



STANDING COMMITTEE ON PUBLIC ACCOUNTS
REPORT NO. 41 OF 2018

***Report of the Public Accounts Committee on Special
Projects for the year ended 31st December 2014***



PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No. 41 of 2018

May 2018

Published and printed by the Department of Legislature, Parliament House, Government Buildings, Suva



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Chair's Foreword

This is my ninth report as the Chair of the Standing Committee for Public Accounts.

It should be noted however that the period which this report addresses is for the year ended 31st December 2014 therefore the issues noted may not be current. The future reports would explore the issue which may exist currently in those entities covered namely the Fiji Roads Authority and Water Authority of Fiji.

I would like to thank the representatives of each entity covered in this report, particularly at the time of the public hearings held by PAC. Although some entities received were not able to cover the audit findings within the time allocated, the feedback that has been received was noted in a very positive way.

I also thank fellow committee members for their efforts: Hon. Mohammed Dean, Hon. Alexander O'Connor, Hon. Aseri Radrodro, and Hon. Ratu Naiqama Lalabalavu. Members of both the Government and Opposition engaged in this process in a constructive manner and this is appreciated.

Recommendations have been made in good faith, and we urge the relevant party for which the recommendation is made, to consider and respond accordingly.



Hon. Ashneel Sudhakar
Chairperson

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 Special Projects for the year ended 31st December, 2014.

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

The entities which appeared before the Public Accounts Committee are as follows:

- Fiji Roads Authority
- Water Authority of Fiji

Committee Recommendations

The Committee recommends the following:

Recommendation 1

All Capital Projects undertaken should be completed on time as per the agreed/signed contract. For inexcusable delays caused by the engaged Contractor, the authority must claim for damages.

Recommendation 2

All Capital Projects carried out by any entity should continue to ensure that:

1. Proper tendering process is followed and submitted to Executive Management for approval that is line with the Procurement Guidelines.
2. Ensure that there is contract in place vetted by the legal office.

Recommendation 3

All Contracts relating to Capital Projects, the authority must ensure that:

1. The contract has a starting and ending date (No expected completion date for China Railway No 5 Engineering Group Limited for the Samabula North Sewer Reticulation).
2. Ensure that all contracts should have a performance bond, security and/or two bank guarantees or retention and an insurance policy for safeguard the authority's interest.
3. Ensure that the Retention Sum is deducted before the full payment is paid to the contract.

Committee Members

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

Hon. Ashneel Sudhakar MP, Chairman
Hon. Mohammed Abe Dean MP, Deputy Chairman
Hon. Alexander O'Connor MP (Member)
Hon. Aseri Radrodro MP (Member)
Hon. Ratu Naiqama Lalabalavu MP (Member)

Resource Persons

The Committee together with the officials from the Office of the Auditor General conducts public hearings in the Parliamentary precincts. The officials that assisted the Committee were:

OFFICE OF THE AUDITOR GENERAL:

Mr. Kuruwara Tunisalevu
Mr. Sitiveni Naivota
Ms Farisha Bi
Mr Manish Dewan

2014 Audit Report on Special Projects

FIJI ROADS AUTHORITY

Section 1: Emergency Flood Recovery Project

PART A: FINANCIAL INFORMATION

1.1 Audit Opinion

- The audit of the Statement of Expenditure for the Emergency Flood Recovery Project for the year ended 31 December 2013 resulted in the issuance of an unqualified audit opinion.

1.2 Abridged Statement of Expenditure

- The Authority informed that the Loan from ADB was provided as assistance to the Fijian Government in rehabilitating flood damaged public infrastructure as a result of the flooding that occurred in January 2009.
- A number of contracts were identified as new projects such as, bridges and roads, to accommodate current and future emergency events. The following works were done:
 - Rehabilitation of Kings Road from Rakiraki to Tavua
 - Re-gravelling of Nadarivatu Road 6.0km, Monasavu 10.0km
 - Re-gravelling of Koronivia Road 3.8km, Lokia 3.1km and Toga 4.0km
 - Wailevu Land Slip Stabilisation
 - Lomaloma Land Slip Stabilisation
 - Construction of Rakiraki Bridge
- The total cost of the Emergency Flood Recovery Project was \$17,044,380.
- The Authority further informed that the initial cost of the rehabilitation of Rakiraki Bridge was estimated at \$2.06 million however, the actual cost incurred was \$11.08million. The Authority clarified that the increased expenditure was due to the new structure and design of the bridge

Committee Recommendations and Resolutions:

The Committee noted that there had been no issues that had been identified for Fiji Roads Authority (FRA) by the Office of the Auditor General.

Section 2: Fiji Road Upgrading Project (FRUP) Stage III

PART A – FINANCIAL INFORMATION

2.1 Audit Opinion

- The audit of the accounts of the Fiji Road Upgrading Projects Stage III for the period ended 30 June 2014 resulted in the issuance of an unqualified audit opinion. The committee was advised that:–

“....this this project in Kings Road and Lodon Road was initially contracted out to a contractor called COVEC. The project started in 2009 and completed at a total cost as at 2012 is \$26.5 million. There was a slight issue in terms of VAT which was not adjusted to the account because of the direct payment from the ADB to the contractor which was reinstated for the 2012 account. The period from 18 months to 30th June 2014 when all the works and the payments was completed to the contractor was \$18.2 million”¹

2.2 Abridged Statement of Expenditure

- The 2012 Statement of Expenditure has been restated to account for the recalculation on VAT paid by ADB in 2012 and to correctly account for the direct payments by ADB to the China Railway First Group in 2012.
- The FRUP Stage III Project commenced in 2009 and as at 2012, total expenditure was \$26,562,189 after correction of VAT was done for the 2012 account. Total expenditure for the period ending 30 June 2014 was \$18,265,726.
- The Authority informed that the contract for completion of the Project was awarded to COVEC as the contractor was taking time and progress was slow. The contract was terminated and reissued to 4 other international contractors namely; China Railway 5th Group Ltd, China Railway 1st Group Ltd, Blacktop Construction Ltd, and Naim Cendera Sdn Bhd. A local contractor, Fairdeal Earthmoving Co was also contracted for a smaller package.

PART B: AUDIT ISSUES

2.3 Late payments of ADB portions relating to the 2012 claims

- Audit noted that the ADB's portion of payments relating to the claims for China Railway First Group for 2012 were applied for and paid in 2013, although the claims have been included in the total expenditure for 2012.
- The Committee was informed that these were approved by the Department of National Roads (DNR) in November 2012 and Fiji's Portion was paid from the

¹ Verbatim Notes of Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Thursday 1st February 2018 at 9.35 a.m. p. 4

Department of National Roads' account whereas ADB claim was sent by DNR following the termination of staff or those have already resigned or left the department.

- FRA was formed in late December 2012 and as such, this information was not handed over properly to the new staff.
- The Authority then in late March prepared the claim for ADB to process. During this period, there were some delays as information needed to be transferred to FRA.
- The Authority further informed that as per the contract, the contractor needs to be paid after 56 days.
- The committee was advised by the officials from FRA that:–
"In this loan facility 78.5 percent share is ADB's and 22.5 percent was Fiji Government's share. All these expenditure were certified by the engineer, Fiji Government would pay 22.5 percent which was then paid as listed in Table 2.1 by the Fiji Government or at that point in time it was the Department of Roads within the few weeks of the claim being certified."

*I think in late December 2012 when FRA was formed the transfer of information from Department of Roads to Fiji Roads Authority, at that point of time I would say the Fiji Roads was getting on their feet and getting the processes correctly done and verified. There was a lot of checks and balances done then, and that took a little while for Fiji Roads Authority to send their claims back to ADB for the contractor. It normally takes about a month for ADB to process that claim. At that point in time I think it was all done manually, preparation of all the documentation and send through the mail. Now, Chairperson, the system has changed, ADB is all web based, electronic system which takes lesser time for them to pay the contractor. That is why it took about five months for the ADB portion to be paid to the contractor"*²

Committee Recommendations:

It is recommended that the Authority reduce the time taken to lodge claims for payments to ADB after approvals are obtained to ensure that payments are settled within the financial year.

² Verbatim Notes of Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Thursday 1st February 2018 at 9.35 a.m. p. 5

2.4 Accessibility to Information

- Audit was not able to obtain and review any progress reports from either the Project Management Unit (PMU) of the FRA or the contractors on the progress of construction and rehabilitation works conducted for the year ended 31 December 2013.
- Furthermore, minutes of meetings between the FRA, the consultant, the supervising engineer and other related contractors for the projects were also not available for review during the audit.
- The Authority informed that it contracted its management of the projects to its Principal consultant (MWH). The process was at the interim stage and the consultant was in process of completing the progress reports.
- However, the Committee was informed that at the time of the audit, not all reports were completed and made available to the auditors. Following the consultant's discussion with the contractor, the reports were then made available to FRA.

Committee Recommendations:

All records, including progress and minutes, should be made available for audit purposes

WATER AUTHORITY OF FIJI

Section 3: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded)

PART A – FINANCIAL INFORMATION

3.1 Audit Opinion

- The audit of the Statement of Expenditure of the ADB funded Suva/Nausori Regional Water Supply and Sewerage Project for the year (18 months) ended 30 June 2013 resulted in the issuance of an unqualified audit opinion.

3.2 Statement of Expenditure

- Total expenditure incurred for the period ended 30 June 2013 was \$181,497,201. Majority of the expenses was incurred for the consultancy services of \$14.3m, \$117.78m for the Suva/ Nausori supply Scheme and expenditure of \$29.3m of Suva/ Nausori sewage scheme.

PART B – CONTROL ISSUES

3.3 Variance Between Reimbursable and Reimbursement Figures in Financial Statements

- Audit review of the financial statements revealed variances between the Total Reimbursable Amount and the Total Project Expenses Reimbursed. The total variance between the two records was \$1,621,127.
- The Committee was informed that no overpayment was made as each of the payments were based on progress claims certified by the Engineer, of which 14% was paid by WAF and 86% by ADB. Furthermore, the Authority stated that variances noted by the Office of the Auditor General were not discussed with it therefore a more detailed breakdown of the figure was needed in order for WAF for verify.

Committee Recommendation:

WAF should investigate the variance to determine whether the amount has actually been over paid by ADB.

3.4 Delays in Project Completion

- The Authority informed that the Project was managed by a separate Project Management Unit (PMU) led by the Project engineer Mr. Roly Hayes. The Project was delayed on several occasions and the extension of times was carefully assessed and approved by the Project engineer under the final approval of the GM at the time.

- One of the main issues with the Project was the transition from PWD to WAF as there were delays in the finalisation of designs. There were also issues with the Contract as a whole with the Erasito Beca Consultant Limited (EBCL) being the consultant for the Project.
- The Committee was further informed that this contract was awarded during the time of PWD which called for tenders for the Project and approved the designs which was inherited by WAF following the transition.
- This project has been completed and is fully operational.
- Audit noted that WAF made the advance payment to the contractor, Technofab Engineering Limited (TEL) 8 months after receiving the invoice.
- The Authority clarified that it has since developed financial policies, procurement policies, and project management policies where staff are made aware of the timelines involved in the Project cycle with respect to processing of documentation.
- The Authority further informed that currently that are no delays in these processes as following certification of payment by the engineers or department responsible, payments are made within a specified period of time.
- The project was supposed to start on August 1, 2010 and completed in 70 weeks.
- By December 1st 2011, the project was yet to be completed and in the note, WAF was supposed to make an advancement of \$140,000 to the contractor 'Technofab'
- The contract had shifted from 2009 to 2010 because there was an eight months delay of payment to the contractor.
- The Auditor General's office stated the reason for the delay was because an advance payment was made to the then Public Works Department to Technofab Engineering.
- WAF could not recall whether the project was completed in early 2013 or late 2013, showing that the project was delayed by two years however, the Authority has improved its financial policy and now do not have delays in processes.

Committee Recommendation:

WAF must:

- Ensure better project monitoring, supervision and assist the contractor, where necessary to complete the work on time
- Consider invoking the contract clause to claim for delay damages

3.5 Project Physical Assets

- Audit noted the following anomalies:
 - WAF did not have a Fixed Assets Register;
 - The Performance Management Unit (PMU) did not carry out a board of survey as at 30 June 2013 to establish the existence of assets and whether these assets were in unserviceable condition.

- The Authority informed the Committee that the Senior Accountant maintains the Fixed Asset Register for all WAF assets. Given the time of audit, he was in the process of updating the Asset Register from 2010. The Authority, however, confirmed that the records have been updated and the Board of Survey was conducted in 2013 with another one expected to be carried out later in 2018.
- In 2016, the Authority recruited a Fixed Asset Accountant whose role is to maintain the Fixed Asset register and assist management on the formalisation of the asset management program for the Authority.

Committee Recommendation:

WAF must ensure that proper records are maintained for all physical assets and carry out a Board of Survey of Survey to determine the existences of all physical assets.

3.6 Contract Agreement not provided

- Audit noted that WAF awarded contract for project consultancy services to Harrison and Grierson Consultants Limited for the Upgrading of Waila and Tamavua Treatment. However the contract agreement was not provided for audit review.
- The Authority informed that a copy of the Contract was requested from H&G during the audit however this was received after the audit.
- The function of Contract Management is now centrally administered under the Contract management unit established in 2015 that ensures the collection and centralization of contract documents, compulsory compliance documents and significant correspondence affecting the contract.
- In addition, a database was established whereby all project related document are kept in a database and uses the GIS system as the basis for data integration.

Committee Recommendation:

WAF must ensure that all documents pertaining to project are properly maintained and made available for audit inspections.

3.7 Monthly Progress Reports

- Audit noted that WAF failed to obtain monthly progress reports from J.S Hill, Fletcher Construction and TEL for the 18 months ending 30 June 2013.
- The Authority informed that the PMU had carried out monthly meetings and monthly progress reports had been submitted by contractors however these were not properly filed after completion of projects.
- The Authority informed that compulsory monthly project site updates are carried out for outsourced projects by Project Engineers with Contractors who present their project progress which is verified by the planning and design engineers. The reports collated and tracked by the Quality Assurance team. The progress reports are submitted to Finance for the disbursement of progress claim.

Committee Recommendation:

WAF must ensure that the contractors must submit their Monthly Progress Reports.

Section 4: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded)

PART A – FINANCIAL INFORMATION

4.1 Audit Opinion

- The audit of the Statement of Expenditure of the ADB funded Suva/Nausori Regional Water Supply and Sewerage Project for the year ended 31 December 2012 resulted in the issuance of an unqualified audit opinion.

4.2 Statement of Expenditure

- Total expenditure incurred for the project for the period ended 31 December 2012 was \$14.02m. Majority of the expenses was incurred for the consultancy services of \$1.9m and \$9.9m for the Suva/ Nausori Backlog sewage program.

PART B: CONTROL ISSUES

4.3 Installation of Sewerage Reticulation Pump Stations – Fletcher Construction Contract No. WAF PMU 11/014

4.3.1 Failure by WAF to Deduct 10% Retention Sum

- The Authority did not deduct a retention sum however a bank guarantee was obtained from the Contractor. This is in accordance Clause 45 of the General condition of the contract that specifies “the contractor may substitute retention money with an on demand bank guarantee”.
- Since 2015, the Water Authority of Fiji has adopted *The International Federation of Consulting Engineers* (FIDIC) as its standard contract management guideline whereby the 10% retention sum is a mandatory requirement.
- The committee was informed that:–

“As addressed earlier there is retention sum that is to be withheld for the defect liability period. In this particular case the 10 percent should have been deducted from all progress payments made to the contractor for works carried out for the particular project.

During 2012, WAF made eight progress payments totalling \$345,224 to Fletcher Construction for the works completed. The audit noted that WAF did not deduct retention sum totalling \$34,000 from the progress payments.

WAF will not be able to hold the contractor liable should any defect arise in the project during the defect liability period”³

³ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 23

Committee Recommendation:

WAF should ensure:

- that the terms and conditions of the contract agreement is complied with at all times;
- 10% retention sum for the total contract price is recovered from the payment due to Fletcher Construction; and
- Investigate and take appropriate action against officer responsible for not deducting retention sum.

4.3.2 Incomplete Works

- Audit noted that the contract works were not properly carried out by the contractor. This included the Pump stations at Kumi Street and at FRCS.
- The Authority informed that this has been rectified.
- Proper project planning process has been implemented with the establishment of the Planning, Design and Construction unit. Project oversight and monitoring is done by the Quality Assurance team.
- The committee was advised that:–
“....the Project Manager and this Project Engineer they will need to assess or to visit the site once they received the claims for payments they actually go out to site and verify that the works have been completed and they will sign off the Project Engineer and the Project Manager”⁴

Committee Recommendation:

WAF must ensure that all projects are completed as per the contract.

4.3.3 Variations Not Approved By WAF Board for Suva Point Sewage Package 5G

- The authority informed that all variations are now approved as per delegated levels per the updated Procurement policy.
- OAG informed that approval for variations should be made before the completion of projects and retrospective approval for variations is discouraged as “there is a risk that the small amounts of variations later on can add up⁵”
- The authority clarified that variations of over \$100,000 will require Board approval whilst there is a delegation level of authority given to certain officers for variations totalling less than \$100,000.
- The committee noted that the respective delegated levels are within the senior management level such as:–
“The delegated levels are in range. We have the ones up to \$5,000 there is a limit above \$50,000. Those are the delegated authorities and the respective managerial that are allowed to approve such limits

⁴ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 24

⁵ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 28

..... Anything above \$100,000 will need the board approval
 Anything below \$100,000. There is different levels of delegation.
The delegated levels are just within the Chief's level, the Executive level, management level it is not with the project managers et cetera.
*Because the delegated levels are already in place in terms of the officers allowed to sign on the variation. What happens is there is a 10 percent contingency amount already approved when things are being approved. Most of these variations do come in at the moment would be within that 10 percent contingency that the board already approves"*⁶

Committee's Recommendation:

- WAF should ensure that all variations to the contract are approved by the Board through WAF's Tender Committee.
- Ministry of Economy should investigate these variations and take appropriate action for non-compliance to procurement procedures.

4.4 Package 5F Samabula North Sewer Reticulation – China Railway No. 5 Engineering Group Limited contract No. 44/04/03

4.4.1 Variations Not Approved By WAF Board

- The Authority informed that all variations are now approved as per delegated levels as per the updated Procurement policy.
- At the initiation of the various projects, each Project Manager kept records of their own documentation with respect to variations approval and contract documentation. At the time of the audit, most of the information was not available for assessment by the auditors. As such, a Contract Management Unit has now been set up which is responsible for compliance and documentation of all outsourced projects of the Authority.
- The committee was advised that
*"....the delegated levels at that time is delegated so that a certain amount the CEO can approve any amount up to say \$50,000 either the Chief Operations Officer - COO or the CEO can sign. Depending on the amount and who is available that could go. Even under \$50,000 CEO could sign if based on his availability"*⁷

Committee Recommendation:

WAF should ensure that–

- All variations to the contract are approved by the Board through WAF's Tender Committee;

⁶ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 28-29

⁷ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 31

- Proper documents of all transactions are maintained and submitted for audit verifications; and
- Ministry of Finance should investigate these variations and take appropriate action for non-compliance to procurement procedures to avoid discrepancies in its account.

4.4.2 No Expected Completion date for China Railway No 5 Engineering Group Limited

- Audit noted that the contractor was not able to complete the works on original completion date of 30/11/12 and the project completion date was extended three times. However the contractor was still not able to complete the contracted works and as of the date of audit, the project was still in progress.
- The Authority informed that approval for extensions of project completion date is given in the instance of unfavorable weather conditions and delays in the supply of materials from the supplier.
- The Approval for extensions is done on a case by case basis under the FIDIC agreement of contract construction.

Committee Recommendation:

WAF must ensure that all projects are completed on time as per the contract agreement or extensions allowed.

4.5 Trust Fund Account

- Audit noted that WAF does not have a separate trust fund bank account to deposit retention funds deducted from progress payments to contractors. Instead, all retention funds were kept in the operating bank account.
- The Authority confirmed that a trust fund account was set up in 2014 where retention funds are kept.

Committee Recommendation:

WAF must ensure that all retention monies deposited in this Trust Fund Account and ensure that monthly reconciliations are carried out.

Section 5: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded)

PART A – FINANCIAL INFORMATION

1. Audit Opinion

The audit of the Statement of Expenditure of the ADB funded Suva/Nausori Regional Water Supply and Sewerage Project for the year ended 31 December 2013 resulted in the issuance of an unqualified audit opinion.

2. Statement of Expenditure

Total expenditure incurred for the project for the period ended 31 December 2013 was \$17.05m. Majority of the expenses was incurred for the consultancy services of \$1.4m and \$13.5m for the Suva/ Nausori Backlog sewage program.

3. Upgrade of Waila and Tamavua Water Treatment Plants (Alum Solid Project) – Fletcher Construction Company (Fiji) Limited – Contract No. WSC 23/04

5.3.1 Tenders not called for backwash treatment and sludge disposal project at Waila and Tamavua Water Treatment Plant (Alum solid project)

- The audit noted that no fresh tenders were called for capital works at the Waila and Tamavua water treatment plants (Alum Solid Project).
- Instead WAF had engaged Fletcher Construction, the existing contractor, who carried out upgrading works at Waila and Tamavua, under variations to their existing contract WSC 23/04.
- The OAG said the total cost for the backwash treatment and sludge disposal project work (Alum Solid Project) after additional variations was \$4,019,845.85.
- The committee was advised that this was one of the projects that had been inherited from the Public Works Department in 2010.
- The committee was further advised that if WAF had followed the guidelines for procurement process, this would take at least six to eight months. It was a planned process in terms of saving costs and also in terms the Asian Development Bank loan period, WAF went with the option of authorizing the existing contractor.
- In terms of the expiry of the ADB Loan, the committee was advised that once the loan has expired, WAF cannot issue any other contract as this is clearly stated under the ADB Guideline
- However, there is a provision under the ADB Guidelines that mentions loan could be extended which are called supplementary loans under Direct Contracting clause (e).

Committee Recommendation:

WAF must ensure:

- Capital works are properly planned to allow for sufficient time for calling of tenders and awarding of contractors; and
- Proper procurement procedures are followed at all time

5.3.2 Contract Agreement not provided

- A contract exists for the works carried out by Fletcher Construction on the Alum Solid project

Committee Recommendations:

WAF must ensure that:–

- All contract documents are properly maintained; and
- At least 50% bank guarantee in place of retention sum is valid until the expiry of retention period

5.3.4 Variations and provisional sum

- The WAF Board is the only authority that approves a 10% contingency for all capital projects that are to be outsourced.
- In the event where the contingency cost will need to be utilized, the Engineer to the contract obtains the board approval with the relevant justifications.
- Provisional sum is to be evaluated case by case based on the risks identified in the contract.
- It was noted that the defect liability period is for 1 year.

Committee Recommendations:

WAF must ensure that:–

- Ensure that contingency sum is allowed for capital projects and all additional cost arising through variation to be met from contingency sum. Contingency sum ensures control over total project cost.
- Evaluate the benefits of having a provisional sum included in the contract price and consider excluding this amount in contract price.

5.3.5 Performance Bond

- There was a performance bond that was in a form of a bank guarantee to safeguard WAF for any loss if there was an extension in the completion date of the project if this was caused by the Contractor for non-performance.

Committee Recommendation:

WAF must ensure that all projects have valid Performance Security.

5.3.6 Prolongation Claim

- The prolongation claim was not paid to contractor until to-date.
- The audit noted that the WAF requested Fletcher Construction to carry out backwash treatment and sludge disposal project at Waila and Tamavua water treatment plant (Alum Solid Project) in March 20136. The project design and scope of works were completed by the Project Engineers, Kramer Ausenco.
- However due to the redesigning of the Flocculation and Clarifier Tank the Contractor, Fletcher Construction Limited could not proceed to commence the actual project works until the new design was prepared and approved. Hence the Contractor was held up by WAF.

Committee Recommendations:

WAF should:–

- Make an effort to resolve the prolongation claim from the contractor;
- Disclose the prolongation claim as subsequent event in the Project financial statements; and
- Ensure proper supervision during project design phase in future.

5.3.7 Interest paid for delay in making progress payments

- It was noted that it takes precisely 28 days for WAF to make payments to the contractor
- Payment are usually made in 2 portion in which 17% is payable by WAF and 83% is directly paid by ADB to the contractor.
- The delay in most instances relate to the internal verification by the Project Management Unit before they can submit contractors claim to Finance to proceed further with the payment process.
- The WAF 17% Payment process involves assessment of the claim by project manager, management approval on the claim, lodgment of tax clearances and then final payment to contractor
- The ADB 83% payment process involves a wide range of processing of payments. Recently, ADB had introduced Client Portal for Disbursement, a portal whereby payments are processed electronically and delegated authorities for reviewing and approval are able to action claim at any time of the day from any part of the world as long as they have online access. This is in line with FIDIC International Standards (International Federation of Consulting Engineers)

Committee Recommendations:

WAF should:–

- Investigate the reasons for late payments and surcharge officers responsible for delaying payments; and
- Ensure payments are made on time in future.

5.3.8 Contract for design and supervision of work – Kramer Ausenco Contract No. WAF001/12

- A contract exist for Kramer Ausenco on the backwash treatment and sludge disposal project
- It was mentioned that previously, prior to the termination of consultant engineers of Erasito and Roly Hayes, WAF decided to have in-house engineers through the recruitment of Graduate Engineers.
- The audit found that there was a lack of documentation in the design and supervision of contract awarded to Kramer Ausenco.

5.4 Installation of Sewerage Reticulation Pump Stations – Fletcher Construction Company (Fiji) Limited Contract No. WAF PMU 11/014

5.4.1 Tenders Not Called for Trickling Filter at Kinoya Waste Water Treatment Plant

- The Authority informed that the Trickling Filter⁸ Project at Kinoya Waste Water Treatment Plant was a direct source procurement approved by ADB.
- The procurement procedures did comply with ADB guidelines and this was evident when withdrawals and payments were approved by ADB.
- The Authority has updated the Procurement policy and has implemented new processes such as Procurement Workshops, Contract Management Workshops to ensure that tenders prior to being called are properly vetted and the scope of works are clearly articulated in order to help potential bidders submit competitive bids during the tendering process.

Committee Recommendations:

WAF must ensure:–

- Capital works are properly planned to allow for sufficient time for calling of tenders and awarding of contractors; and
- Proper procurement procedures are followed at all times.

5.4.2 Performance Bond Security

- Audit found that WAF did not provide for the correct sum of the performance security to be paid by the Contractor.
- Since 2014, WAF had implemented performance safeguards that's required under FIDIC.
- All contracts of WAF now have Performance Guarantees valued at 10% of the contract costs for construction, design and build, supply and installation projects.
- The committee was advised that:–
 "The retention sum and performance bond is separate, the performance bond is payable during the duration of the contract,

⁸ **Trickling Filter** - The trickling filter is a big concrete box it is about 50meters in diameter circular with stones placed inside the circular (Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 36)

whereas the retention is payable at the end and at the expiry of the defects liability period”⁹⁹

Committee Recommendations:

WAF should ensure that:—

- Contractor provide Performance Bond Security in accordance to the contract agreements;
- Correct amount of Performance Bond Security is provided as required in the contract.

5.4.3 Retention Security

- Audit noted that the Retention Security requested by WAF from Fletcher Construction Limited for the construction of a third Trickling Filter reactor at KWWTP was incorrect and less than the amount required under the contract condition.
- The Water Authority of Fiji informed that it has adopted FIDIC as its standard contract management guideline whereby the 10% retention sum is a mandatory requirement under FIDIC.

Committee Recommendations:

WAF should ensure that:—

- Contractor provide retention security in accordance to the contract agreements; and
- Correct amount of Retention Security is provided as required in the Contract.

5.4.4 Expiry of Contractor’s Insurance Policy

- The amount of the insurance to be affected in respect of the Contract Works and Materials shall be for not less than the sum of the following:
 - (a) The Contract Price, after the acceptance of the tender or other offer, excluding any additions or deductions which may be required to be made during the course of the contract;
 - (b) For the cost of demolition, disposal and preparation for replacement work, the sum of FJ\$750,000; and
 - (c) For professional fees including the cost of clerks of works and inspectors, the sum of FJ\$100,000
- Public Liability insurance shall be effected for an amount not less than FJ\$10,000,000. Motor vehicle third party insurance shall be effected for an amount not less than FJ\$1,000,000.
- WAF engaged Fletcher Construction Limited for Pump Stations Suva Point Backlog Sewerage Package 5G with the contract price of \$3,023,616.58 VIP. The project commenced on 23/02/12 and was to be completed on 13/02/13. The

⁹⁹ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 38

audit further noted that even though the contractor provided for the insurance cover however it was grossly underprovided for Demolition and Public Liability compared to the sums required under the contract agreement.

- The findings indicate that WAF did not verify the insurance policy provided by the Contractor. Hence the Contractor's employees and the public were not covered for workplace accidents.

Committee Recommendations:

WAF should ensure that:

- Contractor provide insurance cover in accordance to the contract agreements; and
- Correct amounts of insurance cover are provided as required in the contract.

Committee further recommendation and resolution:—

For any contract now, WAF must ensure that all contracts should have a performance bond, security and/or two bank guarantees or retention and an insurance policy for safeguard the authority's interest.

5.5 Package 5G: Suva Point Sewerage – Technofab Engineering Limited - Contract No. WAF PMU 11/013

5.5.1 Expiry of Contractor's All Risk Insurance Policy for Technofab Engineering Ltd

- An increase in compliance monitoring on documentary safeguards in contracts by 2014 has enabled WAF to centralise this core function into an existing sub-unit for full time personnel's to document, monitor and ensure compliance of WAF outsourced contracts to date. This has been sourced from audit findings and capacity development in WAF.
- Submission of valid Workers Compensation and Public Liability cover are a mandatory requirement before contract signing.
- The committee was advised that:—
 - "That is the Contract Management Unit that has been established they will be monitoring the performance and also the extensions everything else and also looking at the compliance component of the contract*
 - "It is a unit within the legal unit and it operates closely with planning and designing unit and the finance unit. These units sit in the contract management workshop and also sit in the procurement workshop. It is part of the unit and the unit that fetch the documents through the Contract Management Workshop"¹⁰*
- It should be further noted that the Contract Management Unit (CMU) has a clear terms of reference with clear objectives of streamlining all the variations mentioned by the Auditors.

¹⁰ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 pp. 40-41

Committee Recommendations:

WAF should ensure that:–

- Contractor provide insurance cover in accordance to the contract agreements
- Correct amount of insurance cover is provided as required in the contract.

5.5.2 No Extension of Time for Technofab Project

- Audit found that the Project Engineer did not monitor the progress of works for the project and take appropriate action for Contractors inability to complete the project works after allowing 2 extensions.
- The Authority informed that due to the nonperformance of the Project Engineer and failure to properly monitor projects, his contract was terminated.
- The committee was informed that:–
“The case we find that the Project Engineer is not properly monitoring the project, we will terminate the officer, which what we had carried out in the case of Mr. Munue”¹¹

Committee Recommendations:

WAF should ensure that:–

- Project is completed as planned to avoid additional expenses; and
- Delay damages are charged for undue delays from the Contractors if delays are due to Contractors laxity.

5.6 Package 5F Samabula North Sewer Reticulation – China Railway No. 5 Engineering Group Limited Contract No. 44/04/03

5.6.1 Variations Exceeding 15 Percent of the Contract Sum

- Audit noted that WAF did not comply with the ADB Procurement Guidelines by failing to seek ADB's no objection to the variations in excess of 15%. WAF may have misprocured for \$2,317,545.39 in absence of ADB's approval.
- As per the ADB Procurement guidelines, all variations requires ADB's "No Objection" process.
- WAF informed the Committee that it is always notifying ADB beforehand on intended variations even before committing. With this arrangement ADB can also confirm whether it has the necessary fund available for the variation.
- The committee was informed that:–
“It was in the calculation of tax where we (WAF) had the two formulas netting off and grossed up formula. In this instance, instead of the net off formula being applied, it was end up formula. In 2014 contract agreement for Mr Hayes, the board had approved for a gross up method, all this while the assumption was the contract was in gross up.

¹¹ Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 41

At the time of the audit when they reviewed back the 2013 contract it was net off to be applied on his withholding tax of \$20,000, which went to the consultant. It is actually 20. The 45 we have covered for 2014 as well which under the contract for 2014 a gross up whereby the correct calculation used in 2014. I think it is around \$23,000 the actual”¹²

Committee Recommendations:

WAF should:–

- Seek prior approval from ADB for variations exceeding 15% of the original contract price in future; and
- Inform ADB on variation allowed to China Railway and seek their approval.

5.6.2 Variations not Approved by WAF Board

- All variations are now approved as per delegated levels per the updated Procurement policy.

Committee Recommendations:

WAF should ensure that:–

- All variations for contracts approved by the WAF Board is approved by WAF’s Tender Committee;
- Variations are properly maintained and submitted for audit verifications; and
- Ministry of Economy should investigate these variations and take appropriate action for non-compliance to procurement procedures.

5.6.3 Non Payment of Insurance by Contractor

- An increase in compliance monitoring on documentary safeguards in contracts by 2014 has enabled WAF to centralise this core function into an existing sub-unit for full time personnel’s to document, monitor and ensure compliance of WAF outsourced contracts to date. This has been sourced from audit findings and capacity development in WAF.
- Submission of valid Workers Compensation and Public Liability cover are a mandatory requirement before contract signing.

Committee Recommendations:

WAF should ensure that:–

- Contract provide insurance cover in accordance to the contract agreements; and
- Correct amounts of insurance cover are provided as required in the contract.

¹² Verbatim Notes of the Meeting of the Public Accounts Committee Held in the Committee Room (West Wing), Parliament Precincts, Government Buildings on Wednesday, 31st January 2018 p. 45-46

5.6.4 No Expected Completion Date

- The Authority informed that the Project Delivery Framework (PDF) was introduced through the review of the Project Management Manual (2013) and the CAPEX manual (2015). The Project Delivery Framework clearly outlines the 6 gateways into ensuring proper management of any capital project. The PDF is currently on beta version available on the WAF intranet for testing by project managers/project owners before submissions to the Board for endorsement.
- The Committee was further informed that the PDF provides detailed step-by-step instructions on project implementation and directs users to the latest versions of templates. Through the implementation of the project, the quality assurance unit has been established to ensure monitoring of these processes/gateways. Data management is now in place to ensure that projects are documented and also safely kept for audit purposes and future references. Closure report of WAFs projects has also improved as a result of the monitoring and critical components of the report are addressed.

Committee Recommendations:

WAF should ensure that:–

- Project is completed as planned to avoid additional expenses; and
- Delay damages is charged for undue delays from the contractors if delays are due to Contractors laxity.

5.6.5 Estimated Cost of Works to be Contracted

- WAF informed that it had terminated the engagement of the Consultant in May 2014.
- The revised WAF Engineers (Planning Design) Estimating Process incorporates compulsory checklists and scheduled contract workshops. The quality control checks (Contract scope, Contract Type, Engineers Costs Estimates, Environmental and risk assessment) review process will ensure a thorough and detailed scope description to capture the true scope of works and project costs.

Committee Recommendations:

WAF should ensure that:–

- Cease to engage Erasito/Becca for consultancy services; and
- Investigate this matter and take appropriate action against the Consulting Engineers, Erasito/Beca for providing misleading information to the WAF Board

5.7 Other Project Issues

5.7.2 Overpayment to Senior Technical Engineer Mr. Roly Hayes

- The audit noted that Senior Technical Engineer, Mr. Roly Hayes was overpaid his consultancy fees totalling \$45,900 for the period 01/01/13 to 30/11/13. The overpayment was made due to the double payment of 15% Withholding Tax.

However, the Authority clarified that the amount of the overpayment of the consultancy fees as stated by OAG was incorrect and should instead be \$23,000.

- The audit further noted that the Consultant was paid \$25,200 as advance payment even though it was not included in the Consultants contract.
- The Committee was informed that the former Project Accountant had prepared disbursement claims under the contract on a net off method of tax calculation, hence the short payment to FRCS.
- All future overseas payments whereby disbursement is subject to Non-resident withholding tax, the gross up method is used to avoid any shortfall in tax obligation to FRCS.
- In addition, the Authority informed that subsequent discussion with the consultant did not deliver positive outcome, hence, the Authority did not submit a tax certificate to the consultant for tax filing at his domiciled country (New Zealand) under the Double Taxation Agreement. Therefore, consultant had to make necessary tax payments in his domicile country on short payments made in Fiji.

Committee Recommendations:

WAF should ensure that:–

- Recover the overpayment made to the consultant;
- Surcharge the officer responsible for processing and approving payments to the Consultant; and
- Ensure that proper approval is obtained for advance payment

5.7.3 Unavailability of information – Consultant Mr David Zoellener (Senior Environmental Engineer)

- Dr. David Zoellner was recruited under the ADB recruitment process for Consultancy works.
- During the first extension, Dr. Zoellener provided guidance to environmental staff for 3 months in re-organizing and developing the trade waste program.
- OAG to confirm whether the Publication report volume 1 submitted by the Consultant is sufficient in order to address their audit finding.

Committee Recommendations:

WAF should ensure that:–

- All reports prepared and submitted by the Senior Environmental Engineer are made available for audit reviews;
- Senior Environmental Engineer comply with their terms of engagement;
- Senior Environmental Engineer provide mentoring and training to WAF staff and proper records of such mentoring or training be maintained; and
- All progress payments to the Senior Environmental Engineer are made based on the progress reports submitted.

5.7.4 Non preparation of annual procurement plan

- The committee was informed that Procurement plans including all contract documentations were submitted to ADB before commencing of the project.
- An annual procurement plan was prepared by the Authority for the 2017/18 budget period which was approved for projects forming part of the Public Sector Investment Program.
- The plan will be an annual exercise which will cover all future ADB projects as this a prerequisite for ADB loan requirement.

Committee Recommendations:

WAF should ensure that:–

- Procurement plans are prepared and submitted to ADB's approval in future prior to loan negotiations; and
- Annual procurement plans are prepared and submitted to ADB.

5.7.5 Nitrogen/Phosphorous discharge study – Contract No. WAF11/026

- The audit highlighted that the draft report did not capture the listed tasks that the study will undertake
- The committee was informed that the study was taken in the Suva Harbour to determine the level of nitrogen/phosphorous discharged. High levels of nitrogen/phosphorous discharged can cause eutrophication. This can be contributed from farm fertilizers, detergents, and informal settlements.
- The monitoring of nitrogen/phosphorous levels started last year (2017) and it was noted that the untreated waste level discharged was high when the pumping station to the Kinoya Treatment Plant at the 4 miles bridge malfunctioned.
- The report submitted by Dr. Anderson's report with the Liquid Trade waste department is annexed in the submission.
- The Special Project unit oversees the deliverables of Consultancy works on environmental assessments.

Committee Recommendations:

WAF should ensure that:–

- The consultant comply with the terms of engagements; and
- Reports submitted by the consultant are reviewed on a timely manner to achieve desired objectives.

SECTION 7: FIJI FLOOD EMERGENCY RESPONSE PROJECT GRANT NO. 0283-FIJI (ADB FUNDED)

PART A: FINANCIAL INFORMATION

7.1 Audit Opinion

The Authority was issued a disclaimer of opinion audit report meaning the Auditor General was not able to give any opinion for the Authority's Financials for the year ended due to the following control issues mentioned below.

7.2 Statement of Expenditure

The expenditure was divided into 2 categories being plant hire and materials. This is a one off account therefore no comparisons of figures.

PART B: AUDIT FINDINGS

7.3 Tenders not called for purchases in excess of \$20,000

- In 2013 a flying minute was approved by the WAF Board for "Purchases needed for and during Natural Disasters and Emergencies".
- The audit had picked out this audit query because such tender processes were not clearly mentioned in the Authority's Procurement Policy.
- However, WAF has reviewed this policy and has given provisions should there be a Natural Disaster or state of emergency, then there would be no need to go through a tendering process but via Flying Minute nevertheless, this is thoroughly verified by WAF Personnel.

Committee Recommendations:

WAF should ensure that:–

- Investigate purchases made from unauthorized suppliers and take appropriate action against responsible officers; and
- Ensures that purchases of goods and services are made from approved contracted suppliers only.

7.4 Machine tally sheet and certification of works done

- The Plant hire Agreement was updated in 2015 whereby daily submission of running sheet is a mandatory clause.
- This requires running sheets and tally sheet (for use of machines and/or vehicles) to be filled by the contractor and verified by a WAF's tally man and supervisor before payment can be processed.
- It was noted that the excavator is charged by the hour and this should be addressed in the contract for 'idle time'.

Committee Recommendations:

WAF should ensure that:–

- Engineers/supervisors are always present at the job site to ensure correct machine hours are recorded in the tally sheets and the tally sheet are signed by the engineers/supervisors on the day the work is carried;
- Engineers/supervisors certify work carried out by the contractor on a daily basis; and
- Take appropriate disciplinary action against engineers/supervisors for delegating their responsibility of supervising the job on site to junior officers.

7.5 Plant Hire Extension

- The committee was informed that since 2014, fresh Plant hire tender were called and approved by the Board on a yearly basis.
- The contract for vehicle/plant hire expired on 15/6/12. Since then WAF did not take any action to call for fresh tenders and award new contracts. The contract for vehicle/plant hire was extended four times by the Chief Executive Officer (CEO) without the Board's approval after it expired on 15/06/12.
- Plant tenders are called every year and any extension of Plant Hire contracts has to be produced to the Board before approval.

Committee Recommendations:

WAF should ensure that:–

- all dealings with the contractors are ceased unless the contractors are renewed/extended by the Board and not the CEO;
- fresh tenders are called and new contracts are awarded; and
- in future proper planning for renewing or calling for fresh tenders is done to avoid extension of contracts.

7.6 Standby Time

- WAF had updated the Plant hire Agreement general conditions to include a clause on idle time.
- The general condition of contract was removed since 2013 and now there is a policy in place for Standby Time.

Committee Recommendations:

WAF should rectify the issue on payment of standby time to contractors and amend plant hire contract accordingly to exclude the standby rate.

7.7 Zohil Motors – Unregistered vehicle contracted

- Zohil Motors was contracted to supply vehicles for hire in the Western division. However the vehicle registration numbers were not stated in the WAF plant hire contract documents. Instead the word “unregistered” was stated in place of vehicle registration numbers. Since the inception of the contract in June 2011

WAF did not verify with LTA to confirm the registration of these plants as of the date of audit.

- It was noted that an LTA search certificate is now a mandatory requirement when bidders submit their bids on plant hire tenders

Committee Recommendations:

WAF should:–

- Not consider unregistered plant/vehicles for contracts;
- Verify the registration of plants/vehicles with LTA before awarding the contract; and
- Update its plants hire contract to ensure that it reflects registration numbers of all the vehicles hired.

7.8 Discrepancies in Purchase of Goods/Services

- Several cases were noted where Purchase Orders were not issued for hire of plant and equipment but were issued after invoices were received for payment from the suppliers of plant and equipment only to fulfil the requirement of issuing purchase orders.
- Payment vouchers and supporting documents were not always stamped “PAID”.
- The findings indicate that proper payment procedures were not always followed by WAF and adequate internal controls does not exist in the purchase and payments system. The risk of fraud, misappropriation of funds and double payments are high with inadequate internal controls.
- The committee was informed that since 2010, instructions was issued to the contractor to issue invoice and the PO will be issued later. Claims received from the contractor such as the mileage forms are submitted and is compared with the running sheet and the invoice.
- WAF now requires all goods and services to be supported by valid Purchase orders. This has been communicated to all staff via a Circular

Committee Recommendations:

WAF should ensure that:–

- Purchase order is properly authorised by officers when procuring goods, services and works;
- Purchase orders are issued prior to acquiring goods and services to ensure no unauthorised purchases are paid for;
- Payment vouchers are adequately supported to avoid fictitious payments; and
- All payment vouchers and supporting documents are stamped “PAID” after payment has been made to avoid double payments.

7.9 General Ledger Postings

- The audit noted that WAF posted flood rehabilitation expenditure to the general ledger account titled Repair & Maintenance Disaster Risk Management totalling to 3,396,586.68.

- Out of this \$ 2,407,095.93 or 71% of expenditure was posted to general ledger with 'Depot' and 'Process' codes in account numbers set to default value of zero.
- This made it difficult to determine the amount of grant funds used at various Depots
- The committee was advised that the Finance introduced the Internal Requisition order form in 2013. This form details the expenses to be incurred by SBU, depot and location segments. This segment allocation is then mapped to the accounting system when a Purchase order is generated.

Committee Recommendations:

WAF should ensure that:–

- Expenses are correctly posted to their respective depot and process amount; and
- It is able to provide details such as how much of the grant funds was used to each Depot Fiji wide, how much was used on each project and how many projects were funded using the grant funds.

7.10 Access to records

- The audit noted that the Project team failed to produce the following documents for audit inspection.
 - (1) The periodic progress reports for the flood rehabilitation works carried out. In the absence of progress report audit could not establish if flood rehabilitation works were properly planned and completed on time
 - (2) Details such as repairs and maintenance, design, contractors hired, duration of works, progress report and funds utilised for the following projects:–
 - ✓ Waiwai dam and pipeline
 - ✓ Vaturu bulk supply
 - ✓ Varaciva pump station
 - ✓ Moto bridge
 - ✓ Buried meters in various locations
- The committee was informed that WAF has an internal library that records and keeps all documentation for all projects undertaken by the Authority in terms of progress reports, planning and designs, etc.
- Furthermore, it was noted that a Quality Assurance team was established within the Projects Management Unit in 2015. Their role is to administer the documentation of project planning, progress, monitoring and reporting of projects.

Committee Recommendations:

WAF must ensure that all documents pertaining to flood rehabilitation works including repairs and maintenance, design, progress reports and funds utilized are properly maintained and made available for audit inspections.

7.11 Anomalies in vehicle/plant hire

- WAF hired vehicles/plant from its contracted suppliers during flood rehabilitation works in the western division in 2012. The audit noted a number of anomalies relating to vehicle/plant hire such as sub-contracting not listed in WAF's vehicle/plant hire contract, expired registrations of vehicles, vehicle/plant classified as private class and the Authority was supposed to hire commercial vehicles only however WAF does not know whether these vehicles are private or commercial.
- The technical evaluation includes physical inspection of vehicles, submission of valid motor vehicle insurance policy, and submission of LTA clearance and provision of OHS Certificate.
- The Fleet team monitors the performance of contractors during the term of contract, any non-compliance of contractors to provisions of the Plant hire Agreement, the contractor's recommendation is put forward to management on future hiring/ engagement to cease.
- The committee was advised that for private vehicles the Authority must ensure that such vehicles are passed for commercialisation through the LTA before WAF can engage them.

Committee Recommendations:

WAF should:-

- Ensure that vehicle/plant contractors avoid sub-contracting other suppliers as this may result in additional hire charges imposed by the contractors;
- Ensure that vehicles/plant hired have valid registrations;
- Ensure that the contractors comply with the requirements of the contract at all times;
- Carry out a thorough investigation on the matter and take necessary actions; and
- Terminate the contracts of suppliers who do not comply with the requirements of the contract.

CONCLUSION

As an observation, the PAC notes that at the time of audit was carried; the issue of inheritance of unverified accounts is of grave concern to the committee particularly when the Auditor General issues a disclaimer audit opinion.

On a positive note, PAC also notes a general trend of improvement across most, if not all entities. However, there are three (3) general recommendations that most entities need to be aware of, and where necessary, address as a matter of priority.

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



Hon. Ashneel Sudhakar
(Chairperson)



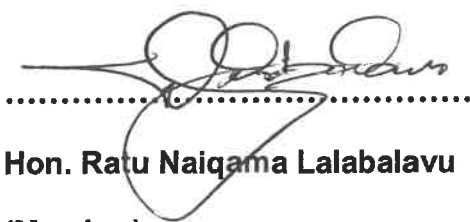
Hon. Mohammed Dean
(Deputy Chairperson)



Hon. Alexander O'Connor
(Member)



Hon. Aseri Radrodoro
(Member)



Hon. Ratu Naiqama Lalabalavu
(Member)

APPENDICES

Appendix One – List of Submissions

- 1 Fiji Roads Authority
- 2 Water Authority of Fiji

Section 1 – Emergency Flood Recovery Project.

The Loan from ADB was provided as assistance to the Fiji Government in rehabilitating flood damaged public infrastructure in January 2009. A number of contracts were identified as new projects such as bridges and roads to accommodate current and future emergency events. The following works were done

- *Rehabilitation of Kings Road from Rakiraki to Tavua*
- *Re-gravelling of Nadarivatu 6.0km, Monasavu 10.0km.*
- *Re-gravelling of Koronivia 3.8km, Lokia 3.1km and Toga 4.0km*
- *Wailevu Land Slip Stabilisation*
- *Lomaloma Land Slip Stabilisation*
- *Construction of Rakiraki Bridge*

Total Project cost \$17,044,380

Section 2 - Fiji Road Upgrading Project (FRUP) stage III – Standing Committee on Public Accounts

This project is of follows

- *Kings Road (29.06km from Korovou to Nayavu)*
- *Lodoni Road (20.09km from Korovou to QVS) was a major component of the FRUP.*

Question – Part A

2.1 – General comments on Audit Opinion.

The auditor has issued a unqualified audit report for period ending June 30th 2014. The projects has started in 2006 by the Department of National Roads (DNR). As Fiji Roads Authority (FRA) was formed in late 2012, FRA took incharge to complete the accounts as required by ABD with information received from DNR. During this time there limited staff in DNR who could provide the information. This audit is based on the project however the full audit for FRA for year 2014 is completed by Office of Auditor General. The report was also unqualified due to FRA was in process to getting listing of all is assets to complete the Asset Register.

2.2 – General Comments for Abridged Statement of Expenditure

The project started in 2009 and as at 2012 total expenditure was \$26,562,189 after correction of VSAT was done for 2012 account. For the period ending 30 June 2014 total expenditure was \$18,265,726. The contract was awarded to COVEC as the contractor was talking time and progress was not good, the contract was terminated then the Contract was awarded to 4 main contractor so that works could be completed earlier.

Question Part B

2.3 – Late Payments of ADB portions relating to the 2012 claims.

These were approved by DNR in November 2012 and Fiji Portion were paid from the DNR account and ADB claim was not sent by DNR before staff were either terminated or left the

department. FRA was formed in late December 2012 and with the new staff this information was not handover properly. FRA then in late March prepared the claim for ADB to process. During this period there were some delays as information needed to transfer to FRA. As per the contract the contractor needs to be paid after 56 days.

2.4 – Accessibility to Information.

FRA contracted its management of the projects to its Principal consultant (MWH). The process was at the interim stage and the consultant were in process of the getting reporting of the projects done. At the time of the audit all reports were not completed and were not available for auditors. The consultant had discuss these with the contractor and reports were then made available to FRA.

15 February 2018

Honorable Ashneel Sudhakar
Chairman
Standing Committee on Public Accounts
Parliament of Fiji
Box 2353
Government Buildings
Suva.

Dear Sir,

Re: Supplementary Information on the Emergency Flood Recovery Project

Reference is made to your letter of 6 February 2018.

Following your request we hereby submit the supplementary information required:

A) Section 1 – Emergency Flood Recovery Project.

The Loan from ADB was provided as assistance to the Fiji Government in rehabilitating flood damaged public infrastructure in January 2009. A number of contracts were identified as new projects such as bridges and roads to accommodate current and future emergency events. The following works were done

- Rehabilitation of Kings Road from Rakiraki to Tavua
- Re-gravelling of Nadarivatu 6.0km, Monasavu 10.0km.
- Re-gravelling of Koronivia 3.8km, Lokia 3.1km and Toga 4.0km
- Wailevu Land Slip Stabilisation
- Lomaloma Land Slip Stabilisation
- Construction of Rakiraki Bridge

B) Section 2 - Fiji Road Upgrading Project (FRUP) stage III – Standing Committee on Public Accounts

This project is of follows

- Kings Road (29.06km from Korovou to Nayavu)
- Lodon Road (20.09km from Korovou to QVS) was a major component of the FRUP.

Attached listing of all bridges under FRA assets.

Natewa Village Bridge – we are not able to locate on FRA Asset Management system, and have arrange the team to visit the site and will provide update by end of the month.

Yours Sincerely,



Jonathan Moore
Chief Executive Officer

OPENING STATEMENT BY WAF MANAGEMENT

The Government together with the Water Authority of Fiji (WAF) has an obligation under Section 36 of the Constitution of Fiji to provide access and adequate supply of clean and safe drinking water to all Fijians. The goal is to achieve 95% coverage of the total population having access to clean drinking water by 2025 from the current 88% (2016). These target is defined under the Governments Green Growth Framework –Thematic 6 which WAF is mandated to accomplish. WAF is also playing pivotal role in the global endeavour of working towards Goal 6 of the Sustainable Development Goal (SDG 6: Clean Water and Sanitation) set by the United Nations in trying to ensure availability and sustainable management of water and sanitation for all.

It is therefore our prime responsibility in working with the Government of the day to ensure that we deliver this essential service to the people of Fiji.

Under the PSIP 2017/2018 Capex budget, WAF has been allocated \$217 million to ensure that we achieve some of these goals but will require further capital investment in the coming years. More importantly, the rural schemes allocation has significantly increased to \$27 million demonstrating Governments commitment to our rural communities. This allocation will deliver 176 rural projects benefiting approximately 49,780 rural population.

The Asian Development Bank, the Green Climate Fund, European Investment Bank and our Government is providing financial assistance over the next 3 years targeted towards water and wastewater infrastructure developments, Non-Revenue Water reductions and WAF capacity building. One of the major projects is the Rewa/Viria project set to be completed by year 2021. This will ensure that we increase service coverage and improve reliable water supply 24/7 to approximately 340,000 population living within the Suva-Nausori corridor.

In the area of Wastewater, the national coverage is low at 44%. WAF is currently engaged in augmentation and consolidations works of its biggest wastewater treatment plant (WWTP) in Kinoya. The Kinoya WWTP serves the Suva-Nausori corridor and will be expanded up to 150,000 Equivalent Population (EP) and further upon completion of upgrading works under ADB project, the plant will be further expanded up to 277,000 EP. WAF is prioritising on expanding wastewater coverage to urban commercial zoned areas to expedite rapid commercial developments aimed at generating economic growth for the country. Furthermore, a feasibility study will be undertaken in 2018 for the development of water and wastewater infrastructure in Savusavu via a grant from the Kuwait Government through the Kuwait Fund for Arab Economic Development (KFAED).

To improve its service delivery, WAF has just recently launched its Customer Charter and Liquid Tradewaste policy to ensure that all customers from domestic to commercial are fully informed of their rights and provide a framework for defining service delivery standards and how complaints from customers will be handled.

WAF in its 8 years of existence as a Commercial Statutory Authority (CSA) went through some very challenging times transitioning from a government department to a CSA. WAF inherited a very old and aging infrastructure (over 40 years old), very high customer expectations and demands, rapid growth in commercial developments, significant increase in rural-urban migration and a workforce that had limited technical capacity. In some quarters, it was referred to as a rudderless ship with little direction and few system and procedures to help put it on course.

Since inception in 2010, WAF continues to address these challenges with vigilance through the guidance of a very dynamic executive management team and government support steering WAF to realising its ultimate goal of delivering "clean water and sanitation to our

customers 24/7". Relevant point of references for direction were the 5 year National Development Plan together with our Strategic and Operational Plans for 2014 to 2019 and our 20 year water and wastewater Masterplan for the 4 major urban systems together with the WAF Promulgation 2007.

WAF also set-up dedicated business units and appointed specialised personnel to address key focus areas challenging the authority resulting in organisational restructure to ensure relevance in our environment of operations. This included the set-up of the Non-Revenue Water Unit aimed at reducing NRW levels to 20% by year 2019. To date, the unit has reduced the NRW levels from 51.7% (2013) to 31.3% (2017). The 20.4% reduction equates to \$13.5 million in dollar savings for WAF.

This has been brought about by a collection of activities and established programs. First is the introduction of District Metered Areas (DMA's) to clearly demarcate the operational areas that eases the monitoring and identification of problem areas. Secondly, the reduction of intermittent areas from 68 (2013) to 8 as at end of 2017. Thirdly, the restructuring of the Leak Detection unit to allow training of technical officers and assistants together with field officers. Fourthly, the formation of the Integrated Meter Management (IMM) team together with capacity building to ensure the adoption of smart metering the introduction of smart technology to aid the monitoring process. Fifthly, the establishment of the demand management program to monitor the drive of bringing the current 220 litres per capita per day (l/c/d) to 180 litres per capita per day (l/c/d). Sixthly and in conjunction with demand management is our water conservation awareness program that was initially targeted at school kids and have expanded to the corporate sector and social clubs and women's group. This particular program won WAF a distinction in the Water Leaders category at the 2017 Global Water Awards in Madrid, Spain. WAF is in the process of developing its Disaster Risk Management Plan especially after the experience of the TC Winston in February 2016. After TC Winston, the rural unit had mobilised to 184 villages across the country (Central/Eastern/Western/Northern) and within 3-6 weeks were able to restore water in these respective villages. As of today, some villages are still been attended with further rehabilitation works. Approximately 27,000 people will benefit from this rehabilitation program.

In respect to WAF's preparation for Climate Change and COP 23, WAF currently operates 55 Water Treatment Plants and 11 Wastewater Treatment plants and Climate Change has proved to have certain impacts on the water and wastewater systems. High floods, adverse raw water quality and rise of sea levels are some of those factors impacting the water and wastewater systems. WAF as a mentee in early 2017 entered into a twinning program with the Asia Development Bank, Sydney Water, Climate Risk, Samoa Water Authority (Mentee) and Water PNG (Mentee) to carry out a quantitative Climate Change Risk assessment of the organizations key vulnerability areas and to develop strategic pathways towards building Climate Resilient Infrastructures moving into the future. This twinning program is a three week program spread over twelve months whereby Lidar and Asset Data is submitted to Climate Risk to be analysed(based On 2030 Forecast) through the Climate Change Tool called Adaptwater which was created for and utilized by Sydney Water to carry out their Quantitative Risk Assessment in 2008. Nadi has been selected as the pilot zone for WAFs Quantitative Risk Assessment due to major climatic events severely damaging WAF's infrastructure in recent history. After the Pilot Program is completed WAF will endeavour to carry out the same Quantitative Risk Assessment for all its Water and Wastewater Systems around Fiji to ensure that future investments are developed with Climate Change factored as a key consideration in our Strategic Planning process.

The Water Authority of Fiji started with the restructuring of its Project Management Unit from 2014 with the setting up of two separate distinct units; the Planning and Design Unit and the Construction Unit. The re-structuring is a strategic move by the WAF to improve its overall efficiency and effectiveness of project management culture, project delivery, and reporting.

The overall strategy is centred round WAF's Project Delivery Lifecycle or Process Delivery Process, from Project Initiation right through to Project Closure WAF is currently finalising its Project Delivery Framework (PDF) which replaces the old 2011 Project Manual and the 2014 Capex Manual. The objective of the PDF is to consolidate WAF's project delivery process, provide framework to assist WAF staff/Project Managers with navigation of the project delivery process and to promote compliance, and include flexibility to adapt and change to enable continuous improvement. Outcome being WAF Project delivery performance is improved in terms of quality, consistency, and efficiency.

In 2015 the WAF established its Special Projects Unit to manage the ADB-Funded Suva/Nausori Water Supply and Sewerage Project. The Special Projects Unit will be responsible for management of the institutional development action plan, including implementation programming, selection and engagement of consultants, procurement of goods and services, supervision of consultants, maintenance of records, progress reporting, identification of problems and issues that may arise during implementation, and preparation of recommendations for adjustments in the project, if any. The Unit is headed by a General Manager with suitable qualifications and experience for the assignment, including experience in similar projects. In addition it comprises two project managers, one for water and one for sewerage, as well as a team of support staff including engineers, land acquisition officers, and an accountant. Design and supervision consultants report to the General Manager. WAF is providing the Unit with secretarial and other support services. WAF will operate and maintain the project facilities on completion.

Ongoing capacity building that has resulted in the increase of training days from 2 days per employee (2013) to over 5 days by year end in 2017. Furthermore the implementation of robust systems and processes in the operational and financial areas has added stability and direction in our continuous progress.



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SECTION 3: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded)

Audit Findings	WAF Response & Action taken
<p>3.2 Statement of Expenditure</p> <p>Provide reasons why there was no Asset Preventative Maintenance allocation for the Sewerage Scheme Project.</p>	<p>The project began in August 2004 with the objective to provide rehabilitation and augmentation of water and wastewater systems in the Suva- Nausori corridor. An asset preventative maintenance exercise was allocated for water related schemes and utilised in 2004 and 2005 of \$252k.</p> <p>The allocation involved a preliminary condition assessment on the existing water network due to its aged pipeline. In contrast, the wastewater scheme was focussed on the upgrade of the Kinoya treatment plant and new pump stations that did not require a conditional assessment to be carried out.</p>
<p>3.4 Delays in project completion</p> <p>Audit noted that WAF made an advance payment of \$140,181.44 to the contractor, Technofab Engineering Limited (TEL) 8 months after receiving the invoice. Provide an explanation for the delay in the advance payment to TEL.</p>	<p>The following outlines the trail of events in regards to the payment:</p> <ul style="list-style-type: none"> • Erasito's re-assessment and verification of the claim was submitted to the Authority on 9 February 2010; • Interim Payment Certificate endorsed by the General Manager Projects on 10 March 2010; and • Payment made on the 7 June 2010. <p>Some of the challenges faced by the team during the first 6 months of 2010 after the transition from Water and Sewerage Department was clearing of outstanding 2009 payments and the current payments.</p>

SECTION 4: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded)

Audit Findings	WAF Response & Action taken
<p>4.3.2 Incomplete works</p> <p>The committee noted that a decision was made by WAF not to fence and lift frame on the 2 pump stations at Kumi Street and at FRCS. Provide details on whether the projects were properly varied and any savings made.</p>	<p>From the funding available, the Authority was able to carry out extra work including:</p> <ol style="list-style-type: none"> 1. a shed for the pump station, refer annexure 1 for the picture of project site; 2. Construction of a lifting frame for pump station; and 3. Additional work beside the station whereby a kerb and channel was done to ease traffic. <p>The construction of the 15m long fence and the double gates were excluded from the project scope.</p>

SECTION 5: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded)

Audit Findings	WAF Response & Action taken
<p>5.3.1 Tenders not called for backwash treatment and sludge disposal project at Waila and Tamavua Water Treatment Plant (Alum solid project)</p> <p>Recommendation: WAF must ensure:</p> <ul style="list-style-type: none"> • Capital works are properly planned to allow for sufficient time for calling of tenders and awarding of contracts; and • Proper procurement procedures are followed at all time. 	<p>The contractor was selected by complying with the ADB Procurement guidelines.</p> <p>Under the guideline, the direct contracting clause was applied for awarding of contract to Fletcher Construction and a "no objection" was received from ADB. Refer to Section 3 of the ADB Procurement Guideline – annexure 11.</p>
<p>5.3.2 Contract Agreement not provided</p> <p>Recommendation: WAF must ensure:</p> <ul style="list-style-type: none"> • All contract documents are properly maintained; and • At least 50% bank guarantee in place of retention sum is valid until expiry of retention period. 	<p>A contract exists for the works carried out by Fletcher Construction on the Alum Solid project - refer to annexure 2.</p>
<p>5.3.3 Variations in project costs and scope of works not approved by WAF Board</p> <p>Recommendation: WAF should:</p>	

Audit Findings	WAF Response & Action taken
<ul style="list-style-type: none"> • Ensure that all variations are approved by the WAF Board; and • Investigate and take appropriate action against the Project Engineer responsible for not obtaining Board approvals for the variation. 	<p>The general conditions of the contract delegates the authority of any variations to the Engineer of the contract.</p> <p>In addition, the amounts of the variations were within the limits of the engineer, GMP and CEO.</p>
<p>5.3.4 Variations and provisional sum</p> <p>Recommendation:</p> <p>WAF should:</p> <ul style="list-style-type: none"> • Ensure that contingency sum is allowed for capital projects and all additional cost arising through variation to be met from the contingency sum. Contingency sum ensures control over total project cost. • Evaluate the benefits of having a provisional sum included in the contract price and consider excluding the amount in the contract price. 	<p>The recommendation is noted.</p> <p>The WAF Board is the only authority that approves a 10% contingency for all capital projects that are to be outsourced. In the event where the contingency cost will need to be utilized, the Engineer to the contract obtains the board approval with the relevant justifications.</p> <p>Provisional sum is to be evaluated case by case based on the risks identified in the contract.</p>
<p>5.3.5 Performance bond</p> <p>Recommendation:</p> <p>WAF must ensure that all projects have valid performance security.</p>	<p>A bank guarantee was obtained for the period 4/02/13 to 28/09/14 on the same project – refer to annexure 3.</p> <p>The bank guarantee was secured in place of a retention sum for the project.</p>
<p>5.3.6 Prolongation claim</p> <p>Recommendation:</p>	

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<p>WAF should:</p> <ul style="list-style-type: none"> • Make an effort to resolve the prolongation claim from the contractor; • Disclose the prolongation claim as subsequent event in the project financial statements; and • Ensure proper supervision during project design phase in future. 	<p>The prolongation claim was not paid to contractor until to-date.</p> <p>Upfront project classification is currently undertaken to ascertain project types whether the project planned to be implemented is a Design & Build contract, Supply & Install or project to be implemented in house. Through this control, risks are identified and the likelihood and consequences of the risks occurring are predicted. The control also sets in place the best approach to be undertaken within the project timeline so as to best manage risks like prolongation claims in the future.</p>
<p>5.3.7 Interest paid for delay in making progress payments</p> <p>Recommendation:</p> <p>WAF should:</p> <ul style="list-style-type: none"> • Investigate the reasons for the late payments and surcharge officers responsible for delaying payments; and • Ensure payments are made on time in future. 	<p>Payment are usually made in 2 portion in which 17% is payable by WAF and 83% is directly paid by ADB to the contractor.</p> <p>The delay in most instances relate to the internal verification by the Project Management Unit before they can submit contractors claim to Finance to proceed further with the payment process.</p> <p>The WAF 17% Payment process involves assessment of the claim by project manager, management approval on the claim, lodgement of tax clearances and then final payment to contractor.</p> <p>The ADB 83% payment process is noted below:</p> <ul style="list-style-type: none"> • Claim submitted by contractor • Claim assessed by the Consultant and forwarded to WAF (within 5 days)

Audit Findings	WAF Response & Action taken
	<ul style="list-style-type: none"> • Claim is approved by WAF Project Manager and Interim Payment Certificate is prepared by WAF Project Manager and forwarded to WAF Finance team for processing (within 2 days on receipt of claim) • Project Accountant prepares an ADB Withdrawal application and forward to WSD (within 2 days) • Claim is assessed by WSD and submitted to Ministry of Economy (3 days) • MOE authorizes the claim and forwards to ADB Suva office (3 days) • Project Analyst at ADB Suva assesses the claim and submits to ADB Manila (3 days) • ADB Manila takes 7 working days to process claim and remit funds directly to the contractor. <p>Recently, ADB had introduced Client Portal for Disbursement, a portal whereby payments are processed electronically and delegated authorities for reviewing and approval are able to action claim at any time of the day from any part of the world as long as they have online access.</p>
<p>5.3.8 Contract for design and supervision of work – Kramer Ausenco – contract no. WAF001/12</p> <p>Recommendation: WAF must ensure:</p> <ul style="list-style-type: none"> • Contract agreements are properly maintained for audit reviews; • Bid submission form other bidders and the tender evaluation committee report is maintained for audit reviews. 	<p>A contract exist for Kramer Ausenco on the backwash treatment and sludge disposal project - refer to annexure 4.</p>

Audit Findings	WAF Response & Action taken
<p>5.7.3 Unavailability of Information – Consultant Mr David Zoellener</p> <p>Recommendation: WAF should ensure that:</p> <ul style="list-style-type: none"> • All reports prepared and submitted to the Senior Environmental Engineer are made available for audit reviews; • Senior Environmental Engineer comply with their terms of engagement; • Senior Environmental Engineer provide mentoring and training to WAF staff and proper records of such mentoring or training to be maintained; and • All progress payment to the Senior Environmental Engineer are made based on the progress reports submitted. 	<p>Dr David Zoellner was recruited under the ADB recruitment process for Consultancy works.</p> <p>Over a period of 4 and ½ months, Dr. Zoellener provided mentoring and guidance to environmental staff during the field and office assessment of the WAF facilities in regards to the first contract.</p> <p>During the first extension, Dr. Zoellener provided guidance to environmental staff for 3 months in re-organizing and developing the trade waste program. During the last extension, Dr. Zoellener developed and implemented a one-month training program for the 10 person trade waste staff.</p> <p>Refer to annexure 5 for the publication report volume 1 submitted by the Consultant.</p>
<p>5.7.4 Non preparation of annual procurement plan</p> <p>Recommendation: WAF should ensure that:</p> <ul style="list-style-type: none"> • Procurement plans are prepared and submitted for ADB's approval in future prior to loan negotiation; and • Annual procurement plans are prepared and submitted to ADB. 	<p>Procurement plans including all contract documentations were submitted to ADB before commencing of the project. When the 'no objection' clearance is received from ADB, only then did the project implementation commenced.</p> <p>An annual procurement plan was prepared by the Authority for the 2017/18 budget period which was approved for projects forming part of the Public Sector Investment Program.</p>

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Audit Findings	WAF Response & Action taken
<p>5.7.5 Nitrogen/ Phosphorous discharge study – contract no. WAF11/026</p> <p>Recommendation: WAF should ensure that:</p> <ul style="list-style-type: none"> • The consultant comply with the terms of engagement; and • Reports submitted by the consultant are reviewed on a timely manner to achieve the desired objectives. 	<p>The plan will be an annual exercise which will cover all future ADB projects.</p> <p>Refer to annexure 6 on the report submitted by Dr Anderson's report with the Liquid Trade waste department.</p> <p>The Special Project unit oversees the deliverables of Consultancy works on environmental assessments.</p>

SECTION 7: Fiji Flood Emergency Response Project Grant No. 0283-Fiji

Audit Findings	WAF Response & Action taken
<p>7.1 Audit Opinion</p>	<p>The Office of the Auditor General issued a disclaimer of opinion on the financial statement of the Suva/ Nausori Regional Water Supply and Sewage Project.</p> <p>The disclaimer of opinion was issued due to the failure of the Authority not calling a tender to award contract of service to contractors such as Vuksich and Borich (Fiji) Limited, Dayals Quarries and Waste Clear, irregularities on daily machine tally sheets, certification of sites by unauthorised personnel, hiring of plant and vehicles lack proper</p>

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Audit Findings	WAF Response & Action taken
	approval, irregularities on the Plant hire Agreement of Zohil Motors, Purchase orders raised after receipt of vendors invoices, non-compliance to the competitive quotation process, lack of project reports generated from the general ledger and failure to produce project progress reports and supports of rehabilitation works.
7.2 Statement of Expenditure	The project incurred expenditures of \$1.8m in 2012. The costs comprises of only material and plant hiring expenses, the component of labour was provided by the Authority as its commitment to the grant funded project.
7.3 Tenders not called for purchases in excess of \$20,000.00 Recommendation: WAF should: <ul style="list-style-type: none"> Investigate purchases made from unauthorised suppliers and take appropriate action against responsible officers. Ensure that purchases of goods and services are made from approved contracted suppliers only. 	In 2013 a flying minute was approved by the WAF Board for "Purchases needed for and during Natural Disasters and Emergencies". Refer to annexure 7 .
7.4 Machine tally sheet and certification of works done Recommendation: WAF should ensure that: <ul style="list-style-type: none"> Engineers/supervisors are always present at the job site to ensure correct machine hours are recorded in the tally sheets and tally sheet are signed by the Engineer/supervisors on the day the work is carried out Engineers/supervisors certify work carried out by the contractor on a daily basis and; 	The Plant hire Agreement was updated in 2015 whereby daily submission of running sheet is a mandatory clause (Refer to clause 12.2 of the Plant Hire Agreement). This requires running sheets to be filled by the contractor and verified by a WAF's tally man and supervisor before payment can be processed.

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Audit Findings	WAF Response & Action taken
<ul style="list-style-type: none"> Take appropriate disciplinary action against engineers/supervisors for delegating their responsibilities of supervising the job on site to junior officers. 	
<p>7.5 Plant hire contract extension</p> <p>Recommendation: WAF should ensure that:</p> <ul style="list-style-type: none"> All dealings with the contractors are ceased unless the contracts are renewed/extended by the Board and not the CEO Fresh Tenders are called and new contracts are awarded; and In future proper planning for renewing or calling for fresh tenders is done to avoid extension of contracts. <p>7.6 Standby time</p> <p>Recommendation: WAF Should rectify the issue on payment of standby time to contractors and amend plant hire contract accordingly to exclude the standby rate.</p>	<p>Since 2014, fresh Plant hire tender were called and approved by the Board on a yearly basis.</p> <p>WAF had updated the Plant hire Agreement general conditions to include a clause on idle time. The general conditions of contract was removed since 2013. Refer to annexure 8.</p>
<p>7.7 Zohil Motors - Unregistered vehicle contracted</p> <p>Recommendation: WAF should:</p> <ul style="list-style-type: none"> Not consider unregistered plant/vehicles for contracts Verify the registration of plants/vehicles with LTA before awarding the contracts; and Update the plant hire contract to ensure that it reflects registration numbers of all the vehicles hired. 	<p>A LTA search certificate is now a mandatory requirement when bidders submit their bids on plant hire tenders.</p>

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Audit Findings	WAF Response & Action taken
<p>7.8 Discrepancies in purchase of Goods/Services</p> <p>Recommendation: WAF should ensure that:</p> <ul style="list-style-type: none"> • Purchase order is properly authorised by officers when procuring goods, services and works; • Purchase order are issued prior to acquiring goods and services to ensure no unauthorized purchase are paid off; • Payment vouchers are adequately supported to avoid fictitious payment; and • All payment vouchers and supporting document are stamped "PAID" after payment has been made to avoid double payment. 	<p>WAF now requires all goods and services to be supported by valid Purchase orders. This has been communicated to all staff via a Circular. Refer to annexure 9.</p>
<p>7.9 General Ledger postings</p> <p>Recommendation: WAF should ensure that:</p> <ul style="list-style-type: none"> • Expenses are correctly posted to their respective depots or process account; and • It is able to provide details as to how much of the grant funds was used at each Depot Fiji wide, how much was used in each project and how many projects were funded using the grant funds. 	<p>Finance introduced the Internal Requisition order form in 2013. This form details the expenses to be incurred by SBU, depot and location segments. This segment allocation is then mapped to the accounting system when a Purchase order is generated.</p>
<p>7.10 Access to records</p> <p>Recommendation: WAF needs to ensure that all documents pertaining to flood rehabilitation works including repairs and maintenance, design, progress report and funds utilized are properly maintained and made available for audit inspections.</p>	<p>A Quality Assurance team was established within the Projects Management Unit in 2015. Their role is to administer the documentation of project planning, progress, monitoring and reporting of projects.</p>

Audit Findings	WAF Response & Action taken
<p>7.11 Anomalies in vehicle/ plant hire</p> <p>WAF should:</p> <ul style="list-style-type: none"> • ensure that vehicle/plant contractors avoid sub-contracting other suppliers as this may result in additional hire charges imposed by the contractors; • ensure that vehicles/plant hired have valid registrations; • ensure that the contractors comply with the requirements of the contract at all times; • carry out a thorough investigation on the matter and take necessary actions; and • terminate the contracts of suppliers who do not comply with the requirements of the contract. 	<p>The recommendation is noted by management.</p> <p>The current plant hire contractors are selected by a vigorous tender process. The submission from various bidders are evaluated on specific administration and technical evaluation criteria. Administration criteria includes submission of valid business licences, valid business registrations and latest FNPF and FRCS Compliance certificate.</p> <p>The technical evaluation includes physical inspection of vehicles, submission of valid motor vehicle insurance policy, and submission of LTA clearance and provision of OHS Certificate.</p> <p>The Fleet team monitors the performance of contractors during the term of contract, any non-compliance of contractors to provisions of the Plant hire Agreement, the contractor is recommendation is put forward to management on future hiring/ engagement to cease.</p>

ADDITIONAL DOCUMENTS:

Document	Reference
Terms of reference of the Contract Management unit at WAF	Refer to annexure 10.
ADB Procurement guidelines	Refer to annexure 11.
A project file of one of the Authority's completed projects	Refer to annexure 12.

APPENDIX 1



PS beside inland Revenue and Customs Building, Nasese.



Kumi Sewerage PS.

Boundary fence currently built on boundary line.

As Practicable [Fencing Bylaws] all boundary fence to be built back, at minimum 100mm away from boundary line.[Owner to dismantle current fence and build back compliance to Fencing Bylaws requirement.

