

# **PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**THURSDAY, 15TH FEBRUARY, 2018**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON THURSDAY, 15TH FEBRUARY, 2018 AT 9.26 A.M.**

**Interviewee/Submittee: Water Authority of Fiji (WAF)**

**In Attendance:**

- |    |                           |  |
|----|---------------------------|--|
| 1. | Mr. Ekanayake Samanmal    | - Chief Operations Officer                         |
| 2. | Mr. Taitusi Vakadravuyaca | - General Manager, Special Projects                |
| 3. | Mr. Nemani Waqanivalu     | - General Manager, Planning, Design & Construction |
| 4. | Ms. Joana Kaloucava       | - Project Accountant                               |
| 5. | Mr. Pita Waqanivalu       | - Manager Finance                                  |
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MR. CHAIRMAN.- Good morning once again, Honourable Members and members of the public, media and the Secretariat. A very special welcome to the team from the Water Authority of Fiji (WAF), who are here to assist us in today's deliberations from where we left off on the last occasion.

In the WAF Team today, we have Mr. Taitusi Vakadravuyaca, Ms. Joana Kaloucava, Mr. Pita Waqanivalu, Mr. Nemani Waqanivalu and Mr. Ekanayake Samanmal. To assist us in today's proceedings, we have the Officials from the Office of the Auditor-General (OAG) - Mr. Kuruwara Tuisalevu, Farisha Bi and Manish Dewan, who will be assisting us as we go along.

Let us start with the supplementary issues that were raised in the earlier submission, where some explanations were sought and we had advised you in our letter of 6th<sup>th</sup> February, 2018. Before going to the sections that were not touched, the order which we will take the proceedings today is, we will start from Paragraph 5.3 on Page 3 to Paragraph 5.3.8 on Page 10, and that is the first segment. Then on Page 24, we have Paragraph 5.7.3 to Paragraph 5.7.5 on Page 28, as well the whole of section 7 (Page 1 to Page 32). Those are the ones that were left.

Before we go on to that, let us look at the letter that we wrote to you regarding some supplementary issues.

Section 3: Suva/ Nausori Regional Water Supply and Sewerage Project (ADB Funded).  
3.2 - Statement of Expenditure: Provide reasons why there was no Asset Preventative Maintenance allocation for the Sewerage Scheme Project?

3.4 - Delays in Project Completion: Audit noted that WAF made an advance payment of \$140,181 to the contractor, Technofab Engineering Limited (TEL), eight months after receiving the invoice. Provide an explanation on why the delay in advance payment to TEL?

You were supposed to come back with explanations on those.

MR. N. WAQANIVALU.- Thank you, Sir, I will just read through from our responses to the clarifications.

MR. CHAIRMAN.- What page are we referring to from the response? Yes, please continue.

MR. N. WAQANIVALU.- Page number 2.

The Suva/Nausori ADB Project started in August 2004, with the objective to provide rehabilitation and augmentation of water and wastewater systems in the Suva-Nausori corridor. The Asset Preventative Maintenance exercise allocation was allocated for water-related schemes only, and this was utilised in 2004 and 2005. The total sum of that expenditure was \$252,000.

This allocation involved the preliminary Condition Assessment on the existing water networks due to its age. In contrast, the wastewater scheme was focused on the upgrade of the Kinoya Treatment Plant and the construction of new pumping stations that did not require the Condition Assessment to be carried out on the assets.

MR. CHAIRMAN.- So the response to the question on Asset Preventative Maintenance allocation was that, it was not required because it was an old structure. Is that the answer?

MR. N. WAQANIVALU.- Yes, Sir. It was only required for water supply. What was involved in that allocation was, there were some Condition Assessment done on our existing water supply pipelines. So that allocation was utilised to do the Condition Assessment. We had to do a Condition Assessment of our existing assets, the condition of the existing water supply pipelines at that time, in order to prioritise the works that were going to be carried out.

MR. CHAIRMAN.- So that money was used for a different reason?

MR. N. WAQANIVALU.- Yes, for Condition Assessment.

MR. CHAIRMAN.- All right. OAG, if you look at Section 3 - Suva/ Nausori Regional Water Supply and Sewerage Project (ADB Funded) - Statement of Expenditure, the notation there was that, we had asked to provide reasons why there was no Asset Preventative Maintenance allocation for the sewerage scheme projects. So the answer from the WAF is that, that expenditure was used for water.

MR. N. WAQANIVALU.- Yes, for the water supply assets. The water supply side of the load.

MR. CHAIRMAN.- All right, not the sewerage side?

MR. N. WAQANIVALU.- Not the wastewater side.

MR. CHAIRMAN.- Is that satisfactory?

HON. A.M. RADRODRO.- We had to find out where the issues were but now we found it. What is this Asset Preventative Maintenance, is it a documented procedure or was does it cover?

MR. N. WAQANIVALU.- Part of the funds were allocated to consultants to do consultancy where they had to do a Condition Assessment of the existing conditions of our water supply assets at that time, because with water supply a major portion of the work was involved with the mains upgrading. When I refer to upgrading, I mean, the total replacement of pipelines, with the augmentation. So we are increasing the capacity and the sizes of the pipes.

Before we did that, the ADB required that Condition Assessment be done first in order for us to prioritise - to come up with a prioritised list of works that were going to be carried out. And

when the works were carried out, some of them were carried out by consultants which were basically new extensions, new pipelines.

Bulk of the work that was carried out from the result of this assessment was carried out by the then Public Works Department. It was in a special account termed as a 'force account' where the PWD personnel and equipment was used to carry out the works and this was mainly for the Mains upgrading works, similar to the ones that are being carried out now within the Suva-Nausori corridor by the WAF where we are replacing old dilapidated pipes and also, they did not have enough capacity to meet the demand.

HON. A.M. RADRODRO.- A supplementary question to that, the Preventive Maintenance, this was the exercise that was undertaken?

MR. N. WAQANIVALU.- Yes, Sir.

HON. A.M. RADRODRO.- Like evaluation?

MR. N. WAQANIVALU.- Evaluation of the pipes and their conditions.

HON. A.M. RADRODRO.- Does WAF currently have a Preventative Maintenance procedure in place?

MR. E. SAMANMAL.- Yes, we now have an asset management programme for water supply, we have the preventive maintenance programme and preparation of the SOP is in progress and the preventive maintenance schedules are underway and will be completed shortly so it is in progress.

HON. A.M. RADRODRO.- The timeline of your maintenance or process that you conduct this exercise?

MR. E. SAMANMAL.- Actually, we follow the manufacture guidelines for the pumps so that depends on the equipment. Apart from that, we have six months and yearly programmes.

MR. N. WAQANIVALU.- I apologise, just a follow-up to the response; WAF is dealing with the pipes, pumps, its treatment plant, generators, et cetera. For example, on the pipeline, WAF is currently dealing with pipes that are old and we have pipe replacement programmes currently in place. We have our meter replacement programme currently in place, that has been running for around almost three years now. We have boundary valve replacement programme. These are valves that are causing problems in areas.

These programmes have been running now for three years consistently on a yearly basis based on funds that are requested from Government on a yearly basis budget. So these are preventive programmes that are being put in place. One is to ensure that consistency of water supply is there, maintaining the asset liability and also to ensure that the water and sewerage system is extended to people. So preventive maintenance is put in place at WAF.

MR. E. SAMANMAL.- Apart from that, we are preparing our Asset Register also. All the assets we are taking into GIS platform and we are preparing the Asset Register. So it is also in progress at the moment.

HON. A.M. RADRODRO.- Just expanding on this, this Asset Preventive Maintenance and relating to the answers that you had given, Suva-Nausori Water Supply System, what about the new water projects that you engage in rural areas, do you also have a similar process in place?

MR. N. WAQANIVALU.- For rural areas, the formula is a bit different. As mentioned, we are setting up water committees because the assets are not, sort of, accounted under WAF. As soon as a project is completed, the handover process to the water committee is done. But that does not mean that WAF is not responsible during a disaster or any sort of issues that arose from the water committees, the full responsibility of maintenance and repairs of the project is handed over to the water committee which is established before the project is implemented.

HON. A.M. RADRODRO.- A further supplementary question on this, we hear about new loan programmes engaged for water schemes, the Suva Water Projects. Is this exercise going to be part of the new loans that will be taken out for the Suva Water Scheme?

MR. N. WAQANIVALU.- The new Water Programme and the Wastewater Programme, Asset Preventive Maintenance and Asset Management is part of it, and it is one of the priority areas that we are looking at.

MR. CHAIRMAN.- From the reading of it, Asset Preventive Maintenance, I understand that it is to maintain assets so that they do not deteriorate. Now, you had allocated the funds to the water area but what about the sewerage scheme, what about the assets there, are they undergoing any preventive maintenance or is there a budget for that?

MR. N. WAQANIVALU.- For this loan there was no allocation allocated because the scope of the work that was carried out under the sewerage side of the loan, were all new infrastructure.

MR. CHAIRMAN.- But these were old infrastructure?

MR. N. WAQANIVALU.- Yes, there were new clarifiers, new inlet structures within the existing Wastewater Treatment Plant at Kinoya, and also new pumping stations. There were no main replacement or sewer replacement, the small sewer pipes and the trunk mains, no major works were done on those infrastructure. The only works that was done within the wastewater network side of the loan were new greenfield structures within the existing Kinoya Treatment Plant and new pumping station between the Suva-Nausori corridor.

MR. CHAIRMAN.- So OAG are you satisfied with that?

Your notation was that, there was no Asset Preventive Maintenance allocation in this loan, but WAF explained that it was not for existing scheme, but for new and mostly for the water area, not sewerage. So that should put that to rest because the ADB was the one who allocated the loan, the scope of work was to do with water only and not for sewerage.

AUDIT REP.- Yes, Mr. Chairman, we note that.

MR. CHAIRMAN.- We will note that. It is not in the WAF hands to say what allocation is given to them, it is ADB who gives the allocation. It is not in WAF's powers to say what they should allocate it for, they allocate and they give a scope of works.

MR. N. WAQANIVALU.- Yes, Sir, this was agreed during the design of the loan and the scoping of the loan back in 2002, 2003, so this had been finalised.

One of the areas that WAF has also embarked on is before, the wastewater side of things under WAF was always another set of water so there was no actual general manager wastewater. Recently, I think two years ago, we got a General Manager Wastewater, specifically looking after the wastewater programmes. So that is how the wastewater is now becoming important.

MR. CHAIRMAN.- Becoming part of the larger projects.

Honourable Ratu Lalabalavu, your question?

HON. RATU N.T. LALABALAVU.- Honourable Chairman, just a clarification; Sir, you mentioned that with this new Asset Management that you are undertaking now, you have GIS taken in as well which is the proper mapping of all your systems. What sort of period are you looking at to really completely map out your existing systems which will enable you to ensure that you take care of the aid and assistance that you receive, et cetera?

MR. E. SAMANMAL.- This was already done for water supply pipes and they are capturing the wastewater assets now, which will be completed within this year. But there are some verifications to be done, so that will go up to somewhere next year because even if we map based on the available information, some things on the ground are different from the drawing sense. There are no information also, so the verification process will take up to next year but within this year, we can complete all the mapping of assets.

AUDIT REP.- Mr. Chairman, just to clarify that question from the Honourable Member.

MR. CHAIRMAN.- The previous one?

AUDIT REP.- Yes, on the Asset Preventative Maintenance.

MR. CHAIRMAN.- So, it was a follow up question from the Honourable Member, not something that you have picked up.

AUDIT REP.- (Inaudible)

MR. CHAIRMAN.- Alright.

HON. A.M. RADRODRO.- A supplementary question to this, the conduct of this maintenance process, was it done by the personnel from the Department or was it done by the consultant?

MR. E. SAMANMAL.- We have our own GIS Team in WAF.

HON. A.M. RADRODRO.- (Inaudible)

MR. E. SAMANMAL.- Yes, including the GIS mapping.

MR. CHAIRMAN.- We will move on.

MR. N. WAQANIVALU.- Under the Suva-Nausori loan, there is Preventative Maintenance allocation for some of the works carried out by the consultants and Public Works Department then. We had our own list of pipes that we wanted to replace, but then ADB came back to us and told us

that there needs to be proper justification so that they can prioritise the projects, the pipelines that needed to be replaced under the loan. So, we had to go back and prioritise.

As I mentioned, some of the work were carried out by consultants, especially works in the pumping stations and our major pipelines, what we call trunk pipelines, like pumping mains from the Waimanu River to our Treatment Plant in Tamavua. That is a bigger pipeline - 600 millimetres to 700 millimetres in diameter. These were carried out by consultants which required the consultant's input, and this was a requirement by the ADB.

For our distribution and reticulation pipelines, it is normally from 200 millimetres down to 180 millimetres, and most of these works were done by the then Public Works Department.

MR. CHAIRMAN.- Thank you, we can move on. The OAG did not pick that up.

3.4 - Delays in Project Completion; this is the one that we all concerned about, the eight months delay in payments, so please explain that one.

MR. P. WAQANIVALU.- Mr. Chairman, in relation to that delay the invoice was dated 22nd December, 2009. However, there were some issues with the claim that was initially submitted and then there was another claim that was presented and reassessed by the engineer which was Mr. Erasito at that time. That was delivered to the WAF on 9th February, 2010. Then the interim payment certificate which is a support for that claim that is provided by the contractors was approved by the project team in March 2010, and the payment was made on 7th June, 2010.

Having discussions with the team, one of the challenges that the team noted during the first six months of 2010 was trying to clear off all 2009 and prior payments that were still outstanding. So that was the task that the team had, to prioritise and also try to catch up with the current liabilities or creditors that they have to clear. So, those were the challenges surrounding the delay in payments.

MR. CHAIRMAN.- So from the notation in the OAG Report, the contractor submitted the invoice on 23rd December, 2009. Are you saying that there were some errors in that invoice that resulted in the need for Erasito to do a reassessment?

MR. T. VAKADRAVUYACA.- From the records that we have, there was a reassessment done by Erasito on the claim that was received.

MR. CHAIRMAN.- So, following the chain of events the contractor lodged an invoice with PWD at that time, then there was a reassessment done, and the claim was resubmitted to the Authority on the 9th February, 2010. So that delayed for two months.

It says here, and I quote:

“However, the project Engineer, Erasito Beca Consultants Limited (EBCL) requested amendment to the bank guarantee...”

So there was a bank guarantee. TEL amended and resubmitted on 27th January, 2010.”

The interim payment certificate was endorsed by General Manager Projects on 10th March, 2010. So that was just pushing everything for two months. Then payment was made on June 2010.

The OAG is saying that the effective date of the contracts shifted from 18th November, 2009 to 1st August, 2010. A payment was made on 7th June, 2010 but the contract date shifted to August 2010.

I cannot follow the chain of events, so if you can explain that to me. If there was a two months delay here in your verification by receipts of the invoice and the resubmission of their bank guarantee, why was the contract date shifted to about eight months? Did you see what I am referring to?

MR. T. VAKADRAVUYACA.- Thank you, Mr. Chairman, if OAG can clarify on that on the case that is mentioned in the Report.

MR. CHAIRMAN.- OAG, if you look at Page 5, Delays in Project Completion.

AUDIT REP.- Thank you, Mr. Chairman. If you go to the bottom of that page, it says, "However, the audit noted that the contractor failed to complete all works by the revised completion date of 30/08/13." So, after those chain of events that we have noted on top, the date was revised to 30th August, 2013. However, there was still a delay in the completion of work and WAF further extended the completion date to 31st October, 2013.

So, the main issue there is on delays in project completion. Even though the chain of events did occur, there was still a delay in completing the work.

MR. CHAIRMAN.- We do understand that part, that the project eventually completed on 30th August, 2013. We agree with that, I mean, there were some delays but the OAG seems to be suggesting that the entire commencement of this project was delayed for about eight months.

If you look at the second bulletpoint, it says, I quote:

"TEL was supposed to submit piping drawings within 15 days on 14/10/10 with effect from 30/09/10. However, TEL submitted the drawings on 03/06/11. This was delayed by 232 days or 8 months."

So there is one delay there which is the delay in piping drawings.

We understand that that is on the part of the contractor. But just before that it says, and I quote:

"WAF was supposed to make advance payment of \$140,181.44 to the contractor, TEL by 23/01/10. The advance payment claim was submitted by the contractor on 23/12/09."

There seems to be some error with the date of the contract as well.

The project was supposed to start on 1st August, 2010 and completed in 70 weeks on 1st December, 2011. So the contract date on the first bulletpoint seems to have an error there. It says 18th November, 2009 to 1st August, 2010 but it is supposed to be from 1st August, 2010 to 1st December, 2011. Did you see what I am looking at?

The first notation in 3.4, commencement was to be on 1st August, 2010 and completed in 70 weeks, on 1st December, 2011. But on the flip of that page says, "...the effective date of the



contract shifted from 18/11/09 to 01/01/10.” That means there were some adjustments made prior to that.

If you look at the first bulletpoint here, it says; “WAF was supposed to make advance payment of \$140,181.44 to the contractor, TEL by 23/01/10.”

Looking at 23rd January 2010, it is already after 18th November, 2009 so the effective start date of the contract has to be some time in 2010.

“The advance payment claim was submitted by the contractor on 23/12/09 with the invoice and advance payment guarantee.”

So before the project started, obviously the contractor did make an advance payment guarantee.

“However, the project Engineer, Erasito Beca Consultants Limited (EBCL) requested amendment to the bank guarantee which TEL amended and resubmitted on 27/01/10.”

Again, it is still before the project started.

“WAF paid the advance to TEL 8 months after receiving the invoice.”

That is our concern there, that once you receive the invoice, Erasito had already verified it. Did Erasito request for further verification or that was the only verification that Erasito requested?

(Inaudible)

MR. CHAIRMAN.- So the notation also states that (I think) the contract was supposed to initially start on 18th November, 2009 but that pushed the whole contract to 1st August and from 1st August, then it should have been 70 weeks to complete it by 1st December, 2011. So that is the series that we are looking at. We just want to know, what is the explanation for that eight-month delay in paying that invoice? Did Erasito request for another verification?

HON. A.M. RADRODRO.- OAG has already highlighted that in their first bulletpoint, second paragraph about the delay, about the amendments of the date.

MR. CHAIRMAN.- Yes, but that amendment had shifted the commencement date from 18th November, 2009 to 1st August, 2010.

HON. A.M. RADRODRO.- (Inaudible)... process in this kind of delays.

AUDIT REP.- Usually, there is a mutual understanding between WAF and the contractor, and they agree on the timing but in here because of the bank guarantee that TEL had submitted, it was amended.

MR. CHAIRMAN.- Right.

AUDIT REP.- So just because of that their start date had changed.

MR. CHAIRMAN.- To 1st August, 2010?

AUDIT REP.- Yes.

MR. CHAIRMAN.- So the project was initially supposed to commence on 18th November, 2009 but because of the bank guarantee amendment, et cetera, we accept that. I mean, bank guarantees do change, and then shifted to 1st August, 2010. The actual completion was supposed to then happen on 31st October, 2013 so almost one year and 10 months delay there - 2011, 2012, 2013.

WAF did not give notice of delay to the contractor and did not claim damages for the delays. The delay in the project completion is the gist of it, so we do understand that part, that there was some discussion about the changing of times.

What we are trying to say here is that, the delay that was on the part of WAF, you cannot claim damages for that because you had paid the invoice eight months late. There might be a reason for that, that Erasito demanded a correction to the bank guarantees, which is fine. It might be the reason, we do not know, it is not written here.

Then the entire project commenced eight months late but even thereafter, there were substantial delays by the contractor. While separating the two issues, the delay on WAF's part, I think we can accept that for the reason that there were changes required to the bank guarantee but thereafter, the project that was supposed to complete on 1st December, 2011 eventually completed on 31st October, 2013 - one year and about 10 months late.

The gist of that is that, Audit further noted that WAF did not give notice of delays to the contractor and did not claim damages for the delays. The delay in the project completion may result in additional expense to WAF, and have impacted on other project implementation dates. Now, let us come to that. Why was a notice not served on them for damages for delays?

MR. N. WAQANIVALU.- Thank you, Sir. May I comment on that; firstly, on the delay for the payment of the advance payment, I can seek clarifications from the OAG if this advance payment was for the procurement of materials before construction, bearing in mind that this was a design and build contract so the contractor would have begun the contract in 2009 with the design. That is what normally happens.

Before the construction commences....

MR. CHAIRMAN.- They have to procure the material.

MR. N. WAQANIVALU.- ...WAF and PWD during the period of the design, vet the designs and there would have been some parts of the design that were not ready and that was why WAF was holding back the payment of the advance payment until this was formalised and they can then release. Basically, the advance payment was for the advance payment for materials that were procured from overseas and for this project, bulk of the construction materials, parts and equipment were procured from overseas.

MR. CHAIRMAN.- So OAG, can you answer, if you are able to answer WAF's question that this initial payment of \$140,181.44 was it for procurement of materials?

AUDIT REP.- As part of the contract, it was required that WAF pay an advance payment claim.

MR. CHAIRMAN.- What was that claim for? Has anyone seen that claim? They had submitted a claim to ....

AUDIT REP - No, the advance payment is part of their claim.

MR. CHAIRMAN.- Contract?

AUDIT REP.- Yes, contract, so it needs to be paid. It does not say according to which scope of work, it is just advance payment.

MR. CHAIRMAN.- So it is a passive answer. We do not know and it does not say. It is probably 10 percent of the whole contract sum usually. We do not know whether they wanted to procure material with that or just wanted to do the digging, et cetera.

MR. N. WAQANIVALU.- Yes. If the 10 percent was supposed to have been paid during WAF's time, and that would have been the construction, advance payment for construction to proceed so that they can procure the materials.

MR. CHAIRMAN.- So that is fine. I mean, there is one reason or the other for the delay in payment. We will note that down but coming back to the gist of it. Why did you not claim for further delays, I mean, considering that on both parties part, some delays happened so we start again at 1st August, 2010? We leave 18th November, 2009 out because it was already shifted - st August, 2010 to 1st December, 2011. That was the project completion date.

From there, that is 70 weeks. We have divided that part, we will forgo that area of the delay for whichever reason it happened so as to haste or quicken the process, coming to this part here. Why has WAF not gone after TEL for delays after 1st December, 2011? Was that because on 30th August, 2013, the work was still not completed? That is on page five. "These included SCADA works, electrical works and electrification and finishing works. As a result of delay in completion of the work, WAF further extended the completion date to 31/10/13. There might be some legitimate reason for extending that but was any request made to WAF for extension?"

MR. N. WAQANIVALU.- Thank you, Sir. Can I just comment on that; I do not have detailed knowledge of the project but I was with WAF during that time, there were a lot of delays on the contract.

MR. CHAIRMAN.- What actually happened? We want to know from ....

MR. N. WAQANIVALU.- The approval of the delays and the request for extension of time by the contractor, was assessed by the Project Management Unit by the Project Engineer at that time, Mr. Roly Hayes, and his team, and all of these extensions of time were communicated with the then General Manager Projects, our CEO, and approval had to be given by the Board for this extension.

MR. CHAIRMAN.- So, all requests for extensions would have gone to Mr. Roly Hayes and he would have sought permission from the then CEO?

MR. N. WAQANIVALU.- Yes, Sir. He would have assessed the requests and then submit his recommendations to the CEO for his approval, whether to accept the extension of time. There were few reasons for the extension of time due to the delay in the delivery of equipment.

MR. CHAIRMAN.- Alright. That is from your first-hand knowledge because you were there at that time?

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- So, once the permission was given for extension, then the question of damage does not arise because you had agreed to the extension?

MR. N. WAQANIVALU.- That, I cannot answer.

MR. CHAIRMAN.- Yes, usually when a project is delayed then you agree to extension. You cannot come back and say, "Now, you pay me damages." It is not that the normal course of events. Who was the CEO at that time?

MR. N. WAQANIVALU.- Mr. Opetiaia Ravai.

MR. CHAIRMAN.- He is still there.

Honourable Members, does that satisfy you in that regard? We have broken that into two parts; firstly, the initiation of the contract was delayed by eight months, the project date was shifted from 18th November, 2009 to 1st October, 2010. We can leave that part out because some things happened between that time, but after 1st August, 2010 when the project was supposed to finish on 1st December, 2011, it was not completed.

Until 31st October, 2013 and in the normal course of events, the Project Engineer or Project Supervisor would have been communicated about the request for extension and that would have gone back to the CEO. He would have approved, only then the extension would have been granted and not terminated. That happens if you agree to the extension and really, it is unstoppable. You cannot go back and claim for damages because you allowed extension, unless it was agreed otherwise but you would not be aware of that, correct?

MR. N. WAQANIVALU.- For such contracts as I had mentioned, the Project Engineer would have assessed the request and he would have noted down all the clauses that were there where WAF could claim damages due to delays. He would have made his technical and professional decision based on the conditions of the contract - a careful and proper assessment, and he would have submitted that to our CEO to consider approval.

MR. CHAIRMAN.- For his consideration. So, what happens after that once the CEO approves that; "Alright, you can have extra time to finish." The question of damage does not arise, or is it discussed during that time, "that we will give you extension but you have to pay us damages"?

MR. N. WAQANIVALU.- Yes. As I mentioned, Sir, the question of whether WAF was going to claim damages from the delay would have probably be assessed by the Project Engineer, while looking at the clauses for liquidated damages and looking at the causes of delay. Assessing that, he would have prepared a report which was submitted to our CEO for his consideration and approval.

MR. CHAIRMAN.- As I said, there might be some genuine reasons for the delay too. OAG, have you seen this particular contract document with TEL? What did it say about delays? Why we are concentrating so much on this question is because there are other projects happening,

not only in WAF but elsewhere. So we will need to be well versed with what happens in cases of delays because we want projects to be completed within a budgetary period and probably Government's period/term so that things can be completed quickly. OAG, this contract here, what did it say about delays? If extension is given, can WAF claim damages?

AUDIT REP.- Mr. Chairman, we do not have the contract with us at the moment, but we can check because normally contracts have delay damages.

MR. CHAIRMAN.- Yes, usually they have but then you will have to see if the approval by the CEO has superseded the damage clause. Please, come back to us on that so that we can move on quickly.

The next one, Section 4: Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded).

HON. A.M. RADRODRO.- A clarification on that particular audit issue; the involvement of Project Engineer Erasito Consultants, does WAF still continue to engage the Project Engineer in its future projects?

MR. N. WAQANIVALU.- Thank you, Sir. If I can recall correctly, Erasito's contract was terminated, further supervision.

(Inaudible)

MR. N. WAQANIVALU.- For the works that we are currently doing at WAF, most of which are in-house programmes which are funded by Government through the annual PSIP.

Projects that we are currently carrying out are not supervised by consultants. WAF is doing the supervision of these projects and these are mostly pipeline projects. I guess, for projects of such scope, like new construction of a structure in a water treatment plant or wastewater treatment plant, they will look at the option of engaging a consultant.

Normally, it would be the same consultant who provided the design, who carried out the design for such works, we do not design. These are works in-house and are normally designed by consultants and we engage the same consultants to supervise the works.

MR. CHAIRMAN.- Let us move to the next issue that was raised in our letter Section 4 – Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded).

4.3.2 - Incomplete works; the Committee noted that a decision was made by WAF not to fence and lift frame on the two pump stations at Kumi Street and the FRCS. Provide details on whether those projects were promptly varied or any savings made.

What we had heard on the last occasion was that, there was no need or it would not look too aesthetic if we had built fence around Kumi Street property or FRCS. Was there any savings made from the project by not doing that fence?

MR. N. WAQANIVALU.- Thank you. Mr. Chairman, normally what would happen, especially in this case since there was a variation in the scope of works where the scopes would have been deleted from the contract, when the claim for this part of the work was submitted. The project engineer or contractors submit their invoices and claims where these works are included,

and all the claims would have been properly checked by the project engineer where this savings would have been accounted for.

MR. CHAIRMAN.- At this particular instance, the money that was saved which you are saying, from the funding available, it was able to clear extra work, including a shed for the pump station referred to in Annexure 1 - the picture of the project site. Construction of a lifting frame for pump station and additional work beside the station whereby a kerb and channel was done to ease traffic.

The construction of a 15 meter long fence and double gates were excluded from the present scope. So, you excluded the 15 metre long fence but you did three additional works there with that amount of money. Is that what you are trying to say?

MR. N. WAQANIVALU.- Yes, Sir. The additional works was carried out after the Audit finding.

MR. CHAIRMAN.- So, it was done after the Audit finding?

MR. N. WAQANIVALU.- Yes, but going to our previous comment, the Project Management Unit under the leadership of the then Project Engineer, would have deducted the amount.

After the discussion with the contractors, what would normally happen is that, utilities like the then Department of National Roads would have objected to us building these structures within the road reserve or road shoulder. So, that would have been the justification or the reason why this scope of work was deleted, the fencing and the lifting frame.

Normally, what would happen for this kind of installation, if the space is a restriction and limitation to the construction of the lifting frame, our wastewater operations scheme would normally be affected whenever the maintenance is required to lift the pumps from the pumping wells. They also have a tripod lifting frame which is a mobile lifting frame so they can always mount that over the opening of the main hole and put down the chain block and lift the pumps up for maintenance and repair.

MR. CHAIRMAN.- So either you have a permanent structure there or you can bring a portable one, it serves the same purpose by pulling the pump out from the pump hole?

MR. N. WAQANIVALU.- No, Sir, instead of the permanent lifting frame we have these mobile ones. They would have assessed this, that is why they deleted this from the scope....

MR. CHAIRMAN.- I understand.

MR. N. WAQANIVALU.- ....based on the size of the pump.

MR. CHAIRMAN.- So instead of having an unsightly big structure at the pump site, you can just bring the portable one as and when needed?

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- All right. Honourable Members, the money that was saved from that scope of work by deletion of those three items was used elsewhere. Are you satisfied with that?

The only issue I have, so to speak, was that, it was after the audit. Any idea why it was done after and not before the audit because the money would have been saved anyway?

MR. N. WAQANIVALU.- From my understanding, if the money was saved there was no way where we could find out whether the savings was actually used elsewhere because it was in the contract. If you vary and you delete something from the contract - the scope of works, there is no way we can find out where this \$30,000 would have been used.

MR. CHAIRMAN.- Yes, you are right. In simple terms, if you are building three buildings for \$4 million, you delete one building from there and divide that by three, that amount of money could simply be, whether it was diverted elsewhere. But it is something that needs to be followed up, is it not?

Yes, OAG?

AUDIT REP.- Mr. Chairman, we apologise, the issue was highlighted after a site visit was made to these two pump stations. So the only reason we raised this issue was, if there was a reduction in the scope of work, it should have come through as a variation but we did not see any variation.

MR. CHAIRMAN.- All right, so ...

AUDIT REP.- It should have been approved.

MR. CHAIRMAN.- You are right on that, if something changes whether you extend a contract, do more work or less work, it has to come through a variation.

AUDIT REP.- We did not see that, that is why we had raised that issue.

MR. CHAIRMAN.- Do you have any idea of variation, whether it was done through proper variation document? It would have been done. You had explained that part that in a normal course, this would have been done.

MR. N. WAQANIVALU.- Yes, there would have been a communication paper, a notice to the engineer, a notice to the contractor where these issues would have been communicated and the variations would have been approved, but normally for these amount of variations this was within our CEO's limit, so this would have been approved by.....

It is variation but it is not an addition to the contract, it is a deletion from the contract. As I had said, there would have been instructions issued back and forth between the contractor and the Project Manager, not just the contractor and the engineer, where this would have been documented. Thank you, Sir.

MR. CHAIRMAN.- I do understand that bit.

HON. A.M. RADRODRO.- Mr. Chairman, just a supplementary question to the OAG; is it the right Kumi Street you are picturing here, is it the right asset as you put in the Kumi Street? Where is Kumi Street, in Tailevu?

(Inaudible)

MR. CHAIRMAN.- The next part there is Section 5, Suva/ Nausori Regional Water Supply and Sewerage Project (ADB Funded).

Part A: Financial Information. This part was left out in the previous clarifications; Section 5 was totally left out in our last meeting. So we can start there, Page 1 of the Special Projects.

5.3 - Upgrade of Waila and Tamavua Water Treatment Plants (Alum Solid Project) - Fletcher Construction Company (Fiji) Limited - Contract No. WSC 23/04. There is a brief narration there which I will read for the benefit of Honourable Members. It says, and I quote:

“The Department of Water and Sewerage in 2009 awarded the contract for upgrading of Waila and Tamavua Water Treatment Plant of Fletcher Construction on 04/12/09 for \$23,935,230.35 to the accurate. The project was later handed over to Water Authority of Fiji in 2010 when WAF was established...”

So it was, again, a hereditary problem that you got from PWD.

“...The project was completed on 26th March, 2013.

The WAF on 24/12/12 made variation to the original contract no. 23/04 to carry out backwash treatment and sludge disposal project (known as Alum Solid Project) at Waila and Tamavua Water Treatment Plants. This project was also carried out by Fletcher Construction. The backwash treatment and sludge disposal project included following works at Waila and Tamavua Water Treatment Plants:

Waila

- Extension of flocculator;
- Construction of new Clarifier;
- 3 Sludge Collection Tank; and

Tamavua

- Construction of Sludge Collection Tank; and
- Installation of pump.

The initial cost of backwash treatment as sludge disposal project was \$3,429,208 VEP. However, from 15/10/2013 to 12/2/2014 several variations totalling \$590,637.85 VEP was allowed to Fletcher Construction Limited. The total cost for the backwash treatment and sludge disposal project work (Alum Solid Project) after additional variations was \$4,019,845.85 VEP.

The contract for design and work supervision for backwash treatment and sludge disposal project was awarded to Kramer Ausenco on 16/2/12 for \$77,165 VIP. The review of the works carried out by Fletcher Construction for backwash treatment and sludge disposal project at Waila and Tamavua Water Treatment Plant (Alum Solid Project) revealed the following anomalies...”

Now we have come to the anomalies. So this is something that WAF came and took charge of.



“The Tender Committee shall consider and may evaluate the acceptance of any tender called for the supply of goods and services where the estimated price for those goods and services exceeds \$20,000. Upon completion of the evaluation of tenders received the Tender Committee shall prepare and submit Board Papers for Board approval.

WAF did not call for fresh tenders for capital works at Waila and Tamavua Water Treatment Plant. Instead WAF engaged Fletcher Construction who carried out upgrading works at Waila and Tamavua Water Treatment Plant under contract no. WSC 23/04 for \$23,935,230.35 VEP to undertake these works as variations to contract WSC 23/04.

In addition, WAF did not invite other contractors to bid for the Alum Solid Project. Instead WAF obtained bid price for the project from Fletcher Construction Limited only. On 24/12/2012 WAF wrote to Fletcher Construction Limited notifying the acceptance of their bid price of \$3,429,208 for Alum Solid Project.

Subsequently WAF engaged Fletcher Construction Limited for backwash treatment and sludge disposal project at Waila and Tamavua Water Treatment Plant (Alum Solid Project) for \$3,429,208 VEP.

WAF subsequently obtained approval from ADB...

Hence WAF intentionally opted for variation to include additional capital works as deadline for supplementary loan was 30/6/14 and there was insufficient time for calling of tenders and awarding fresh tenders.

The finding shows poor planning by WAF....”, and there was no comments provided.

So there was some explanation that there was time running out for the contract as explained earlier, that if you had called for tenders and waited your loan time would have run out. So that part (I think) is sufficiently explained.

However, OAG mentioned that capital works are properly planned to allow for sufficient time for calling for tenders and awarding of contracts and proper procurement procedures are followed at all times. So there are two explanations on that part. Why was it not planned properly by WAF?

I sense the answer would be that you inherited this project from the Department of Water and Sewerage and secondly, proper procurement procedures.

MR. N. WAQANIVALU.- Actually to give my response, I think the process is a planned process. Under the ADB procurement guidelines, there is a provision that we can go for single source selection...

MR. CHAIRMAN.- There is a provision for that?

MR. N. WAQANIVALU.- ... for an ongoing project and also for projects that are based on performance and based on the contractor's capabilities.

Looking at this project in itself, this was already an ongoing project and looking at the process of construction, these are towards the end of construction from backwash treatment and sludge treatment process, this was towards the end of the treatment.

And when you look at the ADB procurement guidelines or if you go for quality-based assessment, it will take around six to eight months for that process to be completed. So as mentioned, it is a planned, sort of, process in terms of saving cost and looking at the ADB loan period, I think WAF did the right option in providing the ongoing contractor and also saving the mobilisation cost of a new contractor to the site.

MR. CHAIRMAN.- Yes, I understand that point. Just coming to the ADB Guideline, I think in Annexure 11, so what happens if the loan period expires, for example, the loan period is to expire on 31st December for a particular year, and you are unable to recruit a contractor, what happens to that loan period? Does it lapse or expires, or you do not get the money anymore?

MS. J. KALOUCAVA.- Thank you, Mr. Chairman. Under the ADB loan funded projects, once the loan expires we cannot issue any other contract under that loan.

MR. CHAIRMAN.- All right, so that means ADB will not provide you finance for that project again?

MS. J. KALOUCAVA.- Yes, Sir.

MR. CHAIRMAN.- I see some sense in that.

(Inaudible)

MR. CHAIRMAN.- So the question there is that, whilst we understand that you had to run quickly and get a contractor, what happens like in previous cases when delays happen for about one or two years, does ADB allow that delay to be carried on?

MR. N. WAQANIVALU.- Thank you, Sir, may I comment on this; from my understanding, the Suva/Nausori loan was extended.

MR. CHAIRMAN.- The loan is also extended?

MR. N. WAQANIVALU.- The loan was extended. What happened was, there were review missions from the ADB. This was attended by the Ministry of Finance and WAF, where these issues were discussed and the need to extend the tender, so this tender was genuinely extended.

Then for the Suva/Nausori loan, there were two portions of the loan. What came in later was called a supplementary loan, because when the scope of works for the original ADB loan was approved back in 2001 and 2002 when these discussions for this loan started, they came up with the scope of works.

During WAF's time, that was nine or ten years after the scope of works, new problems crop up and so ADB during these review missions, consulted with the Ministry of Finance and WAF and definitely would have...

MR. CHAIRMAN.-...would have agreed to that?

MR. N. WAQANIVALU.- ....Yes, would have stated that there is another provision there called a supplementary loan and that was approved. We applied for the supplementary loans, and this work – the Alum Solid Project in Tamavua and Waila were part of supplementary loans, so they were approved.

Going back to my statement in the last meeting, therefore, going directly to the supplier, one of the main reasons too if you refer to Annexure 11 of the ADB Procurement Guideline, Section E of the Direct Contracting which is on Page 35 and 36, if I may read:

“Where civil works are to be contracted that are in natural extension of an earlier or ongoing job and it can be shown that the engagement of the same contractor will be more economical and will ensure compatibility of results in terms of quality of work.”

This was the condition that was used for the Direct Contracting...

MR. CHAIRMAN.- Direct contract does not...

MR. N. WAQANIVALU.-.... and bearing in mind that Fletcher Construction Limited, the contractor that was involved in the upgrading works which started in 2010 and finished in 2011. So based on this condition, this was why this loan was agreed and there was a direct contracting method of procurement done for this Alum Solid Project. Fletcher Construction Limited was aware of the project, they had just completed the upgrading works at Waila and Tamavua, so the ADB had agreed and...

MR. CHAIRMAN.- ....it was economical to just move on with the project.

MR. N. WAQANIVALU.-....yes, it was economical based on their procurement policy on direct contracting. Thank you.

MR. CHAIRMAN.- That is satisfactory. I mean, in the normal course of event, going back to the previous one, if the contractor requests for an extension to the Project Engineer, the Project Engineer would come to WAF's CEO or Board and then the Board will then go to the ADB to seek approval?

MR. N. WAQANIVALU.- Thank you, Sir. Normally, what would happen is, during the course of the project, the Project Engineer would have anticipated well in advance that there is going to be a delay. Yes, he raises the issue with the CEO and the Board, but then the final decision lies with the Ministry of Finance.

The Ministry of Finance was also made aware of this and there are regular review missions, but there can be special requests from the project team, from WAF and the Ministry of Finance for a special review mission from ADB. But even before the review missions, there are always communications happening between the parties, highlighting the need for an extension.

MR. CHAIRMAN.- OAG, you will see on the ADB procurement project in Annexure 11, on Pages 35 and 36, under the heading - Direct Contracting, there is a notation here that supports WAF's contention where civil works are to be contracted that are a natural extension of an earlier or ongoing job like the case that we are just dealing now, and it can be shown that the engagement of the same contractor will be more economical and will ensure compatibility of results in terms of quality of work.

So in that case, it is proper to engage the same contractor without the calling of tender. Is that satisfactory for your purposes? It looks like, it is all right to me.

AUDIT REP.- Yes, certainly, Sir.

MR. CHAIRMAN.- Honourable Members, are you satisfied with that? We cannot fight with the donor, they have put it in there.

I think WAF has so far been very upright in their explanations and things are falling into place now. It helps in our report writing when the answers are as detailed as WAF is giving.

Just before going further there is a general question I had. I do not know whether you are the right people to answer but while travelling from the West the other day, I saw a lot of trenches dug along the road for waterpipes and then there are no warning signs nor cones put in there so everytime I travel, the car actually falls in that and they are sealed much later. Is there anything on that that it should be sealed immediately?

MR. N. WAQANIVALU.- Sir, from my knowledge, bulk of the work that is happening along the Western side from Korovou to Rakiraki and even from Nadi coming this way, they are TFL contractors, laying underground fibre cables.

MR. CHAIRMAN.- All right, so I will raise this question with them. I fell into those trenches five times actually there is a sixth one near Korovou. All right, let us move to the next one, Honourable Members.

5.3.2 - Contract Agreement Not Provided; it says, and I quote:

“The WAF engaged Fletcher Construction for backwash treatment and sludge disposal project at Waila and Tamavua water treatment plant (Alum Solid Project). The capital works were carried out by Fletcher Construction...

Review of this project revealed the following anomalies:

Contract agreement should be properly maintained for reference. The WAF claimed that Alum Solid Project was a variation to contract no. 23/04 awarded to Fletcher Construction and hence there was no separate contract agreement.

However, WAF did not provide the contract document or the variation document. As a result, audit could not verify the performance security of \$394,359, bank guarantee of \$197,180.

In addition the audit could not substantiate whether the contractor complied with some of the important contract requirements...”

So in general terms, the issue here is that, we understand that part, we agree that the contract be given to Fletcher Construction as ADB provided, but in any event as at 5.3.2, the extension given to Fletcher Construction should have been maintained. At the time this edition went to press, the OAG did not sight those documents. Can there be some explanation on that, please?

MR. N.WAQANIVALU.- Thank you, Mr. Chairman. The contract exists between Fletcher and WAF under this contract and it is annexed in this submission.

MR. CHAIRMAN.- Any verifications there that are also annexed? Which annexure are we looking at?

MR. N. WAQANIVALU.- Annexure 2.

MR. CHAIRMAN.- The submissions are very well prepared, I must say. A lot of things are included. We also have the Appendix there. Annexure 2 is the one that starts with the special conditions of the contract?

MR. N. WAQANIVALU.- Contract Agreement (Alum Solid)

MR. CHAIRMAN.- Mr. Opetia Ravai is no longer there, I understand.

MR. N. WAQANIVALU.- He is no longer with WAF.

MR. CHAIRMAN.- He has been there for a long time. I see all these projects are carrying his nice smiling picture.

Honourable Members are you able to find the contract? Any questions regarding that, the document is there.

OAG at that time, no comments were provided. They had their contract and variation, so are you satisfied with that, if I am looking at the right document?

I apologise, WAF, would you show me the exact document that we are looking at. The first one is Appendix 1, the picture of the ramp and the shed. The second one is a document which says, 'Special Conditions of Contracts', then we have the ANZ Bank Guarantee. After that, we have the Backwash Treatment and Sludge Disposal at Waila and Tamavua Water Treatment - Revision 1, Kramer Ausneco.

AUDIT REP.- Inaudible

MR. CHAIRMAN.- The document is headed, 'Contract Agreement', to make it quickly we just made a copy of this so we will just keep it. So, it is part of the annexure.

AUDIT REP.- Mr. Chairman, I would like to request WAF if they can take us through the contract where it says about the bank guarantee.

MR. CHAIRMAN.- Yes, WAF. You mean the need to provide a bank guarantee?

AUDIT REP.- Yes, the amount of bank guarantee in the contract and the performance guarantee and the advance payment security. If they can take us through the contract where it says how much ...

MR. CHAIRMAN.- Why is the bank guarantee important? I mean, there is no issue about that.

AUDIT REP.- If you see the issue we have highlighted that Audit could not verify the performance security of \$394,359, bank guarantee \$197,180 and advance payment security of \$788,718 provided by the contractor whereof appropriate amounts Because at the time of audit, we

were not provided with the contract agreement so we were not able to verify whether these amounts that were paid by the contractor was correct.

MR. CHAIRMAN.- Are we looking at Paragraph 5.3.4 - Variation and Provisional Sum?

AUDIT REP.- 5.3.2, Sir.

MR. CHAIRMAN.- 5.3.2 - Contract Agreement Not Provided, so now that the Contract Agreement is provided, I do not think it is in the Appendix.

MR. N. WAQANIVALU.- May I comment on that, Sir.

MR. CHAIRMAN.- Yes, please.

MR. N. WAQANIVALU.- This is a variation to an existing contract.

MR. CHAIRMAN.- This one?

MR. N. WAQANIVALU.- Yes, the Alum Solids. So, what normally happens is, the first contract for the Suva/Nausori upgrading works was signed during PWD times. For this contract, we have a copy of the contracted agreement here.

Normally what would happen is, the special and general conditions of contract and everything else would remain the same, except for the Scope of Works. And that would have been new editions to the contract. So, the percentage and the requirements for performance security, performance bond and retention bond, these would have been the same as the original contract.

MR. CHAIRMAN.- Alright.

MR. N. WAQANIVALU.- Normally, it would be 10 percent for retention, 10 percent for advance payment of the total contract price, the revised price that Fletcher Construction submitted for the Alum Solids Projects.

MR. CHAIRMAN.- And the requirement of a bank guarantee will also be there, the original one?

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- So, where is the original contract? It would be with PWD?

MR. N. WAQANIVALU.- The original contract document would have been with WAF but there were a lot of documents that were lost in transition during movements within WAF.

MR. CHAIRMAN.- So this one is the variation?

MR. N. WAQANIVALU.- It is a variation to the same contract. It is not a total new contract, and that was the condition.

MR. CHAIRMAN.- It might have helped OAG if you had given some explanations at that time because it was no comments provided at that time.

OAG, what WAF is saying is that, the other conditions such as the provision of a bank guarantee and advance payment security, et cetera, comes into the larger document which is the main contract, these are variations, that contract they could not find. If they had given their explanation to you when you are doing the audit?

It is an important area because we have encountered cases where there were no such clauses in contracts and the contractor escaped scot-free without being caught. So, can any attempt being made to locate that major contract? If you can, we would like to have a look at that, not only for your purpose but for other cases as well.

MR. N. WAQANIVALU.- No problem, Sir, we will do that.

MR. CHAIRMAN.- Yes, and then we will share it with OAG. You know what contract are we talking about? What WAF is saying, there is a large contract, the variations part of that. So, the issues regarding bank guarantee provision, et cetera, comes into the larger contract, it will not be repeated in the variation. Am I right on that?

MR. N. WAQANIVALU.- Yes, Sir. So if you look at this new contract which is annexed, it has the contract agreement which was signed by Mr. Ravai, WAF and the contractors.

MR. CHAIRMAN.- Right.

MR. N. WAQANIVALU.- There are also amendments to certain clauses in the special conditions and the general conditions. This is clearly stated there, but it shows nothing of any amendments to the Performance Bond, the advancement payment, so it would be the same as the original contract which would be 10 percent or more, of the total contract sum.

MR. CHAIRMAN.- Probably, a very large document, even larger than this document.

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- What this contract agreement says is that WSC No. 23/04 Upgrade of Waila and Tamavua Water Treatment Plant, Post Contract Variation (Alum Solid), this agreement is made on 29th January, 2013 between WAF. So, the other contract would be an earlier contract, the larger one. So WAF will attempt to give us that. Is this your file copy, do you need it back?

MR. N. WAQANIVALU.- No, Sir.

MR. CHAIRMAN.- We can keep this. Can we move on to the next issue?

5.3.3 – Variations in Project Costs and Scope of Works Not Approved by WAF Board: I think we had discussed this issue.

HON. A.M. RADRODRO.- We have already discussed that.

MR. CHAIRMAN.- Yes.

5.3.4. – Variations and Provisional Sum; we had left somewhere. Who remembers?

It says, I quote:

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“Provisional sum or contingency fund is fund approved by the Tender Board and set aside to meet additional expenses arising through legitimate variations in scope of work by Contractor...”

This one is not yet discussed, I quote:

The audit noted that WAF allowed 8 variations in project cost totalling \$590,673.85 for the Alum Solid project to the Contractor. The audit also noted that no contingency sum was set aside in addition to the contract price for these variations.

Due to these variations, WAF incurred total over expenditure of \$590,637.85 or 17.2% of initial project price. Therefore the total project cost increased to \$4,019,845.85 as at the date of audit...”

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MR. N. WAQANIVALU.- Thank you, Sir. Normally in the contract agreement, the contract price that is agreed or signed in the contract agreement is exclusive of the contingency and the provisional sums. That is deducted from the price that is agreed or signed by the contractor and the principal in the contract document. That would be clearly highlighted and shown in the interim payment claims that our Finance Department would keep.

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MR. CHAIRMAN.- So what is the difference between contingency fund and provisional sum?

MR. N. WAQANIVALU.- They are basically the same, but in technical terms, provisional sums are some works that would have been, what would I call, preconceived, or scope of works that might need to be included whereas contingency are scope of works or works that can never or cannot be unforeseen, identified during the preparation of the Bill of Quantities for the works.

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MR. CHAIRMAN.- Thank you, yes. Yes. The first would be the other one. Contingency is something that is unforeseen. Lucky, it did not affect us.

Would the contingency fund also include the defect liability or is that something else, that is the provisional?

MR. N. WAQANIVALU.- The money that is kept during the defects liability period is normally half of the total of the retention money. So in the contract, during interim payments, we would be deducting 10 percent from each for retention money.

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MR. CHAIRMAN.- From each invoice issued?

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MR. N. WAQANIVALU.- Five percent is released during the practical completion of the project and the five percent is kept to cover during the one year or two years' defects liability. And that is released after the end of the defects liability, so half of the total retention.

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MR. CHAIRMAN.- In projects like these, what is the usual warranty period?

MR. N. WAQANIVALU.- It is one year, Sir.

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MR. CHAIRMAN.- So anything that happens after one year is your responsibility or the employer's responsibility?



MR. N. WAQANIVALU.- It is still the contractor's, but after the practical completion. There is a Practical Completion Certificate signed.

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MR. CHAIRMAN.- From date of completion, one year thereafter?

MR. N. WAQANIVALU.- The defects liability period kicks in.

MR. CHAIRMAN.- It is one year.

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MR. N. WAQANIVALU.- So during that one year, if anything .....

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MR. CHAIRMAN.- Happens, the contractor comes in.

MR. N. WAQANIVALU.- It is the contractor's responsibility.

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HON. A.M. RADRODRO.- That defect liability period of one year, is it a standard borrowers condition or is it WAF's condition, and whether it can be reviewed.

MR. T. VAKADRAVUYACA.- Defects liability period is stated in the FIDIC document, the China International Contract and Condition under the FIDIC conditions.

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MR. CHAIRMAN.- Thank you for that. Let us move to the next one.

5.3.5 - Performance Bond; it says, I quote:

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"The Particular Conditions of Contract requires the Contractor to provide a performance security equivalent to 10%...

The contractor provided a Performance Security from its bank, ANZ Bank New Zealand Ltd for \$394,359 on 4/2/13. The Performance Security was to expire on 28/10/13 based on the initial project completion date of 30/9/13.

However the project's completion date was revised to be completed on 7/04/14. The audit noted that WAF did not require the Contractor to renew its Performance Security expiry date until the date of project completion. Hence there was no valid Performance Security for the period 29/10/14 – 7/4/14.

That date seems to be incorrect.

Anyway, the issue that was raised here is that, the Performance Bond whilst you see some in the Appendix here, there was no Performance Bond. When the Performance Bond expired, there was no valid Performance Security Bond required by WAF. It did not require the contractor to renew its performance security. What could be the reason for that?

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MR. P. WAQANIVALU.- Thank you, Honourable Chairman. A bank guarantee was obtained for the period of 4th February, 2013 to 28th September, 2014, and it is attached as Annexure 3.

MR. CHAIRMAN.- So, are you saying that for the period that the OAG has highlighted, there actually was a Performance Bond?

MR. P. WAQANIVALU.- In the form of a bank guarantee.

MR. CHAIRMAN.- OAG, just have a look at Annexure 3, are you satisfied with that?

Your notation was that the project completion date was revised so there was a revision of the completion date, that is 7th April 2014.

“The audit noted that the WAF did not require the Contractor to renew its Performance Security expiry date until the date of project completion. Hence there was no valid Performance Security for the period....”

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The period seems to be wrong. I think 29th December, 2013 and 7th April, 2014, but they are saying in Annexure 3 that they are satisfied with that.

MR. P. WAQANIVALU.- Sir, just to rephrase; I believe the issue was because there was no valid Performance Bond, so any issues or loss arising from the contract due to the extension will not be covered under the contract. So there was a valid guarantee to protect WAF in terms of any loss during that extension.

MR. CHAIRMAN.- All right. So there was a bank guarantee that would have served the same purpose. OAG, do you agree with that?

AUDIT REP.- (Inaudible)

MR. CHAIRMAN.- There is a general comment, WAF. If some of these information is provided to the OAG at the time of the audit, a lot of these things could be curtailed. We could have a very short meeting so please, ensure that for future audits, I mean, I advise that to all agencies, that there are about nine steps. There is an entry meeting, there is lot of other steps in there and there is an exit meeting. Some of these documents, if they were provided to them at that stage, probably this report would be shorter. Please, take a note of that.

MR. N. WAQANIVALU.- Point noted, Sir.

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MR. CHAIRMAN. - 5.3.6 – Prolongation Claim; what is noted here, and I quote from the Report:

“The Contractor should be facilitated with appropriate design and scope of works to carry out its works as planned and in accordance with the contract timelines.

The audit noted that WAF requested Fletcher Construction to carry out backwash treatment and sludge disposal project at Waila Tamavua water treatment plant (Alum Solid Project) in March 2013. The project design and scope of works were completed by the Project Engineers, Kramer Ausenco.

However at the time of the project commencement, WAF Engineers noted that the Clarifier Tank was close to soil slope and was at a risk of falling due to landslide. The WAF decided to reposition the clarifier to allow for ample clearance.

WAF then requested Entec Ltd to review the project site and submit a geotechnical report on the soil type. Based on the geotechnical report WAF decided to relocate the Clarifier Tank a few metres from its original site. This required redesigning

the Flocculation and Clarifier Tank by Design and Supervision Consultant for the project, Kramer Ausenco and the project was delayed estimated 6½ months. No additional payments were made to Kramer Ausenco for redesigning.

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.

On completion of the project the Contractor, Fletcher Construction Limited made a prolongation claim against WAF totalling \$495,163.22 for loss suffered due to delay in project commencement. WAF wrote to Fletcher Construction on 30/4/14 declining the prolongation claim. As at the date of audit on 20/6/14 WAF has not resolved the prolongation claims.

The audit further noted that the prolongation claim from Fletcher Construction Limited was not disclosed in the Project financial statements as subsequent event.

The finding shows poor supervision and monitoring during initial design phases. As a result the project had to be redesigned which resulted in delays...

#### Recommendations

WAF should:

- make an effort to resolve the prolongation claim from the Contractor;
- disclose the prolongation claim ...and;
- ensure proper supervision during project design phase in future."

So, what actually happened here is that, your initial contractor, Kramer Ausenco, was supposed to design and build that Tank. They built it too close to a slope. Then you got Entec Ltd to do a geotechnical report and found that, yes, it was in a wrong place. You shifted that a few metres away and it took you six-and-a-half months. That caused the delay for start of the project and then Fletcher Construction lodged a claim. So, why and how was that allowed to happen?

MR. N. WAQANIVALU. - Thank you, Sir. Yes the design was done by Kramer Ausenco. They were expected to carry out all the necessary investigations and the sighting of the structure, the Alum Solids and the operations which are in question here. When this happened, when it was found out and picked up by the contractor in consultation with WAF, Kramer Ausenco was requested to do a redesign. They were not paid for the redesigning because it was part of the contract. We had discussed this and Kramer Ausenco had accepted the risk, that it was their responsibility. So, it was redesigned but Entec Ltd was engaged to do further investigation on the proposed new sites, where they were going to move the structure.

MR. CHAIRMAN.- Whilst you have not paid any extra to Kramer Ausenco for redesign, was there any penalty charged on Kramer Ausenco, or was there any provision in the contract to charge Kramer Ausenco for their mistake because now you are lumbered with the claim by Fletcher Construction? Rightfully, Kramer Ausenco should be paying Fletcher Construction, is it not?

MR. T. VAKADRAVUYACA.- Thank you, Mr. Chairman. The claim by Fletcher Construction is still an unresolved claim. The reason being WAF is asking Fletcher Construction to

verify the claims because during the design period that Fletcher Construction is claiming to be idle on site, there were ongoing activities within the site that they were supposed to be involved in.

MR. CHAIRMAN.- So, Fletcher Construction was still doing some work.

MR. T. VAKADRAVUYACA.- Yes, so that is why this prolongation claim is not yet settled by WAF.

MR. CHAIRMAN.- Have you lodged any similar claim against Kramer Ausenco because if it comes to WAF to pay, I think they should ask Kramer Ausenco to pay Fletcher Construction, if it is ruled at some stage. It is a large amount (\$495,163.22), they might sue WAF at some stage.

MR. N. WAQANIVALU.- Thank you, Sir, we are not pretty clear of what happened here, but as I said this was handled by the Project Engineer then and his team, Kramer Ausenco in consultation with WAF. So, they would have come to an amicable settlement.

MR. CHAIRMAN.- Who was the Project Engineer?

MR. N. WAQANIVALU.- The same Mr. Roly Hayes.

MR. CHAIRMAN.- He has caused a lot of loss to WAF. Is he still employed at WAF or he has been terminated?

MR. N. WAQANIVALU.- No, Sir, his contract was terminated in 2014.

MR. CHAIRMAN.- It should have been done much earlier, I think. But I am not saying that he has caused a direct loss but he has missed all these parts here.

Your contract document with Kramer Ausenco did have any clause as such for delay or for errors? Because apparently Fletcher Construction has a condition in their contract with WAF under which they are claiming, so similar clause with you and Krammer Ausenco would have resolved this situation. In law it is called the 'bullock order', so straightaway instead of Fletcher Construction coming to you, they go straight to Kramer Ausenco, you ask Kramer Ausenco to pay.

MR. N. WAQANIVALU.- I have not sighted or do not have a copy of that contract but if I am correct, it was not a comprehensive contract. It was just like a memorandum of agreement. Some of these issues or the clauses would not have been included, to cover for these situations.

MR. CHAIRMAN.- Honourable Members, what actually happened here, because of Kramer Ausenco there was some delay caused for which Fletcher Construction is now claiming against WAF which has not been resolved yet. At some stage, WAF might or might not have to pay Fletcher Construction for delay, if they are able to verify.

There must be a clause in the contract between Fletcher Construction and WAF under which they are coming to claim. There should have been a similar clause in that contract between WAF and Kramer Ausenco so that WAF would have escaped liability. Our concern is not what Fletcher Construction or Kramer Ausenco makes, anything that is paid out of WAF is from the public money, it is a budgetary money. It is a worrying thing for us.

OAG, what do you suggest we do here? Rightfully, you have picked that up and WAF has confirmed that it is not resolved yet, so what should happen here, a follow-up audit?

Check the documents out, WAF will provide you with those necessary documents which is why it is necessary to have those documents here and probably, we can advise you on how to get out of a situation like this. Please, get those documents, the initial contract documents - one with Fletcher Construction and WAF and the other with Kramer Ausenco and WAF, to see whether this matter could be resolved. It is close to \$0.5 million there at stake. There could have been some more tanks and pipes and pumps fitted with that amount of money.

It is 11.00 a.m., let us have a short tea break to relax the WAF Team a bit and then we will restart at 11.20 a.m. We have a long way to go and we want to finish everything today so that we are well on track for the other submissions.

Honourable Members and the WAF Team, thank you so much for going so far. We will start at 11.20 a.m.

The Committee adjourned at 11.03 a.m.

The Committee resumed at 11.31 a.m.

MR. CHAIRMAN.- Thank you very much, Honourable Members, staff and media. Once again, thank you very much WAF Team for being here today and we can now look at the next part of today's submission, and that is starting from 5.3.7 - Interest Paid for Delay in Making Progress Payments.

It says, and I quote:

"The audit noted that WAF paid interest totalling \$29,810.46 on 2/4/14 due to delays in making payments in 2013 to the Contractor, Fletcher Construction Limited from the date the claims were submitted. WAF delayed 6 out of 7 payments..."

So the issue here is that, if payments were made on time, then WAF would not be required to pay any interest but because of the delay in payment, about \$29,810 was just paid in interest, so that is the wastage. Can there be some explanation on that, please?

MS. J. KALOUCAVA.- Thank you, Honourable Chairman. In regards to this issue, I will briefly highlight the payment process that we have for ADB-funded projects. There are usually two portions of the payment in which 17 percent is payable by WAF and the other 83 percent is a direct payment from ADB to the contractor. In these instances, most of the issues that were noted that relate to the payments were in the assessment of the internal verification by the Project Management Unit on the claim. In some instances where the delays are into 16 days is the payments process.

In terms of the WAF's 17 percent payment, the payment process involves the assessment of the claim by the Project Manager at WAF. Then we have the WAF Management approval, then the claim is then processed by the Finance Unit at WAF, and then within the timeframe of 28 days we also seek tax clearance from the FRCS, as well as RBF clearance before the final payment is made to the contractor.

While on the other hand, in terms of the 83 percent payment process which is directly paid by the ADB to the contractor, after the WAF Management approval, a withdrawal application is usually filled up and this is then forwarded to the Water and Sewerage Department, who does their verification of the claim usually at a turnaround term of two to three days. Then we further submit the claim to the Ministry of Finance back in those days, who are the authorised signatories to the withdrawal application that is forwarded to ADB.

In these instances, the processes are done manually, we submit the endorsement only by the authorised signatory. Then the claim is forwarded to ADB Suva Office, they are assessed and then forwarded to ADB, Manila. Upon receipt of the documentation, ADB Manila has a standard seven working days to process the claim and remit the payment to the contractor's account. So we have all these processes of documentations being passed through various authorities within the 28 days that we have. These are some of the contributing factors that lead to the delays.

The improvement that we have made now for ADB-funded projects, Sir, ADB has introduced a CPD (Client Portal for Disbursement). This is an online system where we upload all the claims and approved documentations online upon submission from our end and verification from WAF, and an e-mail notification is sent to the authorised signatory at the MOE irrespective of whether they are available locally or they are out of the country, they still can view the claims online with all the relevant documentation. And they can improve from wherever part of the

country they are in or even if they are in overseas. So that is the improvement that has been done to address this issue.

MR. CHAIRMAN.- So with the CPD coming in now, what is the processing time? How long does it take to process?

MS. J. KALOUCAVA.- At the moment, with the previous loan that we took under the PDA loan, it is less than a week now.

MR. CHAIRMAN.- All right. So instead of more than 28 days it is now less than seven days?

MS. J. KALOUCAVA.- Yes, Sir.

MR. CHAIRMAN.- I think that is a good improvement. Now going back to that issue of interest payment, I understand that eight or nine of those steps are necessary to verify the claims properly so that there is no over or under payment. When the contract was initially drafted where they are coming at and claiming 9.95 percent per annum interest, was this procedure not factored into the contract, that it will obviously be more than 28 days before the payment can be released?

MS. J. KALOUCAVA.-The 28 days is part of the contract.

MR. CHAIRMAN.- Yes.

MS. J. KALOUCAVA.- I think currently under FIDIC, it is now 56 days where 28 days is for technical verification and 28 days is for the financial verification before payment is released.

MR. CHAIRMAN.- All right, so currently it is 56 days?

MS. J. KALOUCAVA.- Yes.

MR. CHAIRMAN.- So this interest payment of \$29,810.46 is one-off thing?

MS. J. KALOUCAVA.- Yes.

MR. CHAIRMAN.- It may not happen anymore because of two reasons; CPD is making it very quick and secondly, the payment system is now encountering the 56 days?

MS. J. KALOUCAVA.- Yes, 56 days.

MR. CHAIRMAN.- OAG, is that the current procedure now?

WAF has given the explanation that they are using a Client Portal Disbursement which takes less than seven days to process and make payments, and also if it had not been there, there is now a change in the timeframe. What is the term that you used, what rules allow for 56 days?

MS. J. KALOUCAVA.- FIDIC, Sir.

MR. CHAIRMAN.- What is FIDIC, you mentioned it earlier, and I think it is an international contract? What is the long form of it?

MR. N. WAQANIVALU.- It is International Federation of Contract Consultants.

MR. CHAIRMAN.- It is probably a body that regulates international contracts.

MR. N. WAQANIVALU.- It governs international contracts.

MR. CHAIRMAN.- All right. Staff, search it up.

OAG are you aware of that, that now the international game rules have changed, so WAF probably will not see a repetition of this?

Any questions on that, Honourable Members? There has been sufficient explanation on that, it has happened, we cannot do much about that now.

HON. RATU N.T. LALABALAVU.- Just a general question; even the explanation made by WAF now, in view of the amount that has surfaced from this as being claimed, that is tax payers money. Will anyone be held accountable for this?

MR. CHAIRMAN.- \$29,000.

MS. J. KALOUCAVA.- Just by looking at the breakdown of the various delays at the early stage of the project on their contract at that time which OAG had noted as well and was not able to provide in concrete but there were some issues at the beginning of the project (Alum Solid Project) that delayed the documentation submission for them to approve the payment to proceed. The contractor had put in place that condition in the contract - from 28 days.

At the time the payment of \$29,000 was made, a decision paper from the engineer was drafted and approved by Management to authorise that payment on interest with their justification on the technical reasoning as to why the claim was held back which incurred all those 98 days, 43 days for claim number two. Other than that, there were other reasoning as well in terms of the payment process where the two authorised signatories at the Ministry of Finance were not available or in the country, so that kind of delayed the whole process on ADB's disbursement to the contractor.

Now, they have imposed the online submission so irrespective of whether they are available in the country or out of the country, they receive the withdrawal application online and email notification, and a use of a token which they have online to check and validate rather than waiting for them to arrive back into the country and sign the document physically. So those are some of the justifications that were made regarding that \$29,000.

MR. CHAIRMAN.- That states that the entire process was a bit long so I do not think any single staff can be taken to task for that.

5.3.8 - Contract for Design and Supervision of Work – Kramer Ausneco - Contract No. WAF 001/12; it says, and I quote:

“The WAF awarded the contract no. WAF 001/12 to Kramer Ausneco for design and supervision services for backwash treatment and sludge disposal at Waila and Tamavua water treatment plant...

The audit noted the following anomalies in design and supervision...



- All contract awarded should have a contract agreement entered into by WAF and the Contractor. Contract agreements should be properly maintained for future reference.
- However WAF did not provide the contract agreement for the contract awarded to Krammer Ausneco for design and supervision services for backwash...
- As a result audit could not substantiate some of the important contract requirements such as contract price, scope of works, commencement and completion dates, advance payment amount, performance bond amount...
- Bid submissions from all bidders should be properly maintained...

WAF did not provide details of other bidders for the consultancy service. In addition no bid evaluation report was made available for audit review.

The finding shows poor record keeping..."

So there are two or three issues here; one is that the contracts that are given to contractors are not properly kept so that they could verify things like scope of work, commencement and completion dates, advance payments and defect liability; and secondly, WAF did not provide details of other bidders for consultancy service.

Why I am highlighting the consultancy service bit promptly is because we have noted that the two consultants were hired and then later fired because of probably incompetence - Mr. Rolly and Mr. Erasito. The details of other bidders, were there other bidders for consultancy works for WAF?

MR. N. WAQANIVALU.- Thank you, Sir. The evaluation was done by the WAF. The other bidders that were not awarded the contract that submitted their bids, they were not consulted because Management decided after termination of Erasito Consultants for the consultant portion of the contract to be carried out by WAF.

MR. CHAIRMAN.- So after Erasito went and Roly Hayes went, WAF took it upon themselves to do consultation?

MR. N. WAQANIVALU.- Yes, but that was when we engaged the engineers to look after the contract.

MR. CHAIRMAN.- So what is the situation currently, you have your own in-house engineers?

MR. N. WAQANIVALU.- Yes, we have. WAF engineers were currently managing our contracts.

MR. CHAIRMAN.- And you did not hire consultants, like Erasito and Roly Hayes, no more?

MR. T. VAKADRAVUYACA.- For the works WAF engineers are supervising contracts. These are just simple pipe laying projects, working with local consultants.

MR. CHAIRMAN.- What about special projects like these ones?

HON. A.M. RADRODRO.- The funding from overseas that was secured last year, what kind of engineering consultants will be engaged in those projects?

MR. T. VAKADRAVUYACA.- Thank you. For the Suva/Nausori Water and Wastewater Project, ADB funding was secured. The first phase of the project was the project preparatory works and capacity building. There was a consultant that was engaged by ADB and the Government of Fiji to look at the preparatory works of the project.

There were consultants also engaged for the design and contract documentation and to be part of the valuation process for the contractors who will be coming to build the project. This is under the PDA loan.

After that project, we are now putting up the scope of works for the consultancy of the project supervision of the construction of that project. So the bidding process is currently ongoing for the consultancy of the supervision of these works for this project.

WAF had set up a Project Management Unit under the Special Projects Unit to help look at ensuring that these projects are implemented according to the designs that was done by the consultancy under the project preparatory works component of the loan, and also to be part of the team of the engineers that are coming in to supervise the project when the contractors are constructing the project.

Having said that, when this project (the current project that we are talking about) WAF then was at a situation where there were lack of engineers within WAF. WAF put in place a graduate engineers programme and it is into its fourth year running now where engineers were recruited after university level and they run through the mill in terms of design, planning and project implementation.

We now have senior engineers in WAF and also graduate engineers. So the capacity building in terms of engineering, WAF has moved up and we are now supervising projects, in-house projects through our Engineering Unit, but as for major projects under the ADB loan projects, the recommendations from ADB under the procurement guidelines is for international supervision based on transparency, efficiency, et cetera.

MR. CHAIRMAN.- All right, that is understood. What about your contract documents? OAG noted that the contract documents were not provided on Kramer Ausneco. Are these contract documents available? It is a very important contract document because Kramer Ausneco is something that we were asking a while ago.

MR. T. VAKADRAVUYACA.- The Kramer Ausneco contract document with WAF is annexed. It is Annexure 4 in this submission.

MR. CHAIRMAN.- Is it here?

MR. T. VAKADRAVUYACA.- Yes, Sir.

MR. CHAIRMAN.- Backwash Treatment and Sludge Disposal Waila, Revision 1, 16<sup>th</sup> Feb, 2012, Kramer Ausneco; OAG you will see that there is a contract there and it got things like defect, final certificate, construction period, concept design, scope of work, proposed programme. It also

includes things like indemnity, provisional indemnity and provisional fees. It is on 5.3.8 and after that we go to Page 24.

I understand the predicament of OAG because they would not have seen that document at that time. So if you do need time to have a look at the document please, advise us if that is sufficient to the contract. For your purposes, if everything that require, like contract price, scope of work, commencement and completion dates, advance payment amount, performance bond amount, repayment of advance payment, retention sum amount, rate of delay damages, defect liability period, performance bond, et cetera, that is part of that contract. Let us now move to the next part.

5.7.3 - Unavailability of Information – Consultant Mr. David Zoellene; it says, and I quote:

“WAF initially engaged Dr. David Zoellener as a Senior Environmental Engineer to WAF for its Environmental Management Project from 01/09/11 to 31/12/12. Dr. Zoellener’s contract was further extended for a period of one year from 28/01/13 to 31/12/13. The total salary for the consultant was US\$15,700 per month.”

Close to F\$30,000 a month, it is more than \$2 million per year.

“The audit review of Dr. Zoellner’s appointment and contract of engagement revealed the following anomalies:

- WAF did not provide details of the advertisement such as date of advertisement, position, minimum qualification requirement for the position, work experience, duties to be performed by the applicant.

Hence the audit could not establish whether proper and transparent recruitment process was followed by WAF in recruiting Dr. Zoellner as Senior Environmental Engineer.

- During his engagement with WAF the Senior Environmental Engineer, Dr. Zoellner, was required to carry out the following tasks:
  - Review the existing legislation relevant to the Environment factors relevant to WAF in Fiji;
  - Provide advice on what compliance issues WAF may need to address...

On 11/07/13 Dr .David Zoellner employment agreement was extended for a further 5 months period starting from 29/07/13 to 31/12/13.

However WAF did not provide any evidence of these works were completed by the Dr. Zoellner on completion of his term. Hence the audit could not substantiate whether the Senior Environmental Engineer completed his task and responsibilities as per his engagement contract.”

So, that is the problem that OAG has identified there; Dr. Zoellner was engaged but there is no verification whether he has finished his work.

MR. T. VAKADRAVUYACA.- The Report published by the consultant is Annexure 5.

MR. CHAIRMAN.- Was the Report shown to the OAG?

MR. T. VAKADRAVUYACA.- No.

MR. CHAIRMAN.- So, at that time of audit, the Report was not shown to the OAG.

Did Dr. Zoellner complete everything that he was assigned as per the Report?

HON. A.M. RADRODRO.- Dr. Zoellner is not an engineer.

MR. T. VAKADRAVUYACA.- Dr. Zoellner is an Environmental Specialist.

MR. CHAIRMAN.- Is that his Report?

MR. T. VAKADRAVUYACA.- Yes, Sir.

MR. CHAIRMAN.- There is a report there, Sewerage Plant. Where does it say that there is a report of Dr. Zoellner? This is Opetaiia Ravai.

MR. T. VAKADRAVUYACA.- Sir, the Annexure here is the first volume , there are series of volumes of the report which we are still trying to locate.

MR. CHAIRMAN.- Did Dr. Zoellner finish his work that was assigned to him? Have you checked the report and come back to let us know whether he did that because they have picked it up, they did not see the document at that time?

I totally understand their issue. If they do not see the document, they cannot comment. They have written here no management comment at that time. So please, come back to us on that because \$30,000 a month, multiply that by 12 equals to \$3.6 million a year, which is a lot of money.

5.7.4 - Non Preparation of Annual Procurement Plan; Procurement Plan is a very important area that we have found in other entities too. It says, and I quote:

“The audit noted that WAF failed to prepare initial Procurement Plan for the projects financed from the ADB Supplementary Loan. In addition WAF did not prepare Annual Procurement Plans to update ADB throughout the project implementation phase to ensure project procurements were carried out as planned.

The audit further noted that three projects financed from the ADB supplementary loan funds exceeded its original contracted amounts. This may have resulted due to procurement plan not developed by WAF.

WAF did not comply with ADB Procurement Guideline...”

Again, no management comment. So what is the issue there?

MR. P. WAQANIVALU.- Thank you, Mr. Chairman. I believe in relation to the Annual Procurement Plan, it is relevant to in-house projects but in regards to ADB-funded loan contracts which are performed or is done for the signing of the contract, and that was the attached as Appendix 7 of the Loan Agreement.

MR. CHAIRMAN.- So for the internal projects, you do an Annual Procurement Plan?

MR. P. WAQANIVALU.- Yes, which is consistent with the Annual Budgetary Allocation that we receive.

MR. CHAIRMAN.- So, you receive the government budget...

MR. P. WAQANIVALU.- In a lump sum.

MR. CHAIRMAN.- ...according to your Procurement Plan?

MR. P. WAQANIVALU.- Yes.

MR. CHAIRMAN.- What about the ADB funded ones, how often are those done?

MR. P. WAQANIVALU.- Each specific contract has a procurement plan that was done before contract signing.

MR. CHAIRMAN.- So an individual project will have an individual procurement plan?

MR. P. WAQANIVALU.- Yes.

MR. CHAIRMAN.- OAG, so probably that is something that you need to look for. There are two different types, as had been explained.

It is done yearly, depending on the Government budget and the other one, depends on the project that the ADB gives. Yes, you want to make a comment.

MR. N. WAQANIVALU.- Thank you, Sir. From my understanding, the ADB Guidelines clearly stated, even as a member of my team had stated, the Procurement Plan is part of the loan agreement and even for the supplementary loan, there would have been a Procurement Plan submitted for ADB to approve the loan, and this procurement plan is reviewed as the project progresses.

As I had said, this is also part of the review mission by ADB. This is where they review the progress of the contracts and if need be, then the project manager will need to provide a revised Procurement Plan. There is an annual Procurement Plan but as I said, this is continually updated as the project progresses. So the annual Procurement Plan was part of the loan agreement and this was reviewed as the project progresses and this was part of the ADB requirements. For payments, there has to be certain monthly reports that have to be submitted and these reports were also submitted to our Board, to the WAF directors.

MR. CHAIRMAN.- Honourable Members?

HON. A.M. RADRODRO.- Mr. Chairman, just going back to that report by the Environmental Engineer, Dr. Zoellner; there is one recommendation in the Report. I just wanted to advise WAF to inform the Committee whether they have taken any steps as per the recommendations that was given there on 7.0, Page 11 of the Report.

On the Sewerage Treatment Plant and Water Treatment Plant Facilities, Volume 1 that was annexed, there is a recommendation there by the Consultant and also the different packages. Has

the WAF taken heed of this recommendation and the different packages that had been highlighted by the Consultant?

MR. T. VAKADRAVUYACA.- Thank you, Honourable Member. As part of the ADB-funded project, you would see that WAF is currently engaged in Liquid Trade Waste Programme which was approved by Cabinet and the activities are now ongoing.

Also in terms of liquid discharge to Kinoya, you would see that WAF is not meeting the standards and part of the improvement and looking at the recommendations from the Report, all those are part of the improvement that is being done to the Treatment Plants. This will be now mirrored with all other Treatment Plants in Fiji. That is one of the big gaps that has been identified in WAF at the moment.

Currently, there is a de-sludging programme that is going on at Natabua and we are moving towards Olosara and Navakai. We are also looking at new facilities at Natabua and also the improvement of the Navakai Pond and the Olosara Pond.

These are the basic recommendations when you look at the report, generally looking at discharge quality in terms of water quality that is treated at our wastewater treatment plants. And part of the problem, as I mentioned earlier, is the liquid trade waste that is coming and overloading our plants. WAF is already acting on improving its plants.

There is an ongoing consultation with the Ministry of Environment in terms of the receiving waters at Laucala Bay and looking at how WAF can improve in terms of its discharge. There are certain elements within the water that is discharged to the environment and WAF currently does not meet those standards based on the current performance of the Plants. So the improvement of the Plants, as I mentioned earlier in our first submission, is targeted towards meeting the environment compliance. Thank you.

MR.CHAIRMAN.- So that is all right.

The next one is 5.7.5 - Nitrogen/Phosphorous Discharge Study - Contract No. WAF 11/026; it says and I quote:

“Aquatic Science Pacific Consultant was awarded the contract in 2012...

The audit review of the terms of reference to the contract of engagement revealed the following anomalies.

- The study was to be initiated on or about third week of June 2012 and completed on or about the first week of September 2012.
- However the study was incomplete as at the date of audit 27/6/14 and there were no extension of time given to the Consultant for the completion of the study. According to the Acting Manager Wastewater, Mr. Mitesh Baran, the progress of works was monitored by Project Manager, Mr. Roly Hayes and Senior Environmental Engineer Mr. David Zoellner and no extension of time was issued by them to the Consultant.
- During his engagement with WAF the Consultant was required to represent graphically by a chart and text that involve at least the following:

- Based on background analysis and discussion with WAF, a work plan to be developed...”

There were other bulletpoints.

“However, the Consultant was yet to complete the following tasks;

- The field impact assessment of benthic parameters;
- final data analysis for benthic, a comparison and analysis of the data results with environmental standards for coastal and fresh water and discharge standards; and
- provide conclusion including implications on the environmental health.

In addition the Consultant submitted a draft report on Dissolved Nitrogen and Phosphorous in Suva Harbour and Laucala Bay dated 29/11/13 and another report on Heavy Metals in Suva Harbour and Laucala Bay dated 06/05/14. The two reports were not reviewed by Senior Management of WAF at the time of the audit on 17/6/14.

As at the date of audit on 27/6/14, the Consultant was paid a total of \$47,589.40 or 84% of total contract price. The findings show that WAF did not monitor the Consultant on the work performed by him.

#### Recommendations

WAF should ensure that:

- 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.”

So what it says here is that, this Consultant was hired, 84 percent of the money was paid to him but he did not do substantial part of his work for the assigned job.

A reference is referred to Annexure 6 on the Report submitted by Dr Anderson - Report on the Liquid Trade Waste Management. The Special Project Unit oversees that deliverables of consultancy work on environmental assessment.

What is the issue here, was it done or was it not done? OAG, I believe you never saw that report when this edition went to press. It was not given to you.

AUDIT REP.- We saw the draft report.

MR. CHAIRMAN.- The draft report, all right.

AUDIT REP.- The draft which was not reviewed by the Senior Management of WAF.

MR. CHAIRMAN.- So the draft did not have these things. The Consultant was yet to complete the following tasks. Is the final report now completed with those tasks?

MR. T. VAKADRAVUYACA.- The report is annexed as Annexure 6.

MR. CHAIRMAN.- Dissolved Nitrogen and Phosphorus in the Suva Harbour and Laucala - Aquatic Science Pacific, Edward Anderson, 31st August, 2014. Does this Report cover those areas?

Field impact assessment of benthic parameters, study area. Why was the survey necessary? Why was it necessary to have a study done on nitrogen/phosphorous discharge and disposition of benthic parameters, et cetera? How does it impact on your functions?

MR. N. WAQANIVALU.- Thank you, Sir. Normally, our Treatment Plant in Kinoya, the discharge permit and the discharge standards are gauged based on the amount of what we call 'coliform bacteria', total suspended solids and biochemical oxygen demand. These are the three effluent that we put into the Suva Harbour, the effluent standards. Our Plant is meeting that standard.

MR. CHAIRMAN.- All these sewage waste is put in the Suva Harbour?

MR. N. WAQANIVALU.- Yes, after being treated, the outfall, it is safe.

MR. CHAIRMAN.- Is it? I see some people swimming there everyday. I hope it is not a problem. So, it is treated and then poured into the Harbour.

MR. N. WAQANIVALU.- Successive studies have been done and we are closely monitored by the Department of Environment. Towards the end of 1990s, there was a concern on the nitrogen and phosphorus levels and this was not happening only in Fiji, this is a concern worldwide, especially in Australia and New Zealand. Since our existing Plant at that time, the Trickling Filter Plant was not designed to treat nitrogen and phosphorus. What happened is when you put nitrogen and phosphorus in a big lake, it can cause what you call eutrophication which is a depletion of oxygen level in the harbour?

MR. CHAIRMAN.- And the fish will die.

MR. N. WAQANIVALU.- Yes, and planktons, algae can form, so a case study is done to find out if the effluent that we are discharging into the Suva Harbour contains nitrogen and phosphorus to that level that can cause eutrophication in the Suva Harbour. It was also done to gauge the performance of our Treatment Plants.

A follow up study is currently being done by the Special Projects which is managed by Mr. Taitusi Vakadravuyaca, our General Manager Special Projects under the Suva/Nausori Project. So, basically the study was done to find out if we were discharging levels of nitrogen and phosphorus that were high enough to cause eutrophication in the Suva Harbour.

Part of the scope of this works too was for the consultant to find out whether definitely there are some other sources of nitrogen and phosphorus which are coming from septic tanks and other sources from rivers and creeks which are contributing, flowing into the Suva Harbour. So, this was to find out if the other sources that were contributing nitrogen and phosphorus, how much was coming out from these sources and going back to whether our Plant is the main culprit in discharging these chemicals into the Suva Harbour. Basically, that was the main objective of the study.



MR. CHAIRMAN.- Whilst the study was finally completed and all those three bullet points which were the findings by the OAG:

- field impact assessment for benthic parameters;
- final data analysis for benthic, a comparison and analysis of the data results with environmental standards for coastal and freshwater and discharge standards; and
- provide conclusion including implications for environmental health.

Have all those been completed?

MR. N. WAQANIVALU.- Yes, all those work were completed.

MR. T. VAKADRAVUYACA.- Mr. Chairman, if I can add and for the OAG's information, we have in the Suva Harbour, starting from Laqere, there is a river that is going to Suva Harbour, there is the Samabula River, Vatuwaqa River and there is one from Lami. Currently, WAF is monitoring those Rivers in terms of faecal coliforms, nitrogen and phosphorus levels.

From our monitoring and this is the second year going, the levels of nitrogen and phosphorus is quite high from the Rivers, including faecal coliforms which is a result of septic tanks from informal settlements. These are the reality of the situation at the Suva Harbour and also the Treatment Plant from Kinoya which is part of the entry point of pollution to the Suva Harbour.

MR. CHAIRMAN.- So, apart from the pumping of treated sewage into the Suva Harbour, what else would cause nitrogen and phosphorus increase?

MR. T. VAKADRAVUYACA.- Nitrogen and phosphorus are coming from the farms.

MR. CHAIRMAN.- Fertilizer.

MR. T. VAKADRAVUYACA.- Yes, fertilizer.

MR. CHAIRMAN.- Mine is in Ba.

MR. N. WAQANIVALU.- And from detergents that we use, they contain phosphorus.

MR. CHAIRMAN.- So, informal settlements, the sewage discharged from there....

MR. T. VAKADRAVUYACA.- In informal settlements, faecal coliform levels are high.

MR. CHAIRMAN.- And then the fertilizer, soil erosion, detergents. So the study would not only show what WAF contributes but what others contribute as well in terms of increasing nitrogen and phosphorus.

MR. T. VAKADRAVUYACA.- There is a new study that will happen this year which is the study which will be funded by the European Investment Bank and we are trying to determine the hazard salinity capacity of Suva Harbour. That is how much of faecal coliforms die out when they enter the Suva Harbor due to salinity. That is the study that is also being implemented under Special Projects.

MR. CHAIRMAN.- What is the technical term?

MR. T. VAKADRAVUYACA.- Faecal coliforms.

MR. CHAIRMAN.- Is it a bacteria?

MR. T. VAKADRAVUYACA.- These are the bacteria that is coming out from the sewerage.

MR. CHAIRMAN.- Honourable Ratu N. T. Lalabalavu, you have a question?

HON. RATU N.T. LALABALAVU.- Mr. Chairman, just a question. Thank you for the update on the report on the ordinary system that we have right throughout Suva Harbour as well. What happen during bursting of the pipes outlet at 4 Miles? What sort of a level did we get because we were directly disposing raw sewer right into the sea? What sort of level did we get regarding this too?

MR. T. VAKADRAVUYACA.- Thank you, Sir, for the question. The burst that occurred at 4 Miles Bridge was untreated sewer. So, it did not go through the treatment process so it was raw sewage that went out to the environment.

In terms of monitoring the levels at Suva Harbour that did not take place but obviously, if it was untreated sewer, there would have been a significant increase. However, we are trying to determine the faecal coliform level die out due to salinity. That is the study that is going to be done but to answer the question directly, that water that was discharged to 4 Miles Bridge was untreated sewer. It was going towards Kinoya but the pipe broke.

HON. RATU N.T. LALABALAVU.- ...right down to Lami so when this took place after the audit period, what was the finding there?

MR. T. VAKADRAVUYACA.- The monitoring of these Rivers started last year and this year, and the levels are high in each with nitrogen phosphorus and even faecal coliforms before the break of the pipe the levels are high. After the break of the pipe, obviously it would be an increase.

MR. CHAIRMAN.- We will move on because of the limited time we have and the whole section that is left here.

Section 7 - Section 7: Fiji Flood Emergency Response Project Grant No. 0283-Fiji (ADB Funded). 7.1 – Audit Opinion says, and I quote:

“The audit of Statement of Expenditure of the Fiji Flood and Emergency Response Project for period 12 March to 6 September 2012 (Grant No. 0283-FIJ) resulted in the issue of disclaimer of opinion audit report. The disclaimer of opinion was due to the following issues:

1. Tenders were not called for services obtained from Vuksich & Borich (Fiji) Limited, Dayal Quarries Ltd and Waste Clear to undertake flood rehabilitation works in Western parts of Fiji. The total cost of purchases made during the year from these unapproved suppliers exceeded \$20,000.”

The issue here is that it is a disclaimer of opinion. In what circumstances OAG does a disclaimer of opinion occur?

(Inaudible)

MR. CHAIRMAN.- Unqualified, we understand we got the documents, you have seen the relevant documents, qualified is when you do not get the source documents. What happens when the disclaimer of opinion happens?

AUDIT REP.- Mr. Chairman, for a qualified opinion, we will identify the area in which they are not able to substantiate and that we cannot pass an opinion on. But that is identified in the qualified opinion, otherwise the rest of the information contained in the Finance Statement are all right. In this case, we are unable to give any opinion.

MR. CHAIRMAN.- Yes, WAF, a lot of things are mentioned there on Page 2. Three companies - Vuksich and Borich (Fiji) Limited, Dayals Quarries Limited and Waste Clear, were given payments without authorisation.

MR. P. WAQANIVALU.- Thank you Mr. Chairman. The duration of the project was from 12th March, 2012 to 6th September, 2012. The financial policies for the Authority was formalised in 2013, so during the conduct of the audit most of the practices had been taken place without being referenced or mapped to a formal policy or procedure manual and that came about in 2013.

MR. CHAIRMAN.- So at that time ,you are saying that when the payments were made there was no payment policy?

MR. P. WAQANIVALU.- Also in terms of the finance policies during that time when invoices were received the initial support in that finance will raise its instruction and in order for a payment process to proceed, then a purchase order will be raised. That is not an acceptable practice now because in order for the Authority to acquire a service or good, a purchase order has to be initially released to a contractor or vendor. I think that was some of the concerns that were raised in the Audit report.

MR. CHAIRMAN.- The Audit report raised, at least, nine other concerns:

1. Tenders were not called for services...
2. The daily machine tally sheets have provisions for idle and waiting time. None of the tally sheets had entry for idle or waiting time recorded.
3. On several occasions the works completed at the site were certified by officers other than the Engineer/Supervisor.
4. 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 15/6/12.
5. 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.

6. Several cases were noted where purchase orders were issued for hire of plant and equipment after invoices were received for payment from the suppliers of plant and equipment. Purchase orders were issued only to fulfil the requirement of issuing purchase orders.
7. Adequate supporting documents such as daily vehicle running sheets and three quotations were not always attached to the payment vouchers.
8. Expenses incurred during the grant funds for flood rehabilitation works were posted in the general ledger according to expenditure allocations. WAF was not able to provide details such as grant funds used per Depot, list of projects funded from grant funds and amount of grant funds used for each project.
9. The WAF failed to produce the following documents for audit inspection.
  - The periodic progress reports for the flood rehabilitation works carried out.
  - Details of rehabilitation works such as repairs and maintenance plan/design, contractors hired, duration of works, progress report and funds utilised for following projects:
    - Waiwai Dam and pipeline
    - Vaturu bulk supply
    - Varaciva pump station
    - Moto bridge
    - Baried meters in various occasions.

So those are lots of issues. We will start from the control issues:

Part B: Control Issues. 7.3 - Tenders Not Called for Purchase in Excess of \$20,000: it says, and I quote:

“The audit noted that WAF obtained services from Vuksich and Borich (Fiji) Limited, Dayals Quarries Ltd and Waste Clear to undertake flood rehabilitation works in the western parts of Fiji during the year 2012. These suppliers were not approved by the WAF Tender Board. The purchases made during the year from these unapproved suppliers exceeded \$20,000.”

Your explanation there is that, the project incurred expenditures of \$1.8 million in 2012. The cost comprises of only material, the plant hire expenses. The component of labour was provided by the Authority as its commitment to the grant-funded project.

The response here is not satisfactory. We want to know the reason why these suppliers were recruited without the approval of the Tender Board?

MS. J. KALOUCAVA.- Thank you, Honourable Chairman. Just to briefly highlight in this scenario that this was relating to the flood that occurred in the West in 2012.

At the time of these purchases, there were a lot of telecommunications breakdown at that time in the Western Division. Roads were damaged, for example, the bridge in Nadi had collapsed, there was very little time and people were without water during that time. So there was a need to address the issues to the public at that time.

If we had to go through a tender process in terms of medium of communication during that time, they were not available, there were not much medium of communications available, so the Authority raised the purchase orders directly to the suppliers, although there was a limit of \$20,000 but there was an urgent need.

However in 2013, a flying minute to address these issues during emergency which was not available in our policy at that time, was approved by the WAF Board in 2013, we are moving forward in terms of natural disaster because there is a clause that purchases needed for/and during natural disasters and emergencies, we have attached Annexure 7.

MR. CHAIRMAN.- So what is the procedure now, if during an emergency, contractors are recruited on an urgent basis, for example, to build a bridge or clear the water mains, does someone go and check whether the expenses they have incurred is reasonable?

MS. J. KALOUCAVA.- Yes, we do, and that had happened in 2012. There was no tender but all works that were carried out were verified by the WAF personnel who were on site.

MR. CHAIRMAN.- So in those cases, the LPO would have been issued after the invoice?

MS. J. KALOUCAVA.- The LPO was issued before the goods were supplied, however, it did not follow the policy which states that a tender needs to be called above \$20,000.

MR. CHAIRMAN.- So currently in terms of emergency, what sort of procedure is applied, again the same?

MS. J. KALOUCAVA.- As stated in the Annexure, Sir, purchasing for/and during natural disasters and emergencies - the attachment, Section 5, from 20.0 to 20.6. That addresses the issues of purchasing in terms of natural disasters.

MR. CHAIRMAN.- These are flying minutes?

MS. J. KALOUCAVA.- Yes.

MR. CHAIRMAN.- Any questions on that? I know what happened in 2012 in the West and the water mains were fixed quite promptly at that time, I think within two or three days the water was restored. The flood damaged the Waiwai Treatment Plant, the Treatment Plant that services the greater Ba area, Waiwai and near Moto.

HON. A.M. RADRODRO.- Is that being currently leased by WAF? What is the land arrangement in the Waiwai area?

MR. CHAIRMAN.- That is not an audit issue, but if you want, you can answer that. There was some land issue in Waiwai, I remember.

MR. N. WAQANIVALU.- Thank you, Sir. From my knowledge, there are some issues with land ownership at the Varaciva Dam, which is one of the dams supplying to the Waiwai Treatment Plant but I am not aware of any land issues with the current site location of the Waiwai

Treatment Plant. Yes, there are some issues with landowners and especially with Fiji Pine Commission at Varaciva Dam, one of our intakes.

MR. CHAIRMAN.- Anyway, that is not an Audit issue.

HON. A.M. RADRODRO.- Probably, in addition to that, now that WAF has been privatised from the previously Department of Water and Sewerage, catchment areas that were used, like in Savura, what is the arrangement there now and likewise, in some other areas that have water catchments?

MR. N. WAQANIVALU.- It is a very good question. WAF is currently embarking on the transfer of assets. The assets are currently registered under Government, the Ministry of Lands and there is a transfer process that is taking place at the moment.

The issues that were already raised by landowners in terms of catchment ownership and catchment lease as mentioned earlier, we are still working on that. Even though we are privatised, we are receiving our budget from Government and all our operations in terms of promulgation are still under the Government of Fiji.

MR. CHAIRMAN.- We will take that point. In the interest of time, we will have to go to the audit issues. That was the background information only.

7.4 - Machine Tally Sheet and Certification of Works Done; what is noted here is that, and I quote:

“Review of the daily machine tally sheets revealed the following anomalies...”

So I understand that the machines have been used. If they are idle, they should also fill in the tally sheet.

- “The daily machine tally sheets have provision for idle and waiting time. However not a single tally sheet out of so many tally sheets had an entry for idle or waiting time recorded.  
  
For instance, if a damaged valve is to be replaced, a digger would be used to dig out until the damaged valve is sighted. The machine would then be on waiting time while the damaged valve is dismantled and replaced. The digger would then be required to cover the repaired valve with sand and soil.
- On several occasions the works completed at the sites were certified by officers other than the engineer/supervisor.
- Contractors were claiming for lunch hour indicating that the machine operators did not even take lunch breaks. However WAF did not allow for this as idle time during 1 hour lunch break when processing payments for contractors’ claim.”

So contractors use excavators to dig out, then your engineers move in to fix it and then they used to cover, but here they are saying that there was no waiting time noted so the contractors were claiming for the whole amount. Actually, a criminal charge for that - obtaining money by deception or false pretence, et cetera.

MS. J. KALOUCAVA.- Sir, the concerned vehicle highlighted here relates to excavators. For excavators, we do not have running mileage but they are paid on an hourly rate. And at the time of an emergency during the flood, while the repair works was ongoing, there was a need for the excavator to be available on site.

MR. CHAIRMAN.- So they were charging by the hour, even if they were idle.

MS. J. KALOUCAVA.- Yes.

MR. CHAIRMAN.- So what is the current contract term; if the excavator is being used, idle time is separate from working time?

MS. J. KALOUCAVA.- Yes, we have addressed this issue in the current contract that we have, now we have put in a clause on the idle time.

MR. CHAIRMAN.- But you have to have a supervisor there all the time to supervise.

MS. J. KALOUCAVA.- Yes, Sir.

MR. CHAIRMAN.- I know these things happen a lot because I usually monitor that area. The excavators, diggers and bulldozers, the drivers would be sleeping under the tree in the shade and their machine will still be charged. Anyway, I hope you have rectified that area. If I find any, I will take pictures and send it to WAF.

7.5 - Plant Hire Contract Extension; this one is an interesting one. It says, and I quote:

“WAF vehicle/plant hire contract for the three Divisions namely the Central, Western and Northern was approved by Board...

The audit noted that the vehicle/plant hire contract was extended four times by the CEO after its expiry date on 15/06/12 without the board’s approval.”

What happens in cases of expiration of plant hire contracts, is the CEO authorised to extend time? That was during Mr. Ravai’s time but what is the current practice?

MR. P. WAQANIVALU.- The current practice now with the Authority is that, the plant hire tenders are called every year, it is an annual exercise where the Call for Tender is carried out and then submissions are evaluated. Then contract awareness is performed before the actual contract signing with the vendors. So that is the annual exercise since 2014.

MR. CHAIRMAN.- Right, so what about the extension?

MR. P. WAQANIVALU.- If there is an extension in relation to delays in the tender process, then that extension has to be presented to the Board for endorsement. That is covered in our current Procurement Policy which is currently before the Board for approval.

HON. A.M. RADRODRO.- A question regarding this plant hire; if you can advise whether WAF also takes into consideration the gender issues in terms of awarding of contracts?

MR. CHAIRMAN.- You are worried about the gender of the plant?

HON. A.M. RADRODRO.- Do you take that into consideration for plant hire, vehicle owners?

MR. P. WAQANIVALU.- Unfortunately, we do not but we should be happy to go back to the team and advise them on that.

MR. CHAIRMAN.- 7.6 - Standby Time; it says, and I quote:

“The audit noted that WAF’s general conditions of contract for vehicle/plant hire states that WAF will not pay for any standby time to the contractors. However the WAF’s contract for vehicle/plant hire included standby rate for the following plant.

- 3 ton double cab;
- Back hoe;
- Excavator - medium, large and extra-large; and
- Dump truck 6 wheeler.”

Some part of that has been explained by you on the standby time but is there a policy now on standby time?

MR. P. WAQANIVALU.- Yes.

MR. CHAIRMAN.- Thank you. Let us move to the next one.

7.7 - Zohil Motors - Unregistered Vehicles; it is a bit worrying that this particular rental company has given WAF unregistered vehicles and then there was no attempt made to verify because unregistered vehicles have a lot of other problems, come with a lot of other legal issues such as insurance and damage. It states here, and I quote:

“WAF vehicle/plant hire contract for the three Divisions namely the Central, Western and Northern was approved by the Board...

Zohil Motors was contracted to supply vehicles for hire in the Western division. However the audit noted that the vehicle registration numbers were not provided in the WAF plant hire contract documents. Instead the word “unregistered” was stated in place of vehicle registration numbers.”

Then the list of unregistered vehicles in WAF - Ba, Lautoka and Nadi unregistered excavator’s tendered price per hour.

“Audit further noted that 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.

In the absence of vehicle registration numbers in the plant hire contract there is a high risk that the contractor may supply unregistered/private plant for hire, subcontract to other suppliers to fulfil WAF’s contractual obligation or not have those plants available.”  
I was about to say that.

What some contractors do, they do not have the equipment. They tender, they get the WAF contract and then they go and purchase plant and hire. So what is the explanation there?



There are some Management comments here that says, and I quote:

“The contractors were called to provide the vehicle # during the hiring period since they never specified the vehicle number # while applying for tender.

- This means that the contract did not specify the vehicle number and would provide as per our request. The contractor provided a valid third party during use.
- This does not mean that the vehicles were unregistered from LTA.”

OAG, you said that the vehicle numbers were not provided but those vehicles were registered with LTA, that is what WAF is saying. They did provide the numbers upon request. But in any bid, there is an LTA Search certificate which is now a mandatory requirement that bidders submit their bids on plant hire tenders. So that is across the board, any vehicle hire?

AUDIT REP.- These were not provided at that time and maybe they can provide a list of vehicles but putting it for the tender purpose, it was not provided.

MR. CHAIRMAN.- Alright, at that time it was not provided. We will take a note of that. WAF had given some explanations that LTA had registered its vehicles.

7.8 - Discrepancies in Purchase of Goods/Services; which reads and I quote:

“The finance officer should ensure that purchase orders are authorised by officers who have been delegated authority to procure goods, services and works before issuing it. Purchase orders should be issued when procuring any goods, services or works from an organisation, unless a contract or agreement has been entered into. Immediately after payment has been effected, the payment officer must stamp “PAID” on all vouchers and supporting documents to avoid any double payments.

The review of payment vouchers revealed the following anomalies in purchases of goods and services.

- Several instances were noted where the purchase orders issued to Vuksich & Borich (Fiji) Limited were not authorised for payment at all.
- 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 requirements...
- According to the Financial Accountant, they were not able to ascertain the length of time plant and equipment were required to be hired. As such the purchase orders were issued after the job was completed.
- Adequate supporting documents such as daily vehicle running sheets and three quotations were not always attached.”

So, those are various issues. In several instances, purchase orders were issued to Vuksich and Borich without authorisation.

MR. P. WAQANIVALU.- Thank you, Mr. Chairman. As mentioned previously, the procurement process that was practiced previously since 2010 and even right through WAF days,

instruction was issued to the contractor for which they wrote a supply invoice, and then the authority will issue a PO and generate the payment. But since 2013, we have put a stop to issuing of instruction but we have initiated the process with the raising of a Purchase Order.

Also, for the issue on the Purchase Order not authorised, during emergency when there is no communication with the teams from the various Divisions to Head Office, normally there is a manual LPO book that is maintained at the regional level. So, in the event that there is a delay in the raising of a system-generated PO, a manual PO Book is used and then on a later date and the system-generated PO is raised in the system. So, in terms of the authorisation of the PO, we believe that is incorrect because a manual PO book could have been used during that emergency.

MR. CHAIRMAN.- What about the fact that in some cases, POs are issued after the invoice, which means that some work had been done, some explanation has been put there that we do not know the duration of the work, so contractors keep on working and after they finish the work they issue the invoice and then you issue an PO. How do you calculate or estimate for how long that contractor will go on?

MR. P. WAQANIVALU.- In terms of claims that are received from the contractors, apart from the invoice there is a running sheet that they have to fill which details the mileage per run and for each day. Based on that, we do a costing inhouse to compare that with the invoice, and the payment is raised.

MR. CHAIRMAN.- In the normal course of events a tender will be called or quotation will be taken, and when is accepted, an LPO will be issued and after they have done the work with all the other documents, they will issue an invoice, and then you will have the payment cheque butt, et cetera, you have to transfer and a receipt. That completes the whole transaction?

MR. P. WAQANIVALU.- Yes.

MR. CHAIRMAN.- But here, the only reason for having the LPO after the invoice is when....

MR. P. WAQANIVALU.- An instruction was initially provided to them for request of service.

MR. CHAIRMAN.- Alright, because of service was already done.

MR. P. WAQANIVALU.- Yes.

MR. CHAIRMAN.- What about the tender process and quotations in this kind of cases, do you still call for tenders?

MR. P. WAQANIVALU.- During emergency because there is a valid tender inactive during those period, so we will just refer to the rates as per the tender document. But in terms of categories of vehicles that are not covered under the tender, then we call for a comparative quotation process.

MR. CHAIRMAN.- But WAF will have a general idea of what it will cost to replace 10 or 12 valves, so they would know that the excavator will work for this amount of hours. The engineers will spend this amount of hours and then the covering up with sand and soil. So it is just a general idea that they will not exceed too much. They should not exceed too much. So if the cost

estimation is, say \$15,000 you do not expect to pay about \$45,000 for that job. Do you see what I am saying? Sometimes in an emergency, you allow the contractor to go and do the job, but they have to keep within that....

The gender issue, you want women excavator drivers? Alright, that resolve that part. Well, they have 33 percent female composition in the current three member team and they have a 20 percent 1/5, yours is 1/3.

7.9 - General Ledger Posting; this is an area that has been a concern for us in a lot of other entities as well. It says in the Report, I and quote:

“All payments, including VAT, must be immediately be recorded in the general ledger system ensuring that these are posted to the correct allocations.

General ledger posting should reflect all account numbers as this ensures that expenses are posted to the correct account area. The WAF’s general ledger uses 18 digit account number. Refer to Table 7.8 below for details.

The audit noted that WAF posted flood rehabilitation expenditure to general ledger account title Repair and 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.”

OAG, what are you trying to say here, that they posted it on the wrong side or a different ledger? Some money that was supposed to be posted to rehabilitation has gone to repair and maintenance?

AUDIT REP.- Thank you, Mr. Chairman. If you look at Table 7.8, GL Code 05 and 06 refers to Depot and Process. The expenditures were posted to the GL allocation, and this value was set as zero. As a result, we cannot identify as to which Depot or which process they were actually charged to.

MR. CHAIRMAN.- That is what we are saying, we do not know where. The posting by WAF was incorrect.

AUDIT REP.- Yes, were cannot identify the payments.

MR.CHAIRMAN.- Alright.

AUDIT REP.- You can refer to Table 7.9?

MR. CHAIRMAN.- So, there are two things here; “The audit noted that WAF posted flood rehabilitation to the general ledger account titled Repair & Maintenance...” So, the flood rehabilitation was posted in a wrong account which is the repair and maintenance account, and then the amount there they could not verify which Depot it referred to. So, do you have a Depot code? I understand there would be 16 Depots around.

MR. P. WAQANIVALU.- Thank you, Mr. Chairman. I believe in relation to the issue, it is the issue of the allocating the cost to the various Depots, but in terms of the overall allocation of being account as repairs and maintenance, that is correct.

MR. CHAIRMAN.- So, has that been rectified now.

MR. P. WAQANIVALU.- In terms of the updated process, in 2012 we did not follow any internal requisition order book which is a control now in place to document the Depot, the activity level, references that we have to document for each expense that we incur.

MR. CHAIRMAN.- MOE introduced the internal requisition order form in 2013. This form details the expenses to be incurred by SBU, Depot and location segment. This segment allocation is then mapped to the accounting system when a purchase order is generated. Now, that should be under control.

WAF seems to have improved on everything. Now, the next report we will get on WAF, it should be crystal clear, there should be no issues, judging from the way it is going.

7.10 – Access to Records; the Recommendation says, and I quote:

“WAF must ensure that all documents pertaining to flood rehabilitation works including repairs and maintenance, design, progress report and funds utilised are properly maintained and made available for audit inspection.”

OAG stated in the Report, and I quote:

“The audit noted that the Project team failed to produce the following documents for audit inspection.

- 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.
- 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.”

What is the problem there, maintaining of records? Someone was doing a library somewhere, was it WAF? Someone turned up here and said that they were doing a special library which will have all the documents.

MR. T. VAKADRAVUYACA.- WAF is currently trying to establish a library. At the moment, it is collecting all its information, putting it together, the documents and the records.

MR. CHAIRMAN.- So currently all these documents are kept somewhere? It says; “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.” So is that part of the library?

MR. T. VAKADRAVUYACA.- Yes, that is currently ongoing at the moment.

MR. CHAIRMAN.- Honourable Members, is that satisfactory?

The documents was scattered all over the place but now there is some plan to bring it altogether. OAG, you will probably not have difficulty now in getting the documents henceforth.

7.11 - Anomalies in Vehicle/Plant Hire; it is mentioned again in here, and I quote:

“The Contractor must not assign, transfer or sub-contract any of his rights or obligations under the Contract without the Principal’s prior written consent, which the Principal may in its absolute discretion either refuse to give or grant subject to any conditions...”

The records contained on the registration certificate shall be kept and maintained in accordance with the provisions of this Act and include, but not be limited to renewal of registration, current expiry date and date of next inspection; changes of ownership or financial interest; modifications to the vehicle; and changes in the licence class, and any exemptions and conditions.

The Authority may register motor vehicles ...

WAF hired vehicles/plant from its contracted suppliers during flood rehabilitation works in the western division in 2012.

The audit noted the following anomalies relating to vehicle/plant hire.

- Several approved suppliers for vehicle/plant, sub contracted its obligations to supply the vehicles/plants to other suppliers, particularly individuals who were not the approved vehicle/plant suppliers...”

(Inaudible)

MR. CHAIRMAN.- Yes, some vehicles were approved but not used, not approved suppliers. Any explanation on that?

MR. P. WAQANIVALU.- Thank you, Honourable Chairman. From the Authority, we do note the concerns highlighted by OAG Team and improvements that we have made over the years since 2014 as part of our annual plant hire tender exercise. We do have an administration and technical evaluation process or criteria in terms of evaluating submissions from various contractors and one of the various concerns that we have or we do highlight in this process is ensuring that the vehicles that are part of the submissions are registered to the bidder and that can be verified by having a mandatory requirement which is a LTA Search Certificate that has to be submitted by the various contractors. And also in terms of the variations between WAF records and LTA records as a mandatory requirement, that each vehicle that they submit for, has to have a LTA Search supported, submitted to the Authority.

MR. CHAIRMAN.- So there is a procedure now to arrest the situation?

MR. P. WAQANIVALU.- Yes, Sir.

MR. CHAIRMAN.- That vehicle BO-820 I think belonged to me at that time, the first one. I sold it off to someone, the number sounds very familiar. This is works done at Ba.

(Inaudible)

MR. CHAIRMAN.- No, I think it was sold to one Shiu Nandan.

WAF's Quality Assurance team, that is alright.

7.11 has been answered.

MR. P. WAQANIVALU.- Lastly, Sir, on the note of vehicles being classified as private class; one of the mandatory requirement too is that, vehicles that are submitted for tender are currently classified as commercial with LTA.

MR. CHAIRMAN.- So you would not take any private vehicles now?

MR. P. WAQANIVALU.- Yes, Sir.

MR. CHAIRMAN.- Yes, because the implications are different as well, insurance-wise.

Honourable Members, those were all the questions that we had in terms of the Audit Findings. OAG, any clarification needed, apart from those documents that we had requested, if you could pass the documents to OAG and they will forward it to us.

Since there are no questions or comments from Honourable Members, I will now give WAF one chance to make a final comment before we close the submission.

MR. N. WAQANIVALU.- Thank you, Mr. Chairman.

WAF would like to take this opportunity to thank your Committee for this opportunity. We have learnt few things from this Committee and the learnings are positive feedbacks to WAF in terms of growth and capacity building.

We also would like to take this opportunity to thank OAG Team for putting through a good report and also putting WAF on its toes, to ensure that procedures and practices are put in place to ensure service delivery.

On that note, I would like to close in saying that WAF is at a stage where it is being regularised. It is moving towards a water authority for the future and it is looking at the service needs of the whole of Fiji. I would like to personally thank you, Mr. Chairman. Thank you very much.

MR. CHAIRMAN.- Honourable Members, on behalf of my team and the Committee staff, I would like to thank the WAF Team. This process has been very enlightening for all of us. In fact, your submission has been forthright and quite comprehensive in terms of documentation. I thank you for that and whatever is missing, please pass it on to the OAG so that we can continue our report writing thereafter. With that, thank you very much.

The Committee adjourned at 12.58 p.m.