park back. Even if it means removing the rotting stands. They are happy to just have a field . Nothing else.

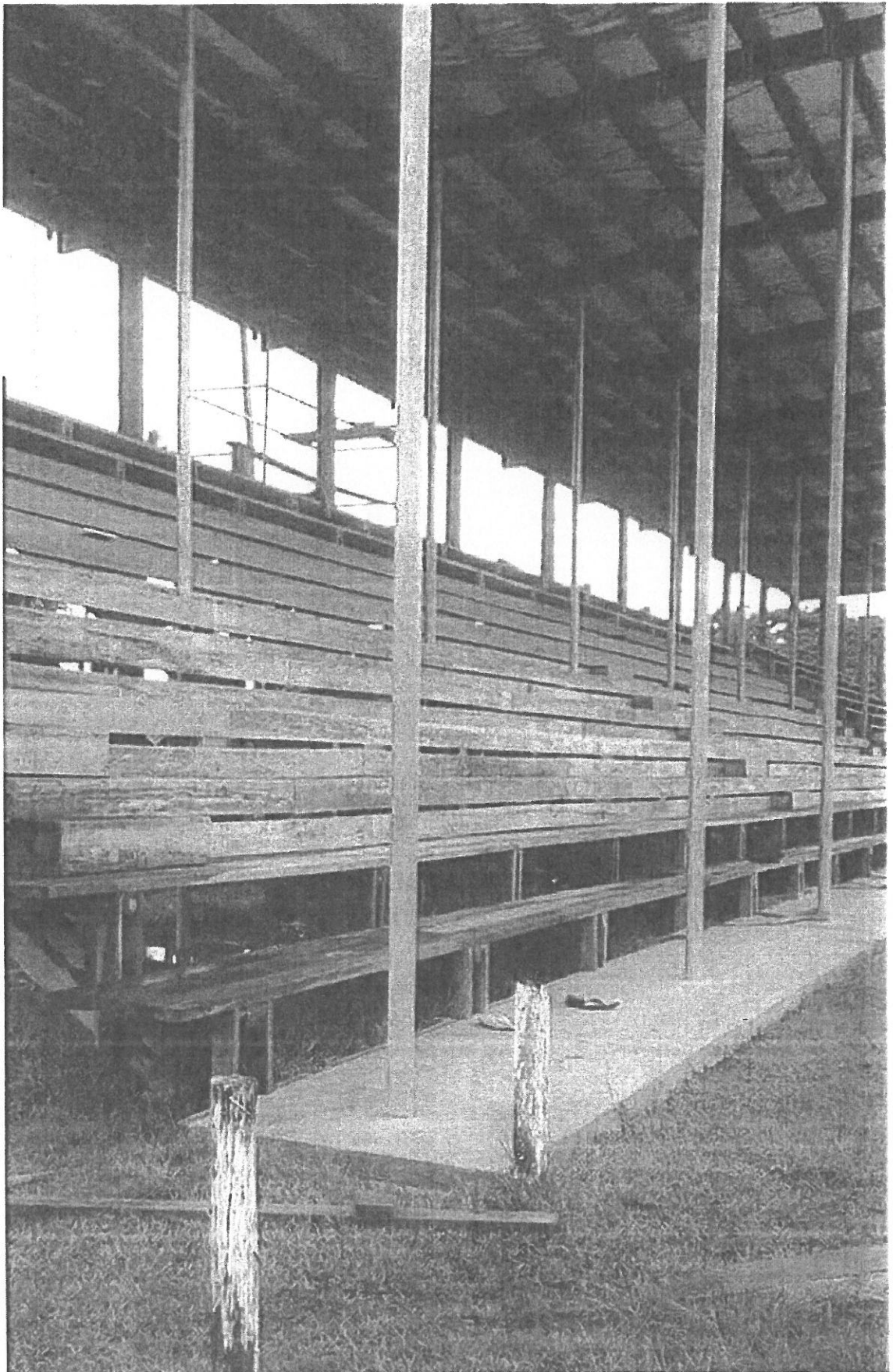
Could you all please do some justice and please organise a reopening of this park ASAP.

Many thanks

Rozeleen Vickery
Quay Street Dental

8 Quay Street, Parnell, Auckland
0212702220









SAVUSAVU TOWN COUNCIL

STC REF: 45/1 (NAT/NAV)

PHONE: (679) 8850261
:(679) 8851343
FAX: (679) 8850872
P.O. BOX 201
SAVUSAVU

24th November, 2003

Mr. Taiyab Ali
P.O. Box 335
SAVUSAVU

Dear Sir,

RE: TENDER-NATUVU/NAVAQIQI: LOT 6 - DP 8712, CT 3034(P1 OF)

I am pleased to inform that the Council has awarded you the tender.

The Council seriously considered your tender and had approved \$55,000.00 plus vat (\$61,875.00 v/p) and 50% deposit within seven (7) days and if possible on Tuesday 25 November, 2003.

The Council will transfer you a clear unencumbered title on DP 8712. Further the Council will not accommodate or entertain any legal aspects on the access negotiation with Carpenters (Fiji) Limited. The Council will only approach as a facilitator.

Upon the Minister of Local Government, Housing, Environment & Squatter Settlements' approval, the document will be submitted to the Council's solicitor, Munro Leys/Suva to prepare the sale and purchase agreement and then transfer will be sealed. Furthermore Mr. Mohammed Khalil F as to put in writing to the Council that there will be no other land claim after this lot is transferred as according to your letter - family lot.

The Savusavu Town Council appreciate the interest you and the family has shown by tendering.

Yours faithfully,


(D. Upi)(JP)
Town Clerk/C.E.O

All correspondence to be addressed to the Town Clerk/C.E.O and not to individuals

SAVUSAVU TOWN COUNCIL

STC REF: 46/1(NAK)

PHONE : (679) 3850241
 (679) 3850243
FAX : (679) 4150872
P.O. BOX 201
SAVUSAVU

10th November, 2003

Mr. Mohammed Khalil & Sons
P.O. Box 336
SAVUSAVU

Dear Sir,

RE : LOT 4 NOW BEING CHANGED TO LOT NO.6 ON APPROVED SURVEY PLAN

I refer to your letter dated 3rd November, 2003.

The Council did not promise to transfer you Lot No.4 (now being Lot No.6) but informed that normal practice will take place, and for Lot 2 DP 4264 due to the caveat, it was on hold and that Lot 2 was confirmed to be transferred to Mohammed Khalil & Ors after normal process.

You may tender for Lot No.6, DP 8712 (enclosed)

I hope, I have made the Council's point very clear by going through the previous correspondence in your file.

Yours faithfully,


(D. Lai)(JP)
Town Clerk/C.E.O

All correspondence to be addressed to the Town Clerk/C.E.O and not to individuals

SAVUSAVU TOWN COUNCIL

STC REF L/1/8

PHONE (679) 850261
(679) 850243
FAX (679) 850872
P.O. BOX 201
SAVUSAVU

1st May, 2001

Mr. Mohammed Khalil
P.O Box 3
SAVUSAVU

Dear Sir,

RE : LAND DEALINGS


I refer to your letter dated 26 March, 2001.

I am directed by my Council to inform you that at present the Council does not have the subdivision plan on hand from Director of Lands, Director Town & Country Planning and the matter is still in process.

The Council is fully aware regarding the transaction transpired with the previous Council and yourself, nevertheless your interest on any other lot is noted.

My Council regrets to inform you that it cannot accede to your request until the plans are approved.

Yours faithfully,


(D. Lal)
Town Clerk/C.E.O

All correspondence to be addressed to the Town Clerk and not to individuals

SAVUSAVU TOWN COUNCIL

S. T. C. Ref.

PHONE 650221
P.O. BOX 201
SAVUSAVU

16th December, 1994.

Mr. Mohd. Khalil,
Naveria
Savusavu.

Dear Sir,

re: Purchase of Council Land.

Your request for the above was discussed at a recent meeting of the Council. We also note the money paid by you to Messrs. Narain Construction Co. Ltd being deposit on Lot 37, DP 4933 CT 19322.

I am directed to advise you that once the council's land has been subdivided, you will be allocated with a lot at the Navagigi subdivision, price to be worked out once the land has been surveyed and pegged.

Please be further advised that of the total sum of money paid by you to the previous owner, 50% of the sum will be credited to the lot you will be allocated in the new subdivision.

Yours faithfully,
Savusavu Town Council

(V. Prasad)
Town Clerk.

All correspondence to be addressed to the Town Clerk and not to individuals

SAVUSAVU TOWN COUNCIL

STC REF

26th February, 2000

Mr. Mohammed Khalil
Naveru
SAVUSAVU

PHONE (679) 850261
(679) 850243
FAX (679) 850872
P.O BOX 201
SAVUSAVU

Dear Sir

re : LAND DEALINGS

I refer to your letter dated 15/01/2000 regarding the above.

The matter which you have raised in your correspondence is noted by the Council respectively.

However the said subdivision is in dispute and the matter is before the high court.

Nevertheless Council will liaise with you when the matter is finalized by the court.

Yours faithfully


(D. J. J.)
Town Clerk/C.E.O.

SECTION 2: SAVUSAVU TOWN COUNCIL**Programme Statement**

The Council was established after being declared a town in 1972. Currently, it has a total of 273 ratepayers and 495 rateable properties. The Council is responsible for the provision and maintenance of a wide range of services for the benefit of the ratepayers within the defined town boundaries. Such services are financed through rates, fees and service charges. All capital projects are financed via external loans, which are repaid by the Council using a special loan rate. Apart from these services required from the Local Government Act, the Council also provides other services such as collection of rubbish, cleaning of streets and Council drains and maintenance of streetlights.

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PART A – FINANCIAL INFORMATION**2.1 Audit Opinion 2009**

The audit of the financial statements of the Savusavu Town Council for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The issues qualified are as follows:

- Included in the current liabilities are un-identified land sales deposits amounting to \$427,456. The Council failed to provide records, listing or reconciliations to substantiate these deposits. The audit was also not able to verify these deposits with any other alternative procedures. It was also not able to verify the existence and accuracy of these deposits. Accordingly, the Auditor General was not able to satisfy himself if current liabilities are fairly stated in the financial statements.
- Included in the rate debtor's amount (Note 3) is Native Land Trust Board (NLTB) rates of \$64,341. A letter dated 30 June 2005 from the Ministry of Local Government, Housing, Squatter Settlement and Environment to all the Town Clerks required that all rates outstanding in relation to NLTB be waived. The directive was given following the amendments made to Local Government Act and specifically with reference to section 60(1) (a) "Rateable land" which exempts NLTB land not leased or licensed from paying general rates. The Council has not made any adjustment to its rate debtors account to comply with the directive of the Ministry.

Additionally the Council failed to provide documentary evidence to substantiate accounts receivable from tenants of \$32,006 and sundry debtors of \$16,327. Accordingly, the Auditor General was not able to satisfy himself if the total receivable of \$293,064 is fairly stated in the financial statements.

- The Council has not provided any provision for doubtful debts for its rates debtors totaling \$293,064. If a charge of doubtful debts was recorded, it would result in a decrease of net surplus in the Statement of Income and Expenditure of General Fund. Accordingly, the Auditor General was not able to satisfy himself if the receivables and net surplus amounting to \$293,064 and \$59,216 respectively are fairly stated in the financial statements.

2.2 Abridged Statement of Financial Performance – General Fund

Year Ended 31 December	2009 (\$)	2008 (\$)
Revenue		
Rates	274,239	264,627
Building fees	2,498	4,745
Business trading and other licenses	39,083	34,257
Garbage dump charges	11,365	9,514
Interest	19,915	16,861
Market fees and charges	89,128	88,236
Marker kiosk rent	16,049	15,384
Taxi bus and carrier stand fees	25,533	23,232
Others	81,745	43,064
Total Revenue	559,555	499,920
Expenditure		
Salaries wages and allowances	191,686	198,979
Garbage services	8,690	18,734
Finance charges	5,223	6,601
Depreciation	38,827	37,842
Office equipment maintenance	3,379	11,597
Office and market-maintenance	4,865	7,608
Roads and drains-maintenance	6,354	2,826
Street light charges and maintenance	11,889	13,907
Utilities	28,171	37,616
Others	144,960	236,470
Total Expenditure	444,044	572,180
Result For The Year From Ordinary Activities	115,511	(72,260)

The Council recorded a surplus of \$115,511 in 2009 compared to a deficit of \$72,260 in 2008. This was due to the increase in revenue by 12% and effective control exercised over expenditure which resulted in a decline in expenditure by 22%.

2.3 Abridged Statement of Financial Position- General Fund

As at 31 December	2009 (\$)	2008 (\$)
Assets		
Cash	52,352	28,365
Receivables	293,064	337,404
Non-current assets	665,016	613,354
Total Assets	1,010,432	979,123
Liabilities		
Creditors and other accruals	736,446	751,629
Deferred income	122,520	88,733
Loans	91,616	115,121
Total Liabilities	950,582	955,483
Net Assets	59,850	23,640
Municipal Funds		
Accumulated Funds	(175,791)	(212,001)
Reserves	235,641	235,641
Net Accumulated Funds	59,850	23,640

The net assets recorded by the Council in 2009 increased by \$36,210 or 153% compared to 2008. This was mainly due to the increase in property, plant and equipment by \$51,662 or 8% in 2009.

2.4 Abridged Program Information

Year Ended 31 December	2009			2008
	Revenue (\$)	Expenses (\$)	Net Cost of Services (\$)	Net Cost of Services (\$)
General Fund	486,148	426,932	59,216	(124,144)
Loan Rate Fund	73,407	5,223	68,184	65,791
Street Light Account	-	11,889	(11,889)	(13,907)
Total	559,555	444,044	115,511	(72,260)

PART B – CONTROL ISSUES

2.5 Failure to produce documents for audit

For the purpose of any audit, an auditor may by notice in writing require any person holding or accountable for any books, records, accounts, vouchers, deeds, contracts or other documents which he may require for the purpose of such audit or examination to appear before him at the time and place specified in the notice and to produce any such document as aforesaid for his inspection.¹

The Council failed to produce some important documents and records for audit. Refer to Table 2.1 for details:

¹ Local Government Act Cap.25 Rev. 1985 - Section 52(1)

Table 2.1: Missing documents and records

Account	Amount (\$)	Documents and records not provided
Nakama Tenants	31,943	Register and reconciliation
Navaqiqi Tenants	15,769	Register and reconciliation
Sundry Debtors	15,487	Register and reconciliation
Land sales deposits	447,357	Register and reconciliation
Other loan	9,500	Register and reconciliation
Rent Arrears	1,438	Register and reconciliation

Also the Council did not prepare any employee leave listing to record and recognise leave.

The non-existence of records to support the amount questions the accuracy of the items as reported in the financial statements.

Recommendation

The Council should ensure that all figures in the financial statement are supported with the relevant documents.

Council's Comments

With the recommendation of the audit, Council is now maintaining records in proper registers and reconciling accordingly. Note. Land Sale deposits the Council had submitted the submission to the Ministry Of Local Government for the waving since there were no records to substantiate the figure.

2.6 Declining working capital

It is imperative for any organisation to have a positive working capital for meeting short term financial commitments.

As at 31 December 2009, the Council's current liabilities exceeded its current assets by \$420,058 and increase by \$5,170 from \$414,888 as at 31 December 2008. Refer to Table 2.2 below for the working capital deficiency.

Table 2.2: Trend of working capital deficiency for the past five years

Financial Year	Current Assets	Current Liabilities	Working Capital	Change
31/12/05	450,940	864,347	(413,407)	-
31/12/06	384,840	685,196	(300,356)	(113,051)
31/12/07	366,302	659,816	(293,514)	6,842
31/12/08	365,769	780,657	(414,888)	(121,374)
31/12/09	345,416	765,474	(420,058)	(5,170)

Continuous poor working capital will expose the Council to risk of going concern. Additionally, the Council may face difficulties in settling its debts as and when they fall due.

Recommendation

The Council should consider ways to improve its working capital.

Council's Comments

To ensure improvement in working capital Council carried out its asset valuation in year 2011 with a registered valuer.

2.7 No approval to use funds from land dealings account

The Council may, with the approval of the Minister, from time to time transfer to the general account any cash surplus remaining to the credit of any separate account which the Council is obliged or authorised by law to keep shown the money's accruing from any public works or trading undertakings executed, maintained or carried on by the Council or may transfer the whole or any part of such surplus to a separate account for the maintenance or renewal of such works.²

Review of movement in land dealing account revealed that \$10,000 was withdrawn through cheque number 223 and paid to Public Works Department for construction of Shiu Chand Road. The audit was however not provided with the approval from the Ministry of Local Government allowing the Council to use this fund for the road upgrade.

The anomaly implies that the Council has breached the Local Government Act undermining the authority of the line Ministry.

Unauthorised use of the cash from land dealings account increases the risk of abuse of funds of a special purpose account.

Recommendation

The Council should ensure that the approval to use the funds is obtained from the Ministry of Local Government.

Council's Comments

Approval from Ministry is only required in circumstances whereby there is a transfer accounts from to another, however if it could be noted that the transaction of \$10,000.00 was not a transfer but a payment to contractor for projects undertaken as resolved by Council

Further OAG Comments

Audit is concerned that funds from the Council's main account was not used to upgrade the Shiu Chand road. Instead \$10,000 from the land dealings account which was specifically for land development was used for which the Council did not obtain approval from the Ministry.

2.8 Variance in rate debtors listing and reconciliation

If accrual basis of accounting is used, the amounts due, paid and unpaid at the end of the period will be reflected by the ledger accounts for the general rate and special rates and these figures should be agreed with the reconciliation statement. Under both, accrual and cash basis of accounting, the total amount of outstanding rates should be agreed with the detailed list of arrears of rates at the end of the period.³

² Local Government Act Cap 125, section 49

³ Manual of accounts for Municipal Councils in Fiji – Forms Rate Reconciliation Statement

Our review of the Aged Debtors listing and reconciliation of debtors revealed a variance of \$4,493. Refer to Table 2.3 for details.

Table 2.3: Variance between rate debtors' reconciliation and listing

As per reconciliation	Aged Debtors listing	Variance
226,083	221,590	4,493

A re-performance procedure carried out by audit on a sample ratepayers revealed that the amount in the debtors reconciliation differs from the amount recorded in the reconciliation prepared in excel. Refer to Table 2.4 for details.

Table 2.4: Summary of sample ratepayers variance

Name	Ass #	As per reconciliation	As per aged debtors listing	Variance
Abid Hussein	261	4,830.46	1,824.29	3,006.17
Bertie Brown	269	5,414.44	5,220.06	194.38
NLTB	185/1	31,896.01	31,805.08	90.93
NLTB	195	11,643.62	8,945.59	2,698.03
Honson Holding	189	8,247.84	6,787.69	1,460.15
Honson Holding	191	7,202.15	5,827.63	1,374.52
Honson Holding	192	5,641.75	3,726.97	1,914.78
Latu's Engineering	260	7,034.65	6,288.24	746.41
Asha Prasad	233/19	4,806.84	169.29	4,637.55
Savusavu Bay Investment	98/11	6,282.80	5,327.41	955.39
Total		93,000.56	75,922.25	17,078.31

The above variances imply that there is poor record keeping in the rates section. Thus the balance of receivables in the financial statement may be misstated.

Recommendation

The Council should ensure that all reconciliations are accurate and that amounts or balances recorded agree with the other records and the financial statement.

Council's Comments

The existing software used for maintaining rates records is not viable hence not showing interests accumulated timely in the respective financial periods therefore the Council has now employed a qualified IT Officer to ensure accuracy in software.

2.9 Un-alienated native land rates not adjusted

Native Land Trust Board (NLTB) rates on Un-alienated land should be waived⁴

A letter dated 30 June 2005 from the Ministry of Local Government, Housing, Squatter Settlement and Environment was sent to all the Town Clerks advising them that all rates outstanding in relation to unalienated land administered by NLTB be waived.

The review of the rate receivable listing revealed that the Council has not made any provisions in its rate debtors to account for this adjustment. The total rates levied in this instance was \$64,631 which is very significant compared to the total rates receivable of \$222,233.

The receivable of \$293,064 may not be fairly stated in the statement of financial position.

Recommendation

The Council should make necessary adjustments in relation to the waiver of NLTB rates.

Council Comments

The Council failed to make the adjustments since Council had requested NLTB to pay in every Ministry of Local Government consultative forum, however upon the final decision of the Lands Minister, Council carried out the waiver.

2.10 Variance in revenue as per financial statements and VAT lodgements

Where, but for this subsection, a supply of goods and services would be charged with tax under subsection (1) of this section, any such supply shall be charged at the rate of zero per cent where that supply is a zero-rated supply.⁵

Our review of Value Added Tax of the Council revealed a variance of \$37,008 in vatiable revenue between the financial statements and the VAT lodgements. Refer to Table 2.5 for details:

Table 2.5: Details of VAT variance

Particulars	Amount (\$)
VEP revenue in the financial statements	508,932
VEP revenue as per VAT lodgements	471,924
Variance	37,008

The variance either indicates that the Council has not disclosed all revenue subject to VAT in the VAT lodgement or the Council has overstated the revenue in the financial statements.

The VAT declared on the income may be misstated as at balance date.

⁴ Letter from Ministry of Local Government dated 30 June 2005

⁵ VAT Decree 1991-Revised 28 Feb 09 Section 15 (2)

Recommendation

The Council should investigate the variance above and ensure that all VAT related transactions are identified and accounted properly.

Council's Comments

Councils financial reporting is such that the current financial periods (monthly VAT Returns) is done in the following month and therefore the revenue for December is lodged in January in the following year.

2.11 No interest charged on outstanding rates

Any rates which are overdue shall bear interest at the rate of 11% per cent per annum and such interest charges shall be included in the expression "rates"; the Minister may by order vary the rate of interest.⁶

Audit noted that no interest was charged on outstanding rates on the following ratepayers. 11% interest is supposed to be charged on the balance at the end of the year. Refer to Table 2.6 for details:

Table 2.6: Interest not charged

Assessment Number	Balance 31.12.09	Interest at 11%
189	7,430.49	817.35
191	6,488.42	713.73
192	5,082.66	559.09
260	6,337.52	697.13
233	4,330.49	476.35
Total	29,699.58	3,236.65

The Council has not complied with the Manual of Accounts. Additionally, not charging of interest deprives the Council of receiving additional cash flow.

Recommendation

The Council should ensure that interest is charged to all outstanding rates

Council's Comments

Majority of the ratepayers makes arrangements to make payments in instalments and therefore the Council does not charge interest. However interest is charged on the non-payments of long overdue accounts.

2.12 Failure to exercise due diligence in selecting contractors

Officer must act in due diligence and care during the course of employment in any public office.

The audit noted that the Council failed to properly assess bidder's information in awarding the streetlight contract during the financial year.

⁶ Local Government Act Cap 125 - Section 78 (2) Amended by Marie Chan to 14 February 2007
Report of Municipal Councils – December 2014

In 2009 the contract for streetlight repairs was awarded to Xpro Electrical Works. Upon signing the contract the Council noted that Xpro Electrical Works employees were neither authorised nor competent to access the FEA pole and did not possess a workman's compensation policy.

In addition the audit noted that following issues after review of the tender and contractors files:

- the second bidder to the contract was only rejected since it was geographically not located in Savusavu;
- the Contractor failed to clean streetlights as stated in the Contract;
- the Contractor failed to attend to requests on time;
- and the Contractor did not comply with OHS requirements.

Failure to properly assess bidders for contractual work could result in inefficient delivery of services to the Council. Additionally, the Council may incur additional costs and time to align loop holes in the contractual agreement.

Recommendation

Any future contract of the Councils services should be properly performed and all relevant procedures to be taken to prevent losses or inefficiency in providing services to rate payers.

Council's Comments

Council has now its own set of SOP (Standard Operating Procedures) which all officers shall abide by and follow as a guide.

SECTION 4: NADI TOWN COUNCIL

Programme Statement

The Nadi Town Council was established under the Local Government Act (Cap 125 Rev. 1985) and section 5 of the Subsidiary Legislation.

The Nadi Town Council is divided into three wards, Namaka, Martintar and Nadi. The Councils daily operations are administered by the Special Administrator appointed by the Ministry of Local Government.

The services provided by the Council are issuance of business licenses, cleaning, maintenance and upgrading of infrastructure, sanitation services, lighting, drainage and maintenance of parks and gardens. Revenue generated by rates levied, issuance of licences, rents received from Council properties and miscellaneous revenue are used to finance the above services as well as to meet the administration expenses of the Council.

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PART A – FINANCIAL INFORMATION

4.1 Audit Opinion - 2012

The audit of the financial statements of the Nadi Town Council for the year ended 31 December 2012 resulted in the issue of a qualified audit report. The issues qualified are as follows:

1. Included in property, plant and equipment (Note 4) are roads and footpaths with written down value of \$14,909,315 as at 31 December 2012. All Municipal roads have been transferred to the Fiji Roads Authority (FRA) in accordance with the FRA Amendment Decree 2012. Consequently,

property, plant and equipment are overstated in the financial statements.

2. Appropriate reconciliations and records were not provided to substantiate miscellaneous debtors of \$81,562 as at 31 December 2012. Additionally, there is an un-reconciled variance of \$212,042 between VAT receivable general ledger and Statement of VAT account from FRCA. Accordingly, the audit was not able to satisfy itself about the valuation and completeness of the receivables of \$1,754,484 as presented in the financial statements. Therefore, the audit was not able to confirm if the accounts receivable balance is fairly stated in the Statement of Financial Position.
3. There is an un-reconciled variance amounting to \$6,418 between the cash at bank as per the general ledger and the bank reconciliation statement for general fund account. Additionally, cash at bank balance as per financial statement of \$115,440 was not supported by general ledger. Accordingly, the audit was not able to satisfy itself if the cash at bank is fairly stated in the Statement of Financial Position.
4. Included in current liability (note 7) are sundry deposits of \$706,930 as at 31 December 2012. The Council failed to provide a detailed listing for these deposits. Consequently, the audit was not able to perform necessary audit procedures or any other alternative audit procedures to verify its existence and valuation. Accordingly, the audit was not able to satisfy itself if current liabilities of \$1,270,385 are fairly stated in the statement of financial position.
5. Un-reconciled variance of \$722,823 exists between the Council's rates listing and the income statement in respect to general rates. Additionally, appropriate listings and reconciliations were not prepared for Council's other revenues such as Business and trading fees, Rental income and taxi and carrier charges. Consequently, the audit was unable to satisfy itself regarding the completeness and accuracy of these revenue accounts in the general ledger. Accordingly, the audit was unable to satisfy itself if total income of \$2,436,301 is fairly stated in the statement of income and expenditure for general fund.

Without further qualifying the audit opinion, attention is drawn to the following matters:

- The value of parking meters has not been incorporated in the Statement of Financial Position as at 31 December 2012. The audit was not to ascertain the value of these items due to lack of supporting documentations.
 - Included in the Statement of Financial Position under Receivables is an account, Enforcement, & Parking Meter Infringement amounting to \$43,717. The Council has not successfully obtained the legal rights over the receipts of the infringement fines which are collected by Land Transport Authority. The Council is still negotiating with LTA relating to this matter.
 - Included in Statement of Financial Position under Parking Meter Fund is Cash at bank amounting to \$62,471. The Council records this balance through a book entry by adding the opening accumulated funds to the surplus made by Parking Meter Account. The total is then subtracted from the General Fund Bank account to determine Parking Meter cash at bank balance. The Council does not maintain a separate cash book for this account.
-

4.2 A bridged Statement of Financial Performance- General Fund

As at 31 December	2012 (\$)	2011 (\$)
Revenue		
Rates	1,036,407	1,174,911
Interest	57,162	101,193

As at 31 December	2012 (\$)	2011 (\$)
Bus Stand Charges	38,346	32,670
Business License	376,718	215,053
Market Fees	408,555	468,553
Park Fees	68,332	41,496
Taxi and Carrier Stand Fees	116,751	94,495
Rent from Council Properties	435,352	429,754
Others	522,466	454,379
Total Revenue	3,060,089	3,012,504
Expenditure		
Salaries, Wages & Related Payments	1,267,948	1,262,847
Interest and bank charges	210,502	218,337
Garbage Services	343,602	340,626
Maintenance of Buildings	25,783	27,157
Maintenance of Parks & Gardens	51,065	639
Maintenance of Roads, Drains, Paths and Verges	114,047	78,067
Street Lights	151,532	137,546
Market Expenses	4,117	-
Depreciation	364,267	361,230
Upgrading and Improvement to Roads, Footpaths & Verges	11,764	5,824
Others	854,968	666,451
Total Expenditure	3,399,595	3,098,724
Result For The Year From Ordinary Activities	(339,506)	(86,220)

The Council again recorded a deficit of \$339,506 on its General Fund Account in 2012; an increase of \$253,286 or 294% compared to the deficit recorded in 2011. The increase in the deficit amount was mainly attributed to increase in miscellaneous and contingency expenditures by \$173,193 and \$82,076 respectively.

Although there is an increase in revenue of 2%, there is also an increase in expenditure by 10% which contributes to the increase deficit as compared to the previous year.

In 2012, there was a major flood in Nadi and the costs associated with the cleaning of the town and quickly restoring the main Central Business District to its normal status. The Council had to engage other stakeholders such as the National Fire Authority, the Police forces, the Army forces and the Corrections service to assist in the cleaning of the town so that the business owners in the town are able to open their shops.

4.3 Abridged Statement of Financial Performance – Parking Meter

As at 31 December	2012 (\$)	2011 (\$)
Revenue		
Tolls	75,623	104,206
Fines	99,644	64,250
Total Revenue	175,267	168,456
Expenditure		
Salaries, Wages and Related Payments	134,701	125,620
Maintenance of Parking Meter and Bays	25,293	28,212
Others	135,826	21,318
Total Expenditure	295,820	175,150
Result For The Year From Ordinary Activities	(120,553)	(6,694)

The Council also recorded a deficit on its Parking Meter Account in 2012. The deficit increased by \$113,859 compared to the amount reported in 2011. The increase in the deficit amount was mainly attributed to the increase in other expenditure by \$114,508.

The revenue increased by 4% in the year 2012 and also the expenses increased by 69% which led to a higher deficit than 2011. The expenses increase were mainly to do with the plant and vehicle operation expenses and the repairs and maintenance associated with the office building.

4.4 Abridged Statement of Financial Position – General Fund

As at 31 December	2012 (\$)	2011 (\$)
Assets		
Cash at bank and on hand	286,167	42,526
Trade and other receivables	1,760,706	2,340,382
Non-Current Assets	32,228,513	32,567,085
Total Assets	34,275,386	34,949,993
Liabilities		
Creditors, accruals and provision	283,326	504,428
Sundry deposits	706,930	706,930
Deferred income	188,601	194,911
Loan	2,627,573	2,735,262
Total Liabilities	3,806,430	4,141,531
Net Assets	30,468,956	30,808,462
Accumulated Funds		
General	24,948,642	25,708,658
Loan repayment	5,460,614	5,040,104
Sewerage	59,700	59,700
Net Accumulated Funds	30,468,956	30,808,462

Net assets decreased by \$339,506 or 1% in 2012 compared to 2011. The decrease was mostly attributed to the decrease in property, plant and equipment by \$338,572 or 1%.

Also there was a decrease of \$579,676 or 25% from trade and other receivables. Creditors, accruals and provision also decreased by \$221,102 or 44%.

4.5 Abridged Statement of Financial Position – Parking Meter

As at 31 December	2012 (\$)	2011 (\$)
Cash at Bank	62,471	183,024
Total Assets	62,471	183,024
Net Accumulated Funds	62,471	183,024

Although the cash at bank increased in the financial statements, there was no bank account to indicate that the money actually existed.

The Parking Meter Account recorded cash at bank of \$62,471; an increase of \$120,553 or 66% in comparison to the amount reported in 2011. No liability was recorded in the account in 2012.

4.6 Abridged Program Information

Year Ended 31 December	Revenue	2012 Expenses	Net Cost of Services	2011 Net Cost of Services
	(\$)	(\$)	(\$)	(\$)
General Fund	436,301	3,196,317	(760,016)	(361,376)
Special Rate Fund	623,788	203,278	420,510	275,156
Parking Meter Fund	175,267	295,820	(120,553)	(6,694)
Total	3,235,356	3,695,415	(460,059)	(92,914)

PART B – CONTROL ISSUES

4.7 Roads, Drains and Footpaths not transferred to Fiji Roads Authority

Effective from 14 May 2012 all assets, interests, privileges, liabilities and obligation of Municipal Councils in relation to municipal roads shall be immediately transferred to and shall vest in the Authority without conveyance, assignment or transfer.¹

The audit noted from the review of Council's property, plant and equipment that the Council has not transferred the roads, drains and verges to Fiji Roads Authority (FRA) as at 31 December 2012. The carrying amount of these assets is \$14,909,315.

The Council has not complied with the Fiji Roads Authority (amendment decree) 2012. Consequently, value of property, plant and equipment is overstated by \$14,909,315 in Council's the statement of financial position.

Recommendation

The Council should comply with the Fiji Roads Authority (Amended Decree) 2012 and transfer all assets in relation to municipal roads to FRA. Additionally, the Council should make necessary adjustments to its financial records after the transfer.

Council's Comments

Council has done the necessary adjustments in the 2013 audit.

4.8 Bank Reconciliation

The bank reconciliation should be checked by the supervisor to determine its timely preparation and that it contains no unusual entries requiring further investigation.²

All cheques written by the Council and not presented to the bank after 6 months becomes stale and should be written back.

Despite having the bank reconciliation prepared and presented during the monthly meeting, the audit noted the following anomalies in bank reconciliation:

- Independent reconciliation carried out noted that there was a variance of \$4,474 between cash book reconciliation and bank reconciliation. Refer to Table 4.1 for details

Table 4.1: Details of Variance between Cash Book and Bank Reconciliation

Particulars	Balance as per Cash Book (\$)	Balance as per Bank Reconciliation (\$)	Variance (\$)
Cash	109,022	104,548	4,474

- Monthly bank reconciliations for the months of March and July were not signed by the Treasurer and Chief Executive Officer for the preparation and verification of the balances.

¹ Fiji Road Authority (amendment decree) 2012, paragraph 7 (b)

² Manual of Accounts for Municipal Council in Fiji – Appendix 3 – Section 9 Paragraph 5
Report of Municipal Councils – December 2014

Name of Account	Account No.
Nadi Town Council Main Account	0468276400
Account # 2	9803171579
Grant Fund Account	9804899863
Market Grant Account	9806391885
Parking Meter Account	9805378685
Carpark Account	9806671104
BSP Account	8280987

- Bank reconciliation for Westpac account number 9803171579 was not prepared. The account had a balance of \$170,714

The above findings indicate ineffective control over the preparation and review of bank reconciliation. This may result in incorrect financial reporting and mismanagement of Council funds.

Recommendations

- Bank reconciliations for each bank account should be checked, reviewed and certified correct by the supervising officer.
- Bank reconciliation of all bank accounts should be prepared on a regular basis

Council's Comments

No comments received on the issue.

- *Bank reconciliations for all bank accounts are prepared now and are also checked by the Manager Finance and it is also signed off and filed. There are several bank accounts that the Council possess such as:*

4.9 Variance between Bank Reconciliation and General Ledger

It is necessary to have the cash book balance reconciled with the balance shown in the General Ledger. This should be done at least once a month. Any continuing items causing a difference between the two records should be investigated and resolved.³

The audit noted a variance of \$116,345 between the cash book balance and the general ledger. Refer to Table 4.2 for details.

Table 4.2: Variance between bank reconciliation and general ledger

Account name	Balance as per Bankreconciliation (\$)	Balance as per General Ledger (\$)	Variance (\$)
Cash/(Overdraft)	104,548	(11,797)	116,345

Similarly, a variance of \$127,237 was noted between the general ledger and the financial statements. Refer to Table 4.3 for details.

Table 4.3: Variance between the financial statements and general ledger

Account name	Balance as per Financial Statement (\$)	Balance as per General Ledger (\$)	Variance (\$)
Cash	115,440	-	115,440
Overdraft	-	(11,797)	11,797
Total	115,440	(11,797)	127,237

The audit further noted that there was a variance of \$10,982 between the bank reconciliation and the Financial Statements. Refer to Table 4.4 for details.

Table 4.4: Variance between the financial statements and bank reconciliation

Account name	Balance as per Financial Statement (\$)	Balance as per Bank Reconciliation (\$)	Variance (\$)
Cash	115,440	104,548	10,982

The findings indicate that cash at bank balance reflected in the financial statement is subject to errors and misstatements. Additionally cash at bank may not be fairly stated.

Recommendations

- After the preparation of monthly bank reconciliation, all irregularities identified should be adjusted accordingly to avoid large amount of variance between the bank statement and the council's records.
- The internal control procedures in the Accounts Section, specifically supervisory checks be strengthened to avoid the above discrepancies

Council's Comments

No comments received on the issue.

Due to the bank reconciliations being prepared on a monthly basis, the council is able to match the cash book with the bank statements on a monthly basis and any differences are rectified on a monthly basis when the bank reconciliations are checked by the Manager Finance.

4.10 Anomalies in Value Added Tax

The net amount receivable or payable in respect of VAT should be included as part of accounts receivable or payable. Assets should be recorded net of VAT if the tax is recoverable.⁴

It is imperative that the Council's VAT account should be reconciled on a monthly basis with the statement of VAT account issued by Fiji Revenue and Customs Authority. The monthly reconciliations would allow the Council to identify and rectify the understatement or overstatement of VAT input and VAT output in the VAT returns on a timely basis.

The review of the VAT revealed the following anomalies;

- Variance amounting to \$212,042.21 was noted between the General Ledger and the independent reconciliation carried out by audit with the Statement of VAT account received from FRCA. Refer to Table 4.5 for details:

Table 4.5: Variance in VAT

Particulars	Amount (\$)
VAT Payable as per VAT Reconciliation	30,681.79
VAT Payable as per Financial Statements	242,724.03
Variance	212,042.21

- The Council failed to lodge and pay the VAT on time for January 2012. Consequently, the Council incurred late lodgement penalty of \$13,512.03 from FRCA.

- Monthly VAT reconciliations were not prepared by the Council for 2012.

The above findings indicate that VAT is overstated in the financial statements. It also indicates lack of proper audit trail can result in manipulation of accounting data posted to the financial statements.

The additional penalties could have been avoided if VAT lodgements had been made on time.

Recommendations

- **Monthly VAT reconciliations should be prepared between the Council records and FRCA's statement of VAT account and any variance arising thereon should be properly investigated and resolved.**
- **The Council should ensure that the VAT is paid to FRCA on time to avoid late payment penalties.**
- **Adequate supervision should be carried out by senior officer preferably Manager Finance to ensure that VAT lodgements and payments are done in a timely manner.**

Council's Comments

All the payments are now done before or on the due date, to avoid paying penalties

The Manager Finance also checks the Council records against FRCA's records when the Notice of Assessment is received and also checks that the vat lodgements and payments are done in a timely manner.

4.11 Discrepancies in debtors record

Every Council shall keep proper accounts and records which shall be kept in such manner as may be directed by the Minister.⁵

The following discrepancies were noted in the Accounts receivable balance amounting to \$1,760,706 reflected in the Financial Statement for the year ended 31 December 2012.

- Included in Statement of Financial Position under Receivable is an account namely Enforcement and Parking Meter Infringement amounting to \$43,717. The Council has not successfully obtained the legal rights over the receipts of the infringement fines which are collected by Land Transport Authority. The Council is still negotiating with LTA relating to this matter.
- Miscellaneous debtors amounting to \$81,562 was not supported with documentary evidence. According to the Manager Finance, this balance has been brought forward from previous years. In addition, the audit noted that a general journal amounting to \$29,457.81 was passed to reverse the 2011 creditors. The journal vouchers and the supporting documents were not provided for audit verifications.
- The review of the ratepayers' statement revealed that some ratepayers have credit balances while some have large outstanding balances.
- The copy of the rate notices for 2012 sent out to the ratepayers was not filed in the ratepayers files.
- Rent debtors increased by \$36,881 or 134% in 2012, hence indicating that the Council policy for debt collection is ineffective

Lack of appropriate documentary records for enforcement and parking meter infringement and miscellaneous debtors account may result in inaccurate financial reporting. Furthermore, the Council may find it difficult to recover these deposit amounts in future.

Recommendations

- All relevant documents should be produced for audit verification to substantiate the figures reported in the Financial Statement.
- The internal control procedures in the Accounts and Rate Collection division, specifically supervisory checks should be strengthened to avoid above discrepancies.
- The Council should ensure that any correspondence between the ratepayer and Council is filed in the ratepayers file.

Council's Comment

Council has started filing all the correspondence by the ratepayers into their individual files. The new Manager Finance has designed the new journal voucher and a copy of the journal is filed in the journal file and is also filed to the respective rate payers file. The yearly invoices are also filed in separate rate payers file in the year 2013. Each rate payer will have relevant documents in their file.

4.12 General rates revenue

It is important internal control measure that the Council reconciles its system generated rates revenue with general ledger. This will ensure that rates revenue in the general ledger is completely recorded.

Review of rates revenue revealed a variance of \$722,823 between general ledger and rates listing. Refer to Table 4.6 for details

Table 4.6: Details of Variance between analytical review and financial statements

Particulars	Balance as per Financial Statements	Balance as per analytical review	Variance
General Rates	412,619	1,135,442	722,823

Additionally, it was noted that the Council had used the new unimproved capital value amount in 2012, however the revenue collected from general rates had decreased by \$283,551 or 40% in 2012 as compared to 2011.

Large variances between analytical reviews and actual amounts are indications of erroneous amounts being recorded by an entity.

Recommendation

The Council should ensure that revenues are recorded at accurate amounts.

Council's Comments

Manager Finance has started working on the rates database, which will take into account the different type of rate and to ensure a proper report will be obtain at any time.

4.13 Rental Income

It is important internal control measure that the Council reconciles its rental revenue with general ledger. This will ensure that rental revenue in the general ledger is completely recorded.

The audit noted that there was a variance of \$139,386.20 in the rent revenue amount between the financial statements and the amount derived by audit as per the analytical review. Refer to Table 4.7 for details.

Table 4.7: Details of Variance between analytical review and financial statements

Particulars	Balance as per Financial Statements	Balance as per analytical review	Variance
Rent	435,352	574,738.20	139,386.20

The anomaly indicates that the amount may be incorrectly reported in the financial statement.

Recommendation

The Council should ensure that revenues are recorded at accurate amounts.

Council's Comments

No comments received on the issue.

The Council is working to ensure that revenues are recorded at accurate amounts

4.14 General Ledger

The book of the final entry is the ledger. Depending on the extent of mechanisation or computerisation the ledgers may be handwritten or machines produced or even a mixture of the both. It is not unusual to come across a general ledger kept by hand by one person and personal or debtors and creditors ledgers produced by another person on a machine. Where such subsidiary ledgers are kept, it is important to have control accounts in the general ledger.⁶

However books of final entry such as ledgers and rate registers and also the minute book should be retained indefinitely.⁷

The general ledger is a cumulative (year to date) book that contains the individual accounts maintained by the business and shows the balances in each account. Financial statements (balance sheet and income statement) are prepared using the account balances from the general ledger.

The audit noted that the Council discontinued maintaining a general ledger from 2006 till 13/12/13. The absence of general ledger indicates that the Council has not maintained proper accounting records during the year. Additionally, lack of general ledger exposes high risk of concealing fraudulent transactions.

Recommendation

The Council should immediately implement a general ledger system.

Council's Comments

No comments received on the issue.

The Council is trying all its best in rectifying this by talking to the various Accounting software providers and has also informed the Ministry of Local Government to assist all Municipal Councils to have a same software which is uniform and user friendly so that all accounting personnel are able to understand and use the package. The engagements with the software providers are not really progressing in the manner it should be as there is no full backup and commitment by the all concerned.

⁶ Manual of Accounts – Section 5.4

⁷ Manual of Accounts – Section 5.5

4.15 Sewerage Service Fund Account

Every Council shall keep proper accounts and records which shall be kept in such manner as may be directed by the Minister.⁸

As at balance date, Sewerage Service Fund Account had a balance of \$59,700. However, the Council failed to provide Sewerage Service Fund Account records to substantiate the amount. The Manager Finance revealed that the balance has been brought forward from previous years and the Council has no records to validate the above balance.

Lack of appropriate written documentary records for Sewerage Service Fund Account may result in inaccurate financial reporting.

Recommendations

- The Council should ensure that proper records are kept for Sewerage Service Fund Account.
- The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.
- The Council should immediately investigate and reconcile the Sewerage Service Fund Account.

Council's Comments

No comments received on the issue.

The Council does not have prior records so the Sewage Service Fund Account cannot be rectified.

4.16 FEA security deposit

Every Council shall keep proper accounts and records which shall be kept in such manner as may be directed by the Minister.⁹

Audit noted that as at balance date, FEA Deposits account had a balance of \$16,790.89. However, the Council failed to provide appropriate and sufficient records to substantiate the existence of this amount.

Lack of appropriate documentary records for FEA Deposit account may result in inaccurate financial reporting. Furthermore, the Council may find it difficult to recover these deposit amounts in future.

Recommendations

- The Council should ensure that proper records are kept for FEA Deposits.
- The Council should investigate and obtain relevant information and supporting documents for the amounts reported as other deposits.
- The Manager Finance should check progressively that all balance sheet items are supported with full details and are accurate with future realization of the assets intact.

Council's Comments

We are currently working on this.

⁸ Local Government Act Cap 125 – Section 47 (2)

⁹ Local Government Act Cap – Section 47 (2)

4.17 Discrepancies noted in property, plant and equipment reporting

Apart from surveys carried out for disposal of surplus or obsolete items there is also the need to have stock take at least once in a year to confirm that equipment, stores and materials shown in the records do in fact exist. Such stock take should be done by the officers working together.¹⁰

The following discrepancies were noted in the property, plant and equipment reporting:

- The audit was not provided with any report on physical verifications of registered assets. The audit gathered that survey report was not prepared after the survey was carried out during the year.
- The depreciation rate charged by the Council for office equipment, furniture and fittings, plant & machinery, motor vehicle was not consistent with Accounting policy, note 1 (e) – Depreciation¹¹ of the Council. Refer to Table 4.8 for details.

Table 4.8: Rate as per FAR and Note 1 (e) – Depreciation in the financial statement

Fixed Asset Type		
Office Equipment	7% per annum	10 % per annum
Furniture & Fitting	7 % per annum	10 % per annum
Plant & Machinery	7% per annum	10 to 20 % per annum
Motor Vehicle	15% per annum	20% per annum

The above anomaly suggests that the Council has not complied with its accounting policy stated in its financial statements, hence making the financial statement's Note 1(e) misleading.

- The Council does not have an asset capitalization policy in place.
- Physical verifications carried out by audit of the assets owned by the Council revealed that assets were not properly tagged hence it was difficult to identify the assets in the Fixed Asset Register.
- The value of Parking Meters has not been incorporated in the Statement of Financial Position of the Council as at 31 December 2012. The Council has 335 parking meters in its municipality.

Lack of appropriate documentary records for property, plant and equipment account may result in inaccurate financial reporting. In addition, assets are prone to mismanagement or theft in the absence of an effective internal control system.

Recommendations

- **The Council should ensure that a board of survey report is prepared at the completion of the board of survey. Additionally, reconciliation should be performed between the physically verified assets listed in the Fixed Asset Register**
- **The Council should ensure that the rates charged for depreciation of specific class of assets are consistent with its policy as stated in the financial statement.**

¹⁰ Manual of Accounts – Section 16.7

¹¹ Refer to the Financial Statement – Notes on Accounting Policy

- The Council should have a capitalization policy in order to ensure that items falling under the definition of fixed assets are properly disclosed in the financial statement.
- The Manager Finance should check progressively that all balance sheet items are supported with full details and are accurate with future realization of the assets intact.

Council's Comments

We are almost completed with the board of survey, verifying individual asset, and each assets bears a fixed asset tag which correctly identifies the type of asset and the Number allocated for the fixed assets.

- Board of Survey are now been carried out and we are trying to do the exercise once in a year.
- Stock takes are now done yearly in December.
- Assets are also been tagged but the Council has not fully matched the Fixed Assets Schedule to match the Asset Tagging and this exercise is still pending.

4.18 Sundry deposit

It is imperative that supporting schedules, listings and reconciliations should be prepared to support items in the balance sheet.

Included in the Statement of Financial Position – General Fund under current liabilities is sundry deposits amounting to \$706,930. Our review of sundry deposits revealed that no listing was maintained by the Council to substantiate the opening balance of sundry deposit as at 01/01/2012 amounting to \$706,930. Refer to Table 4.9 for details.

Table 4.9: Listing maintained for the opening balance of sundry deposit

Particulars	Amount (\$)
Contributions – Public Car Park	182,604
Curio Vendors	126,685
Tender Deposits	186,916
Rates Prepaid	32,893
Contribution for Works	84,880
Miscellaneous	92,952
Total for opening balance	706,930

ng increases risk of incorrect and untimely payment to the beneficiaries.

Non maintenance of appropriate sundry deposit listi

There is a possibility that the Council may have settled the accounts relating to these deposit but failed to adjust it in the financial statements.

Recommendation

A detail listing of all sundry deposits should be maintained and updated on a timely basis.

Council's Comment

We are currently working on this.

The Council did not reconcile deposits at any time and in 2016 efforts were made to reconcile deposits and provide an updated list.

It was very difficult though and a thorough reconciliation is currently being done by our Internal Auditors together with the Reconciliation officer.



NADI TOWN COUNCIL

Your Ref: _____
A1/1/013
Our Ref: _____
Date: 04th January, 2018.

**OFFICE OF THE
SPECIAL ADMINISTRATOR**
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**The Chairman
Public Accounts Committee
Parliament of Fiji
P.O Box 2353
Government Buildings
Suva.**

Dear Sir

Re: Supplementary Question from the Public Accounts Committee

Thank you for accepting Nadi Town Council to be part of the Public Accounts Committee to deliberate and share light to the financial aspects of the Council.

Based on the deliberations of the Committee on our submission, the Committee requested further explanations to the following:

1) Anomalies in the Value Added Tax

The Council is not able to provide answers to the variance. Office of the Auditor General confirmed that there was a typing error; VAT Payable should have read as VAT Receivable which means that FRCA owes money to Council. Secondly, the variance should read as \$212,042.24 instead of \$212,042.21.

Table 4.5: Variance in VAT

Particulars	Amount (S)
VAT Payable as per VAT Reconciliation	30,681.79
VAT Payable as per Financial Statements	242,724.03
Variance	212,042.21

Efforts made by the Council after attending the Public Accounts Committee meeting to reconcile and find the variance but have been unsuccessful. The table below was extracted from the Statement of VAT obtained from FRCA to reconcile the variance showing a credit balance of \$19,430.91. The Office of the Auditor General could not provide further information.

Trans Date	Yr	Month	Details	Debit	Credit	Balance	
				2,563,611.59	2,521,379.46	42,232.13	DR
2/05/2012	2012	January	Lpp Reduced		30,638.99	11,593.14	DR
11/05/2012	2012	January	Payment Receipt		15,512.02	- 3,918.88	CR
21/05/2012	2012	January	Late Lodgement Penalty		15,512.03	- 19,430.91	CR
19/04/2017	2012	February	Payment Receipt		37,362.06	- 56,792.97	CR
28/05/2012	2012	February	Original Assessment	37,362.06		- 19,430.91	CR
28/05/2012	2012	February	Late Payment Penalty	9,340.52		- 10,090.39	CR
28/05/2012	2012	February	Late Lodgement Penalty	7,472.41		- 2,617.98	CR
31/05/2012	2012	February	Lpp Reduced		8,100.55	- 10,718.53	CR
31/05/2012	2012	February	Lpp Withdrawn		7,472.41	- 18,190.94	CR
27/04/2012	2012	March	Payment Receipt		8,941.33	- 27,132.27	CR
25/05/2012	2012	March	Original Assessment	8,941.33		- 18,190.94	CR
31/05/2017	2012	April	Original Assessment		1,239.97	- 19,430.91	CR
18/06/2012	2012	May	Payment Receipt		10,308.59	- 29,739.50	CR
29/06/2012	2012	May	Original Assessment	10,308.59		- 19,430.91	CR
27/07/2012	2012	June	Payment Receipt		1,933.87	- 21,364.78	CR
22/08/2012	2012	June	Original Assessment	1,933.87		- 19,430.91	CR
31/08/2012	2012	July	Payment Receipt		12,422.29	- 31,853.20	CR
17/10/2017	2012	July	Original Assessment	12,422.29		- 19,430.91	CR
27/09/2012	2012	August	Payment Receipt		7,549.02	- 26,979.93	CR
5/11/2012	2012	August	Original Assessment	7,549.02		- 19,430.91	CR
29/10/2012	2012	September	Payment Receipt		16,732.20	- 36,163.11	CR
14/11/2012	2012	September	Original Assessment	16,732.20		- 19,430.91	CR
22/11/2012	2012	October	Payment Receipt		7,421.51	- 26,852.42	CR
8/01/2013	2012	October	Original Assessment	7,421.51		- 19,430.91	CR
21/12/2012	2012	November	Payment Receipt		11,638.22	- 31,069.13	CR
25/03/2013	2012	November	Original Assessment	11,638.22		- 19,430.91	CR
30/01/2013	2012	December	Payment Receipt		30,681.79	- 50,112.70	CR
2/04/2013	2012	December	Original Assessment	30,681.79		- 19,430.91	CR
			Total	377,581,000.00	377,581,000.00	0.00	

2) FEA Security Deposit

The amount of \$ 16,790.89 is security deposits owned by Nadi Town Council that is required by the Fiji Electricity Authority as a customer. These deposits are for our various offices and properties that are occupied by the council. The tenants on our properties have the Electricity meters registered in their names and also pay for the FEA security deposits separately.

Currently as at 2017, our FEA security deposits total to \$17,202.45 held with the Fiji Electricity Authority and the details are below:-

ACCOUNT NO	LOCATION	SE - SUNDY DEPOSIT
1378740103	MEETING CHAMBER- office 8	\$ 510.49
1375190102	MEETING CHAMBER	\$ 281.43
1378790101	OFFICE	\$ 2,954.36
1378940101	OFFICE - 9	\$ 424.10
1385970101	BUILDING DEPT	\$ 1,042.79
2631186110	POLICE POST TEMPLE END	\$ 90.00
2631346910	POLE MOUNTED BOARD	\$ 428.11
1378850101	NTC - PASSAGE LIGHTS	\$ 1,211.05
1379250101	NAIR DIAS	\$ 10.00
1378700101	BUS STATION	\$ 493.23
2176990101	WORKS DEPOT	\$ 1,016.81
2054270103	LIBRARY	\$ 656.46
1379000111	LIBRARY	\$ 630.00
1378670101	PC PARK - FLOODLIGHTS	\$ 1,428.44
1378870101	PC PARK - PAVILION/LIGHTS	\$ 984.38
1378650101	PC PARK - TKT BOOTH	\$ 90.20
2629200510	ATS CHILDRENS PARK	\$ 90.00
2624587010	MKT C/PARK-TKT BOOTH	\$ 30.00
1370160103	PARKING METER DEPT- Office 3	\$ 733.86
1378860101	MARKET	\$ 2,896.00
2627581310	NAMAKA MARKET	\$ 820.24
2634007010	KOROVOLU PARK LIGHTS	\$ 130.00
1378970112	NEW HEALTH OFFICE	\$ 250.50
		\$ 22,122.75

3) **Sundry Deposit**

Sundry Deposits	2012	2011	2010	2009	2008	2007	2006	2005
Contributions - Public Carpark	82,601	82,604	156,178	146,178	112,428	112,428	112,895	99,395
Commercial Complex and Curio Vendors						-	-	99,329
Curio Vendors	176,683	176,683	110,017	110,017	106,751	106,751	102,386	
Tenders	184,316	184,316	175,316	175,316	143,516	139,016	122,016	102,386
Rates Prepaid	2,480	2,480	2,480	2,480	2,480	2,480	2,480	2,480
Contribution for Works	84,880	84,880	84,880	84,880	84,880	84,880	52,380	
Vat Payable					-	-	-	-
Miscellaneous	92,252	92,252	89,872	89,872	145,356	105,526	77,983	69,323
Total Deposits	\$ 706,950	\$ 706,950	\$ 680,504	\$ 639,156	\$ 625,824	\$ 578,529	\$ 501,953	\$ 403,326

The figures shown in the table above was obtained from the financial statements relating to the respective years and it is clear that some of the amounts relating to the specific deposits have existed for quite a while without movements and it has been very difficult to find information relating to the deposits. However, reconciliations started in 2016 and the council is working towards ascertaining the correct deposit amounts relating to specific deposit categories.

Yours faithfully



.....
Robin K Ali
Special Administrator

RKA/ABV/iq

SECTION 5 - BA TOWN COUNCIL
PUBLIC ACCOUNTS COMMITTEE

PART A – FINANCIAL INFORMATION

5.1 Audit Opinion – 2013

The Council is a Municipal Council and its financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Council is yet to comply with IFRS for SMEs as required for general Purpose Financial Statements.

Councils Response:

The Council has adopted the IFRS System from 2016 Financial Statements.

Un-reconciled Variance between the general ledger and VAT Reconciliation of Statement of VAT account amounting to \$100,388.00

Councils Response:

Ba Town Council has been monthly reconciling VAT and filing returns to Fiji Islands Revenue and Customs Service. General ledger includes Rates Charged VEP but yet to be paid to the Council and once payments are received by the Council then VAT paid to the Fiji Islands Revenue and Customs Service. From 2014, Council has been paying VAT as per current Rates Invoice raised.

85%43

Included in the Statement of Financial Position in term Loan of \$2,632,926. As per the FRA Decree 2012, all loans taken by the Council for road purposes should be transferred to FRA. The Term Loan Balance of \$2,632,926 is not fairly stated in the financial statements.

Councils Response:

The decree did not specifically mention that loans taken for roads upgrade in prior years be transferred to Fiji Roads Authority, however mentioned that road assets be transferred. The

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\$2,632,926m loan has not been for road upgrade only but for Property Investment and for road upgrade \$236,310.

Management attention is also drawn on the Council's loan with FNPF of \$2,302,855. As at 31 December 2013, the Council defaulted on its loan repayment which is in arrears of \$324,822.00.

Councils Response:

The subject amount as per information given to Auditor was paid in January, 2014. Council management sees this initial property investment as a great initiative as the value of the property has doubled and is providing a very good return to the Council. Council has been able to generate savings after loan repayments and the savings is assisting Council in supporting in its core service delivery functions. Cyclone Evans had a financial impact on the Council performance for the year 2013.

5.2 Abridged Statement of Financial Performance – General Fund

The Council recorded a surplus of \$80,108 compared to a deficit of \$235,541 in 2012. The surplus was attributed to a major decline in depreciation and amortization expenditure by \$269,264 or 52% in 2013.

Councils Response:

This has been due to Road assets being taken over by the Fiji Roads Authority.

5.3 Abridged Statement of Financial Position – General Fund

The Net Assets of the Council declined by \$1,161,668 or 7% in 2013 due to the decrease in property, plant and equipment by \$1,144,929 as the roads, footpaths and the drains were transferred to Fiji Roads Authority.

Councils Response:

Since FRA has taken over roads/streetlights and drains the net asset of the Council decreased.

5.4 Abridged Statement of Financial Performance – Parking Meter Fund

The Council recorded a decline in Surplus by \$574 in 2013 as compared to the amount recorded in 2012 in its Parking Meter Account. The reduction in the amount is attributed to the reduction in revenue received by \$12,999

or 33% and the incurrence of meter maintenance expenses of \$3,102 in 2013.

Council Response:

The advance given from the General Fund for the installation of the parking meters was basically to have a controlled traffic flow in town. However, there was decrease in revenue due to the flood and Cyclone Evan in December 2012 as the Parking Meters were damaged. Salaries, Wages and related payments were decreased due to only two staff in Parking Meter Section in 2013.

5.5 Abridged Statement of Financial Performance – Parking Meter

A Negative net asset of \$151,875 was again recorded by the Council in 2013 compared to \$152,552 recorded in 2012 for the Parking Meter Account.

Councils Response:

There was decrease in Assets and Liabilities in 2013. The Parking Meters were bought in 1992 and depreciated value was 15% per annum its depreciation value were written down as at 31/12/2013 off zero.

Parking Meters as per IFRS will be revalued during 2017. Under IFRS assets need to be revalued at the interval of every five years.

5.6 Abridged Program Information

In 2012 the Net Cost of Services was deficit due to 2 floods in 2012 and one Cyclone in December 2012.

PART B – CONTROL ISSUES

5.7 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SMEs)

Council Response:

Council has adopted IFRS System effective from 2016 Financial Reports.

5.8 Non Transfer of Loan to Fiji Roads Authority

Councils response:

The decree did not specifically mention on loans taken for roads upgrade in prior years, however mentioned that road assets be transferred. The \$2,632,926m loan has not been for road upgrade but for Property Investment.

5.9 Failure to recover advance to Parking Meter

Councils Response:

The advance given from the General Fund for the Installation of the Parking Meters was basically to have a controlled traffic flow in town. However, Council will now have the target to deposit certain amount of money monthly to clear the advances made to Parking Meter.

5.10 Tavua and Ba End Museum Projects

Councils Response:

The Project was directly managed by the Special Administrators office. Council as its contribution was instructed to provide labor. Material contribution was sourced from the community by the Special Administrator office. Special Administrator office was informed by Council management to prepare building plans however Councils staffs were instructed to await as built plan.

5.11 Anomalies in Property, Plant and Equipment

Councils Response:

Council was carrying out Board of Survey every year at the end of March , Now Council is carrying out Board of Survey at the end of each year.

Tractor & Tractor – The tractor and trailer was bought in 1995 and the entries has been corrected in the fixed asset register.

Table 5.2 – Items with Negative written down values

Councils Response:

The fixed asset Register was corrected at the negative value has written off. The depreciation was calculated correctly.

5.12 Breach in FNPF Loan

The subject amount as per information given to Auditor was paid in January, 2014. Council management sees this initial property investment as a great initiative as the value of the property has doubled and is providing a very good return to the Council. Council has been able to generate savings after loan repayments and the savings is assisting Council in supporting in its core service delivery functions. Cyclone Evans had a financial impact on the Council performance for the year 2013.

Councils Comments:

5.13 Value Added Tax

Ba Town Council has been monthly reconciling VAT and filing returns to Fiji Islands Revenue and Customs Service. General ledger includes Rates Charged VEP but yet to be paid to the Council and once payments are received by the Council then VAT

paid to the Fiji Islands Revenue and Customs Service. From 2014, Council has been paying VAT as per current Rates Invoice raised.



NAUSORI TOWN COUNCIL

P.O. Box 72, Nausori, Fiji.
Phone: 347 7133, Fax: (679) 340 0048
Email: nausoritown@connect.com.fj

Address all correspondence to the Town Clerk

Your Ref:

Our Ref: 28/12/17

The chairman,
Public Accounts Committee
Parliament House
Government Buildings
Suva

Re: Nausori Town Council – Rates Management

It was highlighted during the Public Accounts Committee hearing with most municipalities in regards to the rates management system. Pertaining to this issue was highlighted the concern of rates management whereby it was identified as an issue of inadequate rates management due to unavailability of rates software system with most municipal councils. Media reported that Nausori Town Council was managing rates system manually in the absence of suitable software.

Please note that we do have available MYOB software for accounting purposes and we effectively utilize this to incorporate our rates management. We have incorporated the advance excel system with MYOB for rates management for the past 3 years. We do propose to procure a comprehensive rates management software in due course that will manage our critical core functions simultaneously with rates system. This needs to be standardized for all municipalities and the Ministry will certainly assist the councils in the establishment of the system moving forward.

Yours faithfully


.....
Akhtar Ali
Chief Executive Officer

Cc: Director LG



NAUSORI TOWN COUNCIL

P.O. BOX 72, NAUSORI, FIJI

Phone: (679) 347 7133 Fax: (679) 340 0048

Email: nausoritown@connect.com.fj

Our Reference: NTC 15/10/17

Date: 3rd October, 2017

The Chairman,
Public Accounts Committee,
P.O. Box 2353.
Government Buildings,
Suva.

Dear Sir,

Re: Public Accounts Committee Submission

Submitted here with please find the submission from the Nausori Town Council pertaining to the concerns as raised in the Auditor General's Report.

Forwarded for your information and records.

Thank you.

Yours faithfully,

Deo Narayan
Acting Chief Executive Officer

Cc:
Secretary

Public Accounts Committee- Submission

6.7 International Financial Reporting Standard Compliance

Council background information shows that in 2008 Council had commenced adjusting from cash to accrual. From 2008 to 2011, the transition continued, however, in 2012 Council instructed management to commence conversion to International financial reporting standards- Small to Medium. From 2013, accounts have been prepared using International financial reporting standards – small to medium.

6.8 Bank Reconciliation

Year	Status
2012	Transition from Accrual to IFRS SME
2013	IFRS SME
2014	IFRS SME
2015	IFRS SME
2016	IFRS SME

Council has been carrying out Bank reconciliation and presenting reports in Standing Finance Committee meeting. The subject bank accounts had limited transactions recorded for the month and reconciliations were forwarded in the meeting.

From 2014, Management Accountant position has been created and duties have been extended manage Cash flow including forecast.

Year	Status
2014	<ul style="list-style-type: none">** Monthly Bank reconciliations are now carried out on all bank accounts.** Bank reconciliation are endorsed in the Finance Committee.** Proper trails are being maintained.** Daily bank reconciliation / cash flow are being prepared by Management Accountant on all operating accounts to help the management for cash flow
2015	Same As Above
2016	Same As Above

6.9 General fund bank Reconciliation

Council has been carrying out Bank reconciliation and presenting reports in Standing Finance Committee meeting.

From 2014, Management Accountant position has been created and duties have been extended manage Cash flow including forecast.

Year	Comments/Review Procedure
2014	<ul style="list-style-type: none">** Monthly Bank reconciliations are now carried out on all bank accounts.** Bank reconciliation are endorsed in the Finance Committee.** Proper trails are being maintained.** Daily bank reconciliation / cash flow are being prepared by Management Accountant on all operating accounts to help the management for cash flow

2015	Same As Above
2016	Same As Above

6.10 Cash on Hand

Same has been noted, written procedure in summary developed has been:

Year	Comments/Internal Control In Place
2014	<p>** Finance prepares float, select ticket sellers (upon discussion with Technical Officer) and disperse to ticket sellers.</p> <p>** Gate takings and float are balanced by the ticket sellers and verified by the ticket seller's supervisors.</p> <p>**The gate taking reconciliation report and float are re- verified by the Management Accountant.</p> <p>** Banking and deposit of the takings and float are done by Revenue Supervisor. Note separate banking are prepared for float and takings.</p>
2015	Same As Above
2016	<p>** Request memorandum from Technical Officer (RCP In charge) is send to accounts section for disbursement of float.</p> <p>** Finance prepares float, select ticket sellers (upon discussion with Technical Officer) and disperse to ticket sellers.</p> <p>** Gate takings and float are balanced by the ticket sellers and verified by the ticket seller's supervisors.</p> <p>**The gate taking reconciliation report and float are re- verified by the Management Accountant.</p> <p>** Banking and deposit of the takings and float are done by Revenue Supervisor. Note separate banking are prepared for float and takings.</p> <p>** Copy of deposit slip is forwarded to Engineering section for filling.</p>

6.11 Risks of Debtors Becoming Uncollectible

Council has been programming and focussing on reducing rates in arrears. One of the challenging areas has been the incorporation of Naulu/Nakasi area in 2008 where rates collection has needed awareness programs. During the year weekly collection reports were presented to the Council meeting and a Naulu/Nakasi office established. Collection trend over the years shows that rates collection is generally improving. Auditor General Office during the audit exercise was informed on the measures being taken and that all attempts had been made to reduce arrears.

6.12 Discrepancies in Debtors Records

Subsidiary rates debtor's book has been maintained and reconciled. The difference was explained during the Audit which needed an adjustment to be passed. Recent years practice shows:

Revenue Stream	Actions taken to progress
2014	<p>Excel subsidiary accounts and separate file for rates debtors are being maintained and managed by Rates section. The following has been implemented by rates officer:</p> <ul style="list-style-type: none"> • Individual rates file are maintained whereby invoices, notices and receipts are filed. • Excel sheets are maintained in two sets, one as master file and the other as daily rates payment record outlining, payments per ward wise, current, arrears and zoning. • Backups are taken on weekly basis, in house and out -source by the rates officer. • Frequent updating of rate payers information as need arises. • Two copies of files created for litigation where the originals are kept by Council and copied files forwarded to Legal or small tribunals. • All correspondence in relation to rates are filed. • Transfer of property records are maintained. • For procurement, payments are processed with all required documents such as requisition, LPO and invoices. Vouchers are filled according to sequence and month.
2015	Same As Above
2016	Same As Above

6.13 Subsidiary Vs Creditors Ledger Reconciliation

Council has been maintaining Subsidiary ledgers and reconciling with Creditors General Ledger. Reports have been presented to the Finance Committee meeting. Recent summary procedures in maintain subsidiary include:

Year	Proposed Actions taken
2014	<p>Current practice is in line with the procurement policy as per the Manual of accounts.</p> <p>Three quotation are being taken for purchase of items less than \$10,000 and tender being called for over \$10,000.00. In case of payment less than \$10,000, whereby 3 quotation is not available, than HOD report and consideration with approval from CEO is being considered prior to purchase.</p> <p>Requisition/LPO are prepared and signed off by Manager Finance and CEO prior to purchase of any supplies.</p> <p>Payment vouchers are prepared after the service has been rendered and verified by the respective officer or HOD and ok for payment signed off. All payment vouchers are with supporting documents.</p>
2015	Same As Above

2016

Same As Above

6.14 Value Added Tax

According to the Acting Treasurer, the Auditor General Officer was informed that the subject months VAT had been lodged as per Council record. However, Council checked with Fiji Islands and Customs Service upon not receiving acknowledgement. Following noting that the same was not received, Council re-lodged the same.

Year	Improvements made
2012	Monthly Vat Lodgment
2013	Monthly Vat Lodgment
2014	Monthly Vat Lodgment
2015	Monthly Vat Lodgment
2016	Monthly lodgment of Vat returns is in practice and any discrepancies of previous years have been rectified.

6.15 Anomalies in Annual Leave

- All leave files and records have been well maintained during 2011.
- Records had been upgraded and reflected.
- Payment to staffs of annual leave on pro rata for contract termination or resignation is being practiced.

6.16 Payments to Abhilash Deo

Special Administrator of the Council late Napolioni Masirewa had established a service delivery standard with an aim to improve general service delivery to ratepayers. It was noted that contractors engaged by the Council in 2008 would not carry out work effectively and Council would deduct payments however works will remain not been carried out effectively. The subject contract was hired on a temporary basis to carry out relevant works including other small jobs during the year in accordance with the Manual of Accounts.

The contractor was initially brought in by the Traffic Section through quotation basis and had performed well to the satisfaction of the Council thus was recommended by than Traffic Officer.

Since the Contractor had the manpower and was within the Town Boundary, the same contractor was engaged at times to carry out works such as drain cleaning, grass cutting as well as cleaning of Rewa Bridge.

The works never exceeded \$10,000 in a single work scope and the cumulative figure of \$33,703.37 was a collective amount (over works of 5 or more work scope) as payments were made on 30 days period. Furthermore, the works carried out in drains and grass cutting were paid after deductions made to the service contractors for Nausori & Davuilevu Wards due to non-performance.

From 2012 contractors programs and policies were upgraded to ensure that piecemeal contracts are alleviated.

6.17 Late Submission of financial statements

Progress in submission of Annual Account are as follows:

Year	Progress Made
2014	Submitted draft financials 2013
2015	Submitted draft financials 2014
2016	Council to date has lodged draft financial statement as at 31 st December 2016 with auditor general's office. (Note these financials are exclusive of audit journals)

6.18 Loan Rate and Street Light Account

The rates separation for Loan and Street Light has been noted and Auditor General Office has been informed on the challenges in maintaining separate books. From 2013 Council has stopped collecting Street Light rates. Currently Council is maintaining one rate account.

6.19 Fire Service Account

The Fire Service Account was closed in 1995 following the transfer. The subject fund in the Fire Service Account refers to fees collected for prior years until 1997. Council is of the opinion that the funds is for the services rendered for prior years before the establishment of National Fire Authority.

6.20 Anomalies in Accounting for Property, Plant and Equipment

Council has been improving on its Property, Plant and Equipment records and in recent year's progress made are:

Year	Actions Taken
2014	<p>Fixed asset register are in place from 2014 with annual stock take records. Expenses or purchase of items below \$500 are expensed off whereas all purchase above \$ 500.00 are recorded in the register.</p> <p>Annual stock take are performed each year by finance and engineering team (store in charge) whereby reports are endorsed in the finance meeting for management.</p> <p>In order to remove the general audit opinion on PPE, a full property valuation will be carried out in 2018.</p>
2015	Same As Above
2016	Same As Above

6.20 Sundry Deposits

Year	Actions Taken
2012	
2013	
2014	<p>The current practice in place are as follows in regards to debtors:</p> <ul style="list-style-type: none">** Individual debtors file are kept with detail information such as contract copy, invoice and receipts.** Monthly invoice are raised and matched against the payments.** Monthly debtors report presented in finance committee. <p>For sundry deposits, for which balances has been carried forward from previous years without any supporting documents, Council has written to Ministry for further advice.</p>
2015	Same As Above
2016	Same As Above

6.21 Tenancy Agreement

Old Bus Stand from 2000 was on a temporary at will basis renewed every six months.

- b. Council had an understanding with Kiosk holders that monthly wise tenancy payment will be made and new tenancy agreement drawn when the Bus Stand shifts.
- c. All Shopping Complex properties have rental agreements and rents have been reviewed

Current Status of tenancy agreement are:

Year	Actions Taken
2014-2016	<p>Council has taken note of this and upgraded the same during 2014. Tenancy agreements have been prepared and signed off for all of our commercial tenants. Copy send to FRCA for stamping.</p>

Nausori Town Council

Specific Comments – Line Wise

5.1.1.4 Head of Health and Engineering

a. Council has had a Head of Health, Building and Environment and Head of Engineering in existence. Both the positions were there during the Performance Audit.

During the end of the Service Contracts relevant departments would review the contract scope as per Council resolution and evaluate during the Tender Process. Evaluation includes technical persons from the Council. Council has an established Health, Building and Environment section and an Engineering department in place from 2012. From 2015 it has on board a qualified Engineer through grant assistance from the people of Japan.

5.2.2.4 Evidence of Documented Tender Evaluation Criteria

Council has in place written tender evaluation criteria which was in practice during audit. [Appendix One]

5.2.2.5 Evidence of tender Evaluation

Council has in place evaluation minutes and resolution of Council on the subject in files. Different files are maintained. [Appendix One]

5.2.3.4 Council Contracts

All contractual agreements entered into are in conformity to written laws. All agreements effective 2015 are vetted by legal practitioners. Contracts specifications and format differ based on the type of service. For instance, Grass Cutting contract has a different format to that of Engineering consultancy where Council would likely adapt to International Professional Engineers New Zealand Agreement.

1. Nausori Town Council has been drawing contracts through input from respective technical areas having appropriate experience and basic knowledge to provide relevant expertise. We have on board two staff with Diploma in Civil Engineering (structural and civil) with experience who would provide relevant expertise in technical area to draft contracts. For some contract we use standard agreements and where specifically new contracts are to be designed we would get a solicitor to design a contract.

2. Contract performance and payment recommendation would be by technical officers (assigned responsibility) and relevant reports on the same would be tabled at council sector committee meeting by relevant supervising officer.
3. For Nausori town council performance and appraisal of contracts reports would be maintained by relevant technical section such as financial matters relevant to the contracts with finance department, supervision and performance with technical department and administration matters with the administration department.
4. Tender opening, analysis and recommendation would be through special tender committee established. Tenders committee recommendation would be then evaluated and recommended by Chief Executive Officer to full council. Currently under the review of Local Government period all tender committee recommendations would directly be placed to full council. Please note that Local Government Act – Cap 125 Section 27 (2) restricts ordinary citizens and rate payers to sit in committees to decide on financial matters. Finance committee members are strictly to Council members. In addition, Council holds annual citizen budget consultation exercise where citizens are given a chance to speak on service delivery programs.
5. For all contracts, tender and specifications form part of the contract which would very much established key result and required output areas. The tender and specification documents would describe the work, resources required, supervision methodology and person supervising.
6. All contractual agreements entered into are to national standard and quality to be competent under law. All agreements effective 2015 are vetted by legal practitioners. Contracts specifications and format differ based on the type of service. For instance Grass Cutting contract has a different format to that of Engineering consultancy where Council would likely adapt to International Professional Engineers New Zealand Agreement.

5.2.3.13- 5.2.3.15

- a. All contract entered into by Nausori Town Council are properly signed by the service provider and council. In reference to Ravindra Singh and

Nausori town council, the agreement was signed by both parties and before this an offer letter was sent to Ravindra which was accepted.

The contract agreement was based on:

- Tender design and specification drawn by Engineering Designs-Consulting Engineers who are members of Fiji Institute of Engineers
- Expression of interest called through media advertisement
- Interested bidders evaluated and short listed by engineered designs based on criteria established - Short listed bidders given tenders, specifications and designs
- Contractors placing tenders before closing date at Tender Box located at Council main office
- Tender box opened by consultants and council.
- Tenders evaluated by Project Management Team and report given to Council.
- Approval by Council.
- The contractor was the lowest and had the capacity to perform. At all payment intervals Engineered Designs specified including soil tests as required.
- The Contractor is a Nausori Civil Works Company a Branch of Amras Civil Works. The company was carrying out Civil Works in Taveuni and had decided to establish its office for a while at Taveuni. The Company has been carrying out works for a number of corporate agencies and Government department as per profile. In general, the contract was awarded through a general tender system. Auditor General office was provided with all the documents.

5.3.1.4 Inter Transport Project Finance files are maintained with the Finance, minutes with the Administration including all administration files. Only copies of the documents are maintained with the Project Manager. A total of 26 Arc administration files are maintained in the Council Chambers relating to the Project.

5.4.1.3 The Council has entered into agreement with Consultants using the general construction standards in Fiji and guided by the Government Architect. The Project Manager of the job appointed, a registered local Architect Anare Gukilau was contract out on a lump sum base with monthly payments. The Project Manager reported directed to the Special

Administrator and the Government Architect and developed monthly reports. Contract document was similar to same size contracts in Fiji and was legal vetted. [Appendix Two]

Management Comments in General Based on Recommendation

1. A special monitoring policy has been established by council to ensure amongst other things requirements of documentation of monitoring activities. Monthly meeting discusses the same.
2. Council has established structure in place where overall evaluation of a contractual arrangement is undertaken following expiration of the contract.

5.4 Payments of contractors

Management Comments

Nausori Town Council comments with respect to all Councils

1. Nausori Town Council has been drawing contracts through input from respective technical areas having appropriate experience and basic knowledge to provide relevant expertise. We have on board two staff with Diploma in Civil Engineering (structural and civil) with experience who would provide relevant expertise in technical area to draft contracts. For some contract we use standard agreements and where specifically new contracts are to be designed we would get a solicitor to design a contract.
2. Contract performance and payment recommendation would be by technical officers (assigned responsibility) and relevant reports on the same would be tabled at council sector committee meeting by relevant supervising officer.
3. For Nausori town council performance and appraisal of contracts reports would be maintained by relevant technical section such as financial matters relevant to the contracts with finance department, supervision and performance with technical department and administration matters with the administration department.
4. Tender opening, analysis and recommendation would be through special tender committee established. Tenders committee recommendation would be then evaluated and recommended by Chief Executive Officer to full

council. Currently under the review of Local Government period all tender committee recommendations would directly be placed to full council. Please note that Local Government Act – Cap 125 Section 27 (2) restricts ordinary citizens and rate payers to sit in committees to decide on financial matters. Finance committee members are strictly to be appointed Council members.

5. For all contracts, tender and specifications form part of the contract which would very much established key result and required output areas. The tender and specification documents would describe the work, resources required, supervision methodology and person supervising.

6. All contractual agreements entered into are to national standard and quality to be competent under law. Usually council would standard agreement to avoid reduce solicitors expenditure.

7. All contract entered into by Nausori Town Council are properly signed by the service provider and council. In reference to Ravindra Singh and Nausori town council, the agreement was signed by both parties and before this an offer letter was sent to Ravindra which was accepted.

The contract agreement was based on:

- Tender design and specification drawn by Engineering Designs
- Expression of interest called through media advertisement
- Interested bidders evaluated and short listed by engineered designs based on criteria established - Short listed bidders given tenders, specifications and designs
- Contractors placing tenders before closing date at Tender Box located at Council main office
- Tender box opened by consultants and council, evaluated and awarded

5.4 Payments of contractors

Nausori Town Council comments

1. Council has employed from 2010 two (2) Senior Health/Building Inspectors and two Diploma in Civil Engineering (structure and civil) staffs with experience to guide on relevant key technical areas including contract awards and supervision.

2. For the Transport Project Council has outsourced technical services to a number of personals to assist council in various areas as follows:

- a. Project management
- b. Project architecture
- c. Project engineering
- d. Project quality surveying
- e. Project services engineering
- f. Project financial consultants

3. The consultants have designed and recommended all construction works to Council which had been tabled in twelve technical committee meetings having Council and relevant government agencies as members. Consultants have been engaged using various international professional standard agreements designed for eleven areas.

4. For all relevant works, council has established a benchmark for entry. Assessments would be carried out before work commences and qualified bidders will be evaluated based on tenders received and available internal pre assessment.

5. Council shall consistently review its Procurement Policy and work closely with the department of Local Government to review the existing Manual of Accounts. In 2012, a new procurement policy has been established with an improve procurements in totality.

6. Tender process, award and performance process have been consistently reviewed to ensure that contractual engagements are conducted in a proper and transparent manner. In 2012, council prepared and adapted to a Procurement Policy document.

6.2 MANAGING CONTRACTORS PERFORMANCE

Project Manager was a Consultant hired by the Council and not an employee. Council, for the project, had engaged one employee, Clerk of Works who would attend fortnightly meetings and prepare reports. The project management structure is similar to other Construction projects and here the Project Manager was reporting to the Council Special Administrator who was presenting reports in committee meetings and informing Ministry of Local Government, Housing and Environment on a monthly basis.

The Project Manager lead the Project Management Team. Other consultants' payment, unlike the Project Manager was based on construction cost and divided into stages. Agreements entered into with other consultants had agreements entered using:

1. Architect – Fiji Institute of Architects document.
2. Engineer – Institute Profession Engineers New Zealand [IPENZ]
3. Services Engineer – IPENZ
4. Bill of Quantity Surveyor – IPENZ

The main construction was supervised by the Project Management Team and all claims vetted by the Government Architect on the submission by the Project Management Team before being endorsed by the Council.
[Appendix Three – Monthly report & contracts]

Management Comments

Council has been upgrading its Complaints Register and the same on a weekly basis is being reviewed by the Chief Executive Officer. A special monitoring template has been developed to report on Contractors performance to Council.

LAUTOKA CITY COUNCIL

P. O. Box 124, Lautoka, Fiji

All communications to be addressed to the CEO

Your Ref.

Our Ref



City of Lautoka

"Our City, Our Pride"

Civic Centre, Shirley Park

169 Vitogo Parade, Lautoka

Telephone No: (679) 666 0433

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Web: www.mylautokacity.org

October 25, 2017

**The Chairman
Public Accounts Committee
Parliament of Fiji
Government Buildings
SUVA**

Dear Sir,

Re : Anomalies 2012 -2014 Auditor's General's Report for Municipal Council

Reference is made to your letter dated 5th October, 2017 on the subject matter "Appearance before the Public Accounts Committee" and below are the responses for each anomalies noted in the 2014 Auditor – General's Report.

Part A – Financial Information

7.1 Audit Opinion 2012

Issue 1

The Council made several adjustments to the income and expense accounts amounting to \$1,481,148 and \$714,976 respectively through general journal entries. The Council failed to provide supporting documents for these journals for verification. Consequently, the Auditor General was unable to satisfy himself if these adjustments were correctly taken up in the general ledger and whether income and expenditure is correctly stated in the financial statements.

Council's Comments

The Council has adopted Journal Vouchers. The general journal entries are passed for correction of accounts and transfer between accounts. Council has already deployed an accounting software which has been effective from 2014. All Journal entries are passed to this system and system generated journal numbers with supporting documents are filed. These General Journals pass through the check procedures before being posted to the system.

Issue 2

- Un-reconciled variance of \$643,428 exists between the rate debtors' listing and general ledger. Consequently, the Auditor General was unable to satisfy himself if receivable of \$4,550,547 is fairly stated in the financial statements.

Council's Comments

Council has done the reconciliation by verifying each of the 8163 ratepayer's accounts from 1999 to 2013. Council has also developed CMS – Customer Management Software in 2013 – 2014 and fully deployed in 2015 where all the reconciled rates has been captured in Council's books.

Issue 3

- Included in property, plant and equipment [Note 10] are roads, drains and footpaths with written down value of \$45,898,723 as at 31 December, 2012. All Municipal roads have been transferred to the Fiji Roads Authority [FRA] in accordance with FRA Amendment Decree 2012. Consequently, property, plant and equipment are overstated in the financial statements.

Council's Comments

After the promulgation of FRA decree in 2012 the Council continued to maintain roads, drains and footpaths and the understanding was that the asset would be transferred after MOU was signed off. Council has already passed the entries in 2013 and updated the FRA.

Issue 4

- Un- reconciled variance of \$727,745 exists between the PAYE annual summary and the general ledger for salaries and wages. Consequently, the Auditor General was unable to satisfy himself if salaries and wages of \$1,385,533 are correctly stated in the financial statements.

Council's Comments

Wages and Salary Reconciliation has been completed by the Council and adjustments has been passed in 2013 accounts.

Part B – Control Issues

7.4 Roads, drains and footpaths not transferred to FRA

The audit noted from the review of Council's property, plant and equipment that the Council has not transferred the roads, drains and verges to FRA as at 31 December, 2012.

The Council has not complied with the FRA [amendment decree] 2012. Consequently, value of property, plant and equipment is overstated by \$ 45,898,723 in Council's statement of financial position.

Council's Comments

After the promulgation of FRA decree in 2012 the Council continued to maintain roads, drains and footpaths and the understanding was that the asset would be transferred after MOU was signed off. The MOU was signed in January 2014.

Further OAG Comments

Although the MOU was signed in January 2014, the FRA [Amendment] Decree 2012, clearly states that effective from 14 May 2012 all assets, interests, privileges, liabilities and obligation of Municipal Councils in relation to municipal roads shall be immediately transferred to and shall vest in the Authority.

Additionally, the MOU was signed after the date of the Financial statements hence the Council had sufficient time to adjust its financial statements.

Further Council's Comments

Council has adjusted the book and the Fixed Asset Register has been already updated.

7.5 General Journal Entries

The audit was not provided with supporting documents to substantiate the journal vouchers raised during the year. Consequently, audit was not able to verify if journal vouchers posted to the general ledgers were properly authorized and was accurate.

The above practice increases the risk of unauthorized or fraudulent entries passed in the general ledger.

Council's Comments

The Council has adopted Journal Vouchers. The Journal Voucher will pass through the check procedures before being posted to the General Ledger.

Further OAG Comments

The Council did not explain the reason the journal voucher was raised which is important for reviewer of the JV. Thought the Council has implemented the system of JVs narration should be provided to explain why the JV is being raised.

Further Council's Comments

The Council has already deployed the Accounting Software, which has been effective from 2014. All Journal entries are passed through this system and system generated journal numbers with supporting documents are filed. These General Journals also pass through the check procedures before being posted to the system.

7.6 Provision for doubtful debts

The review of provision for doubtful debts noted that estimates have been used in calculating provision for doubtful debts recorded in the statement of financial position amounting to \$1,000,000. However, no listing of the amount or the method used in calculating allowance for non- collectability was provided for audit verification to evaluate their liability and accuracy of the method used to estimate the provision.

The above increases the risk of incorrect financial reporting of allowance for un – collectability in the Financial Statements.

Council's Comments

Currently our doubtful debt provision policy is being drafted based on debtors aging report which will be tabled to the Council for adoption as policy which shall than be the basis for our calculations of provision for doubtful debts.

7.7 Increases in Rate Debtors

The review of the rates debtors noted that it have significantly increased by 7.5% during the financial year. At the end of the financial year 201, the Council has a significant amount of rates in arrears.

The significant outstanding rates show that the current collection strategy being by the Council may not be effective. If immediate steps are not taken to recover the arrears, it is possible that these may become irrecoverable and the Council may end up writing off substantial amount of debts.

Council's Comments

All efforts are being taken to recover rates owed including legal action. For cases taken to the Small Claims Tribunal or the Magistrate Court, some of the ruling or awards for repayment arrangement made are not sufficient to simultaneously cover arrears and new rates, thus rates arrears keep on compounding.

Further Council's Comments

Council has formed a call center whereby list of defaulting ratepayers were called after hours to make arrangements for payments and site visits were also been carried out.

7.8 Debtors with significant balance

It was noted that details of rates debtors balance with significant outstanding balance are properties of un-developed land but rates are charged as the properties are within City Boundary. The debts may not be recovered by the Council. This increases the risk of rates debtors balance being over-stated by the rate charged by the Council to the un-developed land.

Council's comments

The Council is taking legal actions to recover outstanding debts and write off will be the last resort.

Further OAG Comments

The audit was not provided with any documentary evidence to indicate that legal actions are being taken for long outstanding rate debtors.

Further Council's Comments

Council has managed to recover substantial dues highlighted by respective Office of Auditor General.

7.9 Variance between general ledger and debtors listing

The Council did not prepare any reconciliation of receivables during the financial year. Furthermore, audit found out that the rate debtors amount in the rate debtors listing did not agree with the amount in the general ledger.

Council's comments

The variance is for the rates debtors where difference between the individual rates ledger has been carried forward from previous. The variance was due to discounts given, change in rate of VAT and write offs that had not been reflected in both ledgers giving rise to difference between the two ledgers. Currently the Council is reconciling individual rate accounts from subsidiary ledger to general ledger and final variance will be put forward to the Council for adjustments.

Further Council's Comments

Proper reconciliation has been completed by Council in 2014 Financials.

7.10 Accumulated Leave

The audit noted that the Council staff had excessive leave balances as at 31 December, 2012. The audit is of the view that such a significant amount of leave balance has arisen due to the poor leave administration which allowed staffs to accumulate their leave balance.

Audit further noted that the Council paid leave compensation to some of the officers upon resignation.

Council's Comments

The Council has implemented a leave plan where all staffs will utilize their leave by June 2014.

7.11 Re-financing of interest bearings borrowings

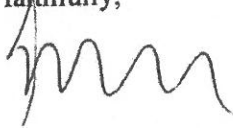
The audit noted that the Council failed to seek approval from the Minister for Local Government, Housing and Urban Development for refinancing of loan accounts. Without obtaining Ministers approval, the Council is seen to breach the requirements of section 41 of the Local Government Act.

Council's Comments

The above has been reported to the Minister during the Minister's forum in 2012 however, this was the transfer of loan from Westpac Bank to Bank of South Pacific due to huge reduction in interest rate provided by BSP and a substantial saving for Council.

Respectfully submitted for your perusal.

Yours faithfully,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned above the printed name.

**[JONE Q. NAKAUVADRA]
CHIEF EXECUTIVE OFFICER**

cc. Manager Finance, Administration & HR

LAUTOKA CITY COUNCIL

P. O. Box 124, Lautoka, Fiji

All communications to be addressed to the CEO



City of Lautoka

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Web: www.mylautokacity.com

Your Ref. November 13, 2017

Our Ref. Hon. Ashneel Sudhakar
The Chairman
Public Accounts Committee
Parliament of Fiji
Government Buildings
SUVA

Dear Sir,

Re : Supplementary Question from the Public Accounts Committee

Reference is made to your letter dated 7th November, 2017 on the subject matter "and below are the response for the clarification seek by your accounts committee:-

Abridged Statement of Financial – General Fund

The Capital Grant in Aid of \$725,135.00 was received by the Council from JICA in year 2009 for Council Kato, Weighbridge and MPT truck. Due to amortization as per IAS 20-Accounting for Grants Income & Disclosure from year 2009 to 2012, the closing balance as at year 2012 is \$497,016.00.

Year	Actual Grant Received	Amount	Amortization	Balance
2009	JICA	\$725,135.00		
2009	Amortization		40,487.00	
2010	Amortization		74,587.00	
2011	Amortization		61,815.00	
2012	Amortization		51,230.00	
	Closing Balance			\$497,016.00

Respectfully submitted for your perusal.

Yours faithfully,

[JONE Q. NAKAUVADRA]
CHIEF EXECUTIVE OFFICER

cc. Manager Finance, Administration & HR



Parliament of Fiji
P.O. Box 2353
Government Buildings

PARLIAMENT

REPUBLIC OF FIJI

STANDING COMMITTEE ON PUBLIC ACCOUNTS



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Parl Ref 3-1

7th November 2017

Mr. Jone Nakauvadra
Chief Executive Officer
Lautoka City Council
169 Vitogo Parade,
LAUTOKA.

Dear Sir

RE : Supplementary Question from the Public Accounts Committee

Firstly, I wish to convey the appreciation of the Public Accounts Committee for your presentation on Thursday 26th October, 2017.

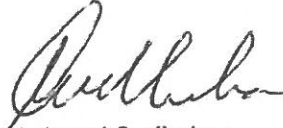
Following the deliberations of the Committee on your submission, the Committee would like to request for a written response from your Office to provide further clarification on the following issues:

1) Abridged Statement of Financial Position-General Fund:

As at 31 December	2012 (\$)	2011 (\$)
Assets		
Cash at Bank and on hand	1,193,671	786,133
Term Deposit	1,346,120	1,496,385
Receivables	4,619,487	4,240,650
Property, Plant & Equipment	55,882,389	55,943,382
Inventories	22,567	40,588
Total Assets	63,064,234	62,507,138
Liabilities		
Creditors & Borrowings	795,074	798,390
Provisions	198,266	186,552
Term Loans	8,741,974	9,228,992
Capital Grant in Aid	497,016	548,246
Total Liabilities	10,232,330	10,762,180
Net Assets	52,831,904	51,744,958
Accumulated Funds		
General Fund	3,129,078	2,136,274
Parking Meter Fund	470,415	452,273
Car Park Fund	304,832	228,832
Reserves	48,927,579	48,927,579
Net Accumulated Fund	52,831,904	51,744,958

The Committee would like to request the Council to provide details on the Capital Grant in Aid.

The Committee would appreciate your written response to the above questions at the earliest possible date. For any further clarifications please contact our Secretariat on either email: mateo.lagimiri@parliament.gov.fj or priya.chand01@parliament.gov.fj or telephone 3305811 or 3225692.



Hon. Ashneel Sudhakar

Chairman, Public Accounts Committee

	<p>Improve its tender evaluation criteria and include other factors such as the experience of the contractor, contractor's capability and capacity and past performances in contracts with the Councils. A scaling system should be used to apply the criteria when evaluating tenders [The issue pertaining to engagement of Constructive Builders as raised in this report is directly related to the weakness in the existing tender evaluation criteria]</p>	<p>Tender evaluation criteria has been improved upon. There is already a scaling point system in place for Service contracts which will be replicated in other building & supplies contracts. Issue relating to Constructive Builders - The Contract Document was drawn exactly in line with other similar Contracts involving small building works and of course vetted by our City Solicitor. In this case the selection of Contractor was decided by the sponsors of the project being Embassy of Japan. This was for a small project \$24,000 worth of a small building shed to house Councils composting operations. This was 100% financed by the sponsor where Council did not have any say on choosing the suppliers/contractors. As such Council did not directly lose any funds when Contractor failed to complete the shed. However going forward Council will be vigilant on vetting the type of contractors selected by sponsoring agencies for Council projects.</p>
	<p>Ensure that its contractual agreements are appropriately divided into sections with proper headings.</p>	<p>Some contract agreements (service contracts) are already divided into sections & headings. This will be replicated in all other Contract Agreement across.</p>
	<p>Improve its contractual agreements to address issues pertaining to payment of deposit as in the case of Constructive Builders.</p>	<p>We will incorporate payment of deposit into our tender document policy. Currently for service Contracts this is already factored in. It will be extended to all other contracts where applicable. For example in Building contracts there is 10% retention for every stage of payment. This will be changed from retention mode to upfront payment of deposit.</p>
Managing Contractors Performance		
All Councils should:		
3	<p>Ensure that a monitoring policy is developed which should include monitoring of contractors' work. The policy should cover amongst other things requirements of documentation of monitoring activities. Such policy once developed and endorsed by management should be strictly complied with the Councils.</p>	<p>Currently there is a monitoring program in place for service contracts. These programs will be adopted as a monitoring policy by the Council to be applied across for all contract works as a monitoring policy.</p>
	<p>Ensure that an overall evaluation of a contractual arrangement is undertaken following expiration of the contract. A contract performance report should be prepared to detail the results of the evaluation.</p>	<p>Agreed that overall evaluation of contractual arrangement will be undertaken following expiration of the contracts.</p>
	Sawa City Council should:	
	<p>Improve its contracts with contractors to include requirements on the frequency of inspection, the reporting arrangement and process to evaluate the contractor's performance.</p>	<p>Contractors performance monitoring - This is already factored into service contracts and will be extended to building contracts as applicable.</p>
	<p>Maintain a complaints register to record all complaints received in the provision of its services including services provided by contractors.</p>	<p>Maintain complaints register - Currently complaints register is maintained for service contracts. This will be replicated across other contracts like building services.</p>

<p>1</p> <p>All Councils should conduct continuous risk analysis and assessment throughout the contractual period in order to effectively manage the risks that arise.</p>	<p>Agree to comments by Auditor General that going forward Risk Management will be managed separately. In convectional Contracts this was not separately being factored into contract management but was mostly embedded in. This does not mean that we do not manage risks. Under the Agreements it is a prerequisite that each Contractor provides following Certificates of Insurance as a strategy to transfer greater percentage of the risk ie Performance Bond, Public Liability coverage & Workmen's compensation. Besides because Council is a public entity we have our own comprehensive Public Liability coverage with our Insurance Company. There is also a binding Contract Agreement agreed & signed by both parties in respect of the service contract. Basically in municipal service contracts the financial loss to Council is very minimal if any. There is no advance payment to contractors but paid on post service upon completion of a month's program of work, i.e. monthly payments upon verification of works performed as per program of works meaning if the works is not performed satisfactorily there is no payment.</p>
<p>Key Elements of Contractual Engagements</p>	
<p>All Councils should:</p>	
<p>2</p> <p>Ensure that staffs involved in contractual works are adequately trained with the appropriate skills and basic knowledge of contractual engagements.</p>	<p>Agreed that training & up skilling of staff is an ongoing integral process of staff capacity development. Council will ensure all staff handling tender & procurement issues are well trained.</p>
<p>Create contracts inventory to identify control management at the various levels of the contracts undertaken.</p>	<p>Agree Council to implement a central inventory/register system to identify control management at the various levels of contracts undertaken. Currently the registers are kept by Council's Central Registry Section and with respective Departments who administer various contracts for example Health Dept for City Cleaning Contracts, Engineering Dept for Building Services Contracts, etc. This will be centralized through an Inventory Register.</p>
<p>Ensure independence and transparency in the allocation of tender. All Councils should ensure that the authorizing party making the decision of tender allocation does not entail all officers included as the members of the tender committee. The authorizing party should include : The Special Administrator; The head of the section whose services is required to be contracted; The head of the Finance section and Two representatives from the ratepayers.</p>	<p>Agreed to ensure independence and transparency in the allocation of tenders to include the inter-departmental key personnel's and representative of ratepayers wherever possible.</p>
<p>Ensure that proper documentation is maintained to adequately reflect tender evaluations.</p>	<p>Documentation of tender evaluations are well maintained but improve upon where required. Current practice is all tender evaluation report with recommendation is forwarded to Ministry of Local Government for approval before tender is awarded.</p>
<p>Ensure that key items specified in this report are integrated as part of their existing contractual agreement.</p>	<p>Key items from AOG's Report will be integrated in all new contracts</p>
<p>Ensure that proper records are maintained to evidence activities relating to contractual works. Files should be appropriately numbered for ease of reference.</p>	<p>Will ensure proper records for evidence is maintained to adequately reflect tender evaluation. Files numbering system in place will be appropriately improved.</p>
<p>Ensure that a contract inventory is maintained which should be entered into a register. The contracts must be classified in terms of contract type or nature, strategic importance, contract value, contract duration and contract complexity. The register should be updated on a regular basis as and when contracts expire or new contracts are entered into by the Council.</p>	<p>Contract inventory registers will be put in place.</p>
<p>Ensure that stringent internal controls are in place on the payment of contractors. Payments made to contractors should be properly supported with relevant documentations. Proper documentation should be maintained to evidence payments made.</p>	<p>Stringent internal control on payment is in place but improved as necessary.</p>
<p>Suva City Council should:</p>	

		<p>Our procurement policy is to call for tender for all purchases of goods or services exceeding \$10,000. In Metco Industrial Ltd case, the purchase was for a vacuum cleaner for Olympic Pool. SCC sent out invitations to seven pool services companies for quotes for pool vacuum cleaner of which five companies responded. A recommendation was put in Council Infrastructure and works committee meeting held on the 27th of July 2010 to purchase the pool vacuum cleaner from Metco Industrial Pty Ltd. In this meeting the issue was raised that since the cost was in excess of \$20,000 a tender ought to be called. However the Special Administrator clarified that due to the urgency of the matter, he and CEO had agreed to award the purchase of pool vacuum cleaner to Metco Industrial Pty Ltd via a flying minute. A flying minute was then prepared and signed on 29th of July 2010 by management & the special administrator, recommending the purchase of pool vacuum cleaner from Metco Industrial Pty Ltd. For Kidnet services, the payment was done on a month to month basis and did not go through the tender process. The Council will ensure that proper procurement process are followed at all times going forward.</p>
8.34	Tender not called for contracts exceeding \$10,000	
8.35	Garbage and refuse collection, grass cutting and drain cleaning	<p>No contractual agreements were made with the vendors for collecting refuse, garbage, grass cutting and drain cleaning as there was discussion ongoing on the establishment of a new entity, the Fiji Roads Authority who would be taking over the ownership of all roads, footpath, road reserves etc from all the municipal councils. As per the Fiji Gazette, the Fiji Roads Authority was established on 5th January 2012 whereby all the assets and liabilities in terms of all roads, footpath, road reserves, street lights etc was transferred to Fiji Roads Authority. Accordingly the Council continued to engage the contractors on a month to month basis awaiting the decision from FRA. Subsequently the FRA through a MOU that was finally signed on 16th January 2014, delegated the powers on the cleaning of streets, grass cutting and drain cleaning to Suva City Council. With regards to the estimated price range, note that there was a resolution passed in the Council meeting held on the 17th of May 2010 where a fixed sum contract was awarded to Raiwai Grantham Reform Youth (price confirmed was \$463,330), Namadai Methodist Church (price confirmed was \$249,090) & Nadave transport (price confirmed was \$337,620). As for Performance bond, note that there was cash bond paid by three vendors. Raiwai Grantham Youth Reform paid \$11,245 on 16/1/07, Namadai Methodist Church paid \$5,215 on 5/6/1995 and further \$1,810 on 31/3/05 and Ravens Contractors Ltd paid \$16,210 on 23/2/05. As for Nadave Transport, there was a bank guarantee arranged with Westpac Banking Corporation of \$9,522 on 4th of April 2005.</p>
8.36	Purchase order issued after procurement of goods and services	<p>The reason for issuing LPO after the completion of the works on street light maintenance is because the Council cannot predict how many street lights will require maintenance. As such our electrical overseer works closely with the contractor in identifying and verifying all works undertaken by the contractor on defective lights before raising the order for payment to the contractor. It should be noted that street light service is a demanding service by the ratepayers and Council is obliged to attend to fix the defective lights as soon as possible.</p>

8.27	Property Valuation	Revaluations are carried out every six years. We have also made submission to the Ministry of Local Government to conduct valuation for 2018 and are awaiting their final approval. There is a report available in our general ledger which gives listing of properties which are either subdivided or amalgamated. In year 2010, three properties were subdivided & one property was amalgamated.
8.28	Anomalies in Rates Charged	The Council can generate report on UCV from our billing system. As such, the 2010 reconciliation has been generated and reconciled to the general ledger balance.
8.29	Poor Maintenance of Accounting Records	All cheques made by the council have proper payments vouchers (ie invoices, approvals, purchase orders, remittance advice, cheque details, signatories etc) as without these documents the cheque cannot be prepared and dispatched. Once cheque is dispatched, the payment voucher is filed in the treasury department (filed via cheque number). Previously many cheques were kept in the payroll department (mainly payroll related vouchers), some were used by internal audit department & some by officers who were doing reconciliation & these were the ones which could not be provided to auditors for audit verification. Now all cheques are stored with the Treasury department and they keep a dispatch book whereby any payment voucher which is taken is recorded and is signed again when it is returned.
8.30	Construction of Kiosk at the Suva Bus Stand	The contract between Sun Maintenance Works & SCC did have a commencement and completion date. Clause 65 of the contract states that "this agreement shall become effective upon execution" which was on the 3rd of December 2010. Clause 6 of the agreement specifies the completion date, which states that "the due date of the said works is ten weeks from the date of execution of this agreement" which was 11th of February 2011. With regards to certificate of tax exemption, the treasury department was maintaining a tax exemption listing whereby a list of all contractors was compiled with their COE expiry date. Whenever the payment of the contractor was made, a copy of tax exemption certificate was attached. If the COE had expired then the contractor was advised accordingly to submit a new certificate or else the provisional tax was deducted. In Sun Maintenance Works case, they had a valid COE which was issued on 4th of April 2011 by FIRCA and had validity till 30th of September 2011. As such no provisional tax was deducted for Sun Maintenance Works.
8.31	Civic Tower Repainting	Gunac South Pacific Ltd did have public liability & workers compensation insurance policy cover and these were provided to SCC when they submitted their tender on 19th May 2010. Whilst the Council did not take bond amounting to \$7,675 from Gunac, we were withholding 10% of the contractors payment every time they were paid. The total retention amount was paid after the period of defect liability which was 24 weeks from the completion of work. The retention amount paid was \$7,267.52 on the 2nd of November 2011.
8.32	Repair and painting of Suva Olympic pool	Gunac did provide valid public liability insurance cover of sum insured of \$1,000,000. Whilst the Council did not take bond amounting to \$1,875 from Gunac, we were withholding 10% of the contractors payment every time they were paid. There was total of four payment made to Gunac of which the final payment was for the retention amount. Their retention value was \$3,750 which was paid on 24th of December 2010 (Cheque No 919).
8.33	Refurbishment of Suva Civic Centre	The tender deposit amount for roofing refurbishment was \$1,000 and Council did not accept tender from bidders who did not pay the correct tender amount. In case for Gunac South Pacific Ltd, they made two separate bank cheques, one of \$200 (bank chq no 29785, receipt no 116921) & another of \$800 (bank chq no 29830, receipt no 116922), thus met our tender requirements. As for Rams Maintenance, the tender deposit amount given was \$200, and as such their tender was not accepted. With regards to bond sum, note that SCC did not take a bond but withheld a retention amount of 10% which amounted to \$19,047 and this was paid on the 3rd of December 2013, which was after the defects liability period of twelve months. Gunac had a valid workers compensation policy when they had submitted their tender.

8.17	Investment Properties	The adjustment of \$16,229,810 was done to reflect the balance of investment property which was at that time grouped under Building & work in progress code. A breakdown of investment property listing of \$16 million was provided to the auditors in 2011 accounts for verification.
8.18	Annual Board of Survey	The council has planned to have an annual board of survey in November 2017 which would address all the categories of property plant & equipment. The team would comprise of internal auditor, budget officer and management accountant. They would assess whether the assets are in working condition or not, whether assets are obsolete or unserviceable, whether the general ledger balances are stating the correct assets and whether there are assets which are not taken into account in the FAR.
8.19	Physical Stock Count not carried out	Agreed that no stocktake for 2010 was conducted. However note that going forward, the Council had conducted annual stocktake of all its inventories. This is usually done at year end in December and an invitation is also sent to the Auditor General's office to be present at various stock take and cash venues for verification. A subsidiary listing for inventory is also available in Navision which states the item No, item description, base unit, quantity and value.
8.20	Discrepancies in Accruals	There is detail listing available for accrued expenses of \$2.4 million. Majority of accruals were relating to purchase order commitments and provision for vat accrual. As for vat, the 2010 vat receivable should have been classified under receivables rather than payables. For 2011, there is a vat payable situation thus was classified under payables.
8.21	No records provided by Council for Sundry deposits	There is individual listing available for all the sundry deposit amounts(tender, library, performance bond, hall hire, tenancy, building & others). The list states the date of payment, receipt number, amount paid and the name of person / company who deposited the money. The refundable deposit bank account was opened on 12/01/2005. All refundable deposits received after this was banked in the specific refund account. Any refunds prior to this were deposited in the main account hence main account is used to process any refund relating to years prior to 2005.
8.22	Anomalies in Lease Liability	The lease liability loan was fully paid off in 2011, and this can be verified by the bank audit confirmation & their statement. The amount of \$130,667 stated by Westpac in 2010 was incorrect. This can be verified with their account statement balance which shows that SCC owed only \$53K for lease 9801401333 & \$9.8K for lease 9801773913 as at December 2010.
8.23	Liabilities and expenses understated by the Council	Noted. We are currently reconciling the creditors statement with the General ledger whenever we make payments and a year end creditor statement reconciliation is also carried out to book the actual liability.
8.24	Held to Maturity Investment	Point noted. All future short term deposit are only made once approval is granted from the Minister of Local Government. The interest revenue for term deposit was high than the term deposit statements in 2010 as it also accounted for 2009 interest which was not accrued in 2009 financial year. Also there was term deposit revenue of \$65K of Westpac which was placed in 2010 & matured in the same year which was not accounted in the auditors report.
8.25	Interest on Overdue Rates	Our billing system, Property wise can generate a rates interest report which provides a list of all interest charged on individual ratepayer. The interest charged in 2010 for Propertywise was \$1,903,291. The variance of \$130,751 consist mainly of interest adjustment of \$22K not taken into account in the propertywise report & year end interest charged of \$113K which was not stated in the interest general ledger account.
8.26	Variance in Business License levy	Do note that the business license billing of \$1.4m was also accounted in business license revenue code. The difference of \$31.7K between the billed amount & the revenue code mainly relates to the business license adjustments (business closure, prorata billing) which was passed in the revenue code & the vat journal as business license revenue is recorded at VEP price. In reconciling the billing amount to revenue code it is vital to take into account the journals as well as this affects both the debtors code and the revenue code.

8.10	Variance between amounts in Trial Balance and the Financial Statements	The trial balance for 2010 were derived from the general ledger and this was used to prepare the annual financials statements. Overall there was no significant variance between the audited 2010 Financial Statement with the 2010 General Ledger. The issue was the classification of the expenses between the administrative and operating cost and the user maintenance cost. A reconciliation of 2010 general ledger with 2010 Audited Financial Statement was forwarded to the external auditors when they conducted the 2011 audit. Note that in totality the statement of comprehensive income & statement of financial position is reconciling. The variance is mainly related to prior years posting which have not been closed and transferred to retained profits. Also the trial balance amount includes the parking meter balances which in financial statement is classified separately under note 2.
8.11	Cash at Bank	Bank reconciliations are performed daily for main account. The integration between Property Wise (Subsidiary Ledger) and Navision (General ledger) is processed through cash receipts journal interface. This includes all adjustments, invoices and cash receipts. Monthly records of all receipts are available via cashier summaries which totals to all Property Wise receipts batches. This can be compared to main account through bank reconciliations. Proper bank reconciliations for year 2010 were provided to the auditors.
8.12	Trade Receivables	Our billing software, Property Wise & accounting software Navision both can generate aging report which gives breakdown via individual debtor for bus debtors, rental debtors, engineering debtors, health debtors, staff debtor, parking meter debtors & business licensed debtors. For our 2011 audit, a full aging report was provided to the auditors which matched with the General Ledger balance. The same can be generated for 2010 balances.
8.13	Rates Arrears Write - Off	Please note that the write offs done in 2010 of \$219K was not relating to cases of hardship and as such no approval was taken from the Minister for Local Government. The write off was due to incorrect billing done by SCC ie property was billed under SCC when it should be exempted from billing. There were also cases where the property was subdivided but not in the valuation roll ie for 2005 - 2012 and as such the billing was reversed.
8.14	Doubtful Debts	The council had implemented a doubtful debt policy in August 2016 on how to account for provision for doubtful debts for each class of trade receivable. Generally for Navision debtors, the provision for doubtful debts is debtors who owe debt more than 120 days whilst for property wise the provision for doubtful debt is debtors who owe debt more than one year. The doubtful debt balance in 2011 audit was justified by individual listing of debtors which was provided to the auditors. Also note that for provision for doubtful debt, there is no approval required from the Minister of Local Government. Only, in case of hardship, the Minister can write off debts under the Local Government Act, Cap 125, section 80.
8.15	Anomalies in Property, Plant and Equipment	Whilst there was no supporting provided for 2010 additions & disposal, do note that for 2011 accounts, a full FAR schedule was made where the additions were identified and relevant supportings were given to the auditors for verification. With regards to Leasehold land, a leasehold schedule is maintained by the Council which lists the lease no, title no, lease location, term of lease and the annual rent. In 2011 accounts, this list was provided to the auditors and a disclosure note was stated in draft 2011 Financial Statements on operating lease payments. In regards to the adjustments of \$729K, majority of this was related to movement in Work in progress and this was passed to record closure of projects and account for fixed asset.
8.16	Variances between the general ledger (GL) and fixed asset register (FAR)	The reason for the variances was that the FAR was not updated on a timely basis and was also done manually. There is a FAR subsidiary module available in our accounting system but no reconciliation was carried out between the subsidiary & control accounts. Note in 2011 accounts, the FAR subsidiary and control account was fully reconciled and was submitted to the auditors for verification.

8	The Council had a VAT Receivable balance of \$934,211 which was netted off against Accounts Payables. This is a departure from International Accounting Standard 1 section 32 which states that assets and liabilities, and income and expenses, shall not be offset unless required or permitted by a standard or an interpretation.	Noted. The 2010 vat receivable should have been classified under receivables rather than payables. For 2011, there was a vat payable situation thus this was classified under payables.
9	The Council recorded interest on Overdue Rates totalling \$1,772,541 in the General Rate Fund - Operating Statements. The details of the interest on Overdue Rates are maintained in Property Wise System. The audit was not able to trace interest on Overdue Rates details from Property Wise System to the Navision Accounting System which maintains Council accounting records. As a result the audit was not able to ascertain whether the interest on Overdue Rates totalling \$1,772,541 have been accurately accounted for and disclosed in the financial statements.	Our billing system, Property wise can generate a rates interest report which provides a list of all interest charged on individual ratepayer. The interest charged in 2010 for Propertywise was \$1,903,291. The variance of \$130,751 consist mainly of interest adjustment of \$22k not taken into account in the propertywise report & year end interest charged of \$113k which was not stated in the interest general ledger account.
10	The Council did not provide payment vouchers and appropriate supporting documents totalling \$1,237,597 for the year ended 31 December 2010 for audit verification. As a result the audit was not able to ascertain whether the expenses totalling \$ 19,021,410 have been accurately accounted for and disclosed in the financial statements for the year ended 31 December 2010.	All cheques made by the council have proper payments vouchers (ie invoices, approvals, purchase orders, remittance advice, cheque details, signatories etc) as without these documents the cheque cannot be prepared and dispatched. Once cheque is dispatched, the payment voucher is filed in the treasury department (filed via cheque number). Previously many cheques were kept in the payroll department (mainly payroll related vouchers), some were used by internal audit department & some by officers who were doing reconciliation & these were the ones which could not be provided to auditors for audit verification. Now all cheques are stored with the Treasury department and they keep a dispatch book whereby any payment voucher which is taken is recorded and is signed again when it is returned.
8.6	Incorrect Opening Balances	With regards to 2009 depreciation for aid granted assets, the value posted in general ledger was \$26,394 and not \$57,527. Likewise the accumulated depreciation amount as at 2009 was \$1,208,401 and not \$1,177,268. As such there was no variance in the opening & closing value for aid granted asset. Please note that note 11 of 2010 Financial statements was incorrectly stated. With regards to the investment property the variance of \$401,275 was relating to its accumulated depreciation amount. Its closing balance as at December 2009 was \$4,944,675 while opening balance for 2010 was \$4,543,400. Upon reconciliation of this account it was found out that the opening balance of \$4,543,400 is the correct value and there was an error in the 2009 closing amount. This was due to a reclassification entry of fixed asset of \$572,625 which was shown on note 11 of the 2010 financial statement. Infact \$401,275 of this amount should have been reclassified under investment property in 2009. Also note that the overall Fixed asset value for 2009 financials was matching with the 2009 general ledger balance.
8.7	Balancing Figure in Statement of Movement in Funds	The Municipal Council fund balance amount should only have the surplus / deficit derived from the years operation and no other adjustment. The adjustment of \$437,479, should not be passed in the municipal fund account and it was proposed to the audit team to reverse this entry.
8.8	Amounts posted Manually in the Financial Statements	The trial balance for 2010 were derived from the General Ledger and this was used to prepare the annual financials statements. Overall there was no significant variance in the audited 2010 Financial Statement with the 2010 General Ledger. The issue was the classification of the expenses which were incorrectly grouped between the administrative and operating cost and the user maintenance cost. A reconciliation of 2010 GL with 2010 Audited Financial Statement was forwarded to the external auditors when they conducted the 2011 audit.
8.9	Cash Flow Statement	A cash flow statement worksheet had been designed for 2011 accounts (with comparative 2010 figures) which links with the statement of comprehensive income & statement of financial position. It takes into account their movement, the non cash adjustments and classifies it into operating, investing and financing activity. Furthermore a detailed reconciliation of net cash of operating activities was also prepared.

Control Issues (Municipal Councils - 2014 Auditor General's Report)

Ref Issues	Status Update
8.1 Audit Opinion 2010	
<p>1 A variance of \$401,275 was noted between the audited closing balance for the year 2009 and the Council's opening balance for the year 2010 in the Investment Property Account. The Council did not provide any reason for the change in the opening balance. As a result the closing balance for Investment Property Account was understated by the same amount for the year ended 31 December 2010.</p>	<p>The variance of \$401K was relating to accumulated depreciation amount for Investment property. Its closing balance as at December 2009 was \$4,944,675 while opening balance for 2010 was \$4,543,400. Upon reconciliation of this account it was found out that the opening balance of \$4,543,400 is the correct value and there was an error in the 2009 closing amount. Please note that this was due to a reclassification entry of fixed asset of \$572,625 which was shown on note 11 of the 2010 financial statement. Infact \$401,275 of this amount should have been reclassified under investment property in 2009. Also note that the overall Fixed asset value for 2009 financials were matching with the 2009 general ledger balance.</p>
<p>2 The Council included an adjustment of \$437,479 in the Statement of Movement in Funds as "Effect of Change in Previous Years" which reduced the total Municipal Council's Fund balance by the same amount. The Council did not have any supporting document relating to this adjustment which was used to balance the account. As a result the audit was not able to ascertain the accuracy of the Municipal Council Fund balance.</p>	<p>The Municipal Council fund balance amount should only have the surplus / deficit derived from the years operation and no other adjustment. The adjustment of \$437,479, should not be passed in the municipal fund account and it was proposed to the audit team to reverse this entry.</p>
<p>3 The Council recorded Administration and Operating Costs of \$6,760,172 in the Statement of Comprehensive Income. However the Council had Administration and Operating Costs balance of \$8,753,734 in the general ledger. A variance of \$1,993,562 was noted between the two records. The Council did not provide any explanation for the variance. As a result the audit was not able to ascertain the accuracy of the Administration and Operating Costs recorded in the Statement of Comprehensive Income.</p>	<p>The trial balance for 2010 were derived from the general ledger and this was used to prepare the annual financials statements. Overall there was no significant variance between the audited 2010 Financial Statement with the 2010 General Ledger. The issue was the classification of the expenses between the administrative and operating cost and the user maintenance cost. A reconciliation of 2010 general ledger with 2010 Audited Financial Statement was forwarded to the external auditors when they conducted the 2011 audit.</p>
<p>4 The Council had Trade and Other Receivables balance of \$6,785,880 as stated in Note 6. The audit was not able to verify existence, completeness and accuracy of debtors balance amounting to \$1,948,287 which comprised of business license, bus debtors, engineering debtors, health debtors, staff debtors, parking meter debtors as subsidiary listings for these debtors were not provided by the Council. As a result the audit was not able to ascertain whether Trade and Other Receivables balance of \$6,785,880 in Note 6 are fairly stated.</p>	<p>Our billing software, Property Wise & accounting software Navision both can generate aging report which gives breakdown of amount via individual debtor for business license, bus debtors, engineering debtors, health debtors, staff debtors & parking meter debtors. For 2010 these reports can be provided.</p>
<p>5 The Council had Inventories balance of \$466,636 as stated in Note 5. The audit was not able to verify the existence and valuation of the inventory as no stocktake was carried out by the Council. As a result the audit was not able to ascertain whether the Inventory balance of \$466,636 is fairly stated in the Statement of Financial Position.</p>	<p>Agreed that no stocktake for 2010 was conducted. However note that going forward, the Council had conducted annual stocktake of all its inventories. This is usually done at year end in December and an invitation is also send to the Auditor General's office to be present at various stock take and cash venues for verification. A subsidiary listing for Inventory is also available in Navision which states the item No, Item description, base unit, quantity and value.</p>
<p>6 The Council made adjustments of \$16,229,810 to Investment Property balance. As a result the Investment Property balance decreased to \$11,457,774. The Council did not provide details of this adjustment. The audit was not able to substantiate the correctness of Investment Properties balance totalling \$11,457,774 stated in the Statement of Financial Position.</p>	<p>The adjustment of \$16,229,810 was done to reflect the balance of investment property which was at that time grouped under Building & work in progress code. A breakdown of investment property listing of \$16 million was provided to the auditors in 2011 accounts for verification.</p>
<p>7 The Council was not able to provide details of Accruals of \$2,416,194 (included in Trade and Other Payables) and Sundry Deposits of \$1,416,115. As a result the audit was not able to verify existence, completeness and accuracy of Trade and Other Payables balance of \$3,080,440 and the Sundry Deposits of \$1,416,115 stated in the Statement Financial Position.</p>	<p>There is individual listing available for all the sundry deposit amounts (Tender, library, performance bond, hall hire, tenancy, building & others) as well as breakdown of accrued expenses.</p>

Appendix 2 – List of Submissions

- 1 Tavua Town Council
- 2 Savusavu Town Council
- 3 Sigatoka Town Council
- 4 Nadi Town Council
- 5 Ba Town Council
- 6 Nausori Town Council
- 7 Lautoka City Council
- 8 Suva City Council

**PUBLIC ACCOUNTS COMMITTEE
INTERVIEW QUESTIONS**

AUDIT REPORT 2012

PART A – FINANCIAL INFORMATION

1.1 Audit Opinion 2012

- The MOU with FRA was not signed until 2013 therefore, the transfer was not done. The Council has transferred the roads, drains and verges to Fiji Roads Authority in accordance with FRA Amendment Decree 2012 in 2013. (Refer Audit Opinion 2013 – Page 4)
- For 2014 Accounts, Council has engaged the services of the Financial Dept of Lautoka City Council to prepare Financial Statements under IFRS for SMEs.

[Council has adopted to IFRS from 2014 financial year]

1.2 Abridged Statement of Financial Performance – General Fund

In 2011 almost 100% rates arrears was collected. Council had carried out door to door approach and collected all the arrears that was accumulated over the years, thus the rates collected in 2011 is more than 2012.

[Rates collection has averaged 80.% for the Council over the last five years]

[Increase in admin expenses is due to Local Government Forum – hosted by Tavua Town Council at Ba Town Council Hall.

Depreciation for the year included:

1. Depreciation on Council Properties – Market, Office, Garvey Park
2. Roads/Footpaths
3. Streetlights

Council has been increasing its revenue base over the last one year and is making a turnaround. We are now in shared services with Ba Town Council,

utilizing the services of Health Inspector, Parking Meter technician etc. Also the Ministry is now paying the CEO's salary which also leads to improvement in Council revenue.

1.3 Abridged Statement

The depreciation in 2011 was \$427,439.00 and in 2012 \$428,482. The depreciation is for all the Council properties, buildings road, streetlights, Garvey Park etc.

1.4 Abridged Statement of Financial Performance – Parking Meter

Council has been monthly discussing Parking Meter Report and all attempts are being made to increase Parking Meter Toll revenue.

1.5 Abridged Statement of Financial Position – Parking Meter

Council has been working closely with the Parking Meter Section in improving performance and operation.

1.7 Audit Opinion 2013

2014 Accounts being prepared according to IFRS for SMES.

1.8 Abridged Statement of Financial Performance – General Fund

The transfer of roads, footpaths and drains to Fiji Roads Authority led to the decrease in depreciation expenses which led to the decrease in deficit in General Fund.

1.9 Abridged Statement of Financial Position – General Fund

The transfer of roads to Fiji Roads was done in 2013.

1.10 Abridged Statement of Financial Performance – Parking Meter

In 2013 more bookings were carried out i.e Illegal and parking meter thus the increase in infringement fines.

1.3 Abridged Statement of Financial Position – General Fund

- Cash at Bank and on Hand was more in 2011 than 2012 - Heavy flooding and cyclone caused damages to infrastructure and increase in green waste and vegetation. The revenue collected in 2012 was utilized for the clean up and repairs to the infrastructure.

1.5 Abridged Statement of Financial Position – Parking Meter

The Non Current Liabilities is the loan Council had taken to install the Meters.

The reason for the reduction in total liabilities is due to the loan repayments made during 2012.

1.8 Abridged Statement of Financial Performance – General Fund

The transfer of roads, footpaths and drains to Fiji Roads Authority led to the decrease in depreciation expenses which led to the decrease in deficit in General Fund.

1.11 Abridged Statement of Financial Position – Parking Meter

Council has been working closely with the Parking Meter Section in improving performance and operation

1.12 Abridged Program Information

In 2013 the loss of \$14,623 was due to substantial amount of accumulated fund used for cleanup, and green waste removal which was caused by Cyclone and heavy flooding.

PART B CONTROL ISSUES 2012

1.13 For 2014 Accounts Council is adopting to SMES.

1.14 Inadequate Insurance Cover

For the period of 2016 – 2017 insurance premiums paid for the council properties as follows:

PARTICULARS	AMOUNT INSURED	PREMIUM PAID
Market	\$300,000.00	\$1110.00
Office Building	\$180,000.00	\$1162.36
Motor Vehicle	\$40,000.00	\$1,596.00
Garvey Park	\$200,000.00	\$864.00
TOTAL PREMIUM PAID		\$4,732.36

1.15 Sexennial Valuation

Council plans to carry out sexennial valuation exercise during 2018. Special budget provision will be set aside. Preliminary work has commenced.



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File: 1335

10 November 2017

Mr. Ashneel Sudhakar
Chairman
Standing Committee – Public Accounts
Government Building
SUVA

Dear Mr. Sudhakar

RE: SAVUSAVU TOWN COUNCIL

Warm greetings from Office of the Auditor General

Reference is made to the Public Accounts Committee meeting held on 7th of November 2017 for Savusavu Town Council. Further reference is made to General Report on Municipal Council of 2014, Section 2, issue 2.5 "Failure to produce documents for Audit"

Office of the Auditor General was asked to assist the Committee by providing some information on the background of the Land sales deposits amounting to \$447,357 for which there was no details or supporting documents to substantiate its validity.

Please find attached to this letter some related and relevant information which has been extracted from some old files maintained at Office of the Auditor General. I hope that this information may assist the Committee in writing up their report or further deliberating on the issue.

Please feel free to contact Mr. Jayant Ram on Telephone 3309032 ext 393217 should you require any further information or clarification.

Yours sincerely

Dineshwar Prasad
for Auditor General

Encl.

Saved

Cagimaivei: Savusavu council land deals fraud and corrupt

LAND deals in the Savusavu Town Council appear to be riddled with fraud and corruption, Urban Affairs Minister Vilisoni Cagimaivei revealed last night.

Mr Cagimaivei dissolved the seven-month-old council last week after an internal inquiry found discrepancies in its operation.

He has since appointed a three-member administration team, headed by retired civil servant Ilisoni Tubutuanata. Other members include Savusavu businessman Robin Mercer and Local Government Association executive Pisp Ruj.

The three administrators took over the operation of the council on Monday after Mr Cagimaivei met with outgoing councillors.

He described the problem facing the council as enormous.

"The administrators' main job is to get the council back on stream within two years," Mr Cagimaivei said. "It is going to be an enormous task, but we will give it a go."

The council is currently owed 150 thousand dollars in uncollected rates with very little or no effort at all on the part of the councillors and officers to collect overdue rates.

"This is due to the financial position of the council going from bad to worse - reaching a stage where the council has been unable to pay for its services."

"With the administrators taking over and help from the people of Savusavu, we hope to instil a new sense of direction for the council," Mr Cagimaivei said.

While Mr Cagimaivei declined to reveal details of the alleged council land deals, it's understood that a councillor

bought the land from the council at 30-thousand dollars and resold it a week later for something like 300 thousand dollars.

Meanwhile, Mr Cagimaivei said problems facing Lautoka City Council are more of an attitude than financial, as in the case of Savusavu.

Mr Cagimaivei said he would issue a ministerial order to rescind a recent resolution of the Lautoka City Council allowing councillors free parking.

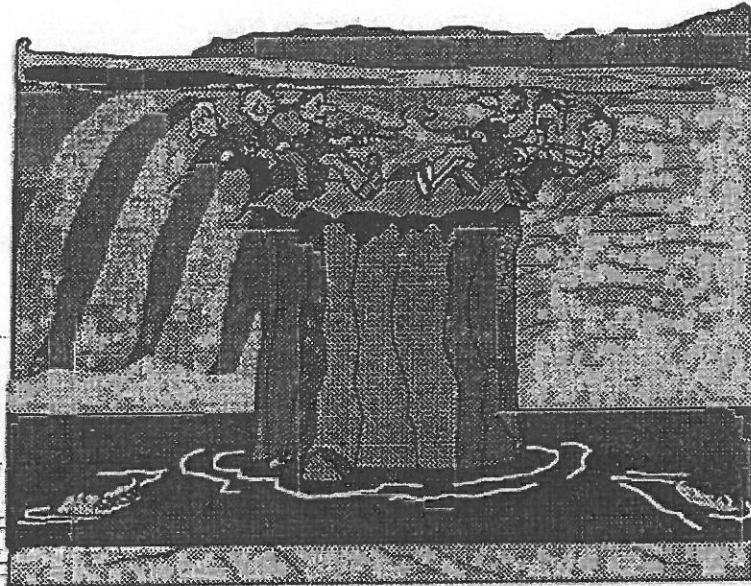
"This is not in conformity with Local Government regulations and despite warnings from the management that it is illegal, councillors went ahead and approved the resolution."

"It is an attitude problem and I will not hesitate to issue a directive for it to be abolished once I receive an official report on it," an angry Mr Cagimaivei said last night.

FIJI'S DAILY POST - THURSDAY, MAY 1, 1997

Report

Committee of Inquiry



into the affairs of

Savusavu Town Council

January 1997

SAVUSAVU TOWN COUNCIL

INTRODUCTION

Nasavusavu was declared a township in 1972 and has been widely known as Savusavu Town and the Savusavu Town Council was born. It lies on the northern end of Nasavusavu Bay and has a frontal natural unpolluted coastline with hilly background covered with coconuts and lush green vegetations.

The Savusavu Town has an area of about 800 hectares with an approximate population of 4,500. The total ratepayers is about 340.

The last elected Council was in 1985. Because of the events of 1987 Savusavu Town Council like the other municipalities in Fiji, was run by the Councillors appointed by the Minister for Housing and Urban Development. In September 1993 the Council was again elected by the ratepayers and inhabitants of Savusavu Town. The second set of Councillors were elected on September 28, 1996.

Two groups - the Sunrise and Spade contested the elections. The former group was led by Cr. D M Lal who is now the Mayor and the latter by Cr. Raymond Fong, a former Mayor. The Sunrise group won seven seats and two by the Spade. Two of the Sunrise faction are now siding with the Spade. One of them is the Deputy Mayor.

The Council does not have the ward system for the election purposes and this has been highlighted during the submission.

Savusavu Town Council has an airport and Government had already declared Savusavu Town as a port of entry. Eco-tourism has been established in Savusavu and there are many tourist resorts in the surrounding area. It also has a coconut mill operating near the town.

Almost all the land in Savusavu Town are freehold and Savusavu Town Council owned a number of commercial, industrial and residential lots.

Savusavu Town Council provided, it operates efficiently has the potential to prosper and grow.

THE APPOINTMENTS

In accordance with regulation 3 of the Local Government (Inquiries) Regulations 1977 the Committee was appointed on January 2, 1997 by the Minister for Urban Development, Housing & Environment to do the inquiry into the affairs of Savusavu Town Council.

1 TERMS OF REFERENCE

The terms of reference for the Committee was to report to the Minister whether, in the opinion of the Committee -

- / a) the resources of the Council are being used in the best interest of the municipality as a whole;
- / b) the administration of the Council is wasteful, inefficient or corrupt; or
- / c) the Council has failed to act in conformity with any of the provisions of the Local Government Act Cap. 125.

1.0 In the report references to the :

- "Minister" - means the Minister for Urban Development, Housing and Environment.
- "Ministry" - means the Ministry for Urban Development, Housing and Environment.
- "Act" - means the Local Government Act Cap. 125.
- "Council" - means the Savusavu Town Council.
- "Committee" - means the Committee of Inquiry

2 METHODOLOGY

- 2.0 The Committee's function and activities were advertised in the news media prior to the date of commencement of its inquiry. It commenced its inquiry on 27 January, 1997 and completed it on 31 January 1997.

The Committee commenced with the familiarisation visit of the town boundary including its subdivisions. It also examined Council's minutes, accounting and other records.

2.1 Summons of Witness

Altogether sixteen (16) people including the nine (9) present and four (4) former Councillors together with three (3) staff were summoned to witness. Fifteen (15) of them attended.

2.2 Submissions

- Six (6) ratepayers/inhabitants also gave oral submissions. The list of the persons summoned to witness and persons who gave oral submissions, is attached as annexure to this report.

2.3 In accordance with Reg (4) 1 of the Local Government (Inquiries) Regulations 1977 the Council was invited by the Committee to attend the hearing.

However, the Council was unable to attend.

2.4 Hearing

The Committee took two (2) days to hear all the submissions and it heard seventeen (17) persons in public, five (5) requested to be heard in camera.

2.5 Investigation

The Committee after the hearings had to investigate against the Council's records to satisfy itself on the allegations made or points raised during the hearings.

In most of the cases the people who gave submissions mentioned that the Council was facing financial problems. There were also allegations of improper practices made against the previous and present Council including Councillors.

3 THE COUNCIL

3.0 The Council is comprised of 9 councillors. They were elected on September 28, 1996 to serve a term of three (3) years.

3.1 Standing Committees (Section 27 of the Act)

The Council has the following Standing Committees:-

- a) Finance (9 Councillors)
- b) Building and Health and General Purposes (6 Councillors)

c) Land and Subdivisions (5 Councillors)

d) Board of Survey (3 Councillors)

3.2 Membership - Land and Subdivisions Committee

The Council's above Committee always had a membership of nine (9).

It was noted that the Council at its Finance committee meeting held on October 28, 1996 recommended to increase the membership of the Committee from the existing 5 to 9.

However, it was noted by the Committee that three Councillors gave a notice of motion requesting the Council to rescind the above recommendation.

Subsequently a special meeting of the Council was convened on November 14, 1996 to deliberate on the issue.

At that meeting one councillor sought clarifications for the purpose of the motion. Since he was not satisfied from the explanations the Councillor together with the three other Councillors walked out of the meeting.

4 THE INQUIRY

4.0 Council's Meeting/Procedures/ Minutes

After scrutinising the Council's meeting notices, agenda and minutes the Committee observed that the Council's meetings were called through notices issued by the Town Clerk and in such notices only the agenda was set.

The Committee further noted that the notice of the meetings were not supported by the Town Clerk's reports and recommendations.

The Committee is of the view that Councillors need every guidance and assistance from the Town Clerk in all the meetings.

In the absence of such reports and recommendations from the Town Clerk, it may be difficult for the Councillors to arrive at fair decisions.

The Committee found that the Town Clerk was lagging behind in the reporting aspect to the Council.

The Council in accordance with Section 138 of the Act is required to forward certified copies of all its Committees, Special and Ordinary Council's meeting minutes to the Minister. The Committee, however, found that the Council was not following the requirements.

4.1 Meeting By- Laws

The Council had no meeting by-laws as such it may be wise for the Council to introduce one for its use.

5 VALUATIONS

5.0 The Council's last sexennial general revaluations were carried out in 1980. Another one was due in 1987 and due to the events during that year it had to be deferred.

The Minister's approval was sought to defer the revaluations till December 31, 1990 only.

Since then the Council has not caused any revaluation of its properties nor sought the Minister's approval. This is contrary to Section 64 of the Act.

The Council has 340 lots assessed in the existing valuation roll (1980).

There has been an increase of about 16 prime industrial lots at Naqere subdivision since 1983 and 9 prime commercial lots at Foreshore reclamation area since 1992. These lots have not been valued for rating purposes thus depriving rate income for the Council.

The Committee observed from the records available that the Lands Dept. had requested in its letter of May 7, 1996 for an initial deposit of \$3,000 (revised from \$5,000) from the Council to commence the valuation work.

The Council does not have the necessary fund to pay the deposit and therefore the work could not be done and there is no indication when the work would be undertaken as well.

6 FINANCE

6.0 Income - Rates

The Councils main source of income is rates.

Tabulated below please find the actual rates received against its estimated for the period 1990 - 1995. (Figures have been obtained from the Council's approved estimates and draft financial statements.)

(Total Rates only)	1990	1991	1992	1993	1994	1995
	\$	\$	\$	\$	\$	\$
Estimates	173,810	217,810	252,360	272,360	339,360	159,360
Collected	<u>61,400</u>	<u>43,710</u>	<u>38,880</u>	<u>55,890</u>	<u>63,420</u>	<u>47,500</u>
	<u>112,410</u>	<u>174,100</u>	<u>213,480</u>	<u>216,470</u>	<u>275,940</u>	<u>111,860</u>
% Collected	35.32	20.06	15.40	20.52	18.68	29.80

The rates collected are far below average and all efforts has to be made to improve the collection procedure. The Town Clerk in his submission stated that it is very difficult to take legal action as the Council would request him to "go slow" in instituting legal action.

The Council's rate arrears position at the end of the years were as follows:

1994	-	\$253,612
1995	-	\$189,210
1996	-	\$131,722

Approximately 45% of the rate payers were in arrears. The Committee could not sight the list of the arrears.

The Committee noted that the general rate was not increased since 1992. Similarly the Fire rate was not increased since 1991 and as for other rates there has been no increase at all.

Whenever the Council intended to increase the rates there had been resentment from the ratepayers.

The Committee found that the Council had not increased its rates for a number of years and therefore has failed to provide the necessary services. The Committee is of view that the Council did not comply fully with Section 88 of the Act.

6.1. Recurrent Income and Expenditure General Fund (Cash Basis)

The recurrent income and expenditure summarised for the period 1990 to 1995 is shown below. The figures from 1991 are unaudited and obtained from the draft accounts prepared by an accounting firm.

Income & Expenditure

Year	Income	Expenditure	Deficit	Remarks
	\$	\$	\$	\$
1990	79,680	104,390	(24,710)	
1991	183,080	312,440	(129,360)	Sale of land 135,700
1992	148,830	159,260	(10,430)	Sale of land 68,860
1993	118,280	183,210	(64,930)	Sale of land 25,500
1994	117,380	150,290	(32,910)	Sale of land 53,695
1995	<u>109,180</u>	<u>158,400</u>	<u>(49,220)</u>	Sale of land 22,640
	<u>756,430</u>	<u>1,067,990</u>	<u>(311,560)</u>	

It could be seen from the above records that the Council had a deficit situation every year and this trend would continue in the years ahead. This itself is the indication that the Council has not been in a position to improve its financial position.

6.2 Loan Repayment Account

Similar to General Fund the revenue and expenditure account for Loan Repayment Account also had a deficit situation, as summarised below for the period 1990 - 1995.

Year	Income	Expenditure	(Deficit)
	\$	\$	\$
1990	5,440	29,500	(24,060)
1991	7,120	34,350	(27,230)
1992	5,480	42,710	(37,230)
1993	5,460	40,100	(34,640)
1994	5,710	39,810	(34,100)
1995	<u>7,630</u>	<u>51,680</u>	<u>(44,050)</u>
	<u>36,840</u>	<u>238,150</u>	<u>(201,310)</u>

It is obvious from the above figures that the Council could not raise sufficient rates or utilise the money received from the sale of land (lots) to repay the loan and as a result deficit has accumulated.

The expenditure has been exceptionally high in the General Fund and as well as the Loan Rate Fund when compared to the income.

6.3 Accumulated funds in deficit

The summary of accumulated funds in deficit as at December 31, 1995 were as follows :

General Fund	-	\$384,000
Street Lighting	-	\$ 20,360
Loan Repayment	-	<u>\$199,110</u>
		\$603,470
Less : Monies held in deposits and surplus	-	<u>\$ 77,200</u>
Total accumulated fund in deficit	-	<u>\$526,270</u>

This is an alarming situation as despite using the monies held in deposits there is a large accumulated fund in deficit.

6.4 Bank Overdraft

As at December 31, 1995 the Council had a bank overdraft of \$78,380, this was reduced to \$48,660 on December 31, 1996 but on the other hand the Council was holding the sundry creditors payments amounting to over \$101,000. In some cases the cheques have been written but not paid. There is constant pressure from the creditors demanding the payment but the Council can not effect the payment due to heavy overdraft situation and lack of fund.

6.5 Overdraft Limit

Year	Actual Overdraft	% of the Gross Est Rev.
1991	\$72,810	10.78 %
1992	\$98,710	13.20 %
1993	\$83,140	13.30 %
1994	\$79,380	13.10 %
1995	\$78,380	11.31 %

The above overdraft have exceeded 5% of the recurrent estimate gross revenue of the Council. The approval of the Minister in terms of section 40-1(a) of the Act, had not been obtained.

Also the Council has been operating on bank overdraft for a long time and no one seem to pay any special attention to the deteriorating situation.

6.6 Outstanding Account and Sundry Creditors

The Committee observed that the Council had owed quite a large sum of money for the services Council had obtained, outstanding dues to government and FNPF, deposits held to be refunded and so on, which amounts to about \$101,000.

The Committee feels that the following list would give a more meaningful picture :-

	\$
(1) S Lal Gabage Service	36,410
(2) Refundable Deposit - Foreshore Reclamation	16,450
(3) Gulab Dass Ltd	9,710
(4) Inland Revenue/FNPF	7,480
(5) Adrian & Company	6,880
(6) Inoke Consultants	6,160
(7) Lands Department	3,000
(8) FEA	2,750
(9) Telecom (Fiji) Ltd	1,800
(10) Auditor General	1,595
(11) FNTC Levy	1,450
(12) Jai Lal	1,420
(13) Street Light Maintenance	1,160
(14) PWD	1,000
(15) Madhwan printing	870
(16) Nasekula Hardware	770
(17) Fong's restaurant	520
(18) Mohammed Kamal (Drain)	500
(19) Others	<u>1,075</u>
TOTAL	<u>\$101,000</u>

6.7 Surcharge/Penalties

Unless the Council continues to pay its dues to Inland revenue, Vat Unit, FNPF and FNTC on time the Council could be surcharged which would be an extra financial burden, besides the legal actions which could be instituted against the council.

6.8 Improper Use of Revenue by Replacement Cheques

In the Submissions received the Committee found that the Council was using its cash received to meet daily payments, instead of depositing the cash in the bank. To meet the balance and keep the records accurate Council replace the cash used with an equivalent amount by its cheques which they kept in the Council safe for a long period.

The Committee found that this system was practised because the Council was in a large overdraft situation and the bank on the other hand was reluctant to accept the Council's cheques.

This is contrary to Section 39 of the Act.

6.9 Affect of Cash Flow on Services

- Due to the cash flow problems the Council could not carry out the services such as maintenance work and therefore some of the ratepayers are angry and are reluctant to pay rates and other dues.

This has really aggravated the existing situation on cash flows to an extent.

The Council has to gain the confidence of the ratepayers only then the situation on arrears of rate payments could improve.

6.10 Annual Accounts

It was noted that the annual accounts for the period 1991 to 1994 prepared by the private accountants were forwarded to Auditor-General on February 20, 1996 and the accounts were being audited as at the date of the inquiry. The draft annual accounts for 1995 were also prepared but not sent to the Auditor-General.

The Council had breached section 57 (1) of the Act.

The Committee found that the Town Clerk was incapable of preparing the annual accounts of the Council thus the Council had to incur additional expenses by engaging a private accounting firm to do the work.

The Committee also noted that the Council owed a sum of \$6,880 to that private accounting firm for preparing the accounts and \$1,595 to the Auditor-General X for auditing of accounts up to 1990.

The Council's inability to pay the private accountants delayed the preparation and release of its financial statements.

6.11 Audit

The Auditor-General is also held responsible for taking that long, nearly a year to audit the Council's accounts. In the absence of the Auditor-General's report the Committee could not fully satisfy itself on the allegations and issues pertaining to the Council's operations. The Committee however, believes that the financial state of the Council is in a mess.

6.12 Annual Reports

Due to the pending audited financial statements the Council could not submit its annual reports to the Ministry. This is another breach of the Act i.e. Section 19-1(c).

6.13 Estimates

The Council has been preparing its annual estimates and tabulated below please find the general fund estimates of income and expenditure.

	1992	1993	1994	1995	1996	1997
	\$	\$	\$	\$	\$	\$
Income	747,270	624,870	603,720	692,930	666,120	680,570
Expenditure	<u>259,450</u>	<u>384,120</u>	<u>359,870</u>	<u>338,100</u>	<u>337,370</u>	<u>306,910</u>
Surplus	<u>487,820</u>	<u>240,750</u>	<u>243,850</u>	<u>354,830</u>	<u>328,750</u>	<u>373,660</u>

The Council's accounting system is on cash basis and while it approved a very large surplus budgets, the actual performance was somewhat as reported in item 6.2. The actual figures in fact revealed that the Council always ended up in deficit situations.

This trend is being continued and neither the Council nor its administration could correct the position of the so called inaccurate reporting.

The Committee found that the approved copies of the annual estimates were not sent to the Minister, which is contrary to section 46 of the Act.

6.14 Taxi/Carrier/Buses

The Council has about 70 taxis, approximately 60-70 carriers and 10 buses operating from the town.

While the operators are charged business licences they are not charged with base fees as other municipalities are doing.

The Council could have earned revenue approximately \$16,000 per annum if it would have charged even \$10.00 per month per taxis (70) and per carrier (65).

This is a neglect on the part of the Council and its administration both. A substantial amount of revenue has been lost in this area and the Committee feels that the Council will continue to loose the same in future unless appropriate remedial action is taken forthwith.

6.16. Accounting Manual

The draft accounting manual prepared in 1992 by Mr. Tamesar Bhim, a former Auditor-General should be implemented for the Council and may be for all the other municipalities as well.

This would assist the Council such as Savusavu to an extent where the staff lack the training, knowledge and experience in financial management.

7* LAND DEVELOPMENT

- 7.0 To subsidize the rate income the Council undertook to reclaim, develop or acquire land for subdivisions with the intention of selling and making profits and utilising the same for the Council's operating account.

7.1 Foreshore Reclamation Work

The Council in 1985 commenced reclamation of foreshore area in stages. By the year 1989, 9 lots were developed and allocated to various individuals.

According to the records available it had cost the Council \$183,240 to reclaim the stage I, and the Council derived income of \$159,000, one lot had to be given to the Tikina of Nasavusavu free of charge as a part of the land deal. There has been a shortfall of about \$24,000 in revenue.

The Council maintains that due to the events of 1987 it could not earn much from the subdivided lots as there was a slump in real estate.

The Council by the year 1991 had reclaimed the remaining portion of the foreshore land and had to spend another \$63,000.

This portion of reclamation was subdivided into 2 large lots and sold to -

- a) Lot 1 - SO2441 Savusavu Bay Investment Ltd at \$80,000 of which \$25,646 is still outstanding. The sale took place in 1994. There is a dispute on this lot between the purchaser and the Council.
- b) Lot 2 - SO2441 Kilowen (Fiji) Ltd at \$220,000 in 1994. The applicant had paid a deposit of \$75,000 and a balance of \$145,000 is still outstanding.

The agreement between the Council and the purchaser whereby the purchaser was supposed to pay interest of \$4,350 at quarterly intervals from April 1994 and from the 4th year the purchaser has to pay the principal of \$18,125 per quarter together with the interest.

The money has to be fully paid no later than 5 years from the date of agreement. That is to say that the full settlement has to be made by 1999.

7.2 Summary

Total Cost of Foreshore Development - \$246,300

Proposed Sales	-	\$459,000
Income Received	-	<u>\$308,450</u>
Balance		<u>\$150,550</u>

The Council in books would make an overall profit of \$212,700
(\$459,000 - \$246,300)

However it should not be forgotten that the Council had taken an initial loan of \$150,000 in 1985 to fund the reclamation works and as at December 31, 1996 the loan remained outstanding as \$133,060.

In the absence of the current files on Foreshore reclamation and other records it could not be established as to how much interest and principal had already been paid over the 10 year period.

In simple mathematics one can determine that the Council could not make profit from this development.

The Council by its resolution on February 27, 1991 had given the mandate to the Mayor and the Town Clerk to negotiate, decide on pricing of lots and to handle all transactions in respect of land matters. This was dangerous precedent and improper practice.

This has been a subject of criticism by some of the people who gave submissions.

The Committee noted that the Council failed to invite tenders for allocating of the above lots and this was highlighted during the submissions.

8 Nakama Subdivision Lot 1, DP. 3264, CT9197 Previously - Narain Construction Co. Ltd and FNPF

- 8.0 The Council had purchased a large parcel of freehold land from FNPF (Mortgagee Sale - Sethi Narain) in 1991 at a price of \$350,000 of which FNPF provided a loan of \$300,000.

There are over 50 sitting tenants on part of that land now known as Nakama Subdivision. The other part of the land which was vacant at the time of purchase is known as Narain Heights, where 27 prime lots were sold to individuals.

As for Nakama subdivision the Council intends to subdivide the area and then allocate the lots at a price of \$7,000 each. The Council had already taken deposits totalling \$75,750 from the sitting tenants in 1991.

The scheme plan for the Nakama Subdivision was approved on November 24, 1996 in which 60 residential lots have been plotted.

The Council took almost 5 years to have the scheme plan approved and no one knows how long it would take for the survey plan to be sealed and lots allocated.

The residents are suffering as there are no proper roads and utility services such as water and electricity.

As for the other part of the area called Narain Heights (prime vacant lots) the Mayor and the Town Clerk were once again authorised to negotiate with individuals and sell the lots in 1991.

Altogether 27 lots were sold to the value of \$200,500 through this procedure.

Tenders were again not invited.

The Council had also agreed to sell the above lots to the interested councillors and staff at a special rate to be fixed by Mayor and Town Clerk. This is direct pecuniary interest and is contrary to Section 17 of the Act *when?*

Furthermore it was raised in the hearing that no proper planning and feasibility study was carried out prior to undertaking the above project.

8.1 Summary

Total purchase price of the land	-	<u>\$350,000</u>
Income		
Sale of 27 prime lots	-	\$200,500
Deposits received from Nakama subdivision	-	<u>\$75,750</u>
Outstanding at Nakama subdivision	-	<u>\$276,250</u>
Total proposed sales		<u>\$266,000</u>
		<u>\$542,250</u>

To obtain the balance outstanding on Nakama subdivision the Council has to do a proper subdivision for which no approximate cost was available. The more delay the Council does on its subdivisions the more will be the cost.

Eventually the Council will not be able to make any profit from the sale of lots keeping in view the escalating figure on its original loan of \$300,000 which stands at \$425,450 (as at 31.12.96) and unknown subdivision cost.

At the end the Committee is of the view that the total proposed sale of \$542,250 will be offset by the outstanding loan \$425,450 plus unexpected developments costs. It simply means an exercise in futility which is only draining the Council funds with no future guaranteed return.

Submissions were also made on the above especially on the delay of project and suffering by sitting tenants.

9. OTHER LAND DEALINGS

9.0 The Council had the following other land dealings.

9.1 Subdivision Lot 3 DP. 3523, CT.21153 & CT. 9197. This lot was acquired in 1995 by the Council from Shell Co. Ltd, to use it as an excess for Nakama Subdivision. The lot was purchased at a price of \$25,000, subdivided and allocated to three (3) people at \$16,500 each. The total expected income from this is \$49,500 of which 1/3 has been already received.

As at January 1, 1996 only scheme plan had been approved. There is no indication as to when the Council will finalise the work to derive the balance of 2/3 of the sale price.

9.2 Land at Verevere & Vunikoka
About 10 lots have been sold at about \$66,250. Balance outstanding was \$6,250.

9.3 Land at Navaqiqi and Natutu subdivision

There are 6 residential lots in the above subdivision for which scheme plan has been approved on January 19, 1996. The Council has already obtained deposits from the applicants to the value of \$45,000 and balance of \$64,500 is to be collected once the leases are allocated.

All deposits received from the land sales has been used in the recurrent operating account.

9.4 Land For Subdivision

The Council has land at Navaqiqi and Nakama yet to be subdivided.

10 RECORD OF SUBDIVISIONS AND SALE OF LOTS

The Committee is of view that appropriate, up to date and readily available records were not kept by the Council for the Committee to ascertain the true position on development costs, sales and profits of all its subdivisions.

11 SCHEME PLAN FOR THE TOWN OF SAVUSAVU

The Council does not have a proper scheme plan, the one held in the office was a draft prepared in 1980. This matter has to be expedited for the proper development purposes of the town.

12 MAYOR AND TOWN CLERK - ACTING ULTRA-VIRES AND NOT DECLARING INTEREST

12.0 Reaching an Agreement without full Council's approval/declaring interest.

The Council's Land and Subdivisions Committee at its meeting held on November 22, 1996 agreed to reduce the price of a lot allocated to one Ravindra Kumar Lal (Lot 2, DP. 3523) from \$22,000 to \$16,500.

This recommendation was not confirmed by the Full Council as at January 31, 1997 and yet the Mayor and Town Clerk had signed an amended sale and purchase agreement with the purchaser. This is ultra-vires under Section 27 of the Act.

It was also noted from the minutes of the meeting of November 22, 1996 that the Mayor was present during the discussion on this issue.

Furthermore it was noted that the purchaser is the son of the Mayor. Therefore the Mayor should have declared his pecuniary interest let alone his vested interest in accordance with Section 17 of the Act. This matter was also raised during the submission.

13 ALLEGATION AGAINST THE MAYOR - CR. DAVID MANOHAR LAL

13.0 During the hearing some councillors and ratepayers alleged that the Mayor was in arrears of substantial rates and had not paid his business licence for operating a garage, a joinery shop and motel/guest house in the town. This was found to be true.

In their submissions they stated that the Mayor being a sitting tenant on Lot 1 Nakama Subdivision did not pay his required deposit of \$2,000.00 as others had done.

The Mayor in his submission stated that he was holding a sale and purchase agreement from Narain Construction and as such he was not supposed to pay the deposit to the Council.

The Committee sighted a copy of the sale and purchase agreement which was undated and does not seem to be a proper one. The Committee was advised during the hearing that the Mayor Cr. Lal was a former employee of Narain Construction Co. Ltd which he confirmed in his submission. Before he was elected to the Council Cr. Lal was requested several times to produce the original agreement to the Council and at as the date of inquiry he was unable to do so.

- The ratepayers are also complaining that when the first citizen was not paying his dues to the Council why should they pay theirs.

It should be noted here that Savusavu is a small place and this issue has a lot of bearing in the minds of the people.

14 OTHER ALLEGATIONS

There were allegations against a sitting councillor who was operating an illegal garage which he continues to operate.

Ironically this particular councillor is also the chairman of Land and Subdivision Committee.

15 ADMINISTRATION

The Council has the following staff and employees ;

Town Clerk
Secretary/Typist
Recorder Clerk
Market Master
Rates Clerk
Unestablished Employees - 7

There is no organisation chart of the Council and also no duty statements for the staff. When questioned about this in the hearing the Town Clerk stated that he was just following the past "practices".

The Committee believed that all staff need training and exposure on the day to day running and operation of the Council.

The Town Clerk is not capable of preparing the annual accounts and reports of the Council. Even the certified minutes of all the Committees including the Special and Full Council's meeting since 1993 have not been sent to the Ministry. These defaults have already been mentioned in the report.

The day to day administration of the affairs of the Council needs a lot of improvements. In this respect the Town Clerk and Council have to get together and quickly formulate procedures to be followed.

16 OFFICE ACCOMODATION

The present set up of the Council's office accommodation was very badly done. The rates clerk sits in the Council Chambers. Whenever there is a Council meeting he has to vacate his chair and look for somewhere to sit.

16.0 FILES

At random glance of the Council's files the Committee found that files were not numbered and the files are kept in a cupboard in the Council's Chambers.

Councillors and Citizens have the easy entry to the chamber and there is a great security risk.

17 NATIONAL FIRE AUTHORITY

The above authority is occupying the Council's premises and had the authority contributed its share of rent, it would have helped the Council to some extent in improving its cash flow.

18 GOVERNMENT ASSISTANCE

A number of people who gave submissions stated that the central government had neglected Savusavu with regards to infrastructure and other facilities. It had been stated that the government did not contribute much towards the Council when compared to a town like Tavua where initial grant was given when Tavua was declared a town.

19 FINDINGS

- a) Whether the resources of the Council are being used in the best interest of the municipality as a whole.

The Committee has included the following headings i.e.

- Human
- Finance
- Asset

Human : This is the most important aspect of any organisation. Therefore in the opinion of the Committee the Council, councillors and staff are all part of human resources.

The Committee will confine itself to the present council/councillors and the administration. The Council is now divided into two factions . Although on the surface they appear to be amicable and respectful to each other, there is a strong under current of differences between these two groups. Immediately after the September 1996 election two Councillors who belonged the Sunrise group crossed over to join the second group because of the differences of opinion with regards to serving of ratepayers. These differences of opinion will ultimately have an effect on the ratepayers. There seems to be continuous allegations and counter allegations among the Councillors and it is very unlikely that the Council will be able to carry out its functions properly under the Act and more particularly when the Council is facing an acute financial problem. Resulting from the infighting between Councillors, the Town Clerk and his staff could be unwittingly dragged into this quagmire and thus the Council affairs will suffer.

Finance : From the submissions and from the observations of the Committee it could be seen that the financial position of the Council had not been healthy at all.

It can be seen on paragraph 6.2 of the report that the Council has been in deficit since 1990 or maybe before . In fact the minutes of the Finance Committee since 1980's indicated the Council had been operating on deficit budgets.

The Council had all the opportunities and avenues to boost its income such as levying the base fees from taxis, carriers and bus operators which it failed.

It could have easily increased its rates and also caused valuations to the newly added commercial and industrial lots and to improve its rate income.

Any responsible Council will try to adjust its income to match the expenditure or commitments. The Council very badly lacked proper financial planning and if it continues in the same direction then its position will deteriorate further.

It is rather very difficult for the Council to progress any further as there is virtually no funds.

The Council lacks the foresight.

Assets : As follow up to the above the Committee again wishes to point out that the Council and the Town Clerk were aware of its poor financial position when the Council had embarked on Land -Subdivision projects yet it did not do feasibility studies to assess whether or not the Land-Subdivision projects undertaken by the Council would be viable.

Naviqiqi and part of Nakama Subdivisions are hilly and gully and the cost of developing these two land could cost more than what the Council expects as return for sales.

Moreover after developing and selling the lots the Committee is of the opinion that the Council may not derive any profits. This may be an exercise in futility.

These are only some of the resources of the Council. The Committee is of the opinion that whilst the Council has been trying to use its resources in the best interest of the municipality as a whole, the poor and improperly planned projects has continuously drained out its resources.

- b) **Whether the administration of the Council is wasteful , inefficient or corrupt?**

The Committee is of the opinion that the administration of the Council is wasteful and inefficient. This has been highlighted in our observations above. However, the Committee in the absence of any substantial evidence is unable to offer any useful comment on corruption.

- c) **Whether the Council has failed to act in conformity with any of the provisions of the Act.**

The Committee on numerous occasions has found that the Council had failed to act in conformity with the Act. Listed below for easy reference are some examples :

Section of the Act breached		Subject
1	17	Pecuniary Interest
2	19	Annual Statements and Reports
3	27	Committees
4	39	Bank account
5	40	Overdrafts
6	46	Estimates of Expenditure
7	49	Transfer of Funds
8	51	Audit
9	57	Statements
10	64	Sexennial Valuation
11	88	General powers and the duties of the Council
12	138	Minutes etc. to be provided

20 CONCLUSION

The Committee is of the firm belief that the Council's financial position and its general administration have been in a real mess for a very long time. The present Council somewhat inherited this mess. However, they must endeavour to work together and put the position of the Savusavu Town Council, both administratively and financially in good order. Failing which the Council will be insolvent.

The submissions from the present and previous Councillors the Committee heard a lot of accusations, counter-allegations and mud-slingings.

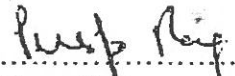
To make things worse the Committee also heard from submissions that the present Councillors started searching for old records, looking for loopholes and drawbacks of the past Council and Councillors as soon as they were elected.

The present Council has a division from the second month after its elections due mainly to land matters, illegal operations, outstanding debts and vested interests of members of the Council.

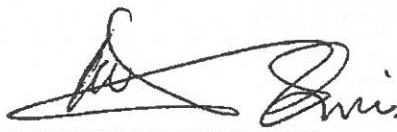
The division is now well known to the ratepayers and inhabitants of Savusavu and is beginning to bring disrepute to the Council.

On the surface their relationship appear to be calm but this is in doldrums. A storm is brewing and unless the Council/Councillors work together Savusavu Town Council cannot survive.

The Committee is of the firm opinion that the present Councillors will not be able to come to a comprise and therefore the ratepayers and inhabitants of Savusavu Town will greatly suffer.


.....
Pusp Raj

Chairman


.....
Manoa Doboui

Member

February 20, 1997

ANNEXURE

List of persons summoned to witness and those who voluntarily gave submissions in order of their hearings.

- | | |
|--------------------------------|-------------------------------------|
| 1. Cr. Raymond Fong - | Former Mayor |
| 2. Mr. Abhay Chand - | Former Councillor |
| 3. Mr. Bas Deo Lakhan - | Former Deputy Mayor |
| 4. Cr. David Manhor Lal - | Mayor |
| 5. Cr. Sant Lal | |
| 6. Cr. Sharda Nand Gokal | |
| 7. Cr. Hemant Kumar | |
| 8. Cr. Shiu Shankar Singh | |
| 9. Cr. Manikam | |
| 10. Mr. Dharmendra Lal - | Accounts Clerk |
| 11. Mr. Samuela Bainikoro - | Rates Clerk |
| 12. Mr. Narendra Singh - | Ratepayer |
| 13. Mr. Waisea Suliwaliwa - | Former Cr./Deputy Mayor/Mayor |
| 14. Mr. Satrugan Lal - | Savusavu Ratepayers Association |
| 15. Hon. Satish Gulabdas - | Former Mayor & Member of Parliament |
| 16. Mr. Surendra Rama, J.P. - | Former Councillor |
| 17. Cr. Gopendra Narayan | |
| 18. Mr. Amzat Ali - Ratepayer | |
| 19. Mr. Bharat Lal - Ratepayer | |
| 20. Cr. Sakiusa Naulu - | Deputy Mayor |
| 21. Mr. Ravindra Lal - | Ratepayer |
| 22. Mr. Vimal Prasad - | Town Clerk |

ACKNOWLEDGEMENTS

Our sincere thanks goes to all the Ministry's Officials for their guidance and assistance.

Similarly, we also wish to record our appreciation to the District Officer, Savusavu for allowing the Conference Room as venue for the public hearing and for all other assistance.

Our special thanks goes to His Worship the Mayor of Savusavu, Cr. David Manohar Lal, Councillors (past and present), the Town Clerk and his staff for furnishing all information and assistance the Committee required.

We also wish to record our appreciation to the Hansard Reporters Wati Kinibaravi and Ms. Agnes Gibson for their services and co-operation.

Last but not the least a big 'Vinaka Vakalevu' to the Committee's Secretary Mr. Subhan Ali who did a wonderful job in providing services to facilitate the Committee's operation.

Savusavu town clerk resigns

SAVUSAVU Town clerk Vimal Prasad has resigned from his position after about 24 years.

This was confirmed by the Government-appointed chief administrator Vilisoni Tabuatamata yesterday.

Mr Tabuatamata said senior accounts clerk Dharmendra Lal would act the position until Mr Prasad's successor was confirmed.

Mr Prasad handed in his resignation letter last Thursday while he was still on a month's leave. Savusavu Town Council was dissolved early this year by the Housing and Urban Development Minister Vilisoni Cagimaivel because of allegations of mismanagement of funds.

Mr Cagimaivel appointed Mr Tabuatamata, Savusavu businessman Robin Mercer and acting Lautoka town clerk Pusp Ra' as council administrators.

Efforts to seek comments from Prasad were futile.

"I really don't know his reason for quitting the job. All he said was that he was calling it a day and that's all," said Mr Tabuatamata.

The council has investigated several allegations of mismanagement of funds including land deals that eventually led to the collapse of the previous council.

Mr Tabuatamata declined to give any information but that the council was making progress in its investigation.

"I know people are disappointed that their money had been allegedly used for some other purpose instead of the blocks of land they had paid for," he said.

"We are still verifying the records and if we don't make any headway then one possibility is we might simply have to return their money," said Mr Tabuatamata.

He has asked ratepayers who owe the council large sums to settle their debts.

Sunday Times - Sunday, August
17, 1994



SIGATOKA TOWN COUNCIL

small town. BIG 
TAUNI HEWA, YALO VINA
CHOTA SHAHAR, BADA D

File Ref.: 7.4

13th October, 2017

Hon. Ashneel Sudhakar
Chairman, Public Accounts Committee
Parliament of Fiji
P O Box 2353
Government Buildings
S U V A

Dear Sir

RE: APPEARANCE BEFORE THE PUBLIC ACCOUNTS COMMITTEE

Reference is made to your letter dated 5th October, 2017 in regards to the above.

Enclosed please find Council's Responses [Management Comments] as requested.

Your information, please.

Yours faithfully



Tulsi Ram
CHIEF EXECUTIVE OFFICER

ENCL:

COPY: 1. File Copy

NP/np

L/H #: 421/17

Sigatoka was proclaimed a town on the 1st of June, 1936.

Toll Free: 0800 6501 202 PH: (679) 6500 018 / (679) 6520 766 F: (679) 6520 231
W: www.sigatokatown.com.fj A: P.O. Box 118 Sigatoka, Fiji Islands



Parliament of Fiji
P.O. Box 2353
Government Buildings

PARLIAMENT

REPUBLIC OF FIJI

STANDING COMMITTEE ON PUBLIC ACCOUNTS



Tel: 679 3305 811
Fax: 679 3305 325
www.parliament.gov.fj

Parl 3-1

5th October, 2017

Mr. Tulsi Ram
Chief Executive Officer
Sigatoka Town Council
Queens Road
SIGATOKA.

Dear Sir

RE: Appearance before the Public Accounts Committee

Section 70 of the 2013 Constitution of the Republic of Fiji, the Public Accounts Committee has been tasked to scrutinize the reports of the Office of the Auditor General on Municipal Councils for the year ended 2013. In accordance with Standing Orders 112(1) of the Parliament of Fiji, the Committee has the powers to:

- (a) "summon any person to appear before it to give evidence or provide information;
- (b) "Compel the production of documents or other materials or information as required for its proceedings and deliberations."

During the committee deliberations, there were anomalies noted in the 2014 Auditor-General's Report for Municipal Councils and Performance Audit Volume 1 which the committee wishes to clarify with your office. Copies of the Auditor General's Reports can be retrieved from the Fiji Parliament website on <http://www.parliament.gov.fj/auditor-generals-report/>

The Committee kindly requests you and your Chief Finance Officer and/or relevant personnel on **Tuesday 31st October 2017 at 09.20 a.m.** in the **Parliament Committee Room (East Wing)** to deliberate on the audit findings.

In addition, the committee also requests that you forward your written responses 7 days in advance for our information and reference please.

Should you request further clarifications, please do not hesitate to contact our secretariat on email address mateo.lagimiri@parliament.gov.fj or priya.chand01@parliament.gov.fj or telephone contact 3305811 or 3225692 and I look forward to receiving a confirmation from you end.

Thank you,

Hon/Ashneel Sudhakar
Chairman, Public Accounts Committee



SIGATOKA TOWN COUNCIL

small town BIG

TAUNI HENA YALOVINA

CHOTA SHAHAR, BADA DIL

File Ref: 74/2

4th November, 2015

The Auditor-General
8th Floor Ratu Sukuna House
McArthur Street
P O Box 2214
Government Buildings
S U V A

Dear Sir

**RE: MANAGEMENT COMMENTS FOR THE FINANCIAL STATEMENT
AUDIT OF SIGATOKA TOWN COUNCIL FOR THE YEAR ENDED
31ST DECEMBER, 2014**

I refer to your Draft Audit Memorandum, 2014 of Sigatoka Town Council dated 21st October, 2015

Annexed herewith please find the Management Comments which is self-explanatory.

Looking forward to your usual co-operation.

Yours faithfully

Tulsi Ram
CHIEF EXECUTIVE OFFICER

ENCL:

COPY: 1. File Copy

TR/np

L/H # 609/15

**SIGATOKA TOWN COUNCIL - DRAFT AUDIT MEMORANDUM FOR THE YEAR
ENDED 31 DECEMBER 2014**

7.0 DETAILED AUDIT FINDINGS

7.1 GENERAL

7.1.1 Minutes of Council Meeting

Council's Comments

Council has taken note on audit comments on writing of minutes. As per Council's knowledge recommendations of committee meeting automatically become resolution after the ordinary Council meeting, nevertheless, Council will act upon the audit recommendations

7.2 ASSETS

7.2.1 Bank Reconciliation

Council's Comments

Finance department has taken the recommendation regarding reviewing of monthly bank reconciliations by an independent officer either by the Chief Executive Officer or the Assistant Manager Finance.

7.2.2 Increasing Rates Arrears

Council's Comments

In previous year's the Council used to institute legal proceedings against defaulting rate payers, basically starting from the year. The Council was advised by the Ministry officials that legal action shall be the last resort to recover rates and more emphasis was to be given on arrangement and door to door collections.

Council has set a taskforce team in Year 2015 to collect its outstanding rates.

7.2.3 No Provision for Doubtful debts taken up for rates debtors

Council's Comments

Council will ensure that proper policies are developed for determining provision for doubtful debts for rates debtors and is properly taken up in financial statement.

7.2.4 Dishonoured Cheques

Council's Comments

The above recommendations are being noted by finance department and will be acted accordingly.

7.2.5 Disposal/written off

Council's Comments

Finance department will ensure that only assets that are disposed / written off will be de – recognized and removed from the fixed assets schedule.

7.2.6 Board of Survey not properly done

Council's Comments

Finance department will ensure that a proper board of survey is carried and will include all assets.

7.3 EXPENDITURES

7.3.1 Sigatoka Municipal Market Renovation/Upgrading

7.3.1.1.1 Awarding of Contractual work to J.K. Builders Limited

Council's Comments

A committee was made of Council officers and the tender was opened. The tender was adopted by the full Council at the Ordinary Meeting but in future Council will ensure that all proper procedures are followed and will be approved in Council meetings before successful tenders are informed and that minutes of all meetings are properly recorded and supported with documents.

7.3.1.1.2 Contract Sum

Council's Comments

The amendments in the respect of payments to J.K. builders were approved and done at Special Administrators discretion, nevertheless, the audit recommendations are noted and will be implemented in future.

7.3.1.1.3 Total payment made to J.K.Builders by the Council

Council's Comments

Council had appointed a Projects Manager [Jai Dev]. Jai Dev was fully responsible to monitor the project and approve payments as per his contract. Upon the approval from Projects Manager through its certification, Council was releasing payments to the Contractor. All payments made to J. K. Builders were approved and certified by the Projects Manager.[All certificates issued by the Projects Manager were attached in the payment vouchers] but Council had noted the recommendation and will ensure that approvals are made for variations in Council meetings for future projects.

7.3.1.1.4 Failing to Comply with Completion Time – Cost of Liquidated and Ascertained Damages not enforced

Council's Comments

The Council 's choice to opt for quality materials and hence getting the materials from abroad also partially contributed towards the delay in the project. Adverse weather conditions also affected work progress and the Council decided not to do any deductions but the Council will ensure that in all similar projects undertaken in future, Council will be more vigilant.

7.3.1.2 Bill of Quantities

Council's Comments

Initial agreement made between the Council and J.K. Builders were without the bill of quantities. But the Council will ensure that when entering into an agreement with Contractors and Consultants, Bill of quantity is prepared.

7.3.1.3

Purchase of Materials and tiling works for the renovation/upgrading

Council's Comments

Staffs were advised to choose and select tiles and paints of our Council's choice by the contractor. Tiles provided by the contractors were not to the Special Administrators satisfaction. We were informed by the SA that we needed to provide a state of the Art to the public convenience. Therefore these items were purchased from Overseas. However Council has noted the recommendations of audit and will ensure the same is implemented in future projects.

7.3.1.4

Certificate of Completion not issued

Council's Comments

Council will see that a completion certificate is issued for the works done.

7.3.1.5

Council paid for additional cost of the renovation/upgrade works

Council's Comment

The Special Administrator was not satisfied with the tilings & plumbing materials provided by the Contractors so these materials were bought on Council's choice from Overseas and Jacks of Fiji , nevertheless, Council had noted the concerns of audits in regards to usage of donor funds and will ensure that proper planning is made discouraging the use of Council's funds.

7.3.2

Tender for Procurement of Capital items

Council's Comment

The purchase of lightings and Play equipment from Overseas was organized by the Special Administrator and then Finance Department was instructed by him to process payment so that is why finance department couldn't comply with Mannual of Accounts but the concern is noted and will adhere with the proper procedure in future.

7.3.3 Discrepancies in the procurement of rubbish bins

Council's Comment

The Council in its Ordinary meeting approved to buy 20 only rubbish bins and sell to the business houses. The supplier was instructed to construct the 20 bins by the Special Administrator and then finance was advised by him to release payments so that is why finance department didn't take any quotes but the recommendation would be acted accordingly in future.

7.4 RECURRING ISSUES

7.4.1 Sundry Advances

Council's Comment

Note that Council won't be able to provide the supporting documentation for Sundry Advances as because this balance was carried forward prior year 2000. Council doesn't have documentation for that period. This amount should therefore be written off.

7.4.2 Sundry Deposit

Council's Comment

Note that Council won't be able to provide the supporting documentation for Sundry Deposit as because this balance was carried forward prior year 2000 and there are no records present.

7.4.3 Car Parking Fees and Rental Income Fees

Council's Comment

There is a covering letter from Carpenters Fiji Ltd on the use of property but the file was sent to the A-G's office during investigation of Sale of Land to MH in July 2013 by the Special Administrator. However, Council is now in the process of having a proper agreement made between Carpenters Fiji Ltd and the Council.

7.4.4

Expiry of Employee Contracts

Council's Comment

Council has noted your comments. Council is now in the process of making individual contracts with all employees.

