



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the 2018 – 2019 and 2019 - 2020 Audit Reports on Municipal Councils



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CHAIRPERSON'S FOREWORD



This report follows the review findings of the Committee on the following two (2) Audit Reports:

- 1) **2018 - 2019 Audit Report on Municipal Councils (PP No.161 of 2020); and**
- 2) **The 2019 - 2020 Audit Report on Municipal Councils (PP No. 105 of 2021).**

The Committee collectively reviewed ten (10) Municipal audits from the 2018 - 2019 Audit Report and five (5) Municipal audits from the 2019 -2020 Audit Report. The years of audit coverage ranges from 2010, 2012, 2013, 2014, 2015, 2016, 2018 and 2019 (the details of auditing contain in the report). Out of the 13 Municipalities, 4 municipalities audit are contained in both Audit Reports.

It is important to note that majority of the Municipal Council audits are in backlog. The audit backlog is primarily due to significant delay in the submission of draft financial statements to the Auditor General, lack of compliance with the Financial Reporting Framework, lack of compliance with the International Accounting Standards and the lack of compliance with the Local Government Act.

This lack of compliance is reflected in the audit opinion given by the Office of the Auditor General. In the 2018 - 2019 Audit Report, the Office of the Auditor General issued **Modified (Qualified) audit opinions on six (6) financial statements that were audited while eight (8) financial statements were issued with modified (Disclaimer of Opinion).** In the 2019 - 2020 Audit Report, the Office of the Auditor General issued **one (1) Modified (Qualified) audit opinion and five (5) modified (disclaimer of opinion) on the financial statements of six (6) Municipal Councils that were audited.**

The Committee identified the following issues of concern:

- 1) Quality and Timeliness of Completion and Submission of Financial Statements for audit;
- 2) Internal Control Issues;
- 3) Human resources for Municipal Councils;
- 4) Internal Auditors and Sharing of Resources;
- 5) Standard Operating Procedures (SOPs) and relevant policies need to be developed by all Councils with the assistance of the Ministry of Local Government;
- 6) Record Management (SOP);
- 7) Reconciliation and Book keeping knowledge/training;
- 8) Rubbish Dump Sites issue;
- 9) Mismanagement of funds (e.g. Capital grant use for operational and other purposes);
- 10) Tender Process not followed;
- 11) Strengthening the monitoring of Capital projects implementations and timeframe of completion (stage by stage) by all Municipalities Heads;
- 12) Lack of monitoring from the Ministry of Local Government on Municipal Councils;
- 13) Absence of a Municipal Councils Centralized IT System; and
- 14) Absence of a Standard Accounting Software to be used at all Municipalities.

The Committee commends those Councils that have updated their audited Accounts and put forward strategies to address the pertinent audit issues that were raised.

Overall, I thank the Executives of these Municipalities and the Ministry of Local Government for providing its written responses to the audit issues and also for appearing before the Committee to clarify issues that were raised by the Members. Also acknowledge the steps taken and measures put in place by the Department of Local Government with the Councils to resolve anomalies and variances that were highlighted and the Staff of the Office of the Auditor General for providing technical clarifications on those audit issues.

I also wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of this bipartisan report namely Hon. Joseph Nand (Deputy Chairperson), Hon. Ro Teimumu Kepa, Hon. Virendra Lal and Hon. Aseri Radrodro. I also extend my appreciation to Hon. Mikaele Leawere who stands in as an alternate member pursuant to Standing Order 115 (5).

On behalf of the Committee, I also extend my appreciation to the Secretariat Staff, Mr. Savenaca Koro, Ms. Susana Korovou, Mr. Mateo Lagimiri and Ms. Alumita Cabealawa for their timely support in the compilation and preparation of this Report.



Hon. Alvick Avhikrit Maharaj

Chairperson

COMMITTEE MEMBERS



**Hon. Alvick Avhikrit Maharaj
(Chairperson MP)**



**Hon. Joseph Nitya Nand
(Deputy Chairperson MP)**



**Hon. Aseri Masivou Radrodoro
(Opposition MP)**



**Hon. Ro Teimumu Kepa
(Opposition MP)**



**Hon. Virendra Lal
(Government MP)**

INTRODUCTION

The **2018 -2019 Audit Report on Municipal Councils** (PP No. 161 of 2020) and **2019-2020 Audit Report on Municipal Councils** (PP No. 105 of 2021) were tabled in Parliament on (04/09/2020) and (02/12/2021) and referred to the Standing Committee on Public Accounts, for its scrutiny. Standing Order 109 (2) (d) allows Standing Committee on Public Accounts to examine 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.

Standing Order 110(1)(c) authorises the Standing Committee to *scrutinise the government departments with responsibility within the committee's subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department's administration, legislation or proposed legislative program, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation.*

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

COMMITTEE PROCEDURE

The Novel Coronavirus Disease renamed as COVID-19 was declared by the World Health Organisation as a global pandemic on 11 March 2020. The Parliament of the Republic of Fiji therefore undertook necessary health precautionary measures to control the spread of the new virus strand outbreak.

In view of the above, Standing Order 112 (1) (b) provides powers to the Standing Committee on Public Accounts to compel the production of documents or other materials or information as required for its proceedings and deliberations.

The Committee resolved that the following entities identified in the two (2) audit reports shall provide a substantive written submissions to the Committee during its deliberation and scrutiny process. The Committee after thoroughly scrutinising the responses from the following Councils, agreed to call them for face to face consultations to clarify pertinent issues that are yet to be resolved. However, was not able to conduct site visitation to some of the Capital Projects within the respective municipalities. The public hearing for these Councils were held from 11 – 22 April, 2022 covering the issues on the two Audit Reports:

- 1) **Sigatoka Municipal Council**
- 2) **Rakiraki Town Council**
- 3) **Nadi Town Council**
- 4) **Tavua Municipal Council**
- 5) **Suva City Council**
- 6) **Nausori Municipal Council**
- 7) **Lami Municipal Council**
- 8) **Nasinu Municipal Council**
- 9) **Ba Municipal Council**
- 10) **Lautoka City Council**
- 11) **Levuka Municipal Council**

BACKGROUND

The Committee noted that the Local Government Act requires the councils to promote the health, welfare, and convenience of the inhabitants of the municipality and to preserve the amenities.

The following legislation establishes the financial accountability frameworks and legislative time frames to complete and publish audited financial statements for municipal councils.

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

Primarily a council may seek approval of the Minister to:

- A) Promote or establish and maintain Public Utility Services including Public Transportation; and
- B) Construct or maintain any public works which in the opinion of the Council may be necessary or beneficial to the Municipality.

The audit report that was scrutinised by the Committee captured the list of issues from the Municipal Councils financial reports that were completed and audited by the Office of the Auditor General for the financial year 2018 -2019 and 2019-2020.

Further, pursuant to Section 51 (1) of the Local Government Act 1972 mandated the Auditor General to audit the Accounts of the Municipal Councils. Most importantly, the Committee noted in the audit report that financial accountability by the Municipal Councils in terms of financial reporting and making available to the rate payers of the Councils and public audited financial statements was seriously lacking.

Status of Audits

The Committee noted with concern the progressive status of audit for each Municipal Council as tabled below:

City/Municipal Council	Draft Financial Statements Received	Audits Completed	Audits in Progress as at 31 Oct 2021	Audits Yet to Commence as at 31 Oct 2021	Draft Financial Statements not submitted for audit
Sigatoka	2019	2019	2020	---	---
Rakiraki	2019-2020	2019	---	2020	---
Nadi	2017	---	20172	---	2018-2020
Tavua	2015 - 2019	2015	2016-2017	2018-2019	2020
Suva	2016 - 2018	---	2016	2017-2018	2019-2020

Nausori	2015	---	2015	---	2016-2020
Lami	2015	---	2015	---	2016-2020
Nasinu	---	---	---	---	2011-2020
Ba	2019	2019	---	---	2020
Lautoka	2015	---	---	2015	2016-2020
Labasa	---	---	---	---	2018-2020
Savusavu	---	---	---	2011 - 2013	2014-2020
Levuka	2012-2017	2012-2013	2014-2015	2016-2017	2018-2020
Total	22	6	9	11	45

GENERAL RECOMMENDATIONS

The Committee had conducted a thorough review on the two (2) audit reports and sought clarifications from the municipalities on the audit issues that were highlighted and made the following recommendations:

- 1. The Committee recommends that the Ministry of Local Government should strictly monitor the progress of capital projects implementations to provide better control of future grants disbursed to Municipalities for Capital projects;**
- 2. The Committee recommends that the Ministry of Local Government should place priority in getting all the municipalities accounts audited up to date;**
- 3. The Ministry should include in the Special Administrators and Chief Executive Officers term of Engagement Contract special criteria (Key Performance Indicators) such as bringing the Audited Accounts Up to Date during their tenure, according to the Ministry of Local Government policy;**
- 4. All municipalities should explore with the Ministry of Local Government on the use of a Standard Accounting Software for uniformity purposes;**
- 5. The Committee concurs with the OAG recommendation and further recommends that the Municipal Councils should utilize Government grants only for their intended purposes;**
- 6. All municipalities should liaise with the Ministry of Local Government to provide staff training in the areas of bookkeeping, application of accounting software; receipting, rates recording, reconciliation etc.;**
- 7. Municipalities should implement stringent disciplinary measures against staff who continue to disregard the due processes; and**
- 8. The Committee noted the current status of those qualification issues for all Municipalities and further recommends that the Ministry of Local Government conducts regular monitoring so that discrepancies identified are addressed in a timely manner.**

COMMITTEE FINDINGS

It is important to note that these Committee findings have captured all issues from the two (2) Audit Reports for Municipal Councils for the 2018-2019 and 2019-2020 financial years.

SIGATOKA MUNICIPAL COUNCIL (2019 Audited Accounts)

Audit Opinion (2019)

The audit of Sigatoka Municipal for the financial year 2019-2020 resulted in the issuance of modified (qualified) audit opinion. The Committee noted the qualifications outlined below:

- The Council recorded sundry deposits of \$64,317 and sundry advances of \$4,879 in the statement of financial position as at 31 December 2019. The Council was unable to provide detail listings and receipts to support the sundry deposit of \$57,817 out of the total of \$64,317 and sundry advances of \$4,879. As a result, the completeness and accuracy of the balances and if any adjustments which might have been necessary in respect of sundry deposits, and sundry advances balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position could not be determined.
- There was an unreconciled variance of \$53,144 between the VAT payable amount reflected in the financial statements and the independent reconciliation performed from the Statement of VAT account. The Council was unable to provide details and reconciliations to substantiate the variance. As a result, the accuracy of the VAT payable balance of \$53,907 could not be determined.
- The Council has not commenced a full review on impairment of assets with zero written down value totaling \$135,463. These assets with zero written value are recorded under furniture and fittings, plant and machinery, office equipment, office computers, and motor vehicle classes. As a result, the remaining economic useful life and the correct carrying amount and whether these assets are overstated, and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.
- The Council did not comply with the requirements of IFRS for SMEs Paragraph 24 – Government Grants by not recognizing government grant totaling \$533,712 when performance conditions are met. In addition, the accounting policy on deferred income as disclosed on Note 2(j) to the financial statements is not in accordance with paragraph 24 of the IFRS for SMEs. Furthermore, the Council has not disclosed the nature and amounts and unfulfilled conditions of government grants received during the year. Consequently, the accuracy of the deferred income of \$1,860,316 stated in the financial statements could not be determined.

- The Council did not comply with the requirements of IFRS for SME's Paragraph 10 - Accounting Policies, Estimates and Errors by not restating opening balances of assets and equity to account for prior years' arrears relating to the transfer of Lawaqa Park in 1997 amounting to \$125,200 owed by Fiji Sports Council and garbage fees amounting to \$24,010 owed by Government Quarters occupants from 2012 to 2018. The amount owed by Fiji Sports Council and garbage fees from prior years has been booked as income in current financial year. As a result, the total income balance of \$1,755,168 is overstated by \$149,210.

Council's Response: The Committee was informed that the Sigatoka Town Council has now hired an external auditor to audit the Council accounts and further recommendations were made to improve on anomalies highlighted before the accounts is given to Auditor General's Office for final audits.

The Council advised that the it has now rectifying the highlighted issues case by case to ensure that same is not repeated, Further Council is now working closely with Ministry of Local Government and Ministry of Economy to be part of the grant project implementation till the completion of the project to ensure that the project is completed without anomalies as previously highlighted by OAG.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Other Significant Matters – Sigatoka Town Council (2019)

1. Anomalies in the Reclamation of the Sigatoka River Bank Project

According to the Manual of Accounts for Municipal Councils in Fiji, the Council may decide to get most of the work done by contractors. Depending on the size of the Council's operations, public tender system, may have to be applied. For larger works, over \$10,000, the by-laws and rules provide for tenders from the public to be invited.

While supervision of any kind of construction or service performance is necessary, it assumes particular significance when employing a contractor. It should be made a condition that payment will be subject to the council's officers being satisfied with the work done. In the event of difference of opinion, the contractor should provide for an arbitration.

In 2016, the Council received \$845,000 from the Ministry of Local Government reclamation of Sigatoka River bank.

The audit review of the reclamation of Sigatoka River Bank project revealed the following anomalies:

- The Council had used funds totalling \$619,708.94 from the total grant received of \$845,000.00. However, the project was yet to be completed due to structural failure defects noted.
- The Council did not tender works carried out for landfill upgrade, which cost the Council over \$10,000.
- A total payment of \$54,086.09 was made to an engineer even though there was no contract in place between the Council and the engineer.
- There was no evidence to indicate the following:

- i. Basis on which the Engineer was selected; and
 - ii. That the Council sought confirmation or undertook reasonable steps to ascertain the ability of the Contractor and Engineer to undertake such projects.
- Variance of \$100,731 was noted between the balance utilized as per the work in progress amount and details of payments provided by the Council.
 - A payment of \$75,651 was made to the contractor in 2018 for the second progress payment, even though the progress payment certificate provided by the project manager for this payment was not signed.

The management of the Council agreed with the OAG findings and confirmed that a legal counsel has been engaged on the advice of Ministry of Local Government to recover the cost that was paid to the Design Consultant and Contractor for a failed project, as the Contractor is unable to provide an Engineers Certificate.

Council's Response: The Committee noted from Sigatoka Town Council's response that the payment was made by the Council on the basis of the recommendation from the engineer through the progress report & invoice of payment to the Council. In addition Council has filed the case in the High Court in Lautoka requesting the court to reimburse all total sums which is paid to the contractor and engineer to the Council due to the failure of the project.

Total Contract Amount	- \$ 729,802.00
Paid Consultant/Engineer	- \$ 54,000
Paid Contractor	- \$ 487,790.82
Paid Geo Tee Testing	- \$ 763.00
Land Mark Survey	- \$ 5,500.00
Ada Ram - Excavation	- \$ 725.00

The Committee was informed when the Council noticed that the project has failed and same cannot be further executed, then Council institute legal proceeding by hiring a legal practitioner by paying Council solicitor of \$1242.39 to refer the case to high court Lautoka. That the next call date is on 14th February, 2022 and also noted that all the payments to the Engineer and Contractor has stopped.

That the staff concerned on this project has resigned from the Council in the year 2019 and the Council is taking the Contractor to the court to recover or refund of the total cost incurred at the riverbank project.

1. Anomalies in the Capital Fund Account

While municipal Councils have certain legislative powers, such powers are subordinate to those of the central government. In the financial year 2011, the Council had deposited a sum of \$795,200 in its Capital Fund bank account which was a refund from a Company in relation to the purchase of land and rates due from the land. In a letter dated 28/03/2013, the Ministry of Local Government had enquired with the Council to provide reasons funds were still held by the Council when it was meant to repay loan from the bank.

The Council responded to the letter on 10/04/2013 and requested approval from the Ministry to use a sum of \$500,000 to repay loan and the balance of \$295,200 to be used for council's general operations.

The Ministry approved the Council's request through a letter dated 28/05/2013. Audit review of payments made from the Capital Fund Account, from the financial years 2013 to 2019, revealed that the Council had not used \$500,000 from the \$795,200 for loan repayment as stipulated in the approval letter. Instead, funds were used for council's general operations. Capital Fund Account cash at bank balance as at 31/12/2019 amounted to \$797.

The management of the Council agreed with the audit recommendation to take appropriate actions to repay the \$500,000 into the capital fund account and use the fund for loan repayment as approved by the Ministry of Local Government.

Council's Response:

The Committee was informed that the Council has not paid \$500,000 as approved, however same will be discussed when new Special Administrators Board is appointed.

2. Difficulty in Meeting Current Obligations

At its minimum, the Council's current assets should be sufficient to cover current liabilities. The cash at bank balance includes the government grant totaling \$473,150 (2018: \$234,089) relating to the reclamation of the Sigatoka riverbank project, maintenance and upgrading of municipal Council drains, and new market/bus stand project. Consequently, excluding the fund that is not available for use except for purposes noted above, the Council has a negative working capital position of \$353,590 for the financial period 2019 (2018: \$225,206), whereby current liabilities exceed the current assets. This indicates uncertainty in whether the Council will be able to pay its debts when they fall due.

The management of the Council agreed with audit recommendation to develop appropriate strategies to generate sufficient revenue to fund short term debts and operational expenses, and engage in a more comprehensive and aggressive collection mechanism of its receivables.

SIGATOKA MUNICIPAL COUNCIL (2018 Audited Accounts)

Audit Opinion

The audit of Sigatoka Municipal for the financial year 2018 resulted in the issuance of modified (qualified) audit opinion. The Committee noted the following qualifications:

- The Council recorded sundry deposits of \$63,917 and sundry advances of \$4,879 in the statement of financial position as at 31 December 2018. The Council was unable to provide any documentations to support the sundry deposit of \$57,817 out of the total of \$63,917 and sundry advances of \$4,879. As a result, the Auditor General was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of sundry deposits, and sundry advances balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Tenders not called for Capital Works

Audit review of capital projects carried out by the Council revealed the following anomalies:

- The Council did not tender for capital works carried out for Cuvu Market construction project. The Council incurred a cost of \$119,944.41 for the construction of the Cuvu Market.
- The Council did not tender works carried out for Landfill upgrade, which cost the Council over \$10,000.

The Council agreed with the Auditor General's Office recommendation to call tenders for procurements of goods and services costing \$10,000 or more as required by the Manual of Accounts for Municipal Councils.

PAC Comments:

- **The Committee concurs with the OAG recommendation that for any procurement of goods and services costing \$10,000 or more as required by the Manual of Accounts for Municipal Councils.**
- **The Committee recommends that the Council develops its Standard Operating Procedures (SOP) for Records to improve its record management.**

RAKIRAKI MUNICIPAL COUNCIL (2019 Audited Accounts)

Audit Opinion (2019)

The audit of Rakiraki Municipal for the financial year 2019-2020 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council recorded rates receivable balance of \$86,263 in Note 8 to the financial statements. Provision for doubtful debts has not been provided for during the year. In addition, the Council was unable to provide reconciliations to support the above rates receivable balance. As a result, the completeness and accuracy of the amounts and whether any adjustments might have been necessary in respect of the provision for doubtful debts balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.
- .The Council was unable to provide reconciliations to support the VAT receivable balance of \$96,085 reported in the financial statements for the year ended 31 December 2019. Consequently, sufficient audit evidence to ascertain the accuracy of VAT receivable as stated in the financial statements could not be obtained.
- The Council has not commenced a full review on impairment exercise of the assets with zero written down value totalling \$410,591 by performing a review of the depreciation rates and assessing the remaining economic useful lives of individual major classes of property, plant and equipment in a progressive and structured manner. These assets with zero written down value are recorded under plant and machinery, office equipment, and parking meter asset classes. As a result, the remaining economic useful life and the correct carrying amount and whether these assets are overstated and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.
- The Council was unable to provide invoices and payment vouchers to support payments totalling \$29,025 which relates to expenses incurred for organizing the Vodafone Rakiraki Carnival. As a result, the accuracy and completeness of the carnival expenses totalling \$29,025 recorded in the financial statements could not be ascertained.
- The Council was unable to provide copies of revenue receipts to support revenue totalling \$36,521 which were received through sponsorship, ground hire and stall fees during the Vodafone Rakiraki Carnival. As a result, the accuracy and completeness of the carnival revenue totalling \$36,521 recorded in the financial statements could not be ascertained.
- There was an unreconciled variance of \$5,246 between the garbage collection fees listings and the garbage collection fees amount of \$13,970 reflected in the financial statements. The Council was unable to provide

documentary evidence to substantiate the variance. As a result, the accuracy of the garbage collection fees of \$13,970 recorded in the financial statements could not be ascertained.

- There was an unreconciled variance of \$32,732 between the rates income listings and the rates income amount of \$43,199 reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the general rates of \$43,199 being fairly stated in the financial statements could not be ascertained.
- There was an unreconciled variance of \$15,877 between the bus station, commercial, taxis base fees listings and base fees amount of \$47,211 reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the bus station, commercial, taxis base fees of \$47,211 being fairly stated in the financial statements could not be ascertained.
- The Council did not provide for employee entitlement in the statement of financial position for the year ended 31 December 2019, which is a departure from the requirement of paragraph 28 – Employee Benefits, of IFRS for SMEs. As a result, whether any adjustments might have been necessary in respect of the provision of annual leave balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position could not be determined.
- The Council has recorded \$4,804 as un-deposited cash in the financial statements. The un-deposited cash relates to funds receipted from the Carnival organized by the Council during the financial year. I was not provided with deposit slips to ascertain whether funds were deposited subsequent to balance date. As a result, the existence of the un-deposited cash balance of \$4,804 recorded in the financial statements could not be ascertained.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Other Significant Matters - Rakiraki Town Council (2019)

1. Missing Accounting Records for Carnival Account

Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister.

The Council did not provide the receipts, payments vouchers, and invoices to substantiate the income received totaling \$36,521 and expenses incurred totaling \$3,202 in relation to the Carnival account, and recorded in the financial statements.

Council's Response:

The Council informed the OAG that the matter has been referred to FICAC for further investigation.

It is recommended that all proceeds from future Carnival should be banked on a daily basis and proper records are maintained.

2. Anomalies in Cash and Cash Equivalents

It should be recognized as a mandatory rule that for any money paid to a Council a written receipt must be issued.⁹ It is a good practice to lodge at the bank all cash received intact and this should be insisted upon.

The Council did not provide the details of receipts and copy of receipts to substantiate the undeposited cash of \$4,804 reported in the financial statements.

Council's Response:

The Council informed that the matter has been referred to FICAC for further investigation.

The Council agreed with the audit recommendation to improve its internal control around cash management and that cash are banked on a daily basis.

3. No Interest Charged on Outstanding Rates

Section 78 (2) of the Local Government Act, Cap 125, states that rates which are overdue shall bear interest at the rate of 7 percent per annum and such interest charged shall be included in the expression "rates"; the Minister may by order vary the rate of interest. The OAG audit noted that the Council did not charge interest on overdue rates relating to the period 2015 to 2018 in accordance with the requirements of the Local Government Act. Instead, interest on overdue rates was only charged for rates due in 2019.

The Council agreed with audit recommendation to charge interest on overdue rates at 11% and properly record the interest income in the financial statements.

4. Grant Received for CEO's Salary

The purpose of the Government Grant under this agreement is for the payment of CEO salary for the year 2019. (Agreement between the Ministry of Local, Government, Housing and Environment).

The Council received a government grant of \$40,000 for CEO's salary during the financial year 2019 but utilized only a sum of \$26,503.56. The balance of \$13,496.44 was not refunded to the Government in accordance with the requirements of the Grant Agreement. The OAG noted that the Ministry's approval was not obtained for the utilization of the balance of \$13,496.44 for the payment of staff wages.

Council's Response:

The management of the Council agreed with audit recommendation to ensure compliance with the Grant Agreement and obtained Minister's approval for utilization of government grant other than the purpose stipulated in the Grant Agreement.

5. Inadequate Cash Flows

It is highly imperative that the Council maintains a healthy financial status for an effective operation.

The OAG audit noted that the Council incurred a net loss of \$100,166 in the financial year 2019, and excluding grant of \$260,778, the Council would have incurred a negative operating cash flows of \$161,795. This indicated that the Council was unable to generate adequate cash flows to meet its short-term obligations.

The management of the Council agreed with audit recommendation to develop appropriate strategies to generate sufficient revenue to fund short-term debts and operational expenses.

6. Provision for Doubtful Debts not provided

The amount owing to debtors will not show a true and fair position if there is a doubt in the value of the debtors. This position can be countered by making a reserve to provide for any doubtful debtors.¹¹

The Council did not provide any provision for doubtful debts for its trade and other receivables balance, even though the age receivable listings indicated that receivables balance may be impaired. A total of \$64,939 or 75% of the total rates debtors have been long outstanding or are 90 days old and over.

The management of the Council agreed with audit recommendation to take prudent approach and make adequate provision for trade and other receivables balance.

7. Sexennial Valuation not carried out

Section 64(1) of the Local Government Act (Chapter 125) states that, for the purpose of ascertaining and determining the unimproved value of rateable land a valuation to be made at least once in every six years.

Rates levied by the Council for the year 2019 were based on the valuation of rateable land carried out in 2012. There was no valuation done in 2018 as required by section 64 (1) of the Local Government Act.

Council's The Council informed that the valuation was not carried out due to cash flow constraints.

The Council should seek assistance from the Ministry or consult the Ministry in terms of funding the sexennial valuation which is required under Section 64(1) of Local Government Act.

RAKIRAKI MUNICIPAL COUNCIL (2018 Audited Accounts)

Audit Opinion

The audit of Rakiraki Municipal for the financial year 2018 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

1. The Council was unable to provide payment vouchers to support transactions totalling \$168,697 recorded in various expenses account which make up expenditure totalling \$866,955 as disclosed in the Statement of Comprehensive income for the year ended 31 December 2018. In addition, the Council could not provide supporting records to support a credit adjustment of \$131,850 made in the repairs and maintenance account which make up administrative and operating expenses totalling \$622,252. As a result, the Auditor General was unable to verify the completeness and accuracy of these expenditure balances and also unable to determine whether any adjustments might have been necessary in respect of the various expenditure account at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.

Council's Response:

In response to the issue above, the Council informed the Committee that all payment vouchers were submitted to the Auditors during the audit for verification purposes. Also noted that the Rakiraki Town Council has now improving its record keeping and the storage of accounting records.

2. The Auditor General office was not provided with the monthly VAT reconciliations to support the VAT receivable as at 31 December 2018 of \$238,099 as reported in Note 8 of the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustment might have been necessary in respect of the Council's VAT receivable balance at year end and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.

Council's Response:

The Council informed the Committee that VAT Return was submitted on Quarterly basis and in this case the Council has been encouraged to prepare VAT reconciliation on Annual basis.

3. The Council disclosed Trade and Other Receivables as at 31 December 2018 as \$380,214 out of which \$97,748 are long outstanding debts. Provision for doubtful debts has not been provided for during the year. As a result, the Auditor General was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary in respect of the trade and other receivables balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.

4. Council's Response:

In response to the issue above, the Council advised that under Section 75 of the Local Government Act, the recovery of rates are a first charge on the land rates and the time limit of actions to recover a charge on a property is 20 years. This provides that no actions to recover a charge on a property id 20 years. This provides that no actions shall be brought to recover any principal sum of money secured by a mortgage or other charge on property is 20 years. It might be a requirement but appears unnecessary under the Local Government Act.

5. The Council did not disclose Provision of Employee Benefits in the Statement of Financial Position as at 31 December 2018, which is a departure from the requirement of Section 28 – Employee Benefits, of the IFRS for SMEs. As a result, the Auditor General was unable to determine whether any adjustments might have been necessary in respect of the provision of annual leave balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and the Statement of Financial Position.
6. The Council recorded government grant and UNDP grant totalling \$2,463,953 for the year ended 31 December 2018 out of which \$1,890,642 was for the market project. The market project of \$1,890,642 were not recorded as a liability as required under section 24 – Government Grant of the IFRS SME as conditions attached to the grant have not been fully met. As a result, the Auditor General was unable to verify the completeness and

accuracy of the balance and also unable to determine whether any adjustments might have been necessary in respect of the government grant and UNDP grant balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.

7. The Council could not assist to facilitate for provision of solicitors confirmation at balance date. Consequently, the Auditor General was unable to determine whether any disclosures to the financial statements in respect of contingent liabilities were necessary.
 - A disclaimer of opinion was issued on the 2017 financial statements. The Auditor General Office was unable to obtain sufficient and appropriate audit evidence to ascertain the accuracy of the opening balances. Therefore, the Auditor General was dissatisfied concerning the opening balances disclosed in the Statement of Financial Position of the Council and the impact it may have on the determination of the closing balances of the 2018 financial statements.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Other Significant Matters – Rakiraki Town Council

1. Funds provided to Council by Contractors engaged for the Market Construction

The Council received a sum of \$131,910 VIP from the contractor engaged for the construction of Rakiraki Market which were used to clear Council debts. The Auditor General Office review noted that the Council did not obtain approval from the Ministry of Local Government to receive funding from the contractor. In addition, there was no agreement made between the Council and the Contractor.

Subsequently, the Contractor was awarded the contract for the construction of the Rakiraki Market worth \$5,200,000.

The Ministry of Local Government should investigate if there was any instance of conflict of interest which provided advantage to the Contractor in obtaining the contract for the construction of the Rakiraki Market.

Please refer to the attached written response from the Council in relation to the above issue.

BA MUNICIPAL COUNCIL (2019 Audited Accounts)

Audit Opinion (2019)

- The Council was unable to provide the reconciliations and satisfactory explanations to support, the advance to Parking Meter Account of \$156,646, the unreconciled variance of \$26,613 between the other sundry debtors' listings and amount reflected in the financial statements, and the unreconciled variance of \$3,194 between rates debtor listing and the amount reflected in the financial statements. Consequently, the accuracy of the trade and other receivables balance of \$914,910 recorded in the financial statements could not be ascertained.

- Included in the Property, Plant and Equipment is the Clopcott sub- division valued at \$234,868. The Council has not obtained the legal title to the land as at 31 December 2019. Consequently, any adjustment that would be required in respect to the amortization of the land and the impact that it will have on the carrying amount of the land in the statement of financial position and the amortization expense in the income statement could not be determined.
- The Council has not commenced a full review on impairment exercise regarding the assets with zero/negative written down totalling \$346,625. These assets with zero/negative written down value are recorded under furniture, plant and machinery, motor vehicle and parking meter asset classes. In addition, the Council did not depreciate a tractor and trailer since it was purchased more than 18 years ago with a cost of \$15,000. As a result, the remaining economic useful life and the correct carrying amount cannot be determined. In addition, whether these assets are overstated and any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.
- The Council recorded deferred income of \$5,328,002 in the Statement of Financial Position as at 31 December 2019. The Council was unable to provide the comprehensive details of the total amount recognized in revenue of \$1,121,018, total grant utilized of \$1,332,036, and balance of \$388,952 as reported in the Financial Statements. In addition, the Council did not disclose the unfulfilled conditions and other contingencies attached to government grants that have not been recognized in income. Furthermore, the accounting policy on deferred income as disclosed in the Financial Statements is not in accordance with paragraph 24 of the IFRS for SMEs. Consequently, the accuracy of the deferred income balance of \$5,328,002 recorded in the financial statements could not be ascertained.
- Reconciliations to substantiate the advance from General Fund to Parking Meter Account of \$155,562, as reported in the financial statements were not provided for audit review. In addition, the Council did not record creditors and accruals totaling \$30,711 into the books of accounts as at 31 December 2019. As a result, the creditors and accruals balance of \$292,228 being fairly stated in the financial statements could not be ascertained.
- Unreconciled variance of \$180,731 exists between the VAT reconciliation provided by the Council and the VAT payable balance reflected in the Statement of Financial Position. The Council was unable to provide satisfactory explanation or documentary evidence to substantiate the variance. As a result, the VAT payable balance of \$203,000 being fairly stated in the financial statements could not be ascertained.
- Paragraph 16 of the IFRS for SMEs defines Investment property as “property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both...” The Council has leased properties valued at \$1,834,100 which were not disclosed

separately as investment property in accordance with the requirements of IFRS for SMEs. As a result, whether any adjustments might have been necessary in respect of the Council's investment properties in the current year or comparative years, and the elements making up the Statement of Comprehensive Income and Statement of Financial Position could not be determined.

- The Council was unable to provide details and reconciliations to support the amortization balance of deferred income amounting \$1,121,018 transferred from deferred income and recognized as income for the year ended 31 December 2019. As a result, the accuracy of the utilization of government grant balance of \$1,121,018 transferred to Statement of Comprehensive Income could not be ascertained.
- The Council did not comply with the requirements of IFRS for SME's Paragraph 10 - Accounting Policies, Estimates and Errors by not restating opening balances of assets and equity to account for prior years' errors relating to the work in progress of the Clopcott project, drainage works, and waterways project of \$151,774. The amount relating to prior years has been booked as expenses in current financial year. As a result, total expenses balance of \$2,741,585 is overstated by \$151,774.
- The Council recorded prior year adjustment balance of \$13,479 in the Statement of Changes in Accumulated Funds for the year ended 31 December 2019. This is a departure from the requirements of Section 10 – Accounting Policies, Estimates and Errors, paragraph 10.21 of the IFRS for SMEs, which requires the Council to record prior year adjustment balance by restating the comparative amounts for the prior period presented in which the error occurred or restate opening balances of assets, liabilities, and equity for the earliest prior period presented.
- The Council did not disclose Interest Bearing Deposit of \$1,899 in the financial statements. This is a departure from the requirements of the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) on Section 11 – Basic Financial Instruments.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Other Significant Matters- Ba Town Council (2019)

1. Anomalies noted in the Govind Park Project

The Council received a total amount of \$4,468,928 as at 31/12/19 from the Ministry of Local Government for the purpose of the Govind Park Project (Phase 1).

Our review of the project documents noted correspondences, which indicated that the project manager and quantity surveyor's advice was not adhered to by the contractor and the Council. In addition, the contractor carried out additional works which were not part of the scope without obtaining approval from the Council, and other parties to the project. The Council later accepted the changes after the completion of the work.

There was also a significant delay in the completion of the project. The project manager approved the revised contract completion date to 05/04/19 and after the extension of time approval, the completion date was set to 02/08/19. However, the practical completion certificate was issued on 17/07/20 which was more than 11 months after the set completion date. On the date of our site visit (25/02/21), it was noted that the contractors were still on site rectifying the defects.

Furthermore, there is no evidence that the Contractor had declared his interest of being the President of a District Football Association whereby the Soccer team was allowed to use the facilities while under construction.

The management of the Council agreed with the audit findings and will be more vigilant in reviewing/monitoring the progress, and completion of the project on a regular basis. In addition, the Council should be more aware of the requirements of the contract in such instances to take appropriate action against parties in breach of the agreement.

2. Anomalies in Property, Plant and Equipment

The entity shall recognize the cost of an item of property, plant and equipment as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Audit review of Property, Plant and Equipment revealed the following anomalies:

- The Council did not adjust the fixed assets schedule with the adjustments taken up in the financial statements. As a result, a variance of \$243,407 was noted between the work in progress amount as per FAR and financial statements;
- We noted that the Written Down Value (WDV) of building totaling \$10,715,734 include the WDV of the Clopcott sub-division of \$234,868 even though there was no evidence that the settlement/sub-division is owned by the Council; and
- A variance of \$12,728 was noted between the opening WDV of furniture, plant, and equipment as per the amended FAS and the 2018 closing financial statement balance.

The Council agreed with the following recommendations:

- **Reconciliations between the fixed assets register and general ledger/financial to be carried out.**
- **Variances arising between the fixed assets register and general ledger/financial statements should be investigated and rectified.**
- **The Council should review its fixed assets register and ensure that only assets owned by the Council are recorded in the register.**

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

3. Booking of Accruals and Creditor

The expenditure shown in the accounts and financial statements should be the full expenditure. It should include not only what has been paid but also liabilities that have become due for payment for goods and services

supplied by the end of the accounting period. Audit review of various expenses items revealed the following anomalies:

- Transactions totaling \$189,658 recorded as expenses in the 2019 general ledger related to expenses incurred in the financial year 2018.
- The Council did not record accrued expense relating to 2019 audit fees in the books of accounts and financial statements.
- Legal expenses owed by the Council to its Solicitor were not recorded in the books of accounts and financial statements.
- Legal expenses owed by the Council to its Solicitor were not recorded in the books of accounts and financial statements.

The Council agreed with our recommendation to develop and implement process and procedures in recording accrued expenses in the correct financial year.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

BA MUNICIPAL COUNCIL (2018 Audited Accounts)

Audit Opinion (2018)

The audit of Ba Municipal Council for the financial year 2018 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council recorded deferred income of \$5,411,255 in Statement of Financial Position as at 31 December 2018. Paragraph 24.4 of the IFRS for SMEs states that "An entity shall recognize government grants as follows:
(a) a grant that does not impose specified future performance conditions on the recipient is recognized in income when the grant proceeds are receivable;
(b) a grant that imposes specified future performance conditions on the recipient is recognized in income only when the performance conditions are met; and
(c) grants received before the revenue recognition criteria are satisfied are recognized as a liability. As reported in Note 10 of the financial statements, the Council had utilized \$4,728,033 out of the total grant of \$5,411,255. The Council did not recognize the benefit realized from deferred income in accordance with the requirements of paragraph 24.4 – Government Grants of the IFRS for SMEs. In addition, the accounting policy on deferred income as disclosed on Note 2(m) to the Financial Statements are not in accordance with paragraph 24 of the IFRS for SMEs. Consequently, the deferred income balance of \$5,411,255, net loss of \$105,326, and accumulated fund balance of \$5,735,432 are not fairly stated in the financial statements.
- The Council recorded trade and other receivables balance of \$1,109,435 in the Statement of Financial Position as at 31 December 2018. Included in the amount are rate debtors of \$896,150, advance to parking meter of \$154,626, and other sundry debtors of \$177,605. The Council was unable to provide me satisfactory explanations for details to support the advance to parking meter balance of \$154,626, the unreconciled variance of \$20,649 between the other sundry debtors listings provided by the Council and amount reflected in the financial statements, and the unreconciled variance of \$1,459 between rates debtor listing provided by the Council and the amount reflected in the financial statements. Consequently, the Auditor General was unable to ascertain if the trade and other receivable balance of \$1,109,435 is accurately reflected in the financial statements.

- Unreconciled variance of \$162,814 exist between the VAT reconciliation provided by the Council and the VAT payable balance reflected in the Statement of Financial Position. In addition, an unreconciled variance of \$172,937 exists between the independent reconciliations performed during audit from the Statement of VAT Account and VAT payable balance reflected in the Statement of Financial Position. Consequently, the Auditor General was unable to ascertain if the VAT payable balance of \$178,796 is accurately reflected in the financial statements.
- The Auditor General was not provided with the reconciliations to support the advance from general fund to parking meter account of \$153,542 reported in Note 7 to the financial statements. Consequently, I was unable to obtain sufficient audit evidence to ascertain the accuracy of the advance from general fund as stated in the financial statements.
- The Council has not commenced a full review on impairment exercise regarding the assets with zero written down totaling \$100,385 by making a review of the depreciation rates and assessed the remaining economic useful lives of individual major classes of property, plant and equipment in a progressive and structured manner. These assets with zero written value are recorded under furniture, plant and machinery and parking meter asset classes. In addition, the Council did not depreciate a tractor and trailer since it was purchased more than 18 years ago with a cost of \$15,000. As a result the Auditor General was unable verify to determine the remaining economic useful life and the correct carrying amount and whether these assets are overstated and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- Section 16 of the IFRS for SMEs defines Investment property as “property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both...” The Council has leased properties totaling \$1,834,100 which were not disclosed separately as investment property in accordance with IFRS for SMEs. As a result, the Auditor General was unable to determine whether any adjustments might have been necessary in respect of the Council’s investment properties in the current year or comparative years, and the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council recorded prior year adjustment balance of \$155,125 in the Statement of Changes in Accumulated Funds for the year ended 31 December 2018. This is a departure from the requirements of Paragraph 10 – Accounting Policies, Estimates and Errors, paragraph 10.21 of the IFRS for SMEs, which requires the Council to record prior year adjustment balance by restating the comparative amounts for the prior period presented in which the error occurred or restate opening balances of assets, liabilities, and equity for the earliest prior period presented.

Please refer to the attached appendices for the Council’s written responses on the issues highlighted.

TAVUA MUNICIPAL COUNCIL (2015 Audited Accounts)

Audit Opinion (2015)

- The Council recorded trade and other receivables balance of \$43,230 in the Statement of Financial Position as at 31 December 2015. Included in the amount are trade receivables of \$28,280, enforcement and parking meter infringement of \$3,500, and other debtors of \$11,450. The Council was unable to provide debtors listing, subsidiary ledgers and reconciliations to support the above balances. Furthermore, the Council has not provided evidence of impairment assessment carried out on its receivables balance. Consequently, the accuracy of the trade and other receivables balance of \$43,230 stated in the financial statements could not be ascertained.
- The Council has not commenced a full review on impairment exercise of the assets with zero written down totaling \$41,255 by performing a review of the depreciation rates and assessing the remaining economic useful lives of individual major classes of property, plant and equipment in a progressive and structured manner. These assets with zero written value are recorded under plant and machinery, office equipment, and parking meter classes. As a result, the remaining economic useful life and the correct carrying amount and whether these assets are overstated and to determine whether any adjustments might have been necessary in respect of the Property, Plant and Equipment at the end of the financial year and any corresponding adjustments to the elements making up the statement of Comprehensive Income Statement of Financial Position could not be determined.
- The Council was unable to provide reconciliations to support the VAT payable balance of \$41,473 reported in the financial statements for the year ended 31 December 2015. Consequently, sufficient audit evidence to ascertain the accuracy of VAT payable as stated in the financial statements could not be obtained.
- The Council did not comply with the requirements of IFRS for SMEs Section – Government Grants by not recognizing government grant totaling \$8,597 when performance conditions are met. In addition, the accounting policy on deferred income as disclosed in the financial statements is not in accordance with paragraph 24 of the IFRS for SMEs. Furthermore, the Council has not disclosed the nature, amounts and unfulfilled conditions of government grants received during the year. Consequently, the accuracy of the deferred income of \$113,781 stated in the financial statements could not be ascertained.
- The Council did not provide for employee entitlement in the statement of financial position for the year ended 31 December 2015, which is a departure from the requirement of paragraph 28 – Employee Benefits, of IFRS for SMEs. As a result, any adjustments which might have been necessary in respect of the provision of annual leave balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position could not be determined.
- The Council recorded total revenue of \$442,862 in the Statement of Comprehensive Income for the year ended 31 December 2015. Included in this balance is business, trading and license fees of \$63,996. The Council was unable to provide detailed listing of business license fees to support the above balances. As a result, the accuracy and completeness of the total revenue balance of \$442,862 reflected in the financial statements could not be ascertained.

- The Council did not maintain a certificate of the amounts collected from each parking meter as required by the Manual of Accounts for Municipal Councils in Fiji, section 7.7. Accordingly, the accuracy and completeness of the parking meter revenue amounting to \$11,279 reflected in the financial statements could not be ascertained.
- **Please refer to the attached appendices for the Council's written responses on the issues highlighted.**

Other Significant Matters- Tavua Town Council (2015)

1. Anomalies in the Construction of the Multipurpose Hall

The Council shall: (i) ***Closely monitor, supervise and inspect the Contractor's performance under this Agreement with due diligence and professionalism;*** (ii) ***Ensure that the Contractor is given all the assistance, advice, clarifications and guidance as may be sought by them;*** (iii) ***Ensure that all statements and invoices are in accordance to the percentage (%) of work carried out;*** (iv) ***Strictly adhere to the phases of payment to the Contractor.***

The Council received a sum of \$89,685 in 2015 from the Ministry for the construction of the multipurpose hall. Our review noted that the Council paid a total of \$106,887 for Phases 1 to 5 work, even though works done by the contractor was only completed till the third phase. In addition, the full phase 4 and phase 5 payment was made even though the progress was not in accordance with the agreement.

Our review further noted that the progress reports of the project were not properly maintained by the Council. In addition, there was a significant delay in the completion of the project and proper approval was not obtained for the extension of the completion date after 07/08/15. The Council also did not institute the delay damages clause against the contractor according to the agreement.

The management of the Council agreed with our recommendation to be more vigilant in reviewing / monitoring the progress, and completion of the project on a regular basis. In addition, the Council should be more aware of the requirements of the contract in such instances to take appropriate action against parties in breach of the agreement.

2. Business Licenses – No Proper Records

It is necessary that every Council must have adequate control to safeguard and protect its revenue. The system should provide for prompt raising of claims as revenue falls due, proper accounting for the moneys received and safe custody of the cash.

The Council did not maintain business, trading and license fees listings for the businesses that were operating within the municipality for the 2015 financial year. As a result, we could not determine whether the business, trading and license fees income of \$63,996 is completely and accurately recorded in the financial statements.

The management of the Council agreed with our recommendation to ensure that trading and license fees listings for the businesses that were operating within the municipality are prepared.

3. Anomalies in Property, Plant and Equipment

Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister.

The Council did not depreciate the multi-purpose court of \$92,929 and renovation to office reception and garage of \$4,586, and did not amortize leasehold land over the terms of the lease totaling \$310,000. In addition, the Council motor vehicle registration number DR496 was not recorded in the Fixed Assets Schedule. Furthermore, the Council did not disclose the policy of the intangible assets and parking meters 'amortization rate / useful life in the financial statements.

The management of the Council agreed with audit recommendation to correctly record all assets in the fixed assets schedule, and to disclose policy on amortization rate or the useful life of the intangible asset in the financial statements.

4. Building Fees Register Not Updated

The application of the construction of a new building, addition, renovation and major repairs is serially numbered and entered in the building fees register. This register also functions as a control record to ensure no unauthorized constructions take place within the municipal boundaries.

The Council's building fees register was not updated with all building applications and required information in accordance with the requirements of the Manual of Accounts for Municipal Councils in Fiji, Section 7.11.

The management of the Council agreed with our findings and has engaged the services of a Building Inspector who updates the building register and processes the applications accordingly.

5. Anomalies in cash and cash equivalent

Audit review of the cash and cash equivalents account revealed the following anomalies:

- Bank reconciliation statements of the General Fund bank account No. 936527 included stale cheques totaling \$2,512.31 that were not reversed by the Council;
- The Council did not close its Citywide bank account when balance of funds of \$24,447.53 were refunded to the Ministry of Local Government. As a result, the Council had to transfer \$71.95 from the General Fund bank account to the citywide bank account in December 2015 to pay bank charges. Charges to the bank account after the transfer of funds amounts to \$93.52 and the account had an overdraft of \$25.97 as at 31 December 2015;
- Petty cash was replenished with more than the approved petty cash limit of \$50. The Manager Finance explained that the excess expenses are Council expenses that were paid by staffs from their own personal funds and the amount was refunded to them when petty cash reimbursement was made. However, relevant supporting documents were not provided to substantiate the reimbursement made to staffs from the petty cash fund; and
- The Council did not disclose that the Challenge Fund cash balance of \$113,210 as disclosed in the financial statements is not available for use except for the construction of the multipurpose hall and the purchase of the dumper truck.

The Council agreed with the following audit recommendations:

- **All cheques that remain unpresented for more than 6 months should be written back to the cash ledger and respective expenses or liability account.**
- **Unused bank accounts are closed.**
- **Reimbursement of petty cash with more than the approved amount are appropriately supported.**

- **Cash balances that are not available for use except for certain purpose are appropriately disclosed in the Notes to the financial statements**

6. Approved Budget not maintained

Every council shall ... during the month of November in every year, prepare and approve an estimate of the income and expenditure of the council for the next succeeding year.

Every council may at any time during the year for which an estimate has been made because a revised or supplementary estimate to be prepared and, where appropriate, submitted for approval.¹⁹

There was no evidence to indicate that the budget for the year was approved as required under the Local Government Act.

The management of the Council agreed with our recommendation to ensure annual budgets are reviewed and approved by the Council, with approval supported by documentary evidence and are properly maintained.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

TAVUA MUNICIPAL COUNCIL (2014 Audited Accounts)

Audit Opinion

The audit of Tavua Municipal for the financial year 2018 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council recorded sundry deposits of \$63,917 and sundry advances of \$4,879 in the statement of financial position as at 31 December 2018. The Council was unable to provide any documentations to support the sundry deposit of \$57,817 out of the total of \$63,917 and sundry advances of \$4,879. As a result, the Auditor General was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of sundry deposits, and sundry advances balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.
- There was an unreconciled variance of \$65,806 between the VAT payable amount reflected in the financial statements and the Statement of VAT account provided by Fiji Revenue and Customs Services. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the Auditor General was unable to ascertain whether the VAT payable balance of \$58,097 has been fairly stated in the financial statements.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

LEVUKA MUNICIPAL COUNCIL (2013 Audited Accounts)

- The Council did not comply with the requirements of IFRS for SME's Paragraph 28 – Employee Benefits by not recognizing employee's annual leave due as at 31 December 2013. In addition, the Council did not account for trade payables, accruals and trade receivables in the financial statements for the year ended 31 December 2013 in accordance with the requirements of Paragraph 2.36 of the IFRS for SMEs.

Furthermore, the Council did not include in its financial statements various accounting policies in the Notes to the Financial Statements in accordance with the requirements of IFRS for SME's Paragraph 8 – Notes to the Financial Statements and related party transactions as required by Paragraph 33 – Related Party Disclosures. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of IFRS for SMEs.

- The Council was unable to provide the rates receivables listings, subsidiary records, and reconciliations to support the rates receivable balance of \$88,325 recorded in the Statement of Financial Position. Consequently, the completeness and accuracy of the receivables balance of \$88,325 recorded in the financial statements could not be ascertained.
- The Council received government grant totaling \$52,500 in 2013 for heritage work project. As at 31 December 2013, the Council expended \$399,062 from the grant funds. The Council was unable to provide appropriate supporting documents such as payment vouchers, supplier invoices and supporting documents to support the expenses incurred from the government grant. As a result, the accuracy of government grant bank account balance of \$53,438 recorded in the financial statements could not be ascertained.
- Detailed listings, payment vouchers and supplier invoices to support the additions to property, plant and equipment of \$43,480 as disclosed in Note 9 to the financial statements were not provided. In addition, the Council did not provide details of office equipment with written down value of \$23,441 as reported in Note 9 to the financial statements. Furthermore, no proper records have been maintained by the Council for fixed asset verification performed in 2013, thus alternative means could not be satisfied. Consequently, the accuracy and completeness of the total property, plant and equipment balance of \$4,026,454 recorded in the financial statements could not be ascertained.

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

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

Other Significant Matters - Levuka Town Council (2012-2013)

1. Anomalies in Grant

The Grant Recipient must maintain proper files and accounting records, adequate to show, without limitation, all costs incurred and the utilisation of the Government Grant. "Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister".

The Council did not provide details, reconciliations, and acquittals to substantiate the amortization for the year 2012 of \$172,580 as reported in the financial statements.

In addition, the amount of \$172,580 included an unidentified adjustment of \$76,311, which could not be substantiated due to lack of supporting documents.

Furthermore, the Council did not provide acquittals for the expenses or payments incurred in 2012 and 2013 of \$248,891 and \$150,171 respectively from the total grant received. Additionally, the Council did not provide details and supporting documentations to substantiate grant income and amortisation of deferred income of \$112,308 as reported in the 2013 financial statements.

The management of the Council agreed with the recommendations to ensure that policies and procedures are developed and implemented and internal controls are strengthened to ensure that complete and accurate set of books of accounts, accounting records, supporting schedule, reconciliations, agreements, and acquittals are prepared, and properly maintained.

2. Anomalies in Revenue

Section 7.1, paragraph 1 of the Manual of Accounts for Municipal Councils in Fiji states that, "It is necessary that every Council must have adequate control to safeguard and protect its revenue. The system should provide for prompt raising of claims as revenue falls due, proper accounting for the moneys received and safe custody of the cash".

The Council did not provide satisfactory explanations/details and supporting documentations to substantiate an amount of \$129,969 recorded as an unidentified adjustment and included in the other income balance of \$148,815 reported in the financial statements for the year ended 31 December 2013.

In addition, the Council did not provide the subsidiary ledgers or detailed listings and reconciliations for the following revenue account:

- Rates;
- Business license fees; and
- Garbage fees, and Stand fees recorded as fees

The management of the Council agreed with the following audit recommendation:

- The Council should undertake critical review of systems and processes with a view to enhance and improve the internal controls, systems and processes.
- Policies and procedures should be developed and implemented to ensure that complete and accurate set of books of accounts, accounting records, supporting schedule and reconciliations are prepared, and properly maintained.
- The Council should perform reconciliations of its revenue accounts with subsidiary records. Any variances arising should be investigated and rectified.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

3. Anomalies in VAT Account

“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”. Section 33 of the Value Added Tax Act 1991 states that “Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Chief Executive Officer tax return with the accompanying Input tax schedule, in such prescribed form as may be approved by the Chief Executive Officer”. Section 36 of the Value Added Tax Act 1991 states that “Subject to this section, every registered person shall account for tax payable on an invoice basis for the purposes of section 39”. The Council did not lodge VAT returns on time during the financial years 2012 and 2013. As a result, the Council had incurred late lodgement and payment penalties. In addition, the Council did not account for VAT receivable / payable in the 2013 financial statements, and there were instances where VAT were not correctly accounted for.

The Council agreed with the following audit recommendation:

- The Council should comply with the requirements of the VAT Act 1991 and lodge VAT return on time to avoid penalties charges.
- VAT reconciliations should be prepared and reconciled to the books of accounts. Any variances arising should be investigated and rectified.

The Council should improve its processes and procedures for recording transactions which would also ensure that VAT are properly accounted for in the books of accounts and financial statements.

4. Anomalies in Receivables

The standard procedure is to keep a control account for debtors as well as an account for each debtor. Rates may be separately controlled from rest of the revenue. The Council did not provide age debtors listings, subsidiary ledgers, and reconciliations to substantiate the rates receivable balance of \$88,325 recorded in the 2013 financial statements.

The Council agreed with the audit findings and recommendation and stated that, in an effort to rectify the problem, the recruitment of an Accounting Advisor would take place to review the existing cash accounting system of the Council and to implement corrective measures to address weaknesses and train staff accordingly. These improvements and implementation should be shown in the 2014 accounts.

5. Anomalies in Liabilities

“Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister”.

The Council did not account for creditors and accruals in the books of accounts and financial statements for the years ended 31 December 2012 and 2013.

The Council agreed with the audit findings and recommendation and stated that, in an effort to rectify the problem, the recruitment of an Accounting Advisor to review the existing cash accounting system of the Council and to implement corrective measures to address weaknesses and train staff accordingly. These improvements and implementation should be shown in the 2014 accounts.

6. Non-Performance by the Accounting Advisor

A total of \$35,402 was paid by the Council to an Accounting Advisor during his 14 months of employment with the Council to undertake the tasks of assisting in improving the Council's accounting system, facilitate the conversion from cash basis to accrual basis of accounting, and perform all the duties of the Treasurer. However, the audit noted that there was no improvement from recording transactions in a cashbook to maintaining a general ledger system.

The Council agrees with the audit findings and recommendation raised and stated that they have learnt from this and in future the Council will ensure to engage consultant/advisor to give the best value for the services being paid for.

7. No Supporting Documents for Conservation Loan

"Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister".

The audit was not provided with the details and reconciliations to substantiate the loan balance of \$5,475 and \$4,975 reported in the 2012 and 2013 financial statements respectively.

The Council agrees with the audit findings and recommendation raised and will ensure that proper records are established to ensure systematic storage that will allow easy retrieval of documents in future.

8. Anomalies in Property, Plant and Equipment

"Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister".

The Council did not provide valuation report to substantiate the value of land and buildings with a written down value of \$3,982,641 and \$4,002,263 as at 31 December 2012 and 2013 respectively. In addition, the Council did not provide payment vouchers, invoices and any supporting documents to substantiate the additions to PPE totalling \$88,089 in 2012 and \$43,480 in 2013. Furthermore, the fixed assets register provided by the council did not provide detail description of its assets.

The Council agreed with the audit findings and recommendation and revealed that corrective measures will be put in place for improvement in maintaining the fixed assets.

9. Unidentified Adjustments

"Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accounts) in such manner as may be directed by the Minister".

Audit review of the trial balance provided by the Council revealed unidentified adjustments being recorded in the trial balance and reported in the financial statements. The Council did not provide any satisfactory explanations or supporting documentations to substantiate the unidentified adjustments as follows:

- (i) Unidentified adjustment in 2012 of \$8,312.09 included in the other expenses account;
- (ii) Unidentified adjustment in 2012 of \$76,311.45 included in the amortization of deferred income amount.
- (iii) Unidentified adjustment in 2013 of \$129,969.49 included in the other income amount.

The Council agreed with the audit findings and recommendation raised and corrective measures with proper procedures will be undertaken to rectify the problem.

10. Anomalies in Petty Cash Account

The Section 45(1) of the Manual of Accounts for Municipal Councils in Fiji states that, "A council may by resolution establish an imprest account".

There was no petty cash balance disclosed in the financial statements even though the cashbook of the Council shows petty cash reimbursements being made during the financial years 2012 and 2013.

In addition, the Council did not provide supporting documents for various petty cash payments made. The Council agreed with the audit findings and recommendation raised and admitted that there were continued discrepancies but will now ensure that corrective measures are implemented.

11. Approved Budget not maintained

"Every council shall ... during the month of November in every year, prepare and approve an estimate of the income and expenditure of the council for the next succeeding year ..."

Every council may at any time during the year for which an estimate has been made cause a revised or supplementary estimate to be prepared and, where appropriate, submitted for approval.²⁸

There was no evidence to indicate that the budget for the year was approved as required under the Local Government Act 1972.

The Council agreed with our recommendation to maintain proper documentation to substantiate the annual budget approval process.

- The Council should undertake critical review of systems and processes with a view to enhance and improve the internal controls, systems and processes.
- Policies and procedures should be developed and implemented to ensure that complete and accurate set of books of accounts, accounting records, supporting schedule and reconciliations are prepared, and properly maintained.
- The Council should perform reconciliations of its revenue accounts with subsidiary records. Any variances arising should be investigated and rectified.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

LEVUKA MUNICIPAL COUNCIL (2012 Audited Accounts)

Audit Opinion (2012)

- The Council did not comply with the requirements of IFRS for SME's Paragraph 28 – Employee Benefits by not recognizing employee's annual leave due as at 31 December 2012. In addition, the Council did not account for trade payables, accruals and trade receivables in the financial statements for the year ended 31 December 2012 in accordance with the requirements of Paragraph 2.36 of the IFRS for SMEs.
- Furthermore, the Council did not include in its financial statements various accounting policies in the Notes to the Financial Statements in accordance with the requirements of IFRS for SME's Paragraph 8 – Notes to the Financial Statements and related party transactions as required by Paragraph 33 – Related Party Disclosures. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of IFRS for SMEs.
- The Council was unable to provide the VAT reconciliations and relevant supporting documentations to support the VAT receivable balance of \$8,563 recorded in the Statement of Financial Position. In addition, the Council did not lodge VAT returns during the financial year 2012. VAT returns for the financial year 2012 were lodged in the year 2014. Consequently, the completeness and accuracy of the VAT receivable balance of \$8,563 recorded in the financial statements could not be ascertained.
- The Council was unable to provide the basis on which the value for Property, Plant and Equipment totaling \$3,940,310 were brought into account upon transition to IFRS for SMEs. In addition, the Council did not provide details of office equipment with written down value of \$23,730 as reported in Note 10 to the financial statements. Furthermore, detailed listings, payment vouchers and supplier invoices to support the additions to property, plant and equipment of \$88,089 as disclosed in Note 10 to the financial statements were not provided. Consequently, the accuracy and completeness of the total property, plant and equipment balance of \$4,007,621 recorded in the financial statements could not be ascertained.
- The Council recorded loan balance of \$5,475 in the statement of financial position as at 31 December 2012. The Council was unable to provide the details of the loan and loan reconciliation which was necessary to confirm the existence and completeness of the balance. As a result, the accuracy of loan balance of \$5,475 recorded in the financial statements could not be ascertained.
- The Council received government grant totaling \$400,000 for heritage work during the financial year. As at 31 December 2012, the Council expended \$248,891 from the grant funds. The Council was unable to provide appropriate supporting documents such as payment vouchers, supplier invoices, and supporting documents to support the expenses incurred from the government grant. As a result, the accuracy of government grant bank account balance of \$151,109 recorded in the financial statements could not be ascertained.

- The Council was unable to provide the reconciliation and relevant supporting documents to substantiate the amortization of deferred grant for the year amounting to \$172,580 as reported in Note 6 to the Financial Statements. In addition, the Council has not disclosed the nature and amounts of government grant recognized in the financial statements and unfulfilled conditions and other contingencies attaching to the government grant that have not been recognized in income. Furthermore, the accounting policy on deferred income as disclosed on Note 2.5 to the Financial Statements are not in accordance with paragraph 24 of the IFRS for SMEs. Consequently, the accuracy of the deferred income balance of \$227,420 recorded in the financial statements could not be ascertained.
- The Council was unable to provide detailed listings, subsidiary records, and reconciliations to substantiate the business and trading license fees of \$24,160, rates of \$110,733, garbage fees of \$21,457, market fees of \$2,496, and stand fees of \$10,082. In addition, the Council did not provide acquittals and supporting documentations to substantiate the grant income of \$172,580. The Council was also unable to provide the details and reconciliations to substantiate the variance of \$6,092 between the rent listings provided by the Council and the amount reported in the financial statements. Furthermore, the Council recorded revenue on cash basis of account. Consequently, the accuracy and completeness of the total revenue amount of \$397,772 recorded in the financial statements could not be ascertained. The total revenue amount of \$397,772 recorded in the financial statements could not be ascertained.
- The Council was unable to provide the annual pay reports, employee signed timesheets and reconciliations to support wages and salaries of \$170,951 disclosed in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2012. As a result, the accuracy of the wages and salaries amount of \$170,951 recorded in the financial statements could not be ascertained.
- The Council recorded other operating expenses of \$269,399 in the Statement of Profit and Loss. Included in the balance is payments for various goods and services totaling \$72,853. The Council was unable to provide appropriate supporting documents such as payment vouchers, supplier invoices and supporting documents for journal adjustments made to the general ledger to support the expenses. As a result, the accuracy and completeness of the operating expenses amount of \$269,399 recorded in the financial statements could not be ascertained.
- The Council did not account for discount allowed on rates for the financial year ended 31 December 2012. Furthermore, relevant details and records for discount allowed was not provided by Council. As a result, any adjustments which might have been necessary in respect of the discount allowed on rates and any corresponding adjustments to the elements making up the Statement of Profit or Loss and Other Comprehensive Income could not be determined.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

NADI MUNICIPAL COUNCIL

Audit Opinion

The audit of Nadi Municipal for the financial year 2015 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council recorded trade and other receivables balance of \$2,641,603 in the statement of financial position as at 31 December 2015. Included in the amount are other debtors of \$410,334, value added tax refundable of \$156,924, miscellaneous debtors of \$80,862, enforcement and parking meter infringement of \$43,717, and float of \$1,000. The Council was unable to provide the Auditor General Office appropriate documentations to support the above balances. In addition, there was an unreconciled variance of \$198,103 and \$128,481 between the rates debtor listing and rent debtors listing respectively provided by the Council and the amount reflected in the financial statements. Furthermore, there was no evidence of impairment assessment carried out by the Council on its receivable balance. As a result, the Auditor General was unable to ascertain whether the trade and other receivables balance of \$2,641,603 has been fairly stated in the financial statements.
- The Council was unable to provide the Auditor General any documentations to support the receivables balance of \$26,565 recorded in the statement of financial position as at 31 December 2015. As a result, the Auditor General was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary in respect of receivables balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.
- The Council recorded trade and other payables balance of \$273,451 in the statement of financial position as at 31 December 2015. There was an unreconciled variance of \$75,759 between the creditors listing provided by the Council and the amount reflected in the financial statements. In addition, the Council was unable to provide the Auditor General supporting documentations to support the audit and accounting fees balance of \$35,642. As a result, Auditor General was unable to ascertain whether the trade and other payables balance of \$273,451 has been fairly stated in the financial statements
- The Council was unable to provide the Auditor General any documentations to support the deferred income balance of \$1,304,018 recorded in the statement of financial position as at 31 December 2015. As a result, the Auditor General was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary in respect of deferred income balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.
- The Council was unable to provide the Auditor General any documentations to support the sundry deposits balance of \$974,126 recorded in the statement of financial position as at 31 December 2015. As a result, the Auditor General was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary in respect of sundry deposits balance at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.
- The Council recorded miscellaneous income of \$114,531 in the statement of income and expenditure. The Council was unable to provide appropriate supporting documents to support the above balances. As a result,

the Auditor General was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of miscellaneous income at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.

- There was an unreconciled variance of \$303,977 between the rates income listings and amount reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the Auditor General was unable to ascertain whether the general rates of \$1,113,430 and loan rate of \$466,715 has been fairly stated in the financial statements.
- There was an unreconciled variance of \$11,208 between the subsidiary records of the business license income and the amount reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the Auditor General unable to ascertain whether the business license income of \$520,243 has been fairly stated in the financial statements.
- There was an unreconciled variance of \$68,569 between the salaries and wages balance reported in the financial statements and the annual pay report provided by the Council. The Council was unable to provide documentary evidence to substantiate the variance. As a result, the Auditor General was unable to ascertain whether the salaries, wages and related payments of \$1,523,679 has been fairly stated in the financial statements.
- The Council was unable to provide the Auditor General's office supporting documentations to support payments and journal entries totaling \$193,227 which were recorded on various general ledger expenses account which include telecommunications, electricity and water, miscellaneous, plant, machinery, motor vehicle and tools, printing, stationery and office expenses, staff development costs, garbage services, advertising, cleaning materials, maintenance various, and land rent. As a result, the Auditor General was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of telecommunications, electricity and water, miscellaneous, plant, machinery, motor vehicle and tools, printing, stationery and office expenses, staff development costs, garbage services, advertising, cleaning materials, maintenance – various, and land rent expenses at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position.
- The Council was unable to provide supporting documents to verify the existence of the opening balance of the statement of changes in accumulated fund balance of the parking meter fund account of \$55,252. In addition, the balance were not reported in the statement of financial position. As such the Auditor General was dissatisfied on the accuracy of the statement of changes in accumulated fund of the parking meter fund account.
- The Council was unable to provide supporting documents for the existence of Sewerage Services Fund balance of \$59,700. As such, the Auditor General was dissatisfied on the accuracy of this account balance reported in the statement of changes in accumulated funds.

The Auditor General have not been provided with relevant supporting documents and explanation in relation to event subsequent to balance date review. Accordingly, the Auditor General was unable to determine if any adjustments, or disclosures is required to be made in the financial statements of the Council for the year ended 31 December 2015. Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31

December to 31 July. **Please refer to the attached appendices for the Council's written responses on the issues highlighted.**

Other Significant Matters – Nadi Town Council

- **. Insufficient funds to refund deposits**

The Council should hold in trust deposits until it is refunded or permitted to use it. This will ensure that there is always sufficient cash to refund to the depositors should the depositor require a refund.

The total cash at bank balance of \$886,851 (excluding restricted cash of \$138,100 and parking meter fund of \$169,338) is not sufficient to cover the total sundry deposits as shown in the statement of financial position of \$974,126 should the depositor require a refund.

The Council agreed with the OAG recommendation to maintain refundable deposits in a trust account and make available the deposits should the depositors require refund.

- **Special Loan Rates Not Used for its Intended Purposes**

The Council received \$466,715 from loan rates and used \$310,968 for loan repayment. The Auditor General's office review of the special loan rates account noted that the surplus of \$155,747 was utilized for service delivery costs and capital projects contrary to section 59 (1) and (3) of the Local Government Act 1972.

The Special Administrator and the Council management has agreed to ensure that loan rates are used for the purpose for which it was levied.

- **Insufficient funds to refund deposits**

The Council should hold in trust deposits until it is refunded or permitted to use it. This will ensure that there is always sufficient cash to refund to the depositors should the depositor require a refund. The total cash at bank balance of \$865,245 (excluding restricted cash of \$754,964 and parking meter fund of \$303,745) is not sufficient to cover the total sundry deposits as shown in the statement of financial position of \$1,120,643 should the depositor require a refund.

The Council agreed with the OAG recommendation to maintain refundable deposits in a trust account and make available the deposits should the depositors require refund.

- **Special Loan Rates Not Used for its Intended Purposes**

The Council received \$93,579 from loan rates and used \$285,054 for loan repayment. The Council did not maintain separate accounts for loan rates in accordance with the requirements of the Local Government Act, section 59 (3). As a result, the loan rates were accounted together with the general rates in the rates system.

The Special Administrator and the Council management has agreed to ensure that loan rates are used for the purpose for which it was levied.

- **Zero Written Down Value of Assets**

The Council has not undertaken a full review of the depreciation rates and the economic useful lives of its property, plant and equipment in progressive and structured manner for assets with zero written down value totaling \$422,188.

The Special Administrator and the Council management has agreed to review the useful life of its property, plant and equipment.

- **Non provision of Supporting Documents for Receivable Balance**

The Council was unable to provide supporting documents for the receivable balance of \$26,565 included in the financial statements. As a result, audit was unable to verify the existence of this balance recorded under non-current assets.

The Special Administrator and the Council management has agreed to maintain proper accounting records and perform timely reconciliations for the receivable balance noted above.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

NAUSORI MUNICIPAL COUNCIL (2014 Audited Accounts)

Audit Opinion

- The audit of Nausori Municipal for the financial year 2014 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:
- Unreconciled variance of \$40,555 exist between the general ledger and bank reconciliation statement of the General fund account. In addition, unpresented cheques of \$52,295 has resulted in stale cheques which were not reversed by the Council. Consequently, the Auditor General was unable to ascertain if the cash and cash equivalent balance of \$90,324 is accurately reflected in the financial statements.
- The Council has recorded bank overdraft of \$288,188 in cash balances (Note 3) and in Interest Bearing borrowings (Note 10). Consequently, this has resulted in understatement of actual cash at bank. Had the bank overdraft not been recorded in the cash balances the cash balance would have been recorded as \$364,093 additionally, had this double recording not been made, the financial statements would have been imbalance by \$288,188.
- Included in the Trade and other receivables of \$2,515,689, Note 4 is rate debtors of \$2,314,262. An unreconciled variance of \$158,102 existed between the general ledger and the rate debtor's reconciliation. In addition, the Council has not provided evidence of any assessment carried out for impairment of the rate debtors at balance date. Consequently, the Auditor General was unable to obtain sufficient audit evidence to ascertain the accuracy of rate debtors recorded in the financial statements.
- The Council recorded total expenses of \$2,652,302 in the Statement of Comprehensive Income for the year ended 31 December 2014. Included in this balance is expenses amounting to \$124,302 which could not be verified as the Council could not provide payment vouchers and appropriate documents to support the expenditure. In addition, interest expense and bank charges of \$138,107 and \$27,013 which related to 2013 financial year were recorded in 2014. The Council has not made any adjustments in regards to these misstatements. As a result, the Auditor General was unable to ascertain if the expenditure of \$2,652,302 is fairly stated in the financial statements.
- The Council recorded total revenue of \$2,657,873 in the Statement of Comprehensive Income for the year ended 31 December 2014. The Council has recorded certain revenue accounts on cash basis. This has resulted in understatement of these revenues which includes shopping complex income by \$53,994 and kiosk rental income by \$1,494. The Council also made adjustment to the garbage income amounting to \$147,968 which was not supported. In addition, the Council did not perform reconciliation of its rates revenue amounting to \$1,015,017 and failed to provide market revenue register for audit verifications. Consequently, the Auditor General was unable to obtain sufficient audit evidence to fully determine the accuracy of the total revenue recorded in the financial statements.

- The Council has leased properties which were not disclosed separately as investment property in accordance with International Accounting Standards (IAS 40). IAS 40.8 defines Investment property as “building owned by the entity and leased out under one or more operating leases” The council was unable to provide supporting documents for the leased properties. In addition, the Council has not amortized the leasehold land amounting to \$2,153,124. As a result, the Auditor General was unable to determine whether any adjustments might have been necessary in respect of the Council’s investment properties and leasehold land balances in the current year or comparative year, and the elements making up the statement of profit or loss and other comprehensive income, movement in funds and cash flows.
- Included in Trade and Other Payables (Note 8) is Refundable deposits of \$169,771. The Auditor General was not provided with any documentation to support this balance. Consequently, the Auditor General was unable to obtain sufficient audit evidence to ascertain the accuracy of refundable deposits as stated in the financial statements.
- Included in Trade and Other Receivables (Note 4) is VAT receivable of \$142,634. A variance of \$319,225 existed between the general ledger and VAT reconciliation. Consequently, the Auditor General was dissatisfied on the accuracy of the VAT receivable stated in the financial statements.
- Included in the deferred income balance is government grant of \$208,150 which relates to roads. The Roads, streetlights and footpaths have been transferred to the Fiji Roads Authority as per the Fiji Roads Decree 2012. The Council has not made any adjustments to this deferred grant despite the transfer. Consequently, the deferred income of \$2,985,761 is overstated.
- Included in the Council Municipal Funds is Accumulated funds for General Fund of \$249,583. The opening balance of this fund has a variance of \$276,576 with the closing balance of the prior year audited accounts. Consequently, the Auditor General was unable to ascertain myself on the accuracy of the Accumulated funds balance of \$1,005,164 stated in the financial statements.

Consistent with the changes in the financial year of Government, the Municipal has changed its financial year from 31 December to 31 July.

Please refer to the attached appendices for the Council’s written responses on the issues highlighted.

LAUTOKA MUNICIPAL COUNCIL (2014 Audited Accounts) c cv

Audit Opinion

The audit of Lautoka Municipal for the financial year 2014 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council did not prepare and present a Statement of Changes in Equity as a component of the financial statements for the year ended 31 December 2014. This is a departure from the requirement of International Accounting Standards (IAS) 1 – Presentation of Financial Statements. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of International Financial Reporting Standards (IFRS).

- The Council did not prepare and present a Statement of Cash Flows as a component of the financial statements for the year ended 31 December 2014, which is a departure from the requirement of IAS 7 – Statement of Cash Flows. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of IFRS.
- The Auditor General was not provided with the trust fund reconciliations to support the Parking Meter Fund of \$500,643 and Car Park Fund of \$328,031 reported in the Statement of Financial Position. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the parking meter fund and car park fund balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- There was an unreconciled variance of \$590,416 between the Rates Receivable listings and amount reflected in Note 5 to the financial statements. In addition, there was an unreconciled variance of \$1,456,143 between the rates debtors' listings and arithmetic addition check done on the rates debtors' listings. The Council was unable to provide details of the variances and reconciliations of rates receivable to substantiate the variances. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the rates receivable balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Auditor General was not provided with the detail listings of debtors and the ageing of debtors that formed the basis to estimate the provision for doubtful debts of \$1,000,000 as reported in Note 5 to the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the provision for doubtful debts balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide any invoices, receipts or payment voucher details to substantiate the debit and credit general journal entries recorded in the cash at bank general ledger accounts of \$7,821,990 and \$1,251,969 respectively. As a result, the Auditor General was unable to verify the completeness and accuracy of the Cash at Bank and on Hand balance totaling \$5,799,801 and also unable to determine whether any adjustments might have been necessary in respect of the cash at bank and on hand balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide subsidiary ledgers of creditors and detail listings of creditors and refundable building deposits to substantiate Other Creditors balance of \$298,043 and Refundable Building deposits of \$62,034 reported in Note 7 to the financial statements. In addition, the Auditor General was not provided with sundry creditors' reconciliations to substantiate the variances of \$22,832 between the sundry creditors and accrual listings and amount reported in Note 7 to the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the other creditors, refundable building deposits, and

sundry creditors and accrual balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.

- There was an unreconciled variance of \$452,286 between the rates income listings and amount reflected in the financial statements. The Council was unable to provide the reconciliations of the rates income to substantiate the variance. In addition, the rates income were recorded on a cash basis and contradicts Note 1.2 of the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the rates income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council did not record rates, taxi, and mini bus income on accrual basis of accounting in accordance with the requirements IAS 1 – Presentation of Financial Statements, paragraph 1.27 of the IFRS and Note 1.2 of the financial statements. Consequently, there was an unreconciled variance of \$286,297, \$43,580, and \$4,193 between the independent reconciliations performed by audit and amounts recorded in the general ledger of the rates, taxi, and minibus income respectively and disclosed as fees, charges and rents in the financial statements. The Council was unable to provide supporting documentations to substantiate the variances. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the rates, taxi, and mini bus income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide the Auditor General with the relevant audit trail to confirm that sub lease rental income of \$163,200, bus station fees income of \$14,240, and rent received in advance of \$652,800 was recorded in the general ledger and financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the sub lease rental income, bus station fees income, and rent received in advance balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide me with the detail listings of business license to support Business License Fees of \$448,535 reported in Statement of Comprehensive Income. In addition, the Auditor General was not provided with supporting documentations to substantiate Parking Meter Fees totaling \$69,147 recorded in the Parking Meter balance of \$261,513, and fees, charges and rent totaling \$83,191 recorded in the Fees, Charges and Rent balance of \$2,790,078 in the Statement of Comprehensive Income. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the business license fees income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide the Auditor General with the details of sundries income and any documentations to support sundries income of \$550,556 included in the total Other Income balance of \$559,346 in the Statement of Comprehensive Income for the year ended 31 December 2014. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine

whether any adjustments might have been necessary in respect of the sundries income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.

- The Council was unable to provide me payment vouchers, invoices and or receipts to support transactions totaling \$125,370 which are for non-payroll expenditure from the total expenditure of \$6,304,300 disclosed in the Statement of Comprehensive Income for the year ended 31 December 2014. In addition, the Council was unable to provide satisfactory explanations/records to substantiate the principle loan repayment of \$438,847 recorded as an expenses in the Statement of Comprehensive Income. As a result, the Auditor General was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of the various expenses account at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position
- There was an unreconciled variance of \$8,135 between the annual wages and salaries report provided by the Council and the amount reflected in the financial statements. The Council was unable to provide salaries and wages reconciliations to substantiate the variance. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the salaries and wages balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council did not provide solicitors confirmation at balance date. Consequently, the Auditor General was unable to determine whether any disclosures to the financial statements in respect of contingent liabilities were necessary.
- The Council did not disclose or provide confirmations on events subsequent to balance date. Consequently, the Auditor General was unable to determine whether any disclosures to the financial statements in respect of subsequent events were necessary.
- The Council did not disclose or provide confirmations on capital and operating lease commitments at balance date. Consequently, the Auditor General was unable to determine whether any disclosures to the financial statements in respect of commitments were necessary.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

SUVA MUNICIPAL COUNCIL (2012 – 2015 Audited Accounts)

Audit Opinion

The audit of Suva Municipal for the financial year 2015 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council did not prepare and present a Statement of Changes in Equity as a component of the financial statements for the year ended 31 December 2014. This is a departure from the requirement of International Accounting Standards (IAS) 1 – Presentation of Financial Statements. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of International Financial Reporting Standards (IFRS).
- The Council did not prepare and present a Statement of Cash Flows as a component of the financial statements for the year ended 31 December 2014, which is a departure from the requirement of IAS 7 – Statement of Cash Flows. As a result, the financial statements of the Council are not completely and fairly presented in accordance with all the requirements of IFRS.
- The Auditor General was not provided with the trust fund reconciliations to support the Parking Meter Fund of \$500,643 and Car Park Fund of \$328,031 reported in the Statement of Financial Position. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the parking meter fund and car park fund balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- There was an unreconciled variance of \$590,416 between the Rates Receivable listings and amount reflected in Note 5 to the financial statements. In addition, there was an unreconciled variance of \$1,456,143 between the rates debtors' listings and arithmetic addition check done on the rates debtors' listings. The Council was unable to provide details of the variances and reconciliations of rates receivable to substantiate the variances. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the rates receivable balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Auditor General was not provided with the detail listings of debtors and the ageing of debtors that formed the basis to estimate the provision for doubtful debts of \$1,000,000 as reported in Note 5 to the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the provision for doubtful debts balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.

- The Council was unable to provide any invoices, receipts or payment voucher details to substantiate the debit and credit general journal entries recorded in the cash at bank general ledger accounts of \$7,821,990 and \$1,251,969 respectively. As a result, the Auditor General was unable to verify the completeness and accuracy of the Cash at Bank and on Hand balance totaling \$5,799,801 and also unable to determine whether any adjustments might have been necessary in respect of the cash at bank and on hand balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide subsidiary ledgers of creditors and detail listings of creditors and refundable building deposits to substantiate Other Creditors balance of \$298,043 and Refundable Building deposits of \$62,034 reported in Note 7 to the financial statements. In addition, the Auditor General was not provided with sundry creditors' reconciliations to substantiate the variances of \$22,832 between the sundry creditors and accrual listings and amount reported in Note 7 to the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the other creditors, refundable building deposits, and sundry creditors and accrual balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- There was an unreconciled variance of \$452,286 between the rates income listings and amount reflected in the financial statements. The Council was unable to provide the reconciliations of the rates income to substantiate the variance. In addition, the rates income were recorded on a cash basis and contradicts Note 1.2 of the financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the rates income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council did not record rates, taxi, and mini bus income on accrual basis of accounting in accordance with the requirements IAS 1 – Presentation of Financial Statements, paragraph 1.27 of the IFRS and Note 1.2 of the financial statements. Consequently, there was an unreconciled variance of \$286,297, \$43,580, and \$4,193 between the independent reconciliations performed by audit and amounts recorded in the general ledger of the rates, taxi, and minibus income respectively and disclosed as fees, charges and rents in the financial statements. The Council was unable to provide supporting documentations to substantiate the variances. As a result, The AG was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the rates, taxi, and mini bus income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.

- The Council was unable to provide me with the relevant audit trail to confirm that sub lease rental income of \$163,200, bus station fees income of \$14,240, and rent received in advance of \$652,800 was recorded in the general ledger and financial statements. As a result, the Auditor General was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the sub lease rental income, bus station fees income, and rent received in advance balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide me with the detail listings of business license to support Business License Fees of \$448,535 reported in Statement of Comprehensive Income. In addition, the Auditor General was not provided with supporting documentations to substantiate Parking Meter Fees totaling \$69,147 recorded in the Parking Meter balance of \$261,513, and fees, charges and rent totaling \$83,191 recorded in the Fees, Charges and Rent balance of \$2,790,078 in the Statement of Comprehensive Income. As a result, I was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the business license fees income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide the Auditor General with the details of sundries income and any documentations to support sundries income of \$550,556 included in the total Other Income balance of \$559,346 in the Statement of Comprehensive Income for the year ended 31 December 2014. As a result, the AG was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the sundries income balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.
- The Council was unable to provide the Auditor General with payment vouchers, invoices and or receipts to support transactions totaling \$125,370 which are for non-payroll expenditure from the total expenditure of \$6,304,300 disclosed in the Statement of Comprehensive Income for the year ended 31 December 2014. In addition, the Council was unable to provide satisfactory explanations/records to substantiate the principle loan repayment of \$438,847 recorded as an expenses in the Statement of Comprehensive Income. As a result, the Auditor General was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of the various expenses account at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position
- There was an unreconciled variance of \$8,135 between the annual wages and salaries report provided by the Council and the amount reflected in the financial statements. The Council was

unable to provide salaries and wages reconciliations to substantiate the variance. As a result, the AG was unable to verify the completeness and accuracy of the amounts and also unable to determine whether any adjustments might have been necessary in respect of the salaries and wages balance at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Comprehensive Income and Statement of Financial Position.

- The Council did not provide solicitors confirmation at balance date. Consequently, the Auditor General was unable to determine whether any disclosures to the financial statements in respect of contingent liabilities were necessary.
- The Council did not disclose or provide confirmations on events subsequent to balance date. Consequently, the AG was unable to determine whether any disclosures to the financial statements in respect of subsequent events were necessary.
- The Council did not disclose or provide confirmations on capital and operating lease commitments at balance date. Consequently, the Auditor General was unable to determine whether any disclosures to the financial statements in respect of commitments were necessary.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

Other Significant Matters – Suva City Council

- **Adoption of Fund Accounting**

The Council has adopted a fund accounting system as a considerable part of annual revenue balance recorded in the general ledger comprises of rates for different purposes and special purpose as required by the Local Government Act 1972. The Office of the Auditor General noted that the Council does not maintain separate funds in the general ledger to record for rates received, expenditure incurred and the net balance of funds available to be carried forward into the next financial year for each fund.

The Council maintains the following Municipal Funds:

- General Rate Fund being maintained for general purposes;
- Loan Rate Fund being maintained for loan repayments; and
- Street Light Fund being maintained for maintenance of street lights.

The Council agreed to the Office of the Auditor General's recommendation to review the recording the General rates separately from the funds maintained by the Council.

- **Value Added Tax Reconciliation**

The Office of the Auditor General noted variance of \$342,287 between the sales declared in the VAT form and the sales recorded in the general ledger. It was further noted that there was an unreconciled variance of \$870,786 in the VAT reconciliation prepared by the Council.

The Council agreed to re-perform the VAT reconciliation and respectively prepare and file amended VAT returns.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

LAMI MUNICIPAL COUNCIL (2014 Audited Accounts)

Audit Opinion

The audit of Lami Municipal for the financial year 2014 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- Included in the Property, Plant and Equipment (Note 5) is Roads and Streetlights with book value of \$13,344,649. The Council has not made any adjustment for the transfer of the roads, drains and verges to the Fiji Roads Authority (FRA) in accordance with the Fiji Roads Authority Act 2012. Accordingly, Property, Plant and Equipment and the depreciation expense is overstated by \$13,344,649 and \$196,379 respectively in the financial statements.
- Included in cash and cash equivalent (Note 3) are bank overdraft for WBC and ANZ bank accounts of \$41,376 and \$18,903 respectively. The Council has used the bank deposits instead of receipts in preparation of the bank reconciliation. As a result, the Auditor General was unable to obtain assurance whether all receipts has been banked and completely recorded in the general ledger. Consequently, the Auditor General was dissatisfied on the accuracy of bank overdraft balances stated in the financial statements.
- There was an unreconciled variance of \$78,275 between the Council's Revenue Management System (CRM) which records all receipts and the total deposits made to the ANZ bank account number 1226653. The Auditor General was not provided with the details of the variance. Consequently, the Auditor General was unable to determine whether any adjustments might have been necessary in respect of receipts at the end of the financial year and any corresponding adjustments to the elements making up the statement of comprehensive income and statement of financial position
- Included in the Trade and Other Receivables (Note 4) is rate and garbage debtors totaling \$1,389,441. The amount for this receivable has accumulated from the prior years. The Auditor General noted that the Council has not assessed for any impairment of this receivable balance. In addition, Council has not provided detail information on other receivables of \$25,663. Consequently, the Auditor General was unable to obtain sufficient audit evidence to ascertain myself on the accuracy of the trade and other receivables of \$1,415,104 stated in the financial statements.
- The Council was unable to provide documentary evidence to substantiate Rates arrears of \$102,131, License and Permit fees of \$21,185, Stand fees of \$28,108 and Garbage fees of \$1,484. Accordingly, the Auditor General was dissatisfied on the accuracy of these revenue recorded in the statement of comprehensive income.
- Included in current liability are Trade and Other payables (Note 6) of \$174,781. The Council was unable to provide a detailed listing of Sundry deposits of \$55,120. Consequently, the Auditor General was unable to perform appropriate audit tests to assured himself on the accuracy of this balance. Additionally, accruals amounting to \$20,983 were not recorded in the general ledger. As a result, the

Auditor General was dissatisfied if the Trade and Other Payable balance of \$174,781 is fairly stated in the financial statements.

- The Council has made adjustment to the prior period (Note 10) amounting to \$40,895. The Auditor General was not provided with necessary supporting documents to substantiate this adjustment. Accordingly, the Auditor General was unable to satisfy himself on the accuracy of this adjustment.
- There are a number of differences for the comparative balances of 2014 financial year. The net impact of the variances amount to \$54,537 and \$173,570 on Net Assets and on Operating Surplus respectively for the comparatives. Consequently, the comparative amount is not fairly stated in the financial statements.
- The Council has made several entries in the general ledger through general journals. The Council does not have a journal voucher system in place for documenting and authorizing the journals. Consequently, this has limited the Auditor General's scope in verifying the accuracy of the journal entries posted in the general ledger.
- The Council disclosed Capital Expenditure Commitment of \$386,000 (Note 13). The Auditor General was not provided with the supporting documents to support this balance. As a result, the Auditor General was dissatisfied if the Capital Expenditure Commitment is fairly disclosed in the financial statements.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

Other Significant Matters – Lami Town Council

Negative Operating Cash Flow

As at 31 December 2014, the Council has recorded an overdraft of \$60,079 for cash at bank and on hand, to meet its daily operations, debt and short term obligations. This indicates that the current operations of the Council is unable to generate sufficient cash to meet its financial obligations. Thus a negative operating cash flow was recorded.

The management of the Council agreed with our recommendation to consider viable options to improve the financial stability of the Council.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

NASINU MUNICIPAL COUNCIL (2010 Audited Accounts)

Audit Opinion

The audit of Nasinu Municipal for the financial year 2018 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- The Council used bank statement deposits instead of individual receipts as a source of recording cash in the general ledger and performing of bank reconciliation. As with this approach there is a risk that receipts not banked will not be included in the general ledger. In addition, there was a variance of \$11,910 between Council Revenue Management listing and bank deposits. Therefore,

the Auditor General was dissatisfied whether all cash receipts have been completely and accurately accounted for in the financial statements.

- Included in Trade and Other Receivables (Note 7) are advances and deposits of \$68,099 and \$5,702 respectively. The Auditor General was not provided with the supporting documents to substantiate these balances. Consequently, the Auditor General was dissatisfied on the accuracy of these balances reported in the financial statements.
- The Council has recorded rates debtors amounting to \$8,510,981 (Note 7) after allowing for doubtful debts of \$447,930. The Auditor General noted that the Council has calculated the allowance for doubtful debts at 5% of the gross rates receivable. From the Council's disclosure in Note 7, the Auditor General noted that the rate payers owe 81% of the rates which are over 1 year old. No documentations were made available to substantiate the calculation of management's estimate for allowance for doubtful debts at 5%. Consequently, the Auditor General was dissatisfied if the management's estimate of 5% is adequate for assessing the impairment of rates debtors whether any adjustment might have been necessary in respect of the Council's rates debtors at year end and any corresponding adjustments to the elements making up the statement of income and expenditure.
- Included in Trade and other payables (Note 11) are Trade payables of \$193,402 and other payables of \$40,506. I was not provided with a detailed listing of these balances. In addition, the Council has not prepared VAT reconciliation to reconcile amount of \$29,969 as stated in the financial statements. Consequently, the Auditor General was unable to perform necessary audit procedures to satisfy myself on the accuracy of Trade and Other Payables recorded in the statement of financial position.
- Included in total revenue of the Council is general rates amounting to \$2,320,421. The Council has not maintained rates invoices for rate payers. Consequently, this has limited my scope to perform appropriate test procedures to ascertain the accuracy of the rates revenue. The Auditor General was also unable to obtain appropriate audit evidence through alternative audit procedures. Therefore, the Auditor General was unable to ascertain the accuracy of the rates revenue disclosed in the financial statements.
- Included in the Property, Plant and Equipment balance of \$2,188,598 (Note 8) is Work In Progress (WIP) of \$431,660. From the Auditor General Office subsequent reviews, the Auditor General have noted that the Council has disposed of this WIP. As a result, the Auditor General was not satisfied on the accuracy of the WIP included in PPE. In addition, due to passage of time it was not possible for the Auditor General to verify the existence and valuation of motor vehicles amounting to \$436,611 as at 31 December 2010. Additionally, values of roads, footpaths and drains have not been fully incorporated in the Statement of Financial Position as at 31 December 2010 as required under section 57(1) of the Local Government Act 1972.

Due to these the Auditor General was not able to obtain sufficient audit evidence to ascertain if the Property, Plant and Equipment of \$2,188,598 is fairly stated in the financial statements.

- Payment vouchers totaling \$49,884 was not provided to the Auditor General for verification. Consequently, the Auditor General was unable to confirm the accuracy of these payments and its disclosure in the financial statements.
- **Please refer to the attached appendices for the Council's written responses on the issues highlighted.**

Other Significant Matters – Nasinu Town Council

Negative Operating Cash Flow

As at 31 December 2010, the Council had \$198,495 cash at bank and on hand. However, only \$23,239 cash was available to meet its daily operations, debt repayments and short term financial obligations since a total of \$175,256 was grant funds received from the Government in 2009 which could not be used for the Council's operational purposes.

The main cause for the negative cash flow is the inability of the Council to effectively recover rates, fees and charges. As at 31 December 2010, a sum of \$8,510,981 was owed to the Council for the services provided to the rate payers.

Insufficient Cash to Refund Deposits held for development of Commercial Lots

The Council recorded \$361,775 as commercial lot deposits in its financial statements as at 31 December 2010. Audit enquiry into the commercial lot deposits account revealed that the Council has discontinued with the development of the commercial lots and thus has become liable to pay back the depositors. However, the Council's cash at bank and on hand amounts to of \$23,239 (net off restricted cash of \$198,895) which is insufficient to refund the deposits to the depositors. Upon demand.

The management of the Council agreed with our recommendation to consider viable options to improve the financial stability of the Council and make necessary arrangements to refund the depositors.

Please refer to the attached appendices for the Council's written responses on the issues highlighted.

SUSTAINABLE DEVELOPMENT GOALS

The Committee notes that the Fiji Parliament with its six (6) Standing Committees which includes the Public Accounts Standing Committee are now extending and expanding its roles and initiated activities to strengthen its support towards promotion, implementation and monitoring of the SDGs. This is in terms of Fiji's 5 years & 20 years National Development Plan, the 2030 Agenda, the Sustainable Development Goals (SDGs). Parliament is at the core of the SDGs implementation Agenda 2030 insists on the "Essential role of national parliaments through their enactment of legislation and adoption of budgets, and their role in ensuring accountability for the effective implementation of the SDGs". This is done through the National Development Plan (NDP) targets and indicators.

In this case, the Public Accounts Committee examines the Councils covered in the Office of the Auditor General's Audit Reports on Municipal Councils and through its oversight role scrutinised the budget expenditure and revenue of these entities through its financial statements. The Committee questioned these Councils, this is on how it addresses the development issues as detailed in the 17 SDGs based from the relevant NDP targets and indicators, questions were also directed on the SDGs and the NDP awareness made to its staff and plans to achieve the targets relevant to their individual council.

GENDER EQUALITY

The Committee noted the importance of Gender Equality while scrutinise the Office of the Auditor General's Audit Reports and it encouraged Councils on the needs to adopt the Open Merit Recruitment System (OMRS) and the provision of relevant accounting trainings for its staff, especially on basic accounting reporting training and this is for staff responsible in their Accounts/Finance Section as this will address audit issues identified as well as improve the capacity of staff which benefitted both men and women in those Councils.

CONCLUSION

The Public Accounts Committees notes the general audit issues identified in the eleven (11) Municipal Councils that is, on the quality and timeliness of financial reporting, internal control issues and other significant issues.

Therefore, the Committee looks forward to the Ministry of Local Government with all the audited Municipalities to urgently consider the recommendations outlined so that all issues that are highlighted is addressed in a timely manner.

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



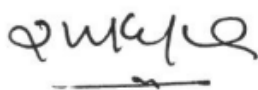
.....
Hon. Alvick Maharaj
(Chairperson)



.....
Hon. Joseph Nand
(Deputy Chairperson)



.....
Hon. Virendra Lal
(Member)



.....
Hon. Ro Teimumu Kepa
(Member)



.....
Hon. Aseri Masivou Radrodro
(Member)

APPENDICES

APPENDIX 1:

PUBLISHED WRITTEN EVIDENCE

The copies of the written responses from the Municipalities in relation to the issues highlighted in both audit reports are as follows. The responses can be accessed on the Parliament Website using the following link:

<http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>

APPENDIX 2:

REPORT OF THE AUDITOR GENERAL

2018 - 2019 Audit Report on Municipal Councils (PP No. 161 of 2020) and 2019 - 2020 Audit Report on Municipal Councils. The link for both reports are as follows:

1. <https://www.parliament.gov.fj/wp-content/uploads/2020/09/107-2018-2019-Audit-Report-on-Municipal-Councils.pdf>; and

2. <https://www.parliament.gov.fj/wp-content/uploads/2021/12/186-OAG-2019-2020-Audit-Report-on-Municipal-Councils.pdf>