



## REPUBLIC OF VANUATU

### MUNICIPALITIES ACT [CAP 126]

#### Instrument of Appointment of person to inquire into certain matters of the Luganville Municipal Council Order No. 139 of 2014

In exercise of the powers conferred on me by paragraphs 61(1)(a),(b) and (c) of the Municipalities Act [CAP 126], I, the Honourable CHARLOT SALWAI TABIMASMAS, Minister of Internal Affairs, make the following Order.

#### 1 Appointment

AIMS 2 GAIN CONSULTANTS is appointed to inquire into certain matters of the Luganville Municipal Council.

#### 2 Terms of reference

The terms of reference of the person appointed under clause 1 is set out in the Schedule.

#### 3 Commencement

This Order commences on the day on which it is made.

Made at Port Vila this 25 day of July, 2014.

Honourable CHARLOT SALWAI TABIMASMAS  
Minister of Internal Affairs



## SCHEDULE

### TERMS OF REFERENCE OF PERSON APPOINTED TO INQUIRE INTO CERTAIN MATTERS OF THE PORT VILA MUNICIPAL COUNCIL

#### **1 Objective**

To inquire into and ascertain whether the management of the Council has been carried out in accordance with:

- (a) sections 42 to 58 of the Municipalities Act [CAP 126] with the Municipal Council's Financial Regulations;
- (b) Ministerial instructions;
- (c) relevant accounting standards.

#### **2 Inquiry Report**

The inquirer is to prepare a report of the results of this inquiry to the Minister of Internal Affairs on or before 1 September 2014.

#### **3 Extension of inquiry**

Where the results of the inquiry indicate that the inquiry should be expanded to areas other than financial transactions, the inquirer may request that the inquiry be extended into such areas.

#### **4 Scope of inquiry**

- (1) The inquiry is to be carried out in accordance with the requirements of the Municipalities Act [CAP 126] and the relevant standards of accounting and will include such tests and controls as the inquirer considers necessary under the circumstances.
- (2) The inquiry is to cover the activities carried out in all of the Council's premises.

#### **5 Procedure when conducting inquiry**

While conducting the inquiry, special attention must be made to the following:

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- (a) reviewing the current methods of management and reporting to assess whether they are in accordance with the Municipalities Act [CAP 126]; and
- (b) reviewing all the current reports that are issued within the Council to assess whether they are in accordance with the Act and whether they are sufficient for the good and proper management of the affairs of the Council. This includes ensuring that:
  - the minutes of the Council meetings are produced and distributed to Councillors within strict guidelines; and
  - that management accounts are produced for the Town Clerk and the Council members on a monthly basis and represent a true position of the Council's financial position; and
  - annual accounts are prepared for audit within the timeframe designated by the Municipal Council's Financial Regulations; and
  - payments made to Councillors follow the strict guidelines of the Municipal Council's Financial Regulations and Ministerial instructions; and
- (c) reviewing the accounting procedures and internal controls of the Council; and
- (d) interviewing relevant personnel of the Council to understand and assess the management of the internal controls; and
- (e) assessing the assets management of the Council; and
- (f) reviewing outstanding imprests; and
- (g) confirming the standard usage of staff regulations throughout the Council; and
- (h) reviewing payroll including staff overtime and advances; and
- (i) reviewing other advances; and
- (j) reviewing general revenue collections and debtors; and

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- (k) reviewing the property tax revenue collections, debtors and outstanding valuations; and
- (l) reviewing the purchases and payments of creditors; and
- (m) reviewing any other area of Council activities where it is considered that management could be improved.

**6 Coverage**

The inquirer is to have free and uninhibited access to all documents within the Council including areas under the jurisdiction of the Council, in order to assist the inquirer in verifying the following:

- (a) whether minutes of the Council meetings are recorded and kept in a secure place; and
- (b) whether the necessary supporting documents, records, invoices etc. have been kept with Books of Accounts; and
- (b) whether the Standard Books of Accounts such as Cash Book, Bank Book, Journal, Ledger, stock register, fixed assets register etc are maintained; and
- (c) whether the physical verification of Council assets have been carried out and reconciled at least once in each year; and
- (d) whether the verification that the valuations of properties on which the Council levies Property Tax are regularly updated and that record keeping and invoicing of the Property Tax is carried out in an efficient and timely manner; and
- (e) whether the cash and Bank payments to suppliers, contractors, various institutions etc. and receipt of funds from various sources are properly made and that discounts given are given within the appropriate authority and are correctly recorded; and
- (f) whether the adjustment of suppliers part supply against their bills, if any have been correctly controlled and accounted for; and
- (g) whether the expenditure limits are documented and adhered to at all times; and

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- (h) whether the process of tender evaluation and award of work to Contractors, Consultants or other parties are as per prescribed in the procedures; and
- (i) whether copies of all past and current contracts are kept within the treasury and are only released on the authority of the Town Clerk; and
- (j) whether care is taken to ensure that information used for Financial Budgets, Forecasts, Cash Flow Forecasts and other Financial estimates are compiled after carefully assessing and assembling all of the known and calculated financial information required to produce the best information possible. Future potential and contingent liabilities are included as a notation; and
- (k) whether cash flow forecasts are updated as soon as a significant change in circumstances is noted but the forecasts are to be updated at least once per quarter; and
- (l) whether the supervision of the work awarded to the contractors, consultants or other parties is carried out and assessed on a continuing basis, and at the completion of the work an evaluation is carried out and recorded by the person responsible for overseeing the work;
- (m) whether the recommendations to Treasury for payment of bills are on prescribed documents which clearly define the interim and period to date claims against the total expenditure to be incurred;
- (n) whether the interest accrued on loans and overdrafts received are accurately recorded on a monthly basis in the Accounts;

**7 Management Letter**

- (1) In addition to the inquiry report provided in clause 2, the inquirer is to prepare a management letter in which they are to:
  - (a) provide comments and observations, if any, on the accounting records, systems and controls that were examined during the course of the inquiry;
  - (b) identify specific deficiencies and areas of weakness, if any, in systems and controls and make recommendations for their improvement;

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- (c) report on the degree of compliance with the financial or internal control procedures as documented in the Financial Regulations and Ministerial instructions;
  - (d) communicate matters that have come to the inquirer's attention during the inquiry which might have a significant impact on the financial functions of the Council including:
    - (i) the competency of the current Treasury section in terms of its ability to produce financial reports to the standard required by the Financial Regulations and relevant Accounting Standards; or
    - (ii) the current hardware used by the Treasury section; or
    - (iii) the current software systems used by the Treasury section.
  - (e) bring to attention any other matter that the inquirer considers pertinent to this inquiry.
- (2) The observations in the management letter must be accompanied by suggested recommendations from the inquirer and Management comments on the observations or recommendations from the Management.

**8 Access**

The inquirer is to be given access to all legal documents, correspondence, Financial Regulations, Ministerial instructions, notices and any other information deemed necessary by the inquirer.

**9 Remuneration of the inquirer**

The inquirer is entitled to a payment of VT 600,000 upon presenting the Minister of Internal Affairs a written report on this inquiry.