



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Report of the Public Accounts Committee on the Audits of Municipal Councils for the year ended 2021-2022



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Chairperson's Foreword



This report provides the review findings of the Committee on the Report of the Auditor-General for the 2021 - 2022 Audit Report on Municipal Councils.

The report covers the audit of 13 financial statements for ten (10) municipalities. In the audit report, the Committee noted that there are common audit issues raised across the ten (10) town councils, recurring over the years from 2011- 2021 financial years. The common significant matters which were found within these Councils, includes:

- 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 and procedures not updated or non-existent
- Poor collection and recording of municipal rates.
- Absence of proper reconciliation for cash, debtors, VAT, rates, and payroll expenses.

The Committee also noted the common internal control weaknesses which related to the following key areas:

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

It is important to highlight that modified audit opinions were issued to all the 13 financial statements that were audited which reflected negatively on the Municipal Councils. Also recorded that quality and timely financial reporting is a major concern that needs to be addressed by those in charge with governance of the Municipal Councils.

In fact, what was clear that Municipal Councils and the Ministry of Local Government were not serious with the PAC recommendations after it was raised on numerous occasions in Parliament for them to address those audit issues.

Overall, the Committee is not satisfied with the actions taken by the Municipal Councils and the Ministry of Local Government as the audit opinions that were issued are all modified, and these reflected badly on the Councils leadership and the Ministry's monitoring responsibilities.

Given the recommendations put forward in this report, the Committee will invite the current Minister responsible to discuss the way forward as per recommendations 12,13,14 and possibly 15 on the audit issues that were continuously raised by the Office of the Auditor General over the years.

At this juncture, I wish to extend my sincere appreciation to the Committee members who were part of the successful compilation of this bipartisan report, namely Hon. Sakiusa Tubuna (Deputy Chairperson), Hon. Jovesa Vocea, Hon. Alvick Maharaj and Hon. Hem Chand. I also extend my appreciation to Hon Isikeli Tuiwailevu, Hon. Aseri Radrodoro, Hon. Virendra Lal, Hon. Taito Rokomatu and Hon. Vijay Nath who stands in as alternate members pursuant to Standing Order 115 (5).



Hon. Esrom Y. Immanuel
Chairperson

Committee Members



Hon. Esrom Y. Immanuel
(Chairperson, Assistant Minister for Finance)



Hon. Sakiusa Tubuna

(Deputy Chairperson, Assistant Minister for the Office of the Prime Minister)



Hon. Jovesa Vocea

(Assistant Minister for Rural and Maritime Development and Meteorological Services)



Hon. Alvick Maharaj
(Opposition MP)



Hon. Hem Chand
(Opposition MP)

Introduction

Background

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

This Report looks at the Report of the Auditor General on the Municipal Councils for the year ended 2021-2022, Parliamentary Paper 19 of 2023.

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

The following Councils appeared before the Public Accounts Committee and responded to the audit issues that were identified during the audits:

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

Committee Members

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

1. Hon. Esrom Y. Immanuel, Chairperson
2. Hon. Sakiusa Tubuna, Deputy Chairperson
3. Hon. Jovesa Vocea, Member
4. Hon. Alvick Maharaj, Member
5. Hon. Hem Chand, Member

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

1. Hon. Isikeli Tuiwailevu
2. Hon. Aseri Radrodoro
3. Hon. Vijay Nath
4. Hon. Taito Rokomatu
5. Hon. Virendra Lal

Resource Persons

The Committee together with Auditors from the Office of the Auditor General conducted public hearings on each of the ten (10) Municipalities. The officers that assisted the Committee were:

OFFICE OF THE AUDITOR GENERAL:

1. Mr. Sairusi Dukuno
2. Mr. Moshin Ali
3. Ms. Loata Yalovia

MINISTRY OF LOCAL GOVERNMENT:

1. Ms. Seema Sharma
2. Ms. Bindula Devi
3. Mr. Navin Chandra

Status of Audits – Update

While the Committee is reporting on the Auditor-Generals report of June 2023, the Committee noted the updated status as of 28 March 2024. 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 of 28 March 2024

City/Municipal Council	OAG Planned FY 2023-2024	Audits Completed	Audits in Progress as at 28 Mar 2024	Audits Yet to Commence as at 28 Mar 2024	Draft Financial Statements not submitted for audit 28 Mar 2024
Sigatoka	2021-2022	-----	---	---	2021 - 2023
Rakiraki	2022-2023	2022-2023	---	-----	---
Nadi	2018-2019	---	---	2018	2018 - 2023
Tavua	2021-2022	2017 - 2020	---	---	2021 - 2023
Suva	2019-2021	---	2019-2021	-----	2022-2023
Nausori	2019-2021	2016-2018	2019-2021	---	2022-2023
Lami	2016-2020	2016-2018	---	---	2019-2023
Nasinu	2018-2020	2013-2017	2018-2020	---	2021-2023
Ba	2020-2022	2020	2020	---	2021 - 2023

Lautoka	2018-2019	2017	2018	2019	2020-2023
Labasa	20119-2020	----	---	2019-2020	2021-2023
Savusavu	2018-2020	2012-2017	2014 - 2017	2018 - 2020	2021-2023
Levuka	2018-2019	2016-2017	2018	2018	2019 - 2023

The following is noted from the status of the preparation of the financial statements and the subsequent audit.

- Rakiraki is up to date with its financial account and audit to 2023 and wish to extend our appreciation to the management and the previous Administrators.
- Nadi's account audit for 2018 is on hold awaiting the recruitment of the Financial Accountant. Plus, Nadi will outsource the preparation of its 2019,2020,2021 accounts to fasten the finalization of account and subsequent audits. Management and the Administrators needs to put in more effort.
- Labasa's account audit for 2019-2020 is on hold as there is no Manager Finance in the office to supervise the audits and finalize the 2021-2023 accounts. Management and the Administrators needs to put in more effort.
- All others Council's Management and their respective Administrators needs to put in more effort especially Lami and Lautoka as they are a way behind.

Committee Recommendations

The Committee had conducted a thorough consultations with the ten (10) Municipal Councils and the Ministry of Local Government on the audit issues that were raised and agreed to the following recommendations:

1. The Ministry of Local Government to provide an update on the implementation of the previous PAC recommendations within thirty (30) days for the following PAC reports:
 - a. *Review on the Audit Report of Municipal Councils for 2013 (PP No. 67 of 2019)*
 - b. *Review on the Audit Report of the Municipal Councils for 2014 -2017 (PP No. 31 of 2020)*
 - c. *Review of the 2018 -2019 and the 2019 -2020 Audit Reports on Municipal Councils (PP No. 41 of 2022)*
2. The Office of the Auditor General to carry out a performance audit for all the Municipal Councils including the Ministry of Local Government.
3. The Committee noted the status of those qualification issues (*pages 34-50 of the Audit Report*) for all Municipalities and further recommends that the Ministry of Local Government conducts regular monitoring so that anomalies identified are addressed in a timely manner.
4. The Committee concurs with the Office of the Auditor General recommendations on page 32 - 33 of the Audit Report, the important ones are:
 - i. The Ministry of Local Government, Special Administrators and Chief Executive of Municipal Councils should urgently address all the issues that give rise to modified audit opinions and internal control deficiencies.
 - ii. The Ministry of Local Government through the Permanent Secretary and Director Local Government should strictly monitor the Councils performance, in terms of improving the quality and timeliness of financial statements.
 - iii. The Ministry of Local Government should consider employing a pool of internal auditors and accountants who could assist Municipal Councils to do internal audits and update financial accounts or outsource these services.
 - iv. Formulation of strategic plans and annual business plans including risk management framework and plans.
 - v. The Municipal Councils should maintain accurate and updated records and information.
5. The payment of allowances and remunerations to Special Administrators and Chief Executive Officers respectively should be properly supported and justified.
6. The Ministry of Local Government should expedite the implementation of a Standard Accounting Software for all municipalities for uniformity, timeliness, and for quality purposes.
7. The Municipal Councils with the Ministry of Local Government needs to ensure that Landlord clears outstanding town/city rates before granting approval for any properties upgrade or sales and purchase or rezoning.
8. With the difficulty of attracting accounts personnel, all municipalities should liaise with the Ministry of Local Government to provide regular staff training in the areas of bookkeeping, application of accounting software, receipting, rates recording and

reconciliation, records management etc. on newly recruited and current staff at clerical levels.

9. The Ministry of Local Government should formulate a uniform Standard Operating Procedures (SOP) and Manuals in all municipalities for its key operating areas including accounting of revenue, record maintenance, oversight, and monitoring functions.
10. The Ministry of Local Government should conduct a job evaluation exercise across all municipalities so that the salaries and wages are up to par with the current market rate to minimize staff turnover.
11. The Permanent Secretary and the Director of the Ministry of Local Government should be assessed against their Key Performance Indicators against the issues highlighted in the report of the Auditor General.
12. All the Councils with the Ministry of Local Government within the next 3 months (July 2024) to submit an Action Plan to the Committee and Parliament on the updating of all the Financial Accounts and clearance of all the unsubstantiated balances and identifying and resolving all audit issues raised from 2013-2018. The Action plan should include recommendations and implementations of verifications and finally any write-offs.
13. Subsequently within the next 6 months (by January 2025) after the submission of the Action plan as stated in 12 above, all the actions must be implemented in the 2025 accounting period. Hence, the 2024 accounts should be the last that face a delay and/or contain an audit issue that may deem the account Modified.
14. As with 12 and 13 above, any write offs and or adjustment to the account balances should follow the approved laws and guidelines and those are:
 - 14.1 pursuant to Section 34(1)(a) of the financial management Act 2004, which provides the provisions for writing off public money, the authority is with the Minister for Finance to inter alia, write off losses in respect of public money,
 - 14.2 Pursuant to subsection 2, the power to write of losses includes the power to abandon or discontinue the recovery of amounts of revenues, debts and overpayments.
 - 14.3 The Ministry of Local Government with the councils after making their last attempt to clear the outstanding matters, should write to the Ministry of Finance in line with 14.1 and 14.2 above.
 - 14.4 The Ministry to ensure that the uniform internal controls and measures supposedly to be in place with all the Councils from 2017-2018 be monitored strictly so that the same timely and quality issues will not be repeated and that is reflected through unqualified audits.
15. Adequate additional Budget must be set aside for the Office of the Auditor General to bring the audited accounts up to date for the 2024-2025 FY.

Committee Findings

The Committee found that a lot of recommendations made in the past reports by the Auditors as well as the Public Accounts Committee in parliament are almost the same and there seems to be little improvement. Same audit issues kept appearing or brought forward and there is minimal effort undertaken by the Councils and the Ministry of Local Government to address those issues. This must stop and can't be allowed to continue.

The Ministry of Local Government should take a lead role in this regard and with the scrutiny, monitoring and evaluation role by the Public Account Committee of Parliament had recommended a timeframe to ensure that all the 2025 accounts for all municipal councils should be produced on a timely basis and with no modified or qualified opinion.

Most or all the Councils now have a crop of senior Executives and Finance staff as well as Administrators who are committed to provide quality and timely Financial Accounts which is a plus and we have seen that they had updated most of the subsequent accounts, such as Rakiraki, Tavua, Savusavu, Labasa, Nausori, Nasinu, Nadi, Suva, Lami and wish to thank them for their effort.

The Ministry and the Councils are on the preparation mode to conduct the Council election and its only prudent that all the council's account are brought up to date before the election;

- to meet the Local Government Act 1972, Section 57(1) and (3)
- plus, that requirement that 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.

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. It is important to note that the Committee findings have captured all the significant audit matters that were highlighted by the Auditors during the 2021-2022 audit on Municipal Councils.

Nadi Town Council (2017 financial year)

1. Anomalies in Held to Maturity Investment

It was noted in the review that 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.

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.

It was noted that such finding indicated a clear non-compliance with the provisions of Local Government Act 1969.

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.

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.

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 indicated the 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.

Council’s Response:

- *The Council confirmed that probably the Staff responsible were not aware and currently, the Council are ensuring that any transfers and or investment through fixed term deposits are approved by the Minister prior to investing.*

3. Anomalies in Receivable Balance

The Audit noted that there were no supporting documents 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.

Council’s Response:

- *The Council responded that they have tried to get to the bottom of the issue but due to the lack of supporting documents and the hardship faced with reconciliations, the Council are yet to have this resolved fully. A thorough work will commence on this from*

December once the draft financial statements are submitted to the Office of the Auditor General.

- Moving forward, the Council are reconciling individual rental debtors against the debtor's general ledger which was not being done previously to eliminate this issue. The Council suspected that the miscellaneous debtors consist of Nadi soccer, Nadi rugby and Bula festival which were cleared but a thorough search will need to be conducted.
- The figure for enforcement has accumulated from 2010, and significant work is required in terms of getting source documents to carryout reconciliation from the number of tins issued and for which the payments were receipted.
- The Council have implemented a process where all tins that are paid are also forwarded to the enforcement to ensure that the ones that are not paid is reflected accordingly. A separate bank account was also created for parking meter funds.

4. Anomalies Noted in Trade and Other Receivable Balances

The Audit reviewed the trade and other receivables and found 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 which total up to \$89,580.31 in the financial statements and was due to the lack of audit trail.

The finding indicated 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.

Council's Response:

The Committee were informed of the overview of the actions taken by the Council to address the recommendations made by the Office of the Auditor General:

1. ***Delay in Submission of Draft Financial Statements for Audit:***
 - *Implemented revised internal processes and timelines to ensure timely preparation and*

- submission of draft financial statements for audit.*
- *Strengthened communication and coordination among departments involved in financial reporting to streamline the process.*
2. ***Non-compliance with Accounting Standards and Local Government Act:***
 - *Conducted comprehensive training sessions for relevant staff members to enhance understanding and compliance with accounting standards and legal requirements.*
 - *Established regular audits and reviews to monitor compliance and address any discrepancies promptly.*
 3. ***Lack of Sufficient Appropriate Supporting Documents and Poor Records Management:***
 - *Implemented a centralized electronic document management system to improve documentation storage and retrieval – work in progress.*
 - *Instituted rigorous documentation procedures and provided training to staff members on proper record-keeping practices.*
 4. ***Assets Management:***
 - *Conducted a thorough inventory of all assets. Board of survey undertaken.*
 - *Developed clear guidelines and protocols for the acquisition, maintenance, and disposal of assets.*
 5. ***Revenue Management:***
 - *Enhanced revenue collection processes through automation and increased oversight.*
 - *Implemented measures to minimize revenue leakage and improve transparency in revenue reporting.*
 6. ***Payroll and Human Resource Management:***
 - *Reviewed and updated payroll processes to ensure accuracy and compliance with regulations.*
 - *Provided training to human resource staff to improve payroll administration and personnel management. Recruitment of a HR officer.*
 7. ***Cash Management:***
 - *Implemented tighter controls and monitoring mechanisms to optimize cash management practices.*
 - *Enhanced cash flow forecasting and budgeting processes to ensure liquidity and financial stability.*
 8. ***Lack of Strategic, Risk Management, and Operational Plans:***
 - *Developed comprehensive strategic, risk management, and operational plans aligned with organizational objectives.*
 - *Established monitoring and evaluation frameworks to track progress and adapt plans as needed.*
 9. ***Weaknesses in Corporate Governance, Financial Reporting Processes, and Procurement and Payment Process:***
 - *Strengthened corporate governance structures and oversight mechanisms.*
 - *Enhanced internal controls and accountability measures in financial reporting, procurement, and payment processes.*
 - *Implemented regular audits and reviews to identify and address weaknesses proactively.*
- 5. Discrepancies in Value Added Tax (VAT)**

The Auditors highlighted that 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.

The Audit reviewed the VAT account and found variance of \$152,661 between the VAT receivable balance recorded in the financial statements and the Statement of VAT Account. The anomalies indicated 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).

Council's Response:

- *The VAT issue is being investigated; the Council are targeting reconciliations to be completed by the end of October 2024. Currently we are doing the lodgments through the FRCS online portal therefore all the information is intact, but the previous year's remains to be reconciled.*
- *The issue on VAT is work in progress from August 23, but currently the focus is to complete all the pending draft financial statements.*

6. Unsubstantiated Sewerage Services Account

The Committee noted in the Audit that the Auditors was not provided with the relevant supporting documents to substantiate the Sewerage Services Fund account balance of \$59,700 included in the statement of changes in accumulated funds. The anomalies indicated the poor records management and lack of monitoring by Supervisors.

Council's Response:

- *This account was created to allow developers to pay a contribution which will assist with the installation of the sewer reticulation at a later stage. This account is not in existence.*

Sigatoka Town Council (2020 financial year)

1. Misappropriation of Funds

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. This finding indicated that a total failure of internal control for cash management and lack of supervisory check. This resulted in material misstatements in the financial records of the Council due to the fraud that occurred.

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

Council's Response:

- *The Council confirmed that the matter is before the Courts and the matter should be called for plea last year on 27th November 2023.*

2. Variances in Account Areas

The audit review that was undertaken for the individual account listing balance against the balances reported in the financial statements noted variances. The Council was unable to provide explanation to the Auditors or appropriate documents to substantiate the variances.

The anomalies indicated 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.

Council's Response:

- *The Council confirmed that the reconciliation for rates receivable, creditors and accruals reconciliation is done on monthly basis.*

3. Variances in Salaries and Wages

The 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.

Council's Response:

- *The Committee was informed that the Agreement has been signed with the Department of Housing for the reimbursement of Resilience Officer's salary.*

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

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.

Council's Response:

- *The Council confirmed that VAT Reconciliation is done monthly.*

5. Anomalies in Sundry Deposits and Sundry Advances

The Auditors noted that out 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 indicated that the accounting records were not properly maintained resulting in missing or misplaced records.

Council's Response:

- *There is challenged to retrieve the source documents from prior years and currently the Council is carried out a monthly reconciliation.*

Rakiraki Town Council (2020 - 2021 financial year)

1. Allowances Claimed by Special Administrator

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 daily 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 out 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.

It was found that there was no clear guideline on the payment of allowances for Special Administrators.

Council's Response:

- *The Committee was informed that the investigation was conducted in 2022 and the Ministry of Finance, Special Investigation Team must have forwarded the report to the Ministry of Local Government. The Council is not privy to the report.*

Levuka Town Council (2014 - 2015 financial year)

1. Omitted Cash at Bank Account

The audit reviewed the Bank Audit Certificate / confirmation and found 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, the Auditors noted that monthly bank reconciliations were not prepared for these bank accounts including the reconciliation for the City-Wide project account for the month of July to December 2015.

The anomalies indicated the 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 were not held accountable for their performance which resulted in non-adherence to the Manual of Accounts and SOP.

This is resulted on 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.

Council’s Response:

- *The Council confirmed that the above accounts were not included in the financial statements for the period under review due to the lack of expertise of staff responsible at the time who did not maintain the accounting books and records in the manner they should have been kept. Furthermore, due to the above and negligence on their part, these accounting records were not provided to the private accounting firm hired to prepare the draft Financial Statements, hence its exclusion.*
- *From 2018 draft Financial Statements these accounts have been included after thorough reconciliations have been made with the bank audit certificate.*

2. General Journal Adjustments Not Supported

The audit reviewed the draft financial statements and trial balance that were submitted for audit revealed various adjustments recorded in the trial balances. The Auditors further reviewed the 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
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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.

Council's Response:

- *The Council confirmed that apart from adjustments made through Virements, general journal adjustments have not been made due to the lack of staff to handle these clerical duties.*

Lami Town Council (2014 - 2015 financial year)

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.

The Auditors indicated that the Council has not taken a prudent approach to safeguard the deposits. In this case, the Council could face difficulty in refunding the deposits to depositors as and when it will fall due.

Council's Response:

- *The Council confirmed that it has adequate funds to manage Sundry Deposits received over the last ten years, which is \$9,600. The balance figure brought forward on 1st January 2013 has been reviewed and adjustments shall be discussed with the Office of the Auditor General. A separate bank account has been approved to be established to maintain sufficient cash a policy developed.*

Nausori Town Council (2014 - 2015 financial year)

1. Anomalies in Cash and Cash Equivalent

The audit reviewed the Council's Cash and Cash Equivalent and found 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 Auditors confirmed that the findings were mainly attributed to the lack of awareness of the accounting treatments of cash and cash equivalent.

Council’s Response:

- *The Council confirmed that it has been recording bank overdraft of cash balances (Note 3) and in Interest Bearing borrowings (Note 10) from year 2013 after Council’s financial were prepared according with IFRS for SME. To correct the above issue, the corrections are currently an on-going process, and this will be factored in the 2022 Financial Statements.*

Audit Summary

The Audit highlighted that modified audit opinions were issued to all the 13 financial statements that were audited which reflected negatively on the Municipal Councils.

Also recorded that quality and timely financial reporting is a major concern that needs to be addressed by those in charge with governance of the Municipal Councils.

The Audit identified that good governance and internal controls are absent because regulations, formal policies, and procedures to govern all aspects of the Municipal Councils operations were not 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.

Conclusion

The Public Accounts Committee notes the significant audit matters and the internal control issues that were identified in the ten (10) Municipal Councils, and this requires the Ministry of Local Government and the Councils urgent attention.

The Committee strongly emphasizes that the Ministry of Local Government with all the Councils that have been audited to urgently consider the recommendations highlighted in the report and take appropriate actions in implementing them.

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



.....
Hon. Esrom Y. Immanuel

(Chairperson)



.....
Hon. Sakiusa Tubuna
(Deputy Chairperson)



.....
Hon. Jovesa Vocea
(Member)



.....
Hon. Alvick Maharaj
(Member)



.....
Hon. Hem Chand
(Member)

APPENDICES

APPENDIX 1:
PUBLIC ACCOUNTS COMMITTEE
QUESTIONS

APPENDIX 2:

PUBLISHED WRITTEN EVIDENCE

The following copies of the written evidence and supplementary evidences from the respective Municipal Councils covered in this review report can be accessed on the Parliament Website using the following link: <http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>

APPENDIX 3:

Report of the Auditor General

2021 – 2022 Audit Report on Municipal Councils (PP No. 19 of 2023) [Auditor General's Report - Parliament of the Republic of Fiji](#)