



OFFICE of the AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL REPUBLIC OF FIJI

AUDIT REPORT ON MUNICIPAL COUNCILS



2021 - 2022



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO.19 OF 2023



OFFICE of the AUDITOR GENERAL
Republic of Fiji

VISION

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

To provide independent value adding
audit services

MISSION

To provide an environment where
our people can excel

RESPECT

We uphold respect
in our relationships.

INTEGRITY

We are ethical, fair and
honest in our duties.

**INDEPENDENT
& OBJECTIVE**

We work independently
and report objectively.

VALUES

COMPETENCE

We deliver to the best
of our abilities and to
the highest standard of
professional conduct.

TRANSPARENCY

Our processes
are transparent.

CONFIDENTIALITY

We maintain audit
related information
confidential.

PROFESSIONAL FRAMEWORK

International Standards for Supreme Audit Institutions

International Standards on Auditing

LEGAL FRAMEWORK

2013 CONSTITUTION OF THE
REPUBLIC OF FIJI

AUDIT
ACT 1969

ENVIRONMENT
MANAGEMENT ACT

NDP AND OTHER
LEGISLATION

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File: 102

8 June 2023

The Honorable Ratu Naiqama Lalabalavu
Speaker of the Parliament of the Republic of Fiji
Parliament Complex
Gladstone Road
SUVA.

Dear Sir

2021 – 2022 AUDIT REPORT ON MUNICIPAL COUNCILS

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

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

Yours sincerely

Sairusi Dukuno
ACTING AUDITOR-GENERAL

Encl.



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

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

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

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

This report satisfies these requirements.

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

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AUDITOR-GENERAL'S FOREWORD



I am pleased to present my report on the financial audits of the Municipal Councils for the audits that were completed after my last report to Parliament on 29 November 2021. I would like to draw attention that Municipal Council audits are generally behind and there are quite a number of audits that were completed were in backlog. Although backlog audits which were audited recently may not be of much interest to users, as a matter of transparency and accountability, I have included them in my report.

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

The enormous responsibility of resourcing the audits to the huge numbers of draft financial statements in backlog is a challenge that my Office will embrace in the financial year 2023/2024.

Status of the Audits

I am pleased to report that we have completed the audit of 13 financial statements for 10 Municipal Councils since my last report. Audit of 17 financial statements are in progress, 7 are yet to commence while 45 financial statements are yet to be received which also includes some financial statements which will need to be resubmitted for various reasons.

Report

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting by Municipal Councils, the audit opinions issued on the financial statements and the key reasons for such opinions, internal control assessments, other significant issues identified from the audits and high level recommendations aimed to strengthen financial reporting, governance and internal controls.

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

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

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

A stylized handwritten signature in black ink, appearing to read 'Sairusi'.

Sairusi Dukuno

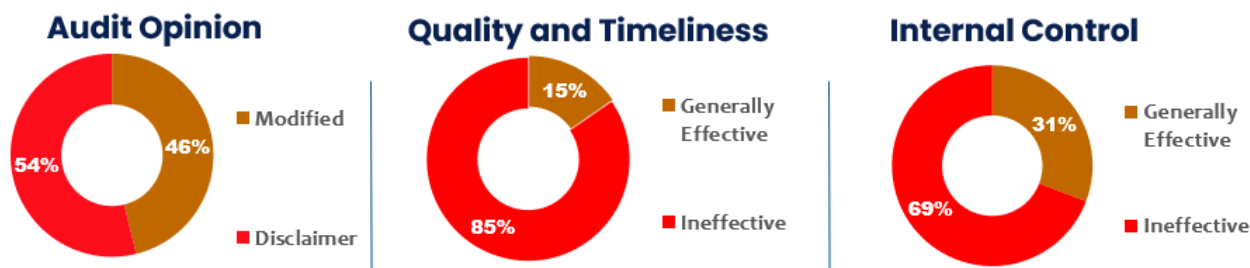
ACTING AUDITOR-GENERAL

Date: 08/06/2023

EXECUTIVE SUMMARY

This report includes the audit results of 13 financial statements for 10 Municipal Councils audited as at 15 March 2023.

AUDIT RESULTS



Quality and Timeliness of Financial Statements

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

Internal Control Assessment

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

Common Audit Findings

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

Audit Conclusion

Modified audit opinions were issued on 13 financial statements audited, which reflected negatively on the governance and internal control framework of the councils. Urgent and close attention should be given to address matters highlighted in the Auditors' Reports including the significant matters raised in [Section 4](#).

1.0 Introduction

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

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

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

This report includes the audit results of 13 financial statements for the 10 Municipal Councils as follows:

Municipal Council	Financial Year
1. Nadi	2017
2. Sigatoka	2020
3. Tavua	2016
4. Rakiraki	2020 - 2021
5. Levuka	2014 - 2015
6. Labasa	2018
7. Lami	2015
8. Nausori	2015
9. Savusavu	2011
10. Nasinu	2011 – 2012

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

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

1.1 Legislative Framework

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

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

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

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

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

1.2 Types of Audit Opinions

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

Modified Opinions:

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

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

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

1.3 Status of Audits – Update

As at 15 March 2023, a total of 37 draft financial statements for Municipal Councils were submitted to the Auditor-General for audit. Due to the significant number of outstanding audits, resourcing to promptly complete these audits continues to be a challenge.

Below is a summary of the status of audits as at 15 March 2023.

City/Municipal Council	Draft Financial Statements Received	Audits Completed	Audits in Progress as at 15 Mar 2023	Audits Yet to Commence as at 15 Mar 2023	Draft Financial Statements not submitted for audit
Sigatoka	2020	2020	---	---	2021 - 2022
Rakiraki	2021 - 2022	2021	---	2022	---
Nadi	---	---	---	---	2018 - 2022
Tavua	2017 - 2020	2017 - 2020	---	---	2021 - 2022
Suva	2016 - 2019	---	2016 - 2018	2019	2020 - 2022
Nausori	2016 - 2018	---	2016 - 2018	---	2019 - 2022
Lami	---	---	---	---	2016 - 2022
Nasinu	2013 - 2017	2013 - 2014	2015 - 2017	---	2018 - 2022
Ba	2020	---	2020	---	2021 - 2022
Lautoka	2015 - 2018	2015	2016	2017 - 2018	2019 - 2022
Labasa	2018	2018	---	---	2019 - 2022
Savusavu	2011 - 2019	2011 - 2013	2014 - 2017	2018 - 2019	2020 - 2022
Levuka	2016 - 2018	---	2016 - 2017	2018	2019 - 2022
Total	37	13	17	7	45

Of the 37 draft financial statements submitted to the Auditor-General, audit opinion on 13 or 35% of the financial statements were issued, audits for 17 financial statements were in progress and audits on seven draft financials statements were yet to commence. A total of 45 draft financial statements are yet to be submitted to Auditor-General for audit.

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

2.0 Financial Reporting

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



- quality of financial reporting
- timeliness of financial reporting

2.1 Quality of financial reporting

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

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

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

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

The modified audit opinions issued on all 13 financial statements and the prevalence of the significant matters reported across the Municipal Councils indicated that the overall quality of financial reporting was ineffective and require substantial improvements.

Audit opinions

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

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

Municipal Council	Year	Modified Opinion	Disclaimer of Opinion
1. Nadi	2017		✓
2. Sigatoka	2020	✓	
3. Tavua	2016	✓	
4. Rakiraki	2020	✓	
	2021	✓	
5. Levuka	2014		✓
	2015		✓
6. Labasa	2018	✓	

Municipal Council	Year	Modified Opinion	Disclaimer of Opinion
7. Lami	2015		✓
8. Nausori	2015		✓
9. Savusavu	2011	✓	
10. Nasinu	2011		✓
	2012		✓

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

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

Significant Matters Reported

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

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

An analysis of common significant issues across the Municipal Councils and those issues specifically related to a Municipal Council are discussed further on [Sections 3.2](#) & [Section 4.0](#) of this report.

2.2 Timeliness of financial reporting

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

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



























The submissions of financial statements to the Auditor-General were more than five years behind the statutory deadline. In some cases, draft financial statements for multiple years were presented for audit, which further delayed the audits for some Councils, as it is impractical to allocate resources to such audits.

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

2.3 Results Summary

The quality of the 11 financial statements audited were assessed as **ineffective**. Similarly, timeliness of financial reporting for all Municipal Councils reported have been assessed as ineffective. This requires immediate attention of those charged with governance for prompt resolutions.

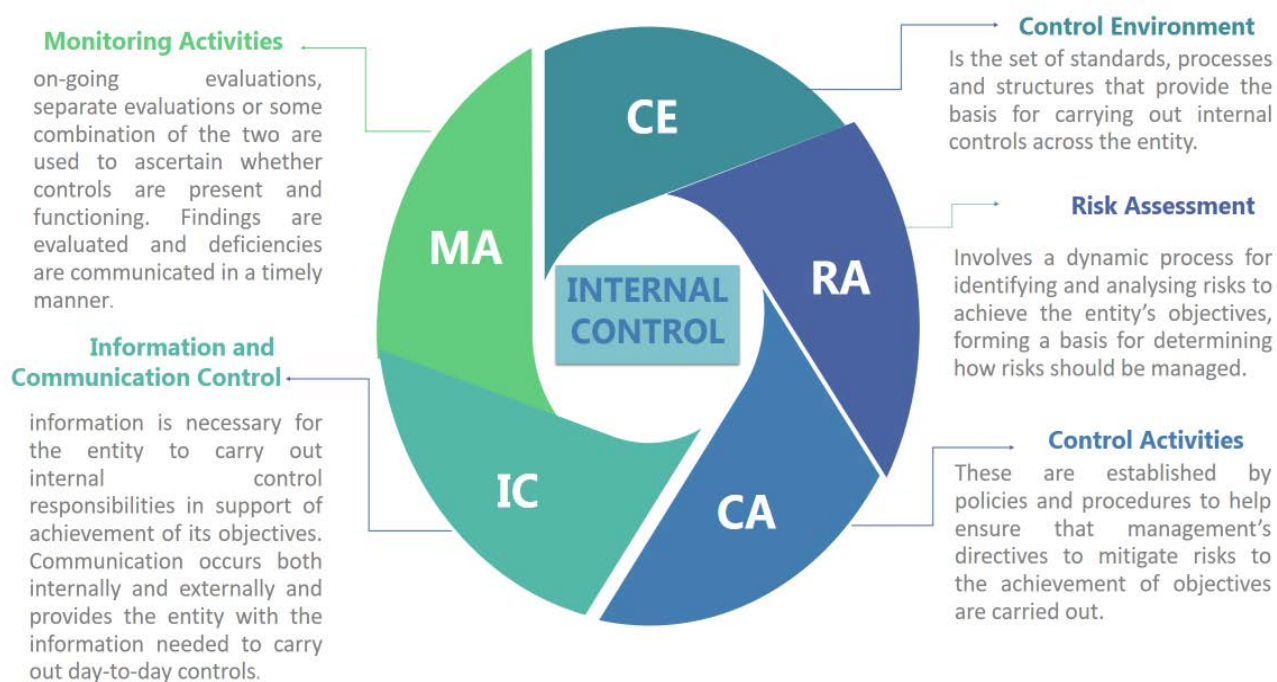
The following Table summarizes our assessment of financial reporting processes:

Municipal Council	Year	Financial Reporting	
		Quality	Timeliness
Nadi	2017		
Sigatoka	2020		
Tavua	2016		
Rakiraki	2020		
	2021		
Levuka	2014		
	2015		
Labasa	2018		
Lami	2015		
Nausori	2015		
Savusavu	2011		
Nasinu	2011		
	2012		

3.0 Internal Controls

3.1 Internal Controls Assessments

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



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

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

The Results Summary in [Section 3.3](#) shows the strength of controls in key elements for the ten Municipal Councils for which 13 financial statements were audited. Our audit indicated that all five components were areas where significant deficiencies were identified.

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

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

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

3.2 Common Findings Related to Internal Control

Internal control deficiencies identified were communicated to the Chief Executives or Special Administrators with the Municipal Councils through our Management Letters. Common internal control weaknesses relate to the following key areas:

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

Our audits identified the following internal control weaknesses to be prevalent in Municipal Councils:

Cash and Revenue Management

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

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

Journals and Reconciliations

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

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

Procurement of Goods and Services

Purchases and payments processes were not complied with as follows:

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

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

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

Payroll

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

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

Management of Assets

- Absence of asset capitalization policy was noted for some councils.
- Annual board of surveys to determine the physical existence of fixed assets and whether assets were in good order or condition were not always carried out or were not carried out in a timely manner.
- Asset were not tagged hence making it difficult to ascertain the existence of assets.

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

3.3 Results Summary

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

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

Municipal Council	Year	Internal Controls				
		CE	RA	CA	IC	MA
Nadi	2017	✖	✖	✖	✖	✖
Sigatoka	2020	✖	✖	✖	✖	✖
Tavua	2016	✖	✖	✖	✖	✖
Rakiraki	2020	✖	✖	✖	✖	✖
	2021	✖	✖	✖	✖	✖
Levuka	2014	✖	✖	✖	✖	✖
	2015	✖	✖	✖	✖	✖
Labasa	2018	✖	✖	✖	✖	✖
Lami	2015	✖	✖	✖	✖	✖
Nausori	2015	✖	✖	✖	✖	✖

Municipal Council	Year	Internal Controls				
		CE	RA	CA	IC	MA
Savusavu	2011	✱	✱	✱	✱	✱
Nasinu	2011	✱	✱	✱	✱	✱
	2012	✱	✱	✱	✱	✱

CE-Control Environment
CA-Control Activities
MA-Monitoring Activities

RA-Risk Assessment
IC-Information and Communication Control

4.0 Other Significant Matters

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

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

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

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

4.1 Common Significant Matters

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

- **Submission of financial statements for audit** – Significant delays in the submission of draft financial statements for audit, which is discussed in detail in [Section 2](#) of this report. Lack of accounting capacity has been identified as a contributing factor to preparing complete, timely and accurate draft financial statements that are in compliance with accounting standards.
- **Compliance with the accounting standards** – Non-compliance with the requirements of the applicable financial reporting framework such as International Accounting Standards or International Financial Reporting Standards for Small and Medium Enterprises used by the Municipal Councils.
- **Compliance with the Local Government Act 1972** – Non-compliance with the requirements of the applicable sections of the Local Government Act.
- **Limitation of scope** – Lack of sufficient appropriate supporting documentations to substantiate the account balances reported in the financial statements. The absence of records created a significant limitation on the scope of our audits and restricted the performing of necessary audit procedures.
- **Records management** – Records management for the Municipal Councils were generally found to be poor resulting in missing financial and related records to support most of the balances reflected in the financial statements.
- **Asset management** - The accuracy and completeness of the Fixed Assets Registers/Schedules could not be determined as the balances in the General Ledger and the Fixed Assets Schedule did not reconcile. Other significant issues noted were:
 - ❖ Annual Board of surveys not performed;
 - ❖ Asset tagging not done;
 - ❖ Asset capitalization policy not documented to set the threshold for recording expenditures related to property, plant and equipment;

- ❖ Reconciliation for balance sheets items not performed;
 - ❖ Impairment assessment on the Council's assets not carried out;
 - ❖ Incorrect recording of work in progress and capitalization of assets; and
 - ❖ Assets were incorrectly recorded in the fixed assets schedule.
- **Policies and procedures** - Absence of clear policies to support the development of strategic and operational plans. These included but not limited to business plans, risk management plans, disaster recovery plans.

We also looked at whether policies and procedures for various aspects of the Municipal Councils' operations existed and were maintained up to date. For the years audited, we noted that in several cases, policies and procedures were not reviewed nor updated.

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

Common high-risk issues noted were:

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

Common high-risk issues noted were:

- ❖ Revenue and receivables reconciliations were not prepared or if prepared were not prepared in a timely manner and without being checked for accuracy by supervising officers. As a result, variances were noted between various revenue and accounts receivables records in the financial statements;
- ❖ Revenue registers, receipt books, market, public convenience and car park tickets, and revenue invoices were generally not properly maintained;

- ❖ Rates revenue for most Councils are fluctuating while there are no significant changes in rate payers or the rates per annum;
 - ❖ Rates receivables and other receivables are showing an increasing trend indicating ineffective collection mechanism over the outstanding rates, fees and charges. In addition, ageing report of receivables are not maintained;
 - ❖ Revenue transactions incorrectly classified and recorded in the books of accounts and financial statements;
 - ❖ Instances where revenue transactions were not supported;
 - ❖ Rental agreements between Council and various tenants were not provided;
 - ❖ Discount allowed on rates listings not provided and if prepared was not recognized in the financial statements;
 - ❖ Sexennial Valuation not carried out in accordance with the requirements of the Local Government Act 1972; and
 - ❖ Revenue not recorded in the correct accounting period.
- **Payroll and Human Resource (HR) management** - Our audit continues to report internal control issues relating to payroll. Significant discrepancies were noted in relation to maintenance of personal files, annual pay report not prepared and if prepared reconciliations were not performed between payroll report and general ledger resulting in variances between salaries and wages amount recorded in the financial statements and payroll report. In addition, leave records were not appropriately maintained.
 - ❖ It was noted that most Councils do not have qualified HR officers and well-structured HR functions. There is a high risk of policies not being developed and enforced that are fair and consistent for everyone in the workplace.
 - **Cash Management** – internal control over cash management were generally found to be weak. Bank reconciliations were not prepared or if prepared were not done in a timely manner. As a result of ineffective reconciliations process, variances were noted in the cash at bank balance.
 - ❖ Cash is the most high-risk component and adequate internal controls are required to safeguard cash from fraud and mismanagement. Despite highlighting this issue in previous reports most Councils highlighted in this report have not improved their internal controls over cash management. Continuous ignorance of implementing internal controls over cash exposes the Councils to high risk of occurrence of fraud/error.
 - **Procurement and payment process** - Issues continue to be identified in procurement and payment, and recording of purchase of goods and services such as tenders not called or competitive quotations not obtained, payments not adequately supported, payments not authorized by responsible officers, no stamp “Paid” on the payment vouchers and supporting documents, incorrect classification and recording of expenses transactions, and expenses not recorded in the correct accounting period. These findings indicate that Councils are not consistently applying the procedures as per the financial regulations.

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

- **Accounting for government grant** – There is lack of understanding on the treatment on the accounting for government grant by Councils, which are requirements of International Accounting Standards. In particular, the following issues were noted:

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

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

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

4.2 Specific Significant Matters

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

Nadi Town Council – Financial Year 2017

1. Anomalies in Held to Maturity Investment

A Council may, with the consent of the Minister, invest any part of the Municipal Fund in any stock, bonds, debentures or other securities and may sell any such stock, debentures or other securities.¹

The Council invested \$3,500,000 as term deposits with a Commercial Bank during the financial year 2017. A sum of \$3,150,000 was sourced from the Council's operating/savings fund account while \$350,000 was sourced from the parking meter fund account.

The audit noted that the Council did not obtain the Minister's prior approval for the short-term deposits. In addition, it was noted that upon maturity of the term deposits invested from the Parking Meter fund, the principal and interest received was receipted and banked into the Councils operating bank account.

Such finding indicates clear non-compliance to the provisions of Local Government Act 1969.

Recommendation

The Council should ensure to comply with the requirements of the Local Government Act 1969 and ensure to obtain the Minister's approval before Municipal Funds are invested.

¹ Local Government Act, Cap 125, Section 43

Agreed Management Action

Council has started to obtain Minister's approval in 2020. Also Council will ensure that the interest earned is correctly recorded in the Financial Statements.

2. Transfer Between Bank Accounts

If the balance in any of the separate accounts referred to in paragraph (b) of section 47 is at any time insufficient to meet the lawful charges thereon, the Council may, subject to the approval of the Minister, transfer such sums as are necessary from the general account to meet such charges and may at any time repay such advances out of any excess in the receipts over the liabilities of any such account, but no transfer shall be made from any one to any other separate account.²

The Council may, with the approval of the Minister, from time-to-time transfer to the general account any cash surplus remaining to the credit of any separate account which the council is obligated or authorised by law to keep...³

The audit noted that the Council transferred funds between bank accounts without obtaining Minister's approval as required by the Local Government Act 1972. Refer to Table 1 for details.

Table 1: Transfer Between Bank Accounts

Transfer From	Transfer To	Amount (\$)
1. General Account	Car Park Fund account	22,500
2. Grant Account	General Account	18,340
3. Grant Account	General Account	7,400
4. Grant Account	Market Grant Account	1,300,000

The anomalies indicate lack of awareness of the requirements of the Local Government Act 1972. As a result, Minister's approval was not obtained for transfers between bank accounts.

Recommendation

The Council should ensure to comply with the requirements of the Local Government Act and ensure to obtain the Minister's approval before any transfers are made between bank accounts.

Agreed Management Action

Noted and Council will ensure that we do not repeat this in the future and approval is obtained before transferring the funds.

3. Anomalies in Receivable Balance

Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accountants) in such a manner as may be directed by the Minister...⁴

² Local Government Act, Cap 125, Section 48

³ Local Government Act, Cap 125, Section 49

⁴ Local Government Act, Chapter 125, Section 47(2)

No supporting documents were provided to substantiate the receivable balance of \$26,565 reported in the financial statements. This balance has been carried forward from the 2015 period.

The anomalies indicated poor records management and lack of monitoring by Supervisors.

Recommendation

The Council should review and improve its accounting system and procedures, and records management, to ensure that all relevant supporting documents, reconciliations and records are properly maintained for proper audit trail.

Agreed Management Action

Noted and Council will ensure that we do not repeat this in the future and proper reconciliation are performed.

4. Anomalies Noted in Trade and Other Receivable Balance

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.⁵

Audit review of trade and other receivables revealed the following anomalies:

- The audit was not provided with detail listings and reconciliation to substantiate the enforcement and parking meter infringement balance of \$43,717 reported in the financial statements. The audit further noted that the Council did not obtain legal rights over the receipts of infringement fines.
- The audit was not provided with the detail listings / subsidiary accounts, and reconciliations to substantiate miscellaneous debtors of \$80,682.
- A variance of \$136,020 was noted between the rent debtors listing provided by the Council and the amount reported in the financial statements. Refer to Table 2 for details.

Table 2: Variances in Rent Debtors Between Financial Statements and Subsidiary Listings

Particulars	Financial Statements (\$)	Subsidiary Listing (\$)	Variance (\$)
Rent Debtors	240,685	104,665	136,020

- The audit could not trace discount allowed for rate payers for the financial year 2017 totalling \$89,580.31 to the financial statements due to lack of audit trail.

The finding indicates that the Council does not have a system, documented policies, and standard operating procedures in place for its key operating areas, including accounting of receivables, record maintenance, oversight, and monitoring functions.

⁵ The Manual of Accounts for Municipal Councils in Fiji, Appendix 3, No.10, paragraph 2

Recommendations**The Council should:**

- **Develop and implement a system, and detailed documented policies, and standard operating procedures for its key operating areas including accounting of revenue, record maintenance, oversight and monitoring functions.**
- **Develop a formal review, monitoring, and oversight process / system for Special Administrators, Chief Executive Officers, and senior officers.**
- **Strengthened its internal control functions and rectify the variance.**

Agreed Management Action

The Miscellaneous and Parking meter infringement income has been carried forward from 2010 till to date and Council did not have any supporting documents or records to support this amount. Committee paper will be prepared and once approved by the Council the same will be forwarded to the ministry for write off.

5. Discrepancies in Value Added Tax (VAT)

For good internal control over the recording of VAT it is essential that amounts as per the financial statements are reconciled to the Statement of VAT account.

Audit review of the VAT account revealed variance of \$152,661 between the VAT receivable balance recorded in the financial statements and the Statement of VAT Account.

The anomalies indicates that the Council did not take appropriate action to reconcile VAT account general ledger with the Statement of VAT Account maintained by Fiji Revenue and Customs Services (FRCS).

Recommendation

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

Agreed Management Action

The Council has written to Fiji Revenue & Custom Services to provide the amount that is still withheld. Once confirmation is received then Council will reconcile with FRCS records to determine the correct amount.

6. Unsubstantiated Sewerage Services 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 Accountants) in such manner as may be directed by the Minister.⁶

Audit was not provided with the relevant supporting documents to substantiate the Sewerage Services

⁶ Local Government Act, Section 47(2)

Fund account balance of \$59,700 included in the statement of changes in accumulated funds.

The anomalies indicate poor records management and lack of monitoring by Supervisors.

Recommendation

The Council should immediately investigate, reconcile, and establish the accuracy of the Sewerage Service Fund Account.

Agreed Management Action

Sewerage Fund Account amounting to \$59,700 was carried forwards from year 2008 and now the Council could not locate documents or listing to support the amount.

Sigatoka Town Council – Financial Year 2020**1. Misappropriation of Funds**

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 moneys received and safe custody of the cash.⁷

It was noted that a total amount of \$20,427 was not accounted for in the books of accounts and financial statements due to fraud committed through collusion. However, the total misstatement amount through fraud cannot be confirmed as receipts was not recorded in the books of accounts of the Council.

The Council has reported this matter to Police for further investigation.

The above finding indicates a total failure of internal control for cash management and lack of supervisory check. As a result, there are material misstatements in the financial records of the Council due to the fraud.

Recommendations

- The Council should consider working with the supplier of the MYOB software to install controls / restrictions in the MYOB software.
- Oversight and monitoring process should be improved.
- The Council should undertake critical review of its systems, policies, and procedures relating to revenue with a view to enhance and improve the internal controls, systems and processes.

Agreed Management Action

The Council take in consideration of the recommendation from OAG.

2. Variances in Account Areas

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.⁸

Audit review of the individual account listing balance against the balances reported in the financial statements noted variances. The Council was unable to provide explanation or appropriate documents to substantiate the variances. Refer to Table 3 for details.

Table3: Details of Variances Between the Listing and Financial Statements

Accounts Area	Amount as per Rates Listing (\$)	Amount as per Financial Statements (\$)	Variance (\$)
Rates Receivable	132,473	112,261	20,212

⁷ Manual of Accounts for Municipal Councils in Fiji, Chapter 7.1, paragraph 1

⁸ The Manual of Accounts for Municipal Councils in Fiji, Appendix 3, No.10, paragraph 2

Accounts Area	Amount as per Rates Listing (\$)	Amount as per Financial Statements (\$)	Variance (\$)
Creditors and Accruals	185,516	228,029	42,513

The anomalies indicates that the Council does not have sufficient internal controls or documented detailed policies and procedures in place to ensure that accurate accounting records are kept, transactions are accurately recorded, and proper and accurate books of accounts are maintained.

Recommendations

- The Council should have strengthened its internal controls processes and develop and implement systems, and policies and procedures to ensure that debtors are properly and accurately accounted for.
- The Council should ensure that reconciliations are performed between the subsidiary listing / records and the general ledger. Any variances arising should be investigated and rectified.

Agreed Management Action

The Council take in consideration of the recommendation from OAG.

3. Variances in Salaries and Wages

It is a good practice to reconcile the total salaries paid to the established staff during a pay period with a control record. When the salary sheet is prepared it should agree with the control record and if it does not, then the difference should be investigated.⁹

Audit review of the Assistant Building Inspector's salary and Resilience Officer's salary noted a variance of \$16,030 between salaries and wages amount recorded in the financial statements and the annual payroll summary provided by the Council.

The Council was unable to provide reconciliations, salary report and satisfactory explanations to substantiate the variance.

Recommendations

- The Council should prepare salary reconciliations between the pay report and general ledger / financial statements.
- The Council should undertake critical review of its systems, policies, and procedures of payroll management and accounting with a view to enhance and improve the internal controls, systems and processes.
- Oversight and monitoring processes should be improved.

Agreed Management Action

The Council take in consideration of the recommendation from OAG.

⁹ Manual of Accounts for Municipal Councils in Fiji, Chapter 10.8

4. Variances in Value Added Tax (VAT) Payable Account

For good internal control over the recording of VAT it is essential that amounts as per the financial statements are reconciled to the Statement of VAT account maintained by Fiji Revenue and Customs Services (FRCS).

The audit noted that the VAT reconciliations were incorrectly prepared by the Council as a variance of \$33,361 was noted between the VAT reconciliations prepared by the Council and the Statement of VAT account maintained by FRCS.

The anomalies indicated lack of oversight and that the Council did not take appropriate actions to investigate and resolve the variance. This increases risk of incorrect financial reporting of VAT balance.

Recommendations

The Manager Finance should take the lead role in investigating and resolving unexplained variances and improve the oversight functions.

Agreed Management Action

The Council take in consideration of the recommendation from OAG.

5. Anomalies in Sundry Deposits and Sundry Advances

Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accountants) in such a manner as may be directed by the Minister...”.¹⁰

Of the \$64,346 reported as sundry deposits in 2020 financial period, the audit was not able to substantiate 90% or \$57,820 as no detail listings of the depositors were provided for audit verification. In addition, the Council do not maintain current list of depositors.

The anomalies indicates that the accounting records were not properly maintained resulting in missing or misplaced records.

Recommendations

- **Proper records management should be established to ensure systematic storage that will allow easy identification and retrieval of documents and records.**
- **Concerted efforts should be made to resolve this long outstanding issue.**

Agreed Management Action

The Council take in consideration of the recommendation from OAG.

¹⁰ Local Government Act, Chapter 125, Section 47(2)

Rakiraki Town Council – Financial Year 2020-2021

1. Allowances Claimed by Special Administrator

The Special Administrators of Council are responsible for overseeing an effective governance, setting its strategic directions, ensuring high standard of professional and ethical conduct are maintained, monitoring the service delivery and financial performance including stakeholder management (ratepayers, citizens, investment groups, donor and government agencies), organizing and chairing community programs, establishing local and international relationship for the Council.

The audit noted that payments were made to the Chair of Special Administrators for allowances claimed for mileage and meal claims for daily travel across Suva and Nadi to the Rakiraki Council office.

However, there was no evidence and supporting documents provided to confirm whether the travel was done on a daily basis and for the business of the Council. In addition, no documents were provided to support the mileage, and meal claims and to confirm that the Special Administrator was eligible to claim for these allowances.

Furthermore, there was no evidence provided to confirm that the allowances claimed were approved by the Ministry.

The allowances paid during the financial period ended 31 July 2020 and financial year ended 31 July 2021 were as follows:

- A total of \$29,000 allowances was paid during the financial period January to July 2020 and of this \$12,457 was paid from the Market Grant Account.
- A total of \$12,772 was paid during the financial year from August 2020 to January 2021.

There was no clear guideline on the payment of allowances for Special Administrators.

Recommendations

- **The Council should ensure to seek clarifications and/or approval from the Ministry of Local Government on a guideline for the payment of allowances to the Special Administrators.**
- **Payment of allowances should be properly supported and justified.**

Agreed Management Action

This is investigated by the Ministry of Finance Special Investigation Team. The findings will be forwarded to Ministry of Local Government.

Levuka Town Council – Financial Year 2014-2015**1. Omitted Cash at Bank Account**

It is necessary to have the cash book balance reconciled with the balance shown in the bank's records. This should be done at least once a month. Any continuing items causing a difference between the two records should be investigated and resolved.¹¹

Audit review of the Bank Audit Certificate / confirmation revealed that the following bank accounts were not disclosed in the draft financial statements for the year ended 31 December 2015. Refer to Table 1 for details.

Table 1: Details of the Bank Accounts Not Accounted for in the Financial Statements

Bank Account	Amount (\$)
WBC Challenge Fund	30,898
WBC Japan Embassy Grant	244,000
WBC New Zealand Embassy Grant	9,119

In addition, monthly bank reconciliations were not prepared for these bank accounts including the reconciliation for the City Wide Project account for the month July to December 2015.

The anomalies indicated lack of accountability and monitoring by supervisors which resulted in non-compliance with the standard operating procedures (SOP) and Manual of Accounts for Municipal Councils in Fiji. In addition, employees are not held accountable for their performance which resulted in non-adherence to the Manual of Accounts and SOP.

As a result, the cash at bank balance is not fairly stated in the financial statements. In addition, there is an increased risk of fraudulent activities occurring without being detected.

Recommendations

- Supervision and proper monitoring of accounting responsibilities should be improved.
- Employees should be held accountable for the performance of their duties.
- The Council should ensure that all cash accounts and transactions are recorded in the books of accounts and financial statements.
- The Council should ensure that monthly bank reconciliations are carried out and reviewed for all bank accounts.

Agreed Management Action

The Council admits that although the proper procedures & processes (SOP) were put in place and training conducted by the Accounting Advisor from January-June 2014, staff responsible failed to adhere to the procedures implemented. Council confirms that with effect from January 2021, these procedures and processes are being strictly adhere to.

¹¹ Manual of Accounts for Municipal Councils in Fiji, Chapter 6.5

2. General Journal Adjustments Not Supported

Providing appropriate supporting materials for a financial transaction is an essential element of internal control. Proper documentation ensures that a transaction is reasonable and accurate. In addition, journal voucher system is an important internal control measure to record and report all accounting adjustments and transactions of non-cash in nature, and this must be adequately supported by supporting documents, and appropriately reviewed and approved.

Audit review of the draft financial statements and trial balance submitted for audit revealed various adjustments recorded in the trial balances.

Audit further review sample adjustments and noted the following anomalies:

- Lack of audit trail for the adjustments
- The Council did not provide any supporting documents to substantiate the adjustments

Refer to Table 2 for details.

Table 2: Examples of Unsupported Adjustments Recorded in the Trial Balance

Financial Year	Account Area/ Unidentified adjustments	Amount (\$)	Comments
2014	Accumulated funds and Unidentified adjustment	199,869.59	To tie Accumulated Funds to PY's closing
2014	Deferred income and Release of deferred income	56,499.32	To recognize release of deferred income.
2015	Accumulated funds and Unidentified adjustment	247,378.57	To tie Accumulated Funds to PY's closing

The anomalies indicated that the Council did not have a process and procedures in place to ensure that journal vouchers are raised for all journal entries or adjustments recorded in the general ledger / trial balance with supporting documents attached, reviewed, approved and authorised. As a result, there is increased risk of incorrect financial reporting and manipulation of accounting data.

Recommendation

The Council should establish and implement processes and procedures to ensure that journal entries or adjustments are fully supported by journal vouchers and supporting documents, and are reviewed, and properly approved.

Agreed Management Action

Proper reconciliations undertaken to properly account for anomalies raised and with proper process and procedures of recording transactions.

Lami Town Council – Financial Year 2015**1. Insufficient Cash to refund depositors**

The Council has recorded \$55,718 as sundry deposits in its financial statements as at 31 December 2015.

The Council has not maintained a Trust Account separately record these deposits amounting to \$55,718. The Council should hold in trust cash received from depositors until it is permitted to use it. This will ensure that there is always sufficient cash to refund to the depositors in an event of withdrawal.

The audit noted that the Council bank accounts was in overdraft by (\$60,079) which is insufficient to refund the depositors. The Council cannot identify initial deposits made, customer details and related accounts for refunds. The deposits balance was static from 2013 financial year.

This indicates that the Council has not taken prudent approach to safeguard the deposits.

The Council could face difficulty in refunding the deposits to depositors as and when it will fall due.

Recommendations

- **The Council should be prudent to ensure that there is adequate cash at all time to refund to the depositors.**
- **The Council should consider opening a separate bank account for deposit.**

Agreed Management Action

Council has noted your recommendation and will action accordingly.

Nausori Town Council – Financial Year 2015

1. Anomalies in Cash and Cash Equivalent

Every Council shall keep proper accounts and records which shall be kept (in accordance with the accounting standards approved by the Fiji Institute of Accountants) in such a manner as may be directed by the Minister...”.¹²

Audit review of Council’s Cash and Cash Equivalent revealed the following anomalies:

- Bank overdraft of \$369,480 was net-off against the debit balances of cash and cash equivalent. Likewise, the same bank overdraft of \$369,480 was reflected under current interest-bearing borrowing. As a result, the cash and cash equivalent balance is incorrectly stated in the Financial Statement.
- Petty cash certificate that had details of the cash count on balance date was not maintained by the council. Hence, audit could not substantiate the accuracy of petty cash balance at year end.
- The Council does not maintain a register for the cancelled and stale cheques throughout the year. Likewise, for financial year 2015 the cheque books were not provided for verification due to being wet and could not be located. Hence, audit could not substantiate the existence and accuracy of cancelled cheques posted in the general ledger.

The findings are mainly attributed to the lack of awareness of the accounting treatments of cash and cash equivalent.

Recommendations

The Council should:

- **Review the current accounting of bank overdraft in the financial statements.**
- **Record bank overdraft as a liability in the statement of financial position.**
- **Maintain a register to record the cancelled and stale cheques.**
- **Strengthen the oversight function to ensure that accounting records are prepared and well maintained**

Agreed Management Action

The Council duly notes the concern raised.

The Council has been recording bank overdraft of in cash balances and in Interest Bearing borrowings from year 2013 after Council’s financial were prepared according with IFRS for SME. To correct the above issue, Council has been using a formulated template for preparation of Financial Statements which has been set by previous accounting firms (outsourced).

The formulated template has been used by Council from past years and the designed template includes bank overdraft in the interest-bearing borrowing.

The Council agrees to the recommendation proposed through Office of the Auditor General.

Note, the Council is finding it challenging to validate the opening balances due to missing information and documentation.

¹² Local Government Act, Chapter 125, Section 47(2)

5.0 Audit Conclusion and Recommendations

5.1 Audit Conclusion

Modified audit opinions were issued on all the 13 financial statements audited which reflected negatively on the Municipal Councils. Urgent and close attention should be given to address matters which have been highlighted in the Auditors' Reports including the significant matters raised in Management Letters.

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

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

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

5.2 Recommendations

1. Ministry of Local Government, Special Administrators and Chief Executives of Municipal Councils, as a matter of priority, should urgently address all the issues that give rise to modified audit opinions, internal control deficiencies and other significant issues discussed and identified in Sections 3 & 4 and [Appendix A](#) of this report.
2. Improving the quality and timeliness of financial statements should be given the utmost priority. The quality of financial reporting can be improved by employing suitably qualified accountants in the Municipal Councils that are capable of preparing and presenting draft financial statements on time and in accordance with the requirements of the applicable financial reporting framework.
3. Ministry of Local Government and the Special Administrators should consider the establishment of a robust and capable audit, risk and improvement committee to specifically look at the quality and timeliness of financial reporting by the Municipal Councils and formulate action plans to resolve governance and internal control deficiencies and significant audit findings reported by the Auditor-General.
4. Ministry of Local Government and Special Administrators should consider employing a pool of qualified accountants who could assist small to medium Municipal Councils perform the accounting function better.
5. Formulation of strategic plans and annual business plans including risk management framework and plans for the Municipal Councils should be given due consideration. Regulations and policies and procedures to support effective governance and internal controls should be regularly reviewed and kept up to date or established for those that do not exist.

6. The Ministry of Local Government and the Management of the Municipal Councils need to ensure that plans, policies, standards and guidelines are available to all staff and that staff are aware of them.

These should provide direction for the day-to-day operations of the Municipal Councils, promote consistency across the 13 Municipal Councils, clarify accountability and support compliance with laws and regulations by staff and management of the Councils.

7. Maintaining accurate and complete fixed assets records is important to ensure effective management of property, plant and equipment and accurate financial reporting. In addition, there should be a clear plan on asset valuations to ensure that the process is appropriately managed and documented.
8. The Municipal Councils should maintain accurate and updated records and information.
9. The monitoring role of the Ministry of Local Government on the operations of the Municipal Councils should be strengthened to improve financial accountability.

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

6.0 Appendices

Appendix A: Qualification Issues

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

Municipal Council	Qualification Issues
Nadi	Modified - Disclaimer of Opinion
Financial Year - 2017	<ol style="list-style-type: none"> 1. The Council recorded other receivables, deposits and prepayments totalling \$1,045,816 in the Statement of Financial Position as at 31 December 2017. Included in this balance are miscellaneous debtors of \$80,682, receivable from Korociri Settlement Evacuation Centre project of \$26,565, and enforcement and parking meter infringement fines of \$43,717. The Council was unable to provide debtors listings, subsidiary ledgers and reconciliations to support the above balances. Furthermore, the Council has not provided evidence of impairment assessment carried out on its receivable balance. As a result, audit was unable to ascertain whether other receivables, deposits, and prepayments balance of \$1,045,816 is fairly stated in the financial statements. 2. The Council recorded trade receivable balance of \$1,750,668 in the Statement of Financial Position as at 31 December 2017. The Council has not provided evidence of impairment assessment carried out on its trade receivable balance. As a result, audit was unable to ascertain whether the trade receivable balance of \$1,750,668 is fairly stated in the financial statements. 3. Included in trade receivables balance is rent receivable of \$240,685. A variance of \$136,020 existed between the rent debtors listing provided by the Council and rent receivable amount of \$240,685 reported in the financial statements. The Council was unable to provide relevant details and reconciliations to substantiate the variance. As a result, audit was unable to ascertain whether the rent receivables balance of \$240,685 is fairly stated in the financial statements. 4. Included in receivables, deposits and prepayments is Value Added Tax (VAT) receivable of \$223,220. A variance of \$127,453 existed between the VAT reconciliation provided by the Council and VAT receivable balance recorded in the financial statements. As a result, audit was unable to ascertain whether the VAT receivable balance of \$223,200 is fairly stated in the financial statements. 5. Included in trade and other payables balance is trade payables of \$228,503. An unreconciled variance of \$28,626 existed between the trade creditors listings provided by the Council and the amount reflected in the financial statements. In addition, the balance of \$228,503 include 2016 payables of \$75,759 that was paid during the financial year 2017. As a result, audit was unable to ascertain whether the trade payables balance of \$228,503 is fairly stated in the financial statements.

Municipal Council	Qualification Issues
Nadi – Financial Year 2017 (cont'd)	<p>6. The Council was unable to provide detailed listings, and contract agreements to support the sundry deposits balance of \$728,849 out of the total balance of \$1,096,174 reported in the financial statements. As a result, audit was unable to verify the completeness and accuracy of the balance and 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.</p> <p>7. The Council did not comply with the requirements of <i>IFRS for SMEs Section 24 – Government Grants</i> by not recognizing government grant totalling \$250,306 in income when performance conditions are met. In addition, the accounting policy on deferred income as disclosed in the financial statements is not in accordance with section 24 of the IFRS for SMEs. Furthermore, the Council has not disclosed the unfulfilled conditions of government grants received during the year. As a result, audit 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 income and expenditure and statement of financial position.</p> <p>8. The Council did not comply with the requirements of <i>IFRS for SME's Paragraph 10 - Accounting Policies, Estimates and Errors</i> by not restating opening balances of assets and equity or restate the comparative figures of revenue to account for prior years' errors relating to the amortization of Government grant of the clean-up campaign of \$18,348, refurbishment of Nadi market of \$437,428, Korociri Evacuation Centre of \$100,000, and Nadi bus stand rest room of \$40,000. The amount relating to prior years has been booked as revenue in current financial year. As a result, total revenue balance of \$5,083,412 is overstated by \$595,776.</p> <p>9. There was an unreconciled variance of \$407,998 between the rates income listings and the rates amount of \$1,424,172 reflected in the financial statements. In addition, there was an unreconciled variance of \$145,616 between the interest on overdue rates income listings and the amount of \$38,747 reflected in the financial statements. The Council was unable to provide appropriate details and reconciliations to substantiate the variance. As a result, audit was unable to ascertain whether the general rates of \$902,818, loan rate of \$521,354, and interest on overdue rates income of \$38,747 is fairly stated in the financial statements.</p> <p>10. There was an unreconciled variance of \$70,587 between the business license income listings and the amount of \$639,288 reflected in the financial statements. The Council was unable to provide appropriate details and reconciliations to substantiate the variance. As a result, audit was unable to ascertain whether the business and trading license income of \$639,288 is fairly stated in the financial statements.</p>

Municipal Council	Qualification Issues
Nadi – Financial Year 2017 (cont'd)	<p>11. The Council was unable to provide market fees receipt books, ticket books for public convenience, ticket books for car park fees, and invoices issued for bus stand charges. The Council indicated that the market fees receipts were discarded. Due to the nature of transactions of the market fees, public convenience, and car park fees, it is not practicable for my examination to include audit procedures to extend beyond the amounts recorded in the official receipts of the Council. Accordingly, audit was unable to ascertain whether the market fee income of \$389,050, public convenience income of \$70,158, public car park fees income of \$114,615, and bus stand charges of \$57,500 is fairly stated in the financial statements.</p> <p>12. The Council was unable to provide reconciliations to support the sewerage service fund balance of \$59,700 included in the retained earnings balance of \$18,518,206 as reported in the statement of changes accumulated funds for the year ended 31 December 2017. As a result, audit was unable to verify the existence of this balance in the statement of changes in accumulated fund.</p> <p>13. The Council was unable to provide salaries and wages reconciliations to support the salaries and employee benefits of \$1,951,109 recorded in the Statement of Comprehensive Income. In addition, an unreconciled variance of \$30,319 exists between the salaries and employee benefits recorded in the financial statements and independent reconciliations performed during the audit from the annual pay report of the Council. As result, audit was unable to ascertain whether the salaries and employee benefits of \$1,951,109 is fairly stated in the financial statements.</p> <p>14. The Council was unable to provide payment vouchers, and/or invoices and/or suppliers' receipts to support payments totalling \$283,052 included in the total other operating expenses of \$2,061,653 recorded in Statement of Comprehensive Income. As a result, audit was unable to ascertain whether the expense totalling \$283,082 is fairly stated in the financial statements.</p> <p>15. The Council did not account for discount allowed on rates for the financial year ended 31 December 2017. Furthermore, relevant details and records for discount allowed was not provided by Council. As a result, audit was unable to determine whether any adjustments 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.</p> <p>16. The Council incurred parking meter operating expenses relating to electricity, salaries and wages, FNPF employer contribution, uniform and protective clothing, vehicle fuel, vehicle repairs and maintenance, and water charges totalling \$154,904 from the General Fund bank account instead of Parking Meter Fund. As a result, the net surplus of the Parking Meter account is overstated by \$154,904, and the General Fund Account is understated by \$154,904 in the financial statements.</p>

Municipal Council	Qualification Issues
Nadi – Financial Year 2017 (cont'd)	<p>17. Generally, internal control function of the Council was found to be weak. Poor cash and revenue management, poor payroll management and employee records, purchase and payment processes were not complied with.</p> <p>Without further qualifying the account, attention was drawn on the following matters:</p> <ol style="list-style-type: none"> 1. Total Cash at Bank balance of \$451,307 (excluding cash not available for use except for certain purposes of \$1,203,464) is not sufficient to cover the total sundry deposits of \$1,096,174 held by the Council as shown in financial statements, should depositors require a refund. 2. Note 2.1 to the financial statements recorded special loan rates of \$651,264 as the Council charged \$0.04 in the dollar as stipulated in the Local Government Act. The Council used \$310,968 for loan repayment and the balance of fund of \$340,296 to meet the operational cost instead of the purpose for which it was levied, which is not in accordance with the requirements of the Local Government Act.
Sigatoka	Modified (Qualified) opinion
Financial Year - 2020	<ol style="list-style-type: none"> 1. The Council recorded sundry deposits of \$64,346 in the statement of financial position as at 31 July 2020. The Council was unable to provide detail listings and relevant supporting documents to support the sundry deposit of \$57,820 out of the total balance of \$64,346. As a result, audit was unable to ascertain whether the sundry deposits balance is fairly stated in the financial statements 2. There was an unreconciled variance of \$42,514 between the creditors and other accruals amount reflected in the financial statements and detail subsidiary listings provided by the Council. The Council was unable to provide appropriate documents to substantiate the variance. As a result, audit was unable to ascertain whether the creditors and other accruals balance of \$228,029 is fairly stated in the financial statements. 3. There was an unreconciled variance of \$33,361 between the Value Added Tax (VAT) payable amount reflected in the financial statements and the Statement of VAT account. The Council was unable to provide details and reconciliations to substantiate the variance. As a result, audit was unable to ascertain whether the VAT payable balance of \$33,007 is fairly stated in the financial statements. 4. The Council adjusted income received in advance totalling \$54,919 in the financial statements. The Council was unable to provide relevant supporting documents to substantiate the adjustments passed in the financial statements. As a result, audit was unable to ascertain whether the income received in advance balance of \$136,360 is fairly stated in the financial statements.

Municipal Council	Qualification Issues
Sigatoka – Financial Year 2020 (cont'd)	<p>Without further qualifying the account, attention was drawn on the following matters:</p> <ol style="list-style-type: none"> Note 5 to the financial statements recorded capital fund cash at bank balance of \$611 which was insufficient for loan repayment of \$500,000. The Council had used the fund for general operations of the Council instead of loan repayment as approved by the Ministry in 2013. Note 20(b) to the financial statements notes that the Council reported a fraud case resulting in financial loss estimated at \$20,427 cash received from the Council's various revenue streams. This loss has not been accounted for in the financial statements as the receipts was not recorded. The matter is currently under investigation.
Tavua	Modified (Qualified) opinion
Financial Year - 2016	<ol style="list-style-type: none"> The Council recorded trade and other receivables balance of \$45,715 in the Statement of Financial Position as at 31 December 2016. Included in the amount are trade receivables of \$30,765, enforcement and parking meter infringement of \$3,500, and other debtors of \$11,450. The Council was unable to provide debtors listings, subsidiary ledgers and reconciliations to support the enforcement and parking meter infringement of \$3,500, and other debtors of \$11,450. In addition, an unreconciled variance of \$6,516 exists between trade receivables listing provided by the Council and amount reflected in the financial statements. Furthermore, the Council has not provided evidence of impairment assessment carried out on its receivable balance. Consequently, audit was unable to ascertain if the trade and other receivables balance of \$45,715 is fairly stated in the financial statements. The Council was unable to provide the Value Added Tax (VAT) reconciliations to support the VAT payable balance of \$63,039 reported in the financial statements. Consequently, audit was unable to ascertain the completeness and accuracy of the VAT payable balance of \$63,039 recorded in the financial statements. The Council was unable to provide the annual pay reports and salaries and wages reconciliations to support the salaries and wages of \$163,611 reported in the financial statements. Consequently, audit was unable to ascertain the completeness and accuracy of the salaries and wages amounts totalling \$163,611 recorded in the financial statements.
Rakiraki:	Modified (Qualified) opinion
Financial Year - 2020	<p>There was an unreconciled variance of \$72,716 between the Value Added Tax (VAT) receivable reconciliation provided by the Council and the VAT receivable amount of \$83,946 reflected in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, audit was unable to ascertain the accuracy of the VAT receivable of \$83,946 recorded in the financial statements.</p>

Municipal Council	Qualification Issues
Rakiraki	Modified (Qualified) opinion
Financial Year - 2021	<ol style="list-style-type: none"> 1. Included in the Trade and Other Receivables balance of \$104,768 is town rates receivable amounting to \$91,801, of which \$68,678 or 75% of total rates are over 90 days old. The Council has not made provision for impairment of rates receivable. Consequently, audit was unable to ascertain if the rates receivable balance of \$91,801 is fairly stated as at 31 July 2021. 2. Included in the office building and equipment balance of \$6,452,263 is the cost of the new Rakiraki Municipal Market totalling \$6,100,818. The market has been operating since June 2020. The Council has not booked depreciation for the new market as the rate for depreciation is yet to be determined. As a result, audit was unable to determine whether any adjustments might have been necessary in respect of the written down value of the new Rakiraki Municipal Market at the end of the financial year and any corresponding adjustments to the elements making up the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position.
Levuka:	Modified - Disclaimer of Opinion
2014	<ol style="list-style-type: none"> 1. The Council did not comply with the requirements of <i>IFRS for SME's Section 28 – Employee Benefits</i> by not recognizing employees' annual leave due as at 31 December 2014. In addition, the Council did not account for trade payables and accruals in the financial statements for the year ended 31 December 2014 in accordance with the requirements of Section 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 <i>IFRS for SME's Paragraph 8 – Notes to the Financial Statements</i> and related party transactions as required by <i>Paragraph 33 – Related Party Disclosures</i>. 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. 2. The Council was unable to provide rates receivable listings, subsidiary records and reconciliations to support the rates receivable balance of \$95,319 recorded in the statement of financial position as at 31 December 2014. Consequently, audit was unable to ascertain the completeness and accuracy of the receivables balance of \$95,319 recorded in the financial statements. 3. The Council recorded loan balance of \$4,975 in the statement of financial position as at 31 December 2014. The Council was unable to provide the details of the loan and loan reconciliations, which was necessary to confirm the existence and completeness of the balance. As a result, audit was unable to ascertain the accuracy of loan balance of \$4,975 recorded in the financial statements. 4. The Council was unable to provide relevant supporting documents to substantiate the amortization of deferred grant of \$164,357 as disclosed in Note 5 to the Financial Statements. In addition, the Council has not

Municipal Council	Qualification Issues
Levuka – Financial year 2014 (cont'd)	<p>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 in the Financial Statements are not in accordance with section 24 of the IFRS for SMEs. Consequently, audit was unable to ascertain the accuracy of the deferred income balance of \$501,529 recorded in the financial statements.</p> <ol style="list-style-type: none"> 5. The Council was unable to provide rates listings to substantiate rates income of \$123,091 as reported in the financial statements. In addition, the Council was unable to provide market fees and park fees collection register to substantiate market fees of \$3,482 and park fees of \$1,472 respectively included in the fees and licenses income of \$74,226 as reported in the financial statements. Consequently, audit was unable to ascertain the accuracy of the total revenue of \$558,118 recorded in the financial statements. 6. The Council did not account for discount allowed on rates for the financial year ended 31 December 2014. Furthermore, relevant details and records for discount allowed was not provided by the Council. As result, audit was unable to determine whether any adjustments 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. 7. Internal control functions of the Council were generally found to be weak. This is in respect of the non-preparation of monthly bank reconciliations and no separation of duties in receipting and banking. Furthermore, updating of accounting records were not practiced, poor management of personnel files, reconciliations not prepared and incorrect classification of transactions in the books of accounts. In addition, there were poor revenue management, payment and procurement processes were not properly followed and journal voucher system was not maintained. For property, plant and equipment, there were incorrect classification in two different classes of assets, annual board of survey was not conducted, and assets were not tagged.
Levuka:	Modified - Disclaimer of Opinion
Financial Year 2015	<ol style="list-style-type: none"> 1. The Council have not recorded any trade payables and accruals and employees annual leave expense and liability in accordance with Section 2.36 and Section 28 – <i>Employee Benefits</i> of IFRS for SMEs respectively. 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 <i>IFRS for SME's Section 8 – Notes to the Financial Statements</i> and related party transactions as required by <i>Section 33 – Related Party Disclosures</i>. 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.

Municipal Council	Qualification Issues
Levuka – Financial Year 2015 (cont'd)	<ol style="list-style-type: none"> <li data-bbox="501 210 1436 459">2. The Council did not record the Challenge Fund account of \$30,898 in the Statement of Financial Position. In addition, the Council was unable to provide audit with the audit trail to confirm that all transactions that occurred in this bank account were recorded in the general ledger and financial statements. As a result, audit was unable to ascertain the accuracy of the cash at bank balance recorded in the statement of Financial Position as at 31 December 2015. <li data-bbox="501 488 1436 701">3. The Council was unable to provide the rates receivables listings, subsidiary records, and reconciliations to support the rates receivable balance of \$101,882 recorded in the Statement of Financial Position. Consequently, audit was unable to ascertain the completeness and accuracy of the receivables balance of \$101,882 recorded in the financial statements. <li data-bbox="501 730 1436 943">4. The Council recorded loan balance of \$4,975 in the statement of financial position as at 31 December 2015. The Council was unable to provide the details and reconciliation of this loan balance, which was necessary to confirm the existence and completeness of the balance. As a result, audit was unable to ascertain the accuracy of loan balance of \$4,975 recorded in the financial statements as at 31 December 2015. <li data-bbox="501 972 1436 1296">5. The Council was unable to provide relevant supporting documents to substantiate the disclosure of amortization of deferred grant of \$255,031 as disclosed in 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. Consequently, audit was unable to ascertain the accuracy of the deferred income balance of \$459,168 recorded in the financial statements as at 31 December 2015. <li data-bbox="501 1326 1436 1503">6. The Council was unable to provide rates listings and reconciliations to substantiate rates income of \$141,031 as reported in the financial statements. Consequently, audit was not able to ascertain the accuracy of the rates income of \$141,031 recorded in the financial statements as at 31 December 2015. <li data-bbox="501 1532 1436 1856">7. The Council was unable to provide supporting documents which includes payment vouchers, invoices/receipts to support transactions totalling \$14,058 recorded in other operating expenses of \$406,270 in the Statement of Profit or Loss and Other Comprehensive Income. In addition, the operating expenses include transactions totalling \$89,286 which relates to 2014 which were incorrectly expensed in the financial year 2015. Furthermore, expenses are recorded at VAT inclusive amount in the financial statements. As a result, the total operating expenses of \$406,270 is not fairly stated in the financial statements. <li data-bbox="501 1886 1436 2022">8. There was an unreconciled variance of \$28,855 in salaries and wages between the general ledger and the pay register report. The Council was unable to provide details and reconciliations to substantiate the variance. As a result, audit was unable to ascertain whether the salaries

Municipal Council	Qualification Issues
Levuka – Financial Year 2015 (cont'd)	<p>and wages balance of \$207,695 is fairly stated in the financial statements.</p> <p>9. The Council did not account for discount allowed on rates for the financial year ended 31 December 2015. Furthermore, relevant details and records for discount allowed was not provided by the Council. As a result, audit was unable to determine whether any adjustments 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.</p> <p>10. Internal control functions of the Council were generally found to be weak. This is in respect of the non-preparation of monthly bank reconciliations and no separation of duties in receipting and banking. Furthermore, updating of accounting records were not practiced, poor management of personnel files, reconciliations not prepared and incorrect classification of transactions in the books of accounts. In addition, there were poor revenue management, payment and procurement processes were not properly followed and journal voucher system was not maintained. For property, plant and equipment, there were incorrect classification in the different classes of assets, annual board of survey was not conducted, and assets were not tagged.</p>
Labasa	Modified (Qualified) Audit Opinion
Financial Year - 2018	<p>Included in Trade Receivables balance of \$1,838,495 is rates receivable amounting to \$1,819,755 of which \$1,188,048 or 65% of total rates are over 90 days old. The Council has not made provision for impairment of rates receivables. Consequently, audit was unable to ascertain if the rates receivables balance of \$1,819,755 is fairly stated as at 31 December 2018.</p>
Lami	Modified (Disclaimer of Opinion) Audit Opinion
Financial Year - 2015	<p>1. Included in cash and cash equivalent balance is parking meter account amounting to \$43,862. There exists an un-reconciled variance of \$13,700 between the parking meter cash at bank reconciliation and the amount disclosed in the financial statements. The Council was unable to provide documentary evidence to substantiate the variance. As a result, audit was unable to ascertain the accuracy of the parking meter cash at bank amount of \$43,862 disclosed in the financial statements as at 31 December 2015.</p> <p>2. Included in cash and cash equivalent is Bank Overdraft account amounting to \$38,036. The Council has used the bank deposits instead of receipts in preparation of bank reconciliation. As a result, audit was unable to obtain assurance whether all receipts have been banked and completely recorded in the general ledger. Consequently, audit was unable to ascertain the accuracy of bank overdraft balance of \$38,036 disclosed in the financial statements as at 31 December 2015.</p>

Municipal Council	Qualification Issues
Lami Financial Year-2015 (cont'd)	<ol style="list-style-type: none"> <li data-bbox="501 208 1442 577">3. The Council has recorded rates debtors amounting to \$1,368,152 in the financial statements. Audit note that the Council has calculated the allowance for doubtful debts at 10% of the gross rates receivable. No documentations were made available to substantiate the calculation of management's estimate of 10%. Consequently, audit was unable to ascertain if the management's estimate of 10% is adequate for assessing the impairment of rates debtors and 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. <li data-bbox="501 600 1442 969">4. The Council recorded general rates of \$972,120 in the financial statements as at 31 December 2015. An unreconciled variance of \$107,429 exists between the rates listing generated from the WINBIZ Rates System and the balance reported in the financial statements. The Council was unable to provide details and reconciliations to substantiate the variance. In addition, the Council recorded recovery of rates arrears as rates revenue for financial year 2015 instead of crediting rates receivable balance. As a result, audit was unable to ascertain whether the general rates balance of \$972,120 is fairly stated in the financial statements. <li data-bbox="501 992 1442 1182">5. The Council was unable to provide detailed listing and relevant supporting documents to support the sundry deposit of \$55,718 as disclosed in the financial statements. Consequently, audit was unable to ascertain the accuracy of the sundry deposits balance of \$55,718 reported in the financial statements as at 31 December 2015. <li data-bbox="501 1205 1442 1641">6. Internal control functions of the Council were generally found to be weak. This is in respect of the non - preparation of monthly bank reconciliation statement, the assurance of separation of duties in receipting and banking. Furthermore, updating of accounting records were not practiced, poor management of personnel files, reconciliation statements not prepared and incorrect classification of transactions in the book of accounts. In addition, there were poor revenue management, payment and procurement processes were not properly followed and journal voucher system was not maintained. For Property, Plant and Equipment, there were incorrect classification of assets, annual board of survey was not conducted, and assets were not tagged.

Municipal Council	Qualification Issues
Nausori	Modified - Disclaimer of Opinion
Financial Year - 2015	<ol style="list-style-type: none"> <li data-bbox="501 244 1441 963">1. The Council has recorded bank overdraft of \$369,480 in cash balances and in Interest Bearing Borrowings which is a double accounting of bank overdraft. 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 \$311,093. Additionally, had this double accounting of bank overdraft not been made, the statement of financial position would be unbalanced by \$369,480. The Council was unable to provide relevant details to substantiate the balance of \$369,480 recorded as part of cash at bank balance. Furthermore, the Council recorded project fund cash at bank of \$199,521 and parking meter fund cash at bank of \$27,797. Monthly bank reconciliation for project and parking meter fund accounts were not prepared. Additionally, the register for the cancelled and stale cheques throughout the year were not maintained and the Cheque books for the financial year were not provided for my verification. As a result, audit was unable to determine whether any adjustments might have been necessary in respect of the Council's bank overdraft balance in the current year or comparative years, and the elements making up the Statement of Comprehensive Income and Statement of Financial Position. <li data-bbox="501 996 1441 1422">2. 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 which were not disclosed separately as investment property in accordance with IFRS for SMEs. In addition, the Council has not amortized the leasehold land amounting to \$2,153,124. As a result, audit 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. <li data-bbox="501 1456 1441 1668">3. Included in the deferred income is government grant of \$208,150 which relates to road systems. The road systems which included roads, streetlights, and footpaths have been transferred to the Fiji Roads Authority as per the Fiji Roads Act 2012. The Council has not made any adjustments to this deferred grant despite the transfer. Consequently, the deferred income is overstated by \$208,150. <li data-bbox="501 1702 1441 1960">4. The Council recorded trade and other payables balance of \$1,193,537 in the statement of financial position. Included in Trade and Other Payables is refundable deposit of \$169,771, payables relating to parking meter of \$48,929 and VAT payable of \$178,747. The Council was unable to provide relevant details to substantiate the balance. As a result, I am unable to ascertain whether trade and other payable balance of \$1,193,537 is fairly stated in the financial statements.

Municipal Council	Qualification Issues
Nausori – Financial Year 2015 (cont'd)	<p>5. The Council recorded trade receivable balance of \$2,385,187 in the Statement of Financial Position as at 31 December 2015. The Council has not provided evidence of impairment assessment carried out on its trade receivable balance. As a result, audit was unable to ascertain whether the trade receivable balance of \$2,385,187 is fairly stated in the financial statements.</p> <p>6. The Council recorded operating income totalling \$2,920,727 in the Statement of comprehensive income. Included in this balance are general rates totalling \$1,132,906 and fees, charges and rent amounting to \$1,332,409. The Council did not perform reconciliation of the rates revenue for the year ended 31 December 2015. In addition, general rates receipts books for the months of November and Decembers 2015 were not provided for audit verification.</p> <p>Furthermore, within the caption of fees, charges and rent, the Council has included market fees, public convenience fee, car park fees and bus stand charges. These fees and charges are recorded on cash basis with limited controls over the collection process. Due to the nature of transactions of the market fees, public convenience, bus stand charges, and car park fees, it is not practicable for audit examination to include audit procedures to extend beyond the amounts recorded in the official receipts of the Council. As a result, audit was unable to satisfy whether operating income totalling \$2,920,727 is fairly stated in the statement of comprehensive income.</p> <p>7. The Council did not account for discount allowed on rates for the financial year ended 31 December 2015. Furthermore, relevant details and records for discount allowed was not provided by the Council. As result, audit was unable to determine whether any adjustments might have been necessary in respect of the discount allowed on rates and any corresponding adjustments to the elements making up the statement of comprehensive income.</p> <p>8. The Council recorded total expenses of \$3,315,288 in the statement of comprehensive income for the year ended 31 December 2015. Included in this balance is expense amounting to \$220,429 that relates to additions to property, plant and equipment for financial years 2016 and 2017 and \$4,980 for additions relating to financial year 2014. FNU levy of \$5,239 and insurance expenses of \$28,658 for financial year 2016 were recorded in 2015. The Council has not made any adjustments regarding these misstatements.</p> <p>In addition, the Council was unable to provide payment vouchers, and/or invoices and/or suppliers' receipts to support payments totalling \$52,872. As a result, audit was unable to ascertain whether expenditure totalling \$3,315,288 is fairly stated in the financial statements.</p> <p>9. The Council recorded parking meter tolls totalling \$35,014 in the parking meter statement of receipts and expenditure. The parking meter tolls are recorded on cash basis with limited controls over the</p>

Municipal Council	Qualification Issues
Nausori – Financial Year 2015 (cont'd)	<p>collection process. Due to the nature of transactions of the parking meter tolls, it is not practicable for audit examination to include audit procedures to extend beyond the amounts recorded in the official receipts of the Council. As a result, audit was unable to satisfy myself whether parking meter tolls totalling \$35,014 is fairly stated in the statement of comprehensive income.</p> <ol style="list-style-type: none"> 10. The Council paid salaries, wages and FPNP employer contribution related to parking meter from the General Fund bank account instead of Parking Meter Fund. The Council was unable to provide the total salaries, wages and FPNP employer contribution paid from the general fund account which relates to the operations of parking meter. As a result, audit was unable to determine whether any adjustments might have been necessary in respect of the parking meter salaries, wages and FPNP employer contribution paid from general fund account, and any corresponding adjustments to the elements making up the statement of comprehensive income. 11. The Council did not comply with the requirements of IFRS for SMEs Paragraph 33 – Related Party Disclosures by not completely disclosing related party transactions in the financial statements for the year ended 31 December 2015. 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 Paragraph 33 – Related Party. 12. Generally, internal control function of the Council were found to be weak. Monthly reconciliations for salaries & wages, bank reconciliations and VAT were not prepared and reviewed, supporting documentations for expenses paid were not adequately maintained and, in some instances, missing, updating of accounting records were not practiced, journal voucher system was not maintained, annual board of survey not conducted, and assets were not tagged.
Savusavu Financial Year – 2011	<p>Modified (Qualified) Audit Opinion</p> <ol style="list-style-type: none"> 1. The Council recorded rates debtors of \$374,855 in the statement of financial position as at 31 December 2011. The Council was unable to provide rates listings, subsidiary ledgers and reconciliations to support the above balance. Furthermore, the Council has not provided evidence of impairment assessment carried out on its rates debtors. As a result, audit was unable to ascertain whether rates debtors' balance of \$374,855 is fairly stated in the financial statements. 2. The Council recorded deferred grant amounting to \$191,385 in the financial statements. The Council was unable to explain or provide relevant supporting documents to substantiate these balances. Accordingly, audit was unable to ascertain the accuracy of deferred grant amounting to \$191,385 recorded in the books of account as at 31 December 2011.

Municipal Council	Qualification Issues
Savusavu – Financial Year 2011 (cont'd)	<p>3. The Council did not disclose related party transactions as required by Section 33 of IFRS for SMEs– Related Party Disclosures. As a result, the financial statements of the Council are not complete and fairly disclosed in accordance with all the requirements of IFRS for SMEs.</p> <p>Without further qualifying the account, attention was drawn on the following matter:</p> <p>1. The Council does not hold sufficient cash to cover the total sundry deposits of \$449,186 held by the Council as shown in the financial statements, should depositors require a refund.</p>
Nasinu Financial Year - 2011	<p>Modified - Disclaimer of Opinion</p> <p>1. The Council recorded 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 \$29,263 between Council Revenue Management listing and bank deposits. Therefore, audit was unable to ascertain whether all cash receipts have been completely and accurately accounted for in the financial statements.</p> <p>2. Unreconciled variance of \$57,241 exist between the cash at bank balance and the cash flow statement balance. The Council was unable to provide appropriate documentations to support balances reported in the statement of cash flows. As a result, audit was unable to ascertain whether the statement of cash flows has been fairly reported in the financial statements.</p> <p>3. Included in Trade and Other Receivables are advances and deposits of \$68,100 and \$5,702 respectively. Audit was not provided with the supporting documents to substantiate these balances. Consequently, audit was unable to ascertain the accuracy of these balances reported in the financial statements.</p> <p>4. The Council has recorded rates debtors amounting to \$8,765,340. Audit noted that the Council has calculated the allowance for doubtful debts at 5% of the gross rates receivable. From the Council's disclosure in the financial statements, the audit noted that the rate payers owe 82% of the rates which are over 1-year-old. No documentations were made available to substantiate the calculation of management's estimate of 5%. Consequently, audit was unable to ascertain whether management's estimate of 5% is adequate for assessing the impairment of rates debtors and 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.</p>

Municipal Council	Qualification Issues
Nasinu – Financial Year 2011 (cont'd)	<ol style="list-style-type: none"> <li data-bbox="501 210 1433 383">5. The Council has not performed VAT reconciliation to support VAT receivable of \$18,597. Audit was unable to ascertain from alternative audit procedure the accuracy of the balance. Consequently, audit was unable to confirm the accuracy of the VAT receivable stated in the financial statements. <li data-bbox="501 421 1433 636">6. Included in the Property, Plant and Equipment balance of \$2,053,635 is Work in Progress (WIP) of \$431,660. Audit was not provided with the supporting documents to establish the existence of this balance as at 31 December 2011. In addition, audit noted that the council had disposed this WIP in 2012. Consequently, audit was unable to ascertain the accuracy of this balance as at 31 December 2011. <li data-bbox="501 674 1433 846">7. Included in Trade and other payables are Trade payables of \$39,934 and other payables of \$55,015. Audit was not provided with a detailed listing of these balances. Consequently, audit was unable to perform necessary audit procedures to ascertain the accuracy of these balances as reported in the financial statements. <li data-bbox="501 884 1433 1032">8. The Council has recorded \$361,775 as commercial lot deposits. The Council has not maintained separate bank account for these deposits. As at balance date, the Council had insufficient funds to meet the refunds of the customers should the need arise. <li data-bbox="501 1070 1433 1285">9. Included in total revenue of the Council is general rates amounting to \$1,957,698 and market rates of \$110,779. The Council was unable to provide appropriate records to support these balances. Consequently, this has limited audit scope to perform appropriate test procedures to ascertain the accuracy of the rates and market revenue reported in the financial statements. <li data-bbox="501 1323 1433 1420">10. Payment vouchers totaling \$137,159 was not provided to audit for verification. Consequently, audit was unable to confirm the accuracy of these payments and its disclosure in the financial statements. <li data-bbox="501 1458 1433 1637">11. The Council's WINBIZ Rate System has not generated separate reports from 2005. As a result, special loan rates and street light rates were not appropriately disclosed in their respective accounts but included with general rates income in the General Fund Account contrary to section 47(2)(b) of Local Government Act. <li data-bbox="501 1675 1433 1848">12. Generally, internal control function of the Council was found to be weak. Poor cash and revenue management, poor payroll management and employee records, purchase and payment processes were not complied with, and poor management and administration of leave records. <li data-bbox="501 1886 1433 2024">13. The Council did not provide solicitors confirmation at balance date. Consequently, audit was unable to determine whether any disclosures to the financial statements in respect of contingent liabilities were necessary.

Municipal Council	Qualification Issues
Nasinu	Modified - Disclaimer of Opinion
Financial Year - 2012	<ol style="list-style-type: none"> <li data-bbox="501 250 1442 533">1. The Council recorded 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 \$52,623 between Council Revenue Management listing and bank deposits. Therefore, audit was unable to ascertain whether all cash receipts have been completely and accurately accounted for in the financial statements. <li data-bbox="501 568 1442 779">2. Unreconciled variance of \$30,350 exist between the cash at bank balance and the cash flow statement balance. The Council was unable to provide appropriate documentations to support balances reported in the statement of cash flows. As a result, audit was unable to ascertain whether the statement of cash flows has been fairly reported in the financial statements. <li data-bbox="501 815 1442 990">3. Included in Trade and Other Receivables are advances and deposits of \$68,101 and \$5,702 respectively. Audit was not provided with the supporting documents to substantiate these balances. Consequently, audit was unable to ascertain the accuracy of these balances reported in the financial statements. <li data-bbox="501 1025 1442 1420">4. The Council has recorded rates debtors amounting to \$8,427,742, Audit noted that the Council has calculated the allowance for doubtful debts at 5% of the gross rates receivable. From the Council's disclosure, it was noted that the rate payers owe 82% of the rates which are over 1-year-old. No documentations were made available to substantiate the calculation of management's estimate of 5%. Consequently, audit was not able to ascertain the management's estimate of 5% is adequate for assessing the impairment of rates debtors and 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. <li data-bbox="501 1456 1442 1635">5. The Council has not performed VAT reconciliation to support VAT receivable of \$231,063. Audit was also unable to ascertain from alternative audit procedure on the accuracy of the balance. Consequently, audit was unable to confirm the accuracy of the VAT receivable stated in the financial statements. <li data-bbox="501 1671 1442 1850">6. Included in Trade and Other payables are Trade payables of \$39,934 and other payables of \$61,799. Audit was not provided with a detailed listing of these balances. Consequently, audit was unable to perform necessary audit procedures to ascertain the accuracy of these balances as reported in the financial statements. <li data-bbox="501 1886 1442 2024">7. The Council has recorded \$361,775 as commercial lot deposits. The Council has not maintained separate bank account for this deposits. As at balance date the Council has insufficient funds to meet the refunds of the customers should the need arise.

Municipal Council	Qualification Issues
Nasinu Financial Year – 2012 (cont'd)	<ol style="list-style-type: none"> <li data-bbox="501 210 1433 427">8. Included in total revenue of the Council is general rates amounting to \$2,473,990 and market rates of \$110,171. The Council was unable to provide appropriate records to support these balances. Consequently, this has limited audit scope to perform appropriate test procedures to ascertain the accuracy of the rates and market revenue reported in the financial statements. <li data-bbox="501 461 1433 600">9. The Council has disposed Work in Progress (WIP) of \$431,660 during the year. Audit was not provided with the supporting documents to verify the disposal of this balance. As a result, audit was unable to ascertain the accuracy of the disposal of this WIP. <li data-bbox="501 633 1433 817">10. The Council's WINBIZ Rate System has not generated separate reports from 2005. As a result, special loan rates and street light rates were not appropriately disclosed in their respective accounts but included with general rates income in the General Fund Account contrary to section 47(2)(b) of Local Government Act. <li data-bbox="501 851 1433 1034">11. Generally, internal control function of the Council was found to be weak. Poor cash and revenue management, poor payroll management and employee records, purchase and payment processes were not complied with, and poor management and administration of leave records. <li data-bbox="501 1068 1433 1205">12. The Council did not provide solicitors confirmation at balance date. Consequently, audit was unable to determine whether any disclosures to the financial statements in respect of contingent liabilities were necessary.

Appendix B: Abridged Financial Statements

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

Nadi Town Council - 2017

Abridged Statement of Financial Performance

Description	2017 (\$)	2016 (\$)
Rates	1,592,829	1,697,936
Business and trading license	639,288	579,057
Market fees	389,050	391,755
Park fees	113,401	151,509
Public car park	114,615	88,270
Public convenience	70,158	67,375
Taxi, bus stand and carrier stand fees	88,955	56,996
Rental income	519,436	565,979
Amortization of deferred income	962,157	361,161
Parking meter fund	191,083	155,376
Others	431,608	452,080
Total Revenue	5,112,580	4,567,494
Salaries, wages, and related payments	1,951,109	1,376,321
Depreciation and amortization	376,076	321,681
Finance costs (interest and bank charges)	106,122	122,514
Garbage services	243,538	473,122
Motor vehicle expenses	137,965	108,107
Repairs and maintenance	228,302	230,244
Roads, drains and footpath improvements	334,164	253,414
Security charges	92,576	75,304
Unreconciled balances written-off	---	97,586
Others	1,014,930	798,365
Total Expenditure	4,484,782	3,856,658
Profit for the Year	627,798	710,836

Abridged Statement of Financial Position

Description	2017 (\$)	2016 (\$)
Cash and cash equivalents	1,654,771	1,923,954
Trade receivables	1,750,668	1,983,903
Trade and other receivables	1,045,816	775,045
Held to maturity investments	300,000	---
Property, plant and equipment	19,535,804	18,353,481
Intangible assets	8,622	1,632
Receivables	26,565	26,565
Total Assets	24,322,246	23,064,580
Trade and other payables	281,803	229,423
Sundry deposits	1,096,174	1,103,009
Employee benefits	73,402	94,907
Interest bearing borrowings	1,831,210	2,041,471
Deferred income	2,506,055	1,687,728

Description	2017 (\$)	2016 (\$)
Income received in advance	15,396	17,634
Total Liabilities	5,804,040	5,174,172
Net Assets	18,518,206	17,890,408

Sigatoka Town Council - 2020

Abridged Statement of Financial Performance

Description	7 months ended 31 July 2020 (\$)	12 months ended 31 December 2019 (\$)
Rates	234,014	360,427
Bus stand, commercial vehicle, mini-van and taxi fees	64,009	126,519
Business license	111,414	117,429
Car park fees	117,449	56,382
Market fees	99,740	238,656
Garbage fees	69,944	114,277
Parking meter	21,226	49,114
Public convenience	47,883	93,949
Rental properties	63,047	102,483
Government grant	67,500	108,109
Other revenue	52,520	387,823
Total Income	948,746	1,755,168
Administrative and operating costs	351,852	816,132
Depreciation	67,317	107,090
Personnel expenses	359,775	678,364
Finance Cost	41,166	65,997
Total Expenditure	820,110	1,667,583
Net Surplus for the Year	128,636	87,585

The net surplus increased by 47% or \$41,051 in 2020 compared to 2019. The increase in net profit was mainly due to the decrease in expenses incurred during the financial period. The expenses decreased due to the change in the reporting period as required by the Local Government (Budget Amendment) Act. The expenses reported in the 2020 financial period only includes expenses incurred for the 7-month period while 2019 expenses include expenses incurred for the 12 months period.

Abridged Statement of Financial Position

Description	7 months ended 31 July 2020 (\$)	12 months ended 31 December 2019 (\$)
Cash and cash equivalents	448,883	474,147
Term deposits	68,711	68,711
Debtors	293,722	224,137
Advance, prepayments, and deposits	14,145	18,143
Property, plant and equipment	2,646,238	2,657,224
Total Assets	3,471,699	3,442,362
Bank overdraft	18,494	77,452
VAT payable	33,007	53,907
Employee entitlement	12,858	10,556
Loan funds	785,543	884,765
Creditors and other accruals	228,029	201,235
Sundry deposits	64,346	64,317
Deferred income	1,229,815	1,860,316
Income received in advance	136,360	62,734
Total Liabilities	2,508,452	3,215,282

Description	7 months ended 31 July 2020 (\$)	12 months ended 31 December 2019 (\$)
Net Assets	963,247	227,080

Net assets increased by 324% or \$736,167 in 2020 compared to 2019. The increase in net assets was mainly due to the increase in total assets and decrease in total liabilities in the financial period 2020. The increase in assets was due to the increase in debtors as the Council recorded a car park fees receivable of \$84,000 in the financial year 2020, owed by a debtor from 2014. The liabilities decreased due to the decrease in deferred income balance arising from the amortization of deferred income, decrease in loan due to loan repayments made during the year and decrease in VAT payable and bank overdraft balance.

Tavua Town Council – 2016

Abridged Statement of Financial Performance

Description	2016 (\$)	Restated 2015 (\$)
Rates	54,681	54,751
Business, trading, and license	69,729	63,996
Market fees and charges	76,745	85,557
Taxi, bus, and carrier stand fees	20,575	26,404
Rent from property	16,914	19,926
Government grant	505,252	137,443
Parking meter tolls	11,376	11,279
Ground and park fee	9,040	11,213
Other revenue	73,956	28,580
Total Revenue	838,268	439,149
Depreciation and amortization	84,852	84,280
Salaries and wages	163,611	157,803
Other operating expenses	265,912	204,647
Finance costs	1,055	1,281
Total Expenditure	515,430	448,011
Net Surplus/(Deficit) for the Year	322,838	(8,862)

The Council incurred a net surplus in the financial year 2016 compared to the net deficit/loss in 2015. The net surplus in 2016 was mainly due to the increase in total revenue by 91% or \$399,119 in the financial year 2016. Total revenue increase was mainly due to the increase in government grant as the Council received grant for Garvey Park rehabilitation and clean-up/repairs after Tropical cyclone Winston.

Abridged Statement of Financial Position

Description	2016 (\$)	Restated 2015 (\$)
Cash and cash equivalents	132,477	115,057
Trade and other receivables	45,715	43,230
Property, plant, and equipment	1,824,813	1,447,165
Intangible assets	6,543	8,766
Total Assets	2,009,548	1,614,218
Bank overdraft	276	1,749
Trade and other payables	125,329	97,745
Provision for annual leave	5,270	---
Deferred Income	158,605	117,494
Total Liabilities	289,480	216,988
Net Assets	1,720,068	1,397,230

Net assets increased by 23% or \$322,838 in 2016 compared to 2015. The increase in net assets was mainly due to the increased in property, plant, and equipment in the financial year 2016. The increase in property, plant and equipment was mainly due to the increase in additions to property, plant and equipment as the Council had undertaken various projects such as Garvey Park renovation, completion of the multipurpose hall and purchase of a dumper truck.

Rakiraki Town Council – 2020-2021**Abridged Statement of Financial Performance**

Description	12 months ended 31 July 2021 (\$)	7 months ended 31 July 2020 (\$)	12 months ended 31 December 2019 (\$)
Rates	47,209	77,165	43,199
Business, trading and other licenses	8,515	46,980	55,515
Market fees	75,245	22,490	39,822
Garbage collection fees	17,658	15,947	13,970
Bus station/commercial/taxi	24,835	31,481	47,211
Public convenience	21,571	12,027	20,012
Government grant	249,083	865,659	300,778
British High Commission grant	-	13,867	-
UN Women grant	160,000	-	-
Rent	17,768	3,858	2,208
Other revenue	37,834	16,053	54,201
Total Income	659,718	1,105,527	576,916
Administrative and operating expenses	257,218	216,636	458,156
Depreciation	15,433	19,514	24,580
Salary and wages	226,893	124,209	193,991
Finance Cost	348	183	355
Total Expenditure	499,892	360,542	677,082
Net Surplus/(Deficit) for the Year	159,826	744,985	(100,166)

The Council incurred a net profit of \$744,985 in the financial period 2020 compared to the net loss of \$100,166 in the financial year 2019. The net profit in 2021 decreased by 79% or \$585,159 compared to 2020 which mainly due to the additional government grant received during the financial period 2020 of \$815,659 (VEP) and grant received from UN Women of \$160,000 for the completion of the construction of the Rakiraki municipal market and women's accommodation centre. Grant received for CEO's salary also increased by \$10,000 or 25% in 2020 compared to 2019 and the Council did not receive grant for CEO's salary in the financial year 2021. In addition, the rates also increased in 2020 compared to 2019 and 2021 financial year. Furthermore, the total expenditure in 2020 decreased compared to 2019 and 2021 due to the fact that the 2020 financial statements were prepared for 7 months period ended 31 July 2020 while the 2021 and 2019 financial statements were prepared for 12 months period.

Abridged Statement of Financial Position

Description	12 months ended 31 July 2021 (\$)	Restated 7 months ended 31 July 2020 (\$)	12 months ended 31 December 2019 (\$)
Cash and cash equivalents	250,720	122,636	112,127
Trade and other receivables	104,768	119,687	193,178
Intangible asset	2,467	3,701	4,420
Property, plant and equipment	6,454,254	6,407,526	5,678,495
Total Assets	6,812,209	6,653,550	5,988,220
Trade and other payables	178,831	187,895	191,515
Provision for annual leave	7,897	-	-
Total Liabilities	186,728	187,895	191,515
Net Assets	6,625,481	6,465,655	5,796,705

Net assets increased by 12% or \$668,950 in 2020 compared to 2019 and also increased by 2% or \$159,826 in 2021 compared to 2020. The increases were mainly due to the increase in property, plant and equipment balance due to the construction of the Rakiraki municipal market and women's accommodation centre. In addition, trade and other payables balance decreases from financial year 2019 to 2021 due to the decrease in trade creditors' balance.

Levuka Town Council – 2014-2015

Abridged Statement of Financial Performance

Description	2015 (\$)	2014 (\$)	2013 (\$)
Rates	141,031	123,091	121,567
Business and trading license	31,286	28,257	26,737
Fees	51,305	45,969	44,648
Grant income	558,255	195,518	112,308
Rent	10,090	8,459	20,569
Hire charges	2,600	6,143	3,405
Other income	169,349	150,681	145,410
Total Revenue	963,916	558,118	474,644
Salaries and wages and related expenses	207,695	168,667	210,313
Garbage fees	17,875	18,990	35,718
Property maintenance	55,858	106,590	20,156
Streetlight, street and road and drains maintenance	---	1,840	37,635
Depreciation	99,882	70,118	24,647
Finance costs	543	339	378
Other expenses	332,537	108,211	45,523
Total Expenditure	714,390	474,755	374,370
Net Surplus for the Year	249,526	83,363	100,274

Abridged Statement of Financial Position

Description	2015 (\$)	2014 (\$)	2013 (\$)
Cash at bank	342,962	127,361	93,069
Receivables	101,882	95,319	88,325
Property, plant, and equipment	4,387,449	4,402,448	4,026,454
Total Assets	4,832,293	4,625,128	4,207,848
Deferred income	459,168	501,529	167,612
Loan	4,975	4,975	4,975
Total Liabilities	464,143	506,504	172,587
Net Assets	4,368,150	4,118,624	4,035,261

Labasa Town Council – 2018**Abridged Statement of Financial Performance**

Description	2018 (\$)	2017 (\$)
Rates	1,116,543	876,008
Business and trading license	192,663	164,902
Amortization of capital grant	34,406	34,406
Fees, charges and rent	845,822	839,773
Interest	-	136,250
Parking Meter	92,857	28,858
Car Park	33,386	25,569
Others	3,670	21,387
Total Revenue	2,319,347	2,127,153
Depreciation	203,384	173,588
Administrative and operating costs	581,492	307,716
Auditors remuneration	9,900	26,781
Doubtful debts	-	141
Employee salaries and benefits	744,376	731,711
Finance costs	2,556	2,956
Maintenance costs	542,934	1,026,059
Total Expenditure	2,084,642	2,268,952
Profit for the Year	234,705	(141,799)

The net profit increased by 266% or \$376,504 in 2018 compared to 2017. The increase in net profit was mainly due to the increase in rates and parking meter revenue received during the financial period.

Abridged Statement of Financial Position

Description	2018 (\$)	2017 (\$)
Cash and cash equivalents	858,499	781,577
Trade receivables	1,838,495	1,549,923
Other receivables	26,804	10,998
Property, plant and equipment	2,025,080	2,104,459
Intangible assets	10,212	10,212
Investment Properties	5,920,893	5,926,959
Total Assets	10,679,983	10,384,128
Trade and other payables	640,227	496,107
Provision for employee benefits	9,470	10,714
Deferred Grant	860,862	895,268
Loan Account	-	47,320
Total Liabilities	1,510,559	1,449,409
Net Assets	9,169,424	8,934,719

Net assets increased by 3% or \$234,705 in 2018 compared to 2017. The increase in net assets was mainly due to the increase in cash and cash equivalents and trade and other receivables.

Lami Town Council – 2015

Abridged Statement of Financial Performance

Description	2015 (\$)	2014 (\$)
Rates	575,559	649,330
Garbage fees	90,332	90,978
License and permit fees	82,015	76,456
Market fees	32,885	29,320
Advertising	8,374	13,571
Stand fees	33,730	23,568
Hire and Rent from Council Properties	149,225	111,983
Parking meter fund	5,975	6,145
Loan Service fund	197,690	188,122
Other Operating Income	125,994	39,200
Total Revenue	1,301,779	1,228,673
Salaries and wages	557,518	599,557
Administrative expenses	180,866	141,987
Depreciation	66,465	34,848
Allowance for doubtful debts	6,350	12,787
Interest on long term borrowings	12,936	18,296
Others	126,526	137,873
Total Expenditure	950,661	945,348
Profit for the Year	351,118	283,325

Abridged Statement of Financial Position

Description	2015 (\$)	2014 (\$)
Cash and cash equivalents	525,102	200
Trade and other receivables	1,499,164	1,375,909
Held to maturity investments	93,348	94,738
Property, plant and equipment	1,724,091	1,613,729
Total Assets	3,841,705	3,084,576
Trade and other payables	118,087	184,330
Employee benefits	1,576	6,910
Interest bearing borrowings	142,923	227,983
Deferred income	726,566	163,919
Total Liabilities	989,152	583,142
Net Assets	2,852,553	2,501,434

Nausori Town Council – 2015

Abridged Statement of Financial Performance

Description	2015 (\$)	2014 (\$)
General Rates	1,132,906	1,015,017
Garbage fees	165,952	273,024
Business and trading and other license	194,842	167,740
Fees, chargers and rent	1,332,409	858,072
Sundries – Interest on Overdue Rates	193,386	229,376
Return on investment	1,942	6,265
Amortization of deferred income	86,027	84,582
Parking meter fund	94,618	23,797
Total Revenue	3,202,082	2,657,873
Salaries, wages, and related payments	1,315,759	1,294,668
Interest on loans	178,733	8,941
Garbage services	375,371	264,280
Street cleaning and streetlights	299,450	132,386
Other Administrative and operating cost	610,037	538,557
Repairs and Maintenance	366,577	235,601
Depreciation	145,781	147,978
Parking Meter	23,580	29,891
Total Expenditure	3,315,288	2,652,302
Operating (Loss)/Profit for the Year	(113,206)	5,571

Abridged Statement of Financial Position

Description	2015 (\$)	2014 (\$)
Cash and cash equivalents	(58,387)	90,323
Trade and other receivables	2,483,982	2,515,689
Financial Assets	44,965	43,023
Property, plant and equipment	19,472,595	13,183,937
Intangible assets	69,108	71,013
Total Assets	22,012,263	15,903,985
Trade and other payables	1,193,537	560,382
Employee benefits	29,488	3,798
Interest bearing borrowings	10,534,644	5,261,355
Deferred income	3,275,111	2,985,761
Total Liabilities	15,032,780	8,811,296
Net Assets	6,979,483	7,092,689

Savusavu Town Council – 2011**Abridged Statement of Financial Performance**

Description	2011 (\$)	2010 (\$)
General Rates	75,785	198,793
Interest income rates	-	27,607
Amortisation of capital grant	19,882	18,969
Business license fees	36,394	37,935
Fees, charges and rent	179,966	163,091
Loan rates	79,130	73,797
Others	122,083	26,691
Total Revenue	513,240	546,883
Administrative and operating costs	51,330	80,402
Auditor's remuneration	10,619	11,467
Depreciation and amortization	46,583	22,744
Employees' salaries and benefits	254,003	243,636
Finance cost	8,528	8,028
Maintenance costs	94,938	115,488
Street lights	16,897	12,525
Total Expenditure	482,898	494,290
Profit for the Year	30,342	52,593

The net profit decreased by 42% or \$22,251 in 2011 compared to 2010. The decrease in net profit was mainly due to the decrease in general rates received due to the town rates waiver of \$127,246 that was given during the financial year.

Abridged Statement of Financial Position

Description	2011 (\$)	2010 (\$)
Cash and cash equivalents	10,397	5,634
Trade and other receivables	375,841	342,138
Property, plant and equipment	7,633,740	785,622
Total Assets	8,019,978	1,133,394
Trade payables	639,951	601,691
Bank Overdraft	130,995	141,637
Term Loan	-	56,856
Term Loan (FNPF)	42,236	-
Deferred Grant	191,385	211,267
Other Loans	-	9,500
Total Liabilities	1,004,567	1,020,951
Net Assets	7,015,411	112,443

Net assets increased by 6,139% or \$6,902,968 in 2011 compared to 2010. The increase in net assets was mainly due to the increase in asset revaluation reserve because of the revaluation of property, plant and equipment that was carried out during the year.

Nasinu Town Council – 2011

Abridged Statement of Financial Performance

Description	2011 (\$)	2010 (\$)
General Rates	1,957,698	2,320,421
Business and trading license	237,936	201,283
Taxi stand and carrier base charges	283,939	247,784
Interest Revenue	867,131	856,943
Others	299,652	335,818
Total Revenue	3,646,356	3,962,249
Advertising and public relation expense	22,509	43,405
Depreciation and amortisation expense	213,605	155,669
Employees' salaries and benefits expenses	1,889,552	1,430,910
Garbage collection expense	442,443	540,587
Repairs and maintenance expense	185,556	230,079
Transportation expense	112,663	97,906
Finance Cost	38,034	47,287
Others	389,404	289,316
Total Expenditure	3,293,766	2,835,159
Profit for the Year	352,590	1,127,090

Abridged Statement of Financial Position

Description	2011 (\$)	2010 (\$)
Cash on hand and at bank	65,251	198,595
Trade and other receivables	8,891,221	8,584,782
Property, plant and equipment	2,053,635	2,188,598
Investment property	46,875	47,500
Intangible asset	6,785	5,747
Total Assets	11,063,767	11,025,222
Trade and other payables	76,351	263,877
Interest bearing borrowings	190,190	188,481
Provisions	32,066	24,051
Interest bearing borrowings	143,766	230,011
Deposits	397,945	397,945
Deferred revenue	423,946	473,946
Total Liabilities	1,264,264	1,578,311
Net Assets	9,799,503	9,446,911

Nasinu Town Council – 2012**Abridged Statement of Financial Performance**

Description	2012 (\$)	2011 (\$)
General Rates	2,473,990	1,957,698
Business and trading license	234,430	237,936
Taxi stand and carrier base charges	311,905	283,939
Interest Revenue	829,506	867,131
Others	340,930	299,652
Total Revenue	4,190,761	3,646,356
Advertising and public relation expense	20,734	22,509
Depreciation and amortisation expense	225,202	213,605
Employees' salaries and benefits expenses	2,043,362	1,889,552
Garbage collection expense	399,685	442,443
Repairs and maintenance expense	199,222	185,556
Transportation expense	211,033	112,663
Finance Cost	26,374	38,034
Others	1,511,982	389,404
Total Expenditure	4,637,594	3,293,766
Profit for the Year	(446,833)	352,590

Abridged Statement of Financial Position

Description	2012 (\$)	2011 (\$)
Cash on hand and at bank	33,888	65,251
Trade and other receivables	8,662,054	8,891,221
Property, plant and equipment	1,473,374	2,053,635
Investment property	46,250	46,875
Intangible asset	5,441	6,785
Total Assets	10,221,007	11,063,767
Trade and other payables	(129,331)	76,351
Interest bearing borrowings	135,474	190,190
Provisions	49,494	32,066
Interest bearing borrowings	40,811	143,766
Deposits	397,945	397,945
Deferred revenue	373,946	423,946
Total Liabilities	868,339	1,264,264
Net Assets	9,352,668	9,799,503

Appendix C: Glossary

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

Term	Definition
Government grant for operating and capital expenses	This is financial assistance provided by the Government to the Municipal Councils for the operational and capital expenditures.
Impairment	When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.
Accounting Standards	Standards adopted by Fiji Institute of Accountants for financial reporting by large and medium entities in Fiji.
Management	Those with the executive responsibility for conducting the Council's operations.
Material misstatement	A significant difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Materiality	The size or nature of the item or error judged in the particular circumstances of its omission or misstatement. Information is material if its omission or misstatement could influence the economic decisions of users, taken on the basis of the financial statements.
Misstatement	A difference between the amounts, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.
Significant matters	Include control weaknesses which could cause or are causing severe disruption of the process or severe adverse effects on the ability of an auditee to achieve process objectives and comply with relevant legislation. It is likely that these issues may have an impact on the operations of the entities in future, if action is not taken to address them.
Revaluation	The action of assessing the value of something again.
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.
Standards on auditing	International Standards on Auditing adopted by the Fiji Institute of Accountants and applied by the Office of the Auditor-General for audits carried out.
Valuation	The process of determining the fair value of an asset.
Value-adding	Financial or non-financial gains arising from improved compliance or mitigation of risks.



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