

VERBATIM NOTES OF MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON FRIDAY 2ND SEPTEMBER, 2016 AT 10.08 A.M.

Submittee: Water Authority of Fiji (WAF)

In Attendance:

Mr. Ki Fong - Chief Financial Officer

MR. DEPUTY CHAIRMAN.- Good morning, Sir. You are Mr. Ki Fong and I believe you are the Chief Financial Officer (CFO).

MR. K. FONG.- That is correct.

MR. DEPUTY CHAIRMAN.- I extend my warm welcome to you, Sir.

I am Honourable Mohammed Dean, the Deputy Chairman of the Public Accounts Committee. Our Chair will be arriving very shortly and whilst we wait for him, we will continue our meeting as usual. Before we move on to the submission that we request from your entity, let me introduce you to the Honourable Members.

(Honourable Members and Officials introduced by Mr. Deputy Chairman)

I welcome you, Sir, to the meeting of our Committee and once again I wish to convey my sincere acknowledgement on behalf of my Committee to you for making yourself available on behalf of your entity.

Without further ado, you can introduce yourself, Sir, and just give us a brief background about the Water Authority of Fiji (WAF).

MR. K. FONG.- Mr. Deputy Chair and Honourable Members of the Committee, ladies and gentlemen, as you have introduced, my name is Ki Fong and I am the CFO. I joined the WAF in January 2014 so I have just been in there a little over two and a half years now.

Briefly, just before I continue, could I just offer apologies from my CEO. He is in the North at the moment with a ministerial delegation, including the Honourable Prime Minister and a couple of other Ministers, so he is required to be with them, that is why he is unable to be here today.

MR. DEPUTY CHAIRMAN.- That is acceptable, that is alright.

MR. K. FONG.- Probably what I will do, is just give you a very brief overview of WAF and what has transpired because some of it has some relations to the issues that have come up from the audit.

WAF was established in 2010, took over from the then Water Supply Department of Government. As you know, Government created that entity and when it first started there were a lot of issues particularly in the financial division of the WAF. In fact, from the years 2010 to January 2014 when I started, there were five people that had acted in my position, so in a period of about three or four years, there were about five different people. Three of these people were terminated, investigated so there were a lot of issues with finance, so apart from the turnover of the key staff, the departmental staff had also a high turnover of staff.

The 2010 and 2011 staff, by 2014, none of them were in the Department so issues of missing information, missing files, organisation knowledge were all not there so a very huge turnover and a lot of these actually impacted the financial systems and the financial reporting of WAF. As a result of that, the 2010, 2011, 2012 and 2013 accounts were all delayed. The 2010 accounts was actually finalised in mid-2013; 2011 was actually signed off in 2014; 2012 was signed off in 2015; and 2013 was signed last month; so 2014 should be signed off, hopefully by next month or the month after; and the 2015 audit will begin next month as well. So, so we have managed to catch up in these last couple of years.

WAF, just to give a quick overview, over the years in the transition from a Government Department to a statutory authority, we have attempted to do a lot of operational reforms. One of the things that we tried to do is to target water loss at WAF. Previously, water loss used to be at about 52 per cent of total water, that is now at about 39 per cent, so it has come down. In the last three or four years, it has come down to about 11 per cent or so. If you compare that to other water utilities, you will find that it is quite a remarkable achievement to reduce water loss by that much.

One of the other activities that is happening at WAF which is good is, we are putting in place a GIS (Geographical Information System) to capture the assets of WAF. Previously from the Government days, all the pipes and everything that is underground were just kept on physical maps so now we have got it computerised so that we can know what is underground and where it is. Previously, it is all physical maps and it is hard to give those.

We are also putting in place now a SCADA (Supervisory Control and Data Acquisition) system which will allow us to automatically gather data about pressures in the system and reservoir levels, so that is happening. Also, we have recently implemented something called "Water Modelling" which allows us to model what will happen to a system when we introduce new variables in. Previously, what would happen in the old days, if someone says; "Let us extend the water pipe to a particular area in the community" and once they extend the pipe, turn on the taps, they could not get water because they could not model how water would flow through the pipes. We now have this ability to do water modelling before we lay any pipes so that it will tell us, "Yes, water can get to that community if you lay these size pipes" so those are things that we have done and that has happened.

Master-plans have been developed for all WAF major centres, like Suva, Nadi, Lautoka, Labasa, so those plans are now available to enable the WAF to do future CAPEX planning. So, basically that is a quick overview of what has happened with WAF.

What we have just done is provided the Committee this morning with responses to the audit issues that were raised in the 2010 accounts. Does the Committee want me to go through each of those issues?

MR. DEPUTY CHAIRMAN.- I believe your focus will be on Parliamentary Paper No. 46 of 2016 and that is the Audit Report of June, 2013. That Report was actually my responsibility and whilst I was going over the audit report in almost all the issues that were raised, I could see no comments received, that was the comment coming from the management side of WAF of Fiji.

Yes, we very much like to know how these issues have been rectified from WAF and perhaps, you can go issue by issue and just enlighten us with the measures taken to solve these control issues. Whilst you are going over your presentation, probably at the same time, our Honourable Members would want to ask you certain issues and questions. We will specifically refer our questions as per the audit report and if you feel that there are any questions coming outside of the box, you have the onus to answer that or not.

I am now giving you the floor to go over the recommendations that your entity has come up with regards to the Audit Report of June, 2013.

MR. K. FONG.- Honourable Chair, may be if I could just refer you to the Report that would have been handed to you this morning from WAF. We will probably go straight into the Report. Page 2 is just the summary of the audit issues that were raised in 2010. You will note that the first one is related to some adjustments and some general ledger accounts. The second one is a variance between the general ledger and a subsidiary ledger. The third point is a valuation of plant and equipment and the fourth is stock-take of inventories. These were the issues back then but as I have said, over the last couple of years, we have tried to clean up the WAF Accounts and the latest set of accounts which is 2013, we have managed to reduce the qualification just to two items which is a third item, and a new item.

Basically, the first item which is adjustments to the 2010 Accounts, again because of the turnover of staff, we were not able to find supporting evidence for some of the entries that were done in 2010. We have looked and we cannot find it and we were not able to provide it to the auditors at the time that the audit was done, which was in 2013.

Similarly, in Item 2 which was the Inventory, at that time reconciliations were not done on a timely basis, and it caused audit issues like inventory numbers not reconciled.

The Property, Plant and Equipment issue is more an issue about valuation. The auditor was not satisfied with the value of assets that was stated in the books because the last valuation was carried out in 2006 prior to the takeover in 2010. The auditors were not sure of whether or not WAF actually acquired all those assets as well as whether valuation is accurate, so we have got plans to do an asset valuation in the future. Government has allocated some funding so I think once we undertake an asset valuation in the future, we should resolve this issue.

Item No. 4 on Evidence of Stock-take, this was an issue back in 2010 but in the latest audit of 2013, we have managed to resolve that once we are able to satisfy the auditors with regard to our inventory levels. One of the new audit opinions that has come up is with regards to revenue but I think I will just miss it for the time being since it is not in this Report.

If I will continue on to the actual issues that were raised - Item 6.4 on Page 4 was the employment of an overseas national, WAF did not comply with the Immigration rules, employing the expatriate actually before and obtaining the approval later on. WAF has now, in terms of its employment policies, complying with the Act. In fact, we have a Chief Operating Officer who has been waiting to start for the last three months but we are waiting for Immigration approval before he starts so he should actually join us next month. It demonstrates that WAF is not bringing someone in and is waiting for the proper approval, so that is covered.

Entertainment Allowance, this CEO was the first CEO for WAF, he was paid certain entertainment allowances. The current CEO now does not receive an Entertainment Allowance but he is permitted to entertain clients, customers, other government officials and suppliers from the WAF's entertainment budget and we have a budget of \$10,000 that is approved at the Board meeting so we have a budget of \$10,000 for that per annum.

Item 6.6 which is Annual Leave Balances, the previous HR software that was used to record these balances could not provide this balance but we have now obtained a new bill system called "Pay-Global" and this particular system is computerised and automatically calculates the annual leave balances so we have resolved the issue about annual leave balances.

MR. DEPUTY CHAIRMAN.- If I may interrupt you there, Sir, do you think this Pay-Global system is 100 per cent reliable? If you are to rate the percentage at which this system is successful, how would you rate it?

MR. K. FONG.- I do not think systems are 100 per cent reliable, they are only as good as the information you put into it. If you put in wrong things, you will get wrong information but in terms of the entries into the system, it correctly calculates. If you enter your leave correctly, it will give you your correct outstanding balance of leave.

MR. DEPUTY CHAIRMAN.- I will assume that so far it is the best system to resolve that?

MR. K. FONG.- Yes, you can say that.

MR. DEPUTY CHAIRMAN.- You can proceed.

MR. K. FONG.- Job description - 56.7: WAF has completed 95 per cent "Job Description" for all its permanent employees. We do not have that at 100 per cent yet but the target is to complete this by the end of this year. At the time the audit was done in 2010, job descriptions for many of the positions were not completed.

Cash at Bank, the issue there was reconciling the subsidiary ledger to the cash book and the bank statements. Again, in those years, this requisition was not done on a timely basis but just to give the Committee some background. In mid-2014, WAF created a Reconciliation Section, prior to that, there was no Reconciliation Section Four people were put into that team and their fulltime role was just to do reconciliations. This is now not an issue and bank requisitions are now done monthly.

MR. DEPUTY CHAIRMAN.- You still have this team?

MR. K. FONG.- Yes, it is a new team. We restructured a Department to create a reconciliation team that does reconciliation full-time.

MR. DEPUTY CHAIRMAN.- Yes, so the employees who are employed in this team were new recruits or they were recruited within the existing employees?

MR. K. FONG.- They were recruited from the existing employees in 2014.

MR. DEPUTY CHAIRMAN.- Who were mostly these recruits, I mean, from which

MR. K. FONG.- I think, if I remember correctly, the majority of those who form the team had just joined WAF in 2013. Those who form this team in 2014 had just joined in about a year before that.

MR. DEPUTY CHAIRMAN.- But everyone with financial background, I would assume?

MR. K. FONG.- Yes, they have accounting degrees or accounting diplomas.

MR. DEPUTY CHAIRMAN.- Thank you, you can continue.

MR. K. FONG.- Bad and doubtful debts, what has transpired since then is that, in 2012, Cabinet approved to write-off water bills for WAF of about \$13.9 million and that has been written off from 2012/2013. Also in April, 2014, a provisioning policy was put to the Board and how this policy works, it assumes that all debts that are more than one year is provided for at 100 per cent and all debts that are over six months is provided for at 50 per cent. So, anything over one year is fully provided and anything that is over six months is 50 per cent provided. That policy has been approved by the Board and it was implemented in the later accounts of WAF.

MR. DEPUTY CHAIRMAN.- You had a write-off of almost \$13.1 million?

MR. K. FONG.- Yes.

MR. DEPUTY CHAIRMAN.- Most of it were the residential customers?

MR. K. FONG.- The majority of write-offs were residential customers. WAF does not have too much commercial customers to write-off, the majority are domestic customers.

MR. DEPUTY CHAIRMAN.- What would you attribute as the major reason as to why these arrears that were accrued?

MR. K. FONG.- The majority of the write-offs that took place in this particular one were issues that came from Government days, 2010 so it was really difficult for the team to go back and look through Government records because WAF started in 2010. However, a lot of it has to do with customers who do not pay their bill and then their meter get disconnected and once the meter is disconnected, there is very little legal action that can be taken against them. It is not like you can seize the house and sell it, if you do not want to pay, we disconnect and that is it.

MR. DEPUTY CHAIRMAN.- In terms of policy, say for instance, what a residential customer can do is that if the bill is coming under his or her name they can always change the bill to any other member in the family, and then from there it becomes a totally new account. Do you think that has been happening?

MR. K. FONG.- No, not now, because our systems now, we have invested a new system called "Gentrack" so we tag the property and the meter. If a meter on a property is unpaid, then we will not provide that property with another meter until that amount is paid off, but a lot of these debts relate to squatter areas. We have a lot of customers in squatter areas. The moment they do not pay their bill and it gets disconnected, they ask a neighbour for water and they connect their pipes, the neighbour charges them \$10 a month, so we have a lot of debt collection issues in squatter areas.

MR. DEPUTY CHAIRMAN.- Especially those residential areas where there is no legal property ownership?

MR. K. FONG.- The one where there is legal ownership, what we do if the debt is not paid, we keep the debt then. When the owner tries to sell the house, that is when we will not give the clearance. We will tell the owner, you pay us first so in instances when the property is sold, we are able to collect that money because the new owner does not want to inherit the water debt. Usually the new owner will come and ask if there is any water debt on his property and that is when we can collect it, so that is with provision.

With chemical usage, I think the issue here is that, chemicals were purchased without tender. In 2012, a procurement purchasing policy was approved and implemented and in that policy, all procurements above \$20,000 required tender so that is now implemented. Currently, we also have weekly usage reports which come in from our treatment plant which is then entered into our system to track the usage of inventory. We also now undertake annual stock-takes and we have been doing that since 2014 so that the inventory is correctly reported in the financial statements.

HON. A.M. RADRODRO.- Going back to debtors and its write-off, I think most of the pertinent issues too there is the connection charges that are being levied by WAF. Can you advise the Committee what is the new connection charges for new connection or for new meters that will be installed for new homes that will be levied to customers, and whether it is the standard amount or whether it is different rate for different customers?

MR. K. FONG.- Thank you, for domestic customers, the current standard rate is now \$345 to actually connect the new meter. There is initially an application fee, I think it is about \$10 or \$20 but that fee is to allow the WAF to come and inspect the property and see what items are required for the connection. Once that is inspected, they will charge that customer \$345.

Previously, what used to happen is that, certain customers used to get charged more than that, that is where the water meter is across the road. You have got your pipes running on one side of the road so customers on the other side would get charged about \$1,000. The reason for that is, when WAF digs across the road to lay pipes, FRA charges WAF that much money so that used to get passed to customers. So, if you are on the same side as the pipe, well and good, you will pay \$345. If you are on the other side of the road, you have to pay the FRA charge of digging the road because FRA charges that. However, in the recent months, WAF has decided to do away with the FRA charges so we are now just charging all customers, \$345 and WAF will just bear the cost of that charged by FRA.

HON. A.D. O'CONNOR.- Mr. Fong, is that \$345 inclusive of the initial survey by WAF before they actually go and do the installation, is that an inclusive amount, \$345?

MR. K. FONG.- The first fee is about \$10 or \$20, quite a minimal fee but it is just the charge for the staff to go and do an initial survey to see how far are you from the road and your nearest pipe because some homes are near, some homes are actually 20 metres away, some are even 50 metres away, some are 100 metres away but we make the rule that we will put our meter within 10 or 15 metres from the main pipe so customers have to do their own pipe, so that is what the survey is about. The amount of \$345 covers the cost of a meter and all the fittings because we have to tap into the main pipe and the labour charges, et cetera.

HON. A.M. RADRODRO.- How long does the customer have to wait when he pays \$345 to WAF, what is the time line that he has to wait for the new connection to actually come in?

MR. K. FONG.- To be honest, I need to confirm with the Department that is in charge of water connections. That is not my department but I understand that there has been some delays particularly if fittings are delayed from our suppliers. If we do not have fittings, then that would delay it but if the fittings are there, it should take place within a few weeks but the delays would occur when the fittings are not available.

Moving on, Hire of Assets; basically, this is to do with the hire of motor vehicles and for some reason, they were not able to obtain information from the system about the vendor information but what has transpired since then, we have conducted training on the Seig 300 or what used to be previously called AgPak that training has been conducted for the Finance Team in 2014 and 2015 and the reports that were required then is something that is easily done now. I am not too sure why it was not able to be produced back in those days because it is something that we can extract off the system. We can get transactions for any vendor if you go into the system.

In terms of the hire of our vehicles, since 2014, WAF now conducts an annual tender for vehicles that we hire, and that has been done annually.

HON. A.M. RADRODRO.- Just a question on the hire of vehicle, I note that WAF is now going into purchasing its own vehicle rather than hiring vehicles, is that the way-forward for WAF or is there a split proportion?

MR. K. FONG.- There is a split, we have some vehicles and we hire some as well but our purchase of vehicles is dependent on the Government allocation for purchase of vehicles. For example, in this new

year, Government has not provided any funding for us so we will not buy any vehicles this year. We can only buy based on the Government allocation.

HON. A.M. RADRODRO.- The hire of vehicle, what is the condition that is being set out? How does one have to qualify for the WAF hire of vehicle?

MR. K. FONG.- As I said, we do an annual tender these days so roundabout November/December, we would put an advertisement in the papers on the hiring of a vehicle (4x4, truck, excavator). You put your tender in and based on that tender, we make a selection and if it is approved by the Board, we work with that list. However what we also do, we also have another list of those suppliers that come after the tender and they would write to us if they want to provide us services but they missed the tender. Those group of vendors would sit at the end, they would rank second. WAF will always engage with those that were approved in the tender first and if, in the instances, we have insufficient vehicles, for example, during the time of *Tropical Cyclone Winston*, we just did not have enough vehicles to do water carting, so we have to go beyond the tender list and engage those that come through the door.

HON. A.M. RADRODRO.- This is one of the areas as well that the previous Department of Water has also been engaged in a lot of queries and issues that have been raised in terms of hiring of vehicles. In the Audit Report, you will note that a total of \$3.1 million was used for the hire of vehicles in 2010. With the new split that you have now, what is the total cost?

MR. K. FONG.- I do not have the exact number but currently, it is much higher than this?

HON. A.M. RADRODRO.- Again, for vehicle hire?

MR. K. FONG.- Yes, it is not just vehicle, we hire excavators, diggers. Every day there is a water burst somewhere, we hire these things everyday.

Water Carting: Government wants WAF to provide water carts to rural areas. We hire 25 water carts taking water to the rural areas, non-metered areas everyday so we spend \$12,000 to \$15,000 a day carting water as directed by Government, so this was a figure back then. In fact, for the last six months, WAF has spent more than \$3 million carting water to the rural areas.

HON. A.M. RADRODRO.- When you say “rural areas”, what do you mean?

MR. K. FONG.- Non-metered customers will call and say, “Hey, we got no water, please, give me some water” so we send them a truck.

MR. DEPUTY CHAIRMAN.- Sir, in terms of water carting, perhaps this is a bit of a policy issue, we do receive cases of people calling in for water carting. They say that the directive has to come from the Commissioner, he looks after his certain areas. In a scenario and let us say, when the Commissioner is not doing his work as required like he is ignoring the request, in those instances, how does WAF exercise their duties in instances like that?

MR. K. FONG.- Prior to 2014, all water carting to the rural areas were done by the Commissioner’s Office. WAF was not involved in carting water to rural areas. In n 2014, the Government directive was for WAF to get involved in carting water to rural areas so we started from then but WAF would wait for the Commissioner’s Office to confirm that an area really needs water. However, in recent months, the WAF has been in dialogue with the Government, we have changed that, anyone can call WAF now and say

MR. DEPUTY CHAIRMAN.- Anyone can call now?

MR. K. FONG.- Yes, anyone can call WAF now.

HON. A.M. RADRODRO.- Through the toll free number?

MR. K. FONG.- No, it is not toll free. We get limited budgets from Government so we cannot give free calls but at the same time, just for the information of the Committee, there is a draft water carting policy that is with the Ministry. It has been reviewed by the Ministry of Infrastructure, also the Ministry of Economy has reviewed it so it should be coming to Cabinet soon. In that particular policy, it says that anyone can call WAF and ask for water but it is not for anything else. You cannot have a ...and say, "Can you send me some water", it is to be for emergency needs.

Moving on to Audit Fees, the issue here again is about tender for services above \$300,000, signed contracts and correct allocation of expenditures. Subsequent to 2010, all our audit engagements are now supported by an engagement letter, not just audit, any accounting fees that we engage any accountant with, we sign an engagement letter which agrees the fee and we tender out any services that are above \$20,000 as required by our policy which was implemented in 2012.

All our audit fees now and accounting fees are properly accounted for, so the audits from 2012 and 2013 relating to our audit fees, there is no issue from the auditors so we are correctly classifying them.

HON. A.M. RADRODRO.- Can you just clarify on this last bullet point?

MR. K. FONG.- Which one is that one?

HON. A.M. RADRODRO.- On the audit issue and probably the Auditor-General can also make a comment on this \$240,000 in its 2010 accounts?

MR. DEPUTY CHAIRMAN.- Audit Fees Expenses of \$240,000 in its 2010 Accounts.

MR. K. FONG.- I will probably need to go back and dig a little bit more, so I probably ask if I could answer that question later.

HON. A.M. RADRODRO.- Perhaps, the Auditor-General's Office can brief us on that.

MS. F. NAGERA (OAG REP.).- Mr. Chair, \$240,000 I think this was audit fees that was accrued in 2010. The reason why it was raised is because (I think) it was a bit too much (\$240,000) to be accrued for audit fees. That is why it is included in the audit report but this has been rectified.

If I can also comment at this point that out of the 32 issues in the Report for 2010, more than 90 per cent of the issues have been resolved. Policies and procedures have been developed. Within the past two years, OAG and WAF have managed to conduct four years' audit and are currently finalising 2014, so while Mr. Fong is going through the issues, from the Auditor-General's side, we can communicate to the Committee that more than 90 per cent of the issues have been resolved.

MR. DEPUTY CHAIRMAN.- Sir, I believe there a lot of issues left. Since we have another entity coming at 11.00 o'clock, I would like to just make a request if that is alright with you, just highlight to us on the most important ones. Obviously, all the issues are important but respecting the fact that another entity is coming and we have less than 15 minutes with us, if you could just go over the ones which you find are the outstanding essential ones to be discussed in this session.

MR. K. FONG.- Maybe, we will just move on to Item 6.14 which is for Long Outstanding Debtors;. WAF does not write-off any debtors on its own. At the moment, there is a Cabinet Paper that we have been discussing with the Ministry that we have yet to finalise, to ask the Government to approve more write-off for us. Most of this again relates to old debts but that paper is now in the process.

Item 6.16 – Inventory: I think the issue that was done here, that there was no inventory accounts done in 2010 and 2011 and even in 2012, we had similar issues. So, from 2013, 2014 and 2015, we have inventory stock-takes done at the end of all the financial years and that is reconciled to our records as well.

HON. A.D. O’CONNOR.- Perhaps, Mr. Chair, with the remaining 15 or so minutes, if I can ask Honourable Radrodro being the expert chartered accountant, if he can probably just quickly ask Mr. Fong the main topics, thank you.

MR. DEPUTY CHAIRMAN.- The reason why I made that ruling is because the confirmation came from the Auditor-General’s Office that 90 per cent of the issues have been resolved. I think the recommendations we can see here already, so I applaud you.

MR. K. FONG.- Moving on, 6.19 - Absence of an Accounting Manual. In 2012, financial procedures were established and that is now being used.

6.21 - Tender Committee. Back in 2010, there was no Tender Committee formalised so again our policy in 2012 has a Committee in place to look at all tenders above \$20,000.

6.24 - Cheques not in Sequential Order, this was a practice that used to happen back in 2010 where they would hold a certain number of cheques in terms of payments of payroll so they book the cheques but this practice is no longer being followed. Now, all cheques are in sequence.

6.25 is about competitive quotes, we do that now. In all our purchases above \$200 require competitive quotes, and if it is above \$20,000 then we would call a tender.

6.27 which is Purchase Orders after Services were rendered, the previous practice at WAF for hire of vehicles is that, running instructions would be issued to the vehicle to provide services and after the services was provided, the invoice would be received from the contractor, WAF will then issue the purchase order. This practice ceased in June 2013, so from June 2013 the requirement is, we will issue the contractor with the Purchase Order before he provides service. Prior to that, there was a note given to the contractor that he would provide his services then the purchase order will be done afterwards so that practice has changed.

HON. A.M. RADRODRO.- On that provision of services, how do you cross-check with the actual order and the work done is actually done?

MR. K. FONG.- We now have a document called the running sheet which accompanies the invoice so the running sheets details how the vehicle has been used in the day, 8.00 to 9.00 travelling from here to there and 9.00 to 10.00 doing nothing, et cetera. The running sheet is required to be signed off by the contractor and the WAF staff who is with the vehicle.

HON. A.M. RADRODRO.- What I am trying to get at is, even though there is a running sheet but actually seeing that what is recorded in their running sheet has been actually performed by the contractor. Sometimes the contractor and officials can collude to just write the running sheet while the actual delivery is not done.

MR. DEPUTY CHAIRMAN.- In terms of your audit, if I could further elaborate on that supplementary question, do you have like random checks?

MR. K. FONG.- Yes, that is a valid point. Collusion is something that is always possible but what we do now, we have an internal audit team that does random checks of these things.

Item 6.31, ADB Accounts not consolidated with WAF Accounts; this has now been adjusted. This was an issue but in the 2011 accounts, we managed to make adjustments to resolve that.

Capital Projects completed in 2010 but not in the Fixed Assets Register, again, we made adjustments in 2012 and we have resolved that issue.

Inventory with Credit Balances; this has been reviewed again and it has been resolved for the 2013 Operating Stock and at the moment, we are doing a huge stock clean-up exercise which reviews all our stock again. So, if there is any discrepancies, we should resolve that this year.

The last point which is Trade Creditors Stated in Overseas Currency in 2010; we now correctly state it and convert it into Fiji currency. Those are all I have, Mr. Chair.

MR. DEPUTY CHAIRMAN.- Thank you, Mr. Fong. Honourable Members, any final issue you want to raise before we end the session with WAF.

HON. A.D. O'CONNOR.- Mr. Chair, it is a technical one, not on finances. You mentioned, Mr. Fong, your GIS system, is that very similar to the GPS or like a *google* where you can go in and zero-in on the services?

MR. K. FONG.- What this GIS does is, it allows us to sit on our desk and just go into it and say "this particular neighbourhood", "where the water pipes are lying" so that we can tell. For example, WAF, FEA, all use the road so before anyone digs, you need to know "Whose pipe is this?" It helps us to identify where the pipes are because the manual systems in previous years when there was a water burst, sometimes WAF spent a lot of time looking for where these pipes were. You know it is somewhere in the vicinity but you do not know exactly where to start digging, "Should I dig here?" or "Should I dig here?" Now with this GIS, we are able to plot where it is, so it has improved efficiencies.

HON. M.R. LEAWERE.- Mr. Chair, just going back on the amount of \$345 reconnection fee or the new connection, is it a standard fee for everyone irrespective of the locations?

MR. K. FONG.- That is a standard fee for everyone irrespective of the location. It is a cost of the materials needed to put in and the labour but there is, what I shall say, a scheme to assist low income earners and those inter-related so they could be given some months to pay it. So, the commercial people in urban areas will be required to pay it upfront, those in rural areas can pay it over a certain number of months up to a year and if you are a low income earner, you can also apply for instalment payment.

HON. M.R. LEAWERE.- Following that, Mr. Chair, due to that amount, it is quite a huge amount in terms of those who are in the rural areas. Going forward, is there a plan to reduce that, especially for the rural areas?

MR. K. FONG.- The more we reduce the more Government has to give us monies to pay for it so it is a choice that we need to make. In New Zealand you pay \$12,000 for a new connection – domestic, but it is a reflection of user-paying what it costs. So, at WAF, the amount of \$345 is covering the cost of the service, there is no profit in it.

HON. A.M. RADRODRO.- Sir, just one last question; there is a lot of development that has been done now by WAF, at the same time, there is a lot of digging done on the roadsides by WAF, especially now, if you go through Vatuwaqa, there is a lot of digging. What is the cost of this?

MR. K. FONG.- The Vatuwaqa one, if I recall correctly, there is an old pipeline laying along Fletcher Road and this pipeline, because it is old, it bursts frequently and it caused disruptions to the Vatuwaqa-Fletcher Road customers. So what the project is happening now is that, the whole pipeline is being replaced with the new ones, otherwise it will be bursting every month.

HON. A.D. O'CONNOR.- It is technology, those old pipes that continue bursting are ferro concrete, if you notice it. It is like clay and what is being replaced now is the heavy duty PVCs or polyethylene, that is the difference.

MR. DEPUTY CHAIRMAN.- That is coming from the engineer.

HON. A.M. RADRODRO.- Can that be confirmed by WAF?

MR. K. FONG.- Actually, the one in Vatuwaqa is asbestos pipes.

HON. M.R. LEAWERE.- It is that reservoir in Pacific Harbour, due to the population increase and demand, are there plans to upgrade that?

MR. K. FONG.- I do not know too much details, some projects I am aware of, I am not aware of anything like this, I need to find out.

MR. DEPUTY CHAIRMAN.- If you could take note of that for our Honourable Member, you can just e-mail him.

HON. A.M. RADRODRO.- Sir, one last one; in 2014 a new project that was supposed to be done by WAF was the Sovi Basin New Water Catchment. What is the progress or has that materialised?

MR. K. FONG.- Again, it is not in my area but from what I recall, there was a survey done to investigate the possibilities of obtaining water from the Sovi Basin. The initial cost was something in excess of \$700 million, so I think it is parked there somewhere for the time being.

At the moment, WAF is working with Government and ADB (Asian Development Bank) in terms of looking at setting up a new water supply from Viria, that is currently a project that is underway. We are doing preliminary works around that.

MR. DEPUTY CHAIRMAN.- I thank you, CFO, for your rather positive submission. We do believe that there were a lot of audit issues but be rest-assured, now we have the assurance that with your team, especially the finance team, we can see that almost all the issues have been looked into and rectified.

Very positive comments also came from the Office of the Auditor-General that almost more than 90 per cent of the issues have been addressed, which is a very good reflection in terms of financial implementation and the efficiency that you are having in your department, especially finance.

Once again, on behalf of my Committee, I thank you for your submission and I would like to invite you to join us for tea. We will be breaking off for tea and then perhaps you can take more informal complaints about pot-holes, et cetera, whilst we have our tea, and just requesting Honourable Leawere to lead us with a small grace.

(Prayer by Honourable Leawere)

The Committee adjourned at 10.57 a.m.

Submittee: Yaqara Pastoral Company Limited

In Attendance:

1. Mr. Simon Cole - Chairperson
 2. Ms. Talca - CEO
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MR. DEPUTY CHAIRMAN.- We have before us officials from Yaqara Pastoral Limited, we have Mr. Simon Cole he is the Chairman; and Ms. Talca, she is the CEO. I welcome you two Resource Personnel to our Public Accounts Committee meeting dated 2nd of September, 2016.

Our apologies if the notice did seem to come to you rather short in regards to this meeting but we have lots of entities to cover and we are trying to get over with our work, submission and interviews as soon as possible so that we can provide a report to the Parliament before more reports starts coming. I do understand that you must have had with you a list of issues that we wish to raise in this meeting, specifically considering the Audit Reports of Parliamentary Paper No. 31 of 2016. Without further ado, I would like to request Mr. Cole if you could enlighten us with a bit of brief background about yourself and your staff, and about the company as well. Thank you.

MR. S. COLE.- I was appointed as a Director of Yaqara about three years ago now was alleviated to Chairman last year. We are looking at the accounts for 2008 and I think this is a watershed for Yaqara reading from Annual Report there was the appointment of the whole new Board of Directors by the name Peter Drysdale, Fulori, Sant Kumar and Aca Thomas. These people, together with the CEO instigated a whole raft of reforms, most of which are covered in the set of questions that you have given to us and wishes to address at the meeting this morning. However, I am very pleased to say that the worked done by this Board has resolved many of the issues that are raised here.

Yaqara remains an extensive beef ranch on the dry side of Fiji. It has a total of 4,785 hectares of land of which 2,000 hectares is possibly considered flat land or gently rising land but a lot of Yaqara is still very steep and very forested, and not really suitable for cattle. Yaqara has the strange injection of Fiji Water right in the middle of it. Covenants were agreed in 1995 that determine that relationship and Fiji Water now contributes about 66 percent of the total income for Yaqara. This, if you look at the accounts, obviously secures the accounts quite considerably.

I think what is important to note that from the work done by this Board of Directors appointed in 2007, the farm is now making a profit as the farm itself. Takeout all the Fiji Water royalties, we now as a Board, direct 100 percent of that Fiji Water royalty as dividend to the Government. The farm stands alone as a profitable farming business and the activities that this Board looked at was the control of weeds, the improvement in fence lines and infrastructure, cutting down of the number of cattle because it was believed that the farm is overstocked and that was reducing the performance of the herd, and also aimed to sell a more profitable sized animal at about 230 kilograms dress weight. These are all the things that are being achieved through the work of this Board and CEO.

At the time we cut the breeder cows down from 1,884 to about 1,484, we have introduce a sheep operation at that time which has since grown and doubled in size from where it was in 2008. We still have a little bit of honey and mangoes available but beef is about 80 percent the total income of the farm. Since 2008 sugarcane has been grown at Yaqara and has been grown very successfully. Obviously, the dry years will have hammered the sugarcane enterprise in 2015 and 2016 but it was an enterprise that was introduced and has worked well for Yaqara but was not much of the work done in 2008.

If I come to your set of questions I am reading off sheet with question 8.1, is that the same sheet we all looking at?

MR. DEPUTY CHAIRMAN.- I think you have elaborated on that we can just perhaps move on to 8.3.

MR. S. COLE.- 8.3 - Biological Assets; there was an abridged balance sheet from the Office of Auditor-General and that is explained in the full accounts and obviously the Biological Assets at Yaqara is the value of the cattle that exists. This is the ongoing calculation that was carried on every year, starting with the opening stock, adding burse, subtracting sales and ... and arriving at the closing stock, and obviously the changes in that influence the profit of the company or not.

The closing stock at 31st of December, 2008 the cattle number were 4,443, sheep - 421, goats - 91, horses - 53, a total of 5,008 stock down from 5,300 at the beginning of the year. The Auditors apply a value to each class of animals and obviously younger animals have less value or one-year old is only \$266; a four-year old animal is \$542. Sheep up to \$144, goats up to \$72 and horses range from \$75 for a young animal to \$400 for a stallion. So, these numbers are included and checked by our Auditors and the Auditor-General's Office. It is done on a simple multiplication; how many cattle, what value and that becomes a total value for the Biological Assets. So, it is all the livestock cattle, sheep, goats and horses that are on the farm at that time.

HON. A.M. RADRODRO.- Mr. Deputy Chair just a supplementary question to Mr. Cole on the values that you apply to the different categories. You said here it is a market price, can you elaborate on that value and the market price?

MR. S. COLE.- Obviously, when we sell an animal we realise the price at the market. So, if we sell a four-year old animal, we are going to get probably around \$500 to \$600 for that, this was in 2008. Obviously now, we get slightly more. The auditors do move that up on a year by year basis. In fact, we actually query the auditor, we felt they had over-valued the stock, so we asked them to reduce the value of the stock to a more realistic value but it is based on what we would realise for that animal if that animal is sold and obviously there is evidence of sales as we have the sale receipts.

HON. A.M. RADRODRO.- Thank you for that explanation. In terms of the activities of Yaqara Pastoral whether it is meeting their demands in terms of local market, especially in the livestock division from the supply in the current stock at the Yaqara Pastoral?

MR. S. COLE.- I think you have to be careful there on what you are talking about. Yaqara has a brand of steer beef and that is recognised and sold at a premium in one outlet in Fiji. We contribute I think 10 percent of the total cattle sold but beef that is consumed in Fiji, most of it is culled beef from the dairy industry and for working bullocks, from the sugarcane industry, that is the completely different product. Much of the import of beef that goes into our corned beef cans, again is a completely different product. It is awful offcuts from a much larger industry in Australia.

However, we have huge demand here, remembering of course though that the Tourist Industry where you expect some of that demand to come from, only eats 10 percent of the animal. They have that requirement for ribeye, fillet, sirloin, possibly that means the butcher has 90 percent of the animal still to sell.

We could grow much more beef. We are more efficient, we are selling more beef than we sold before but there is still huge demand in Fiji for beef but be careful which category of beef you are talking about. They are very different markets.

HON. M.R. LEAWERE.- Mr. Deputy Chair, looking at that local, our Fiji Made, we thought that the onus lies on the company to ensure that the supply comes from Yaqara Pastoral Company instead of depending on overseas countries, like Australia.

MR. S. COLE.- Yes, I mean, Yaqara is doing what it can with the area of land that it is got. If it is Government's policy to grow more beef, then it will have to invest in more beef farms. I think we are producing more and more beef at Yaqara now, but there is no way Yaqara can satisfy the total demand for Fiji's beef.

MR. DEPUTY CHAIRPERSON.- I would request you, Sir, to proceed with 8.4.

MR. S. COLE.- This issue has been resolved, the book of accounts and the audit adjustments have been made and this has shown that this issue no longer exists in the 2014 Audited Accounts.

MR. DEPUTY CHAIRPERSON.- Yes, you can continue Sir.

MR. S. COLE.- 8.5 - We paid all the VAT on the royalty in 2012 to Government. That issue is also therefore resolved.

Income Tax Returns, these have all been lodged up to 2013. I think 2014 will be lodged in the very near future. The accounts have been done.

PAYE Annual summaries, this is being updated and rectified.

8.9 - The turnover payments from Natural Waters of Fiji, this is governed by the turnover deed that was agreed in 1995 and we received from an independent auditor the value of the turnover from Fiji Water and they verify that we are receiving \$1.5 percent of that payment.

8.11 - Statutory Registers, this again are all up to date, work done as I have said by the new Board and a new accountant that came in in 2010. Share Certificates were finally obtained by the two ministries that now own Yaqara in 2015.

The bank reconciliations, again, all done, everything up to date for all three bank accounts that are held by the company.

MR. DEPUTY CHAIRPERSON.- Honourable Members, if you have any supplementary questions, we have a good 25 minutes with us.

HON. A.M. RADRODRO.- Mr. Cole, just on the Certificate of Exemption, the Auditor-General had recommended a different scenario, that a Certificate of Exemption should be provided by the Company. Also on the Turnover Tax - Natural Waters; can you elaborate on the basis of this Turnover Tax?

MR. S. COLE.- On the tax of royalty payment, I think it is not a tax. This is what we are saying was governed by the Deed of Covenant and confirmed by an independent auditor.

On the Certificate of Exemption, the direct deduction of royalty withholding tax by Natural Waters of Fiji to Government did not warrant a Certificate of Exemption. To have the Certificate of Exemption would only delay the payment. This was the advice we were given and what we have acted on.

HON. A.M. RADRODRO.- Can we have the Auditor –General's opinion on that comment?

MS. F. NAGERA (OAG REP.)- The two issues that had been explained by the Chair of Yaqara Pastoral Company Limited have been resolved. These were issues for 2008 and they are no longer issues for these subsequent years.

MR. DEPUTY. CHAIRPERSON.- I welcome, Mr. Chairman. I am the Deputy Chair. I think he was engaged this morning.

HON. A. SUDHAKAR.- Yes, my apologies, I was chairing the other Committee for a while.

Mr. Cole, in the returns and accounts of 2006, there was a recommendation by the Office of the Auditor-General that the armotisation of leasehold expenses amounting to \$247,000 but twice, added back in the income return. There was a recommendation to lodge and amend the return. Has that been complied with?

MR. S. COLE.- Can you answer that, Talica

MS.TALICA.- That is the tax...(inaudible)

MR. S. COLE.- If I am correct, the land at Yaqara is owned by Government and, therefore, we as Yaqara, pay a rent to Government for the use of that land. We should not, therefore, take a charge - the \$240,000 charge as a depreciation of asset. That asset does not belong to us and it belongs to Government. We have now taken that asset right out of our books. We pay a rent to Government for the use of that land. That is the charge, otherwise will be charged twice.

HON. A. SUDHAKAR.- OAG, your office raised an issue in Paper No.20 of 2016 in respect of accounts of year ended 31st December, 2006 stated that because that leasehold expense that you have already explained, you lease the land from the Government and you pay a certain amount of rent to the Government, that amount of \$240,000 was added twice back in the income return which showed that the Company incurred additional expenses. It should have been \$76,720 only. OAG, has that been rectified now?

MS. F. NAGERA (OAG REP.)- Mr. Chair, that issues has been rectified. We are talking about the 2007 financial account?

HON. A. SUDAKHAR.- Yes.

MS. F. NAGERA (OAG REP.)- Yes, that has been resolved.

HON. A. SUDAKHAR.- Thank you.

HON. A.M. RADRODRO.- On this turnover from Natural Waters of Viti Limited, Yaqara Pastoral owns a lease that Natural Water is currently operating from or what is the basis of this royalty that has been paid by Natural Waters?

MR. S. COLE.- There were three Covenants entered into 1995, and one was the Turnover Deed and that is the basis of that payment. As I have said the KPMG gave us an independent audited version of the value of that turnover. I stand to be corrected, but I believe Fiji Water has a separate lease for their block.

MR. DEPUTY CHAIRPERSON.- Honourable Members, any more issues you wish to raise before we conclude this session?

I thank you, Mr. Cole, for your rather very well presented submission. A very positive that I noted whilst you are presenting is that you had mentioned that the Company's profits have increased only from the sales of your livestock, excluding the royalty from Natural Waters of Viti Limited and for us as a Committee that is a very enlightening news. That shows an indication that the entity is performing quite well in terms of the primary market they are aiming for.

Once again on behalf of the Committee I wish to acknowledge your presence and you have cleared the air on the issues that we have raised. This is the audited reports that we got so far from the Office of the Auditor General. Should we get more audited reports, we will be inviting your entity officials again to come and just brief us on the issues that we might highlight in the future. Again, on behalf of the Committee I wish you all the best and your entity and I wish you the very best of the weekend.

MR. S. COLE.- Mr. Chairman and Honourable Members, thank you for the opportunity to come. Obviously, we take this very seriously and we are now very much up-to-date with our audited reports, so we look forward to coming back if you have other questions which you wish to raise.

The Committee Interview adjourned at 11.36 a.m.