

VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 31 JANUARY 2018 AT 9.30AM.

Submittee: Water Authority of Fiji (WAF)

In Attendance:

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| 1) | Mr. Taitusi Vakadravuyaca | - | General Manager Special Project |
| 2) | Mr. Samanmal Ekanayake | - | Chief Operation Officer |
| 3) | Mr. Vula Vakacegu | - | Manager Regional Water Development Affairs |
| 4) | Mr. Nemani Waqanivalu | - | General Manager Construction, Planning & Design |
| 5) | Ms. Joana Vatuvoka | - | Project Accountant |
| 6) | Mr. Michael Lal | - | Chief Financial Officer |
| 7) | Mr. Pita Waqanivalu | - | Manager Finance |

Office of the Auditor General

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| 1) | Mr. Kuruwara Tunisalevu | - | Director Audit |
| 2) | Mr. Sitiveni Naivota | - | Auditor |
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MR. CHAIRMAN. – Honourable Members, a very good morning to everybody, members of the staff, media, public and the team. A special welcome to the team from The Water Authority of Fiji. As you are aware we are going to look at the audit report on special projects, December 2014 on the following topics;

1. Emergency Flood Recovery Project,
2. Suva/ Nausori Regional Water Supply and Sewerage Project (ADB- Funded),
3. Suva/ Nausori Regional Water Supply and Sewerage Project (ADB-Funded),
4. Suva/ Nausori Regional Water Supply and Sewerage Project (ADB- Funded),
7. Fiji Flood Emergency Response Project, Grant No. 283 Fiji (ADB-Funded)

For that purpose today we have from the team Water Authority of Fiji, Mr. Taitusi Vakadravuyaca, Mr. V. Vakacegu, Mr. Samanmal Ekanayake, Nemani Waqanivula, Joana Vatuvoka, Michael Lal and Mr. Pita Waqanivalu. I welcome everybody to this meeting of The Public Accounts Committee. We also have from The Auditor General's Office, Mr. Kuruwara Tunisalevu and Mr. Sitiveni Naivota to assist us in this enquiry.

Let me introduce my team to you. On my left, we have Opposition Members, Honourable Ratu Naiqama Lalabalavu and Honourable Aseri Radrodro and on my right, we have Government Members, Assistant Minister for Health, Honourable Alexander O'Connor and Deputy Chair of this Committee, Honourable Mohammed Abe Dean. I welcome you to this meeting and I will now let you make your submission and we will ask the questions as we go along.

MR. T. VAKADRAVUYACA.- Good morning Honourable Members.. The Government, together with Water Authority of Fiji has an obligation under Section 36 of The Constitution of Fiji to provide access and adequate supply of clean and safe drinking water to all Fijians. The goal is to achieve 95 percent coverage of the total population having access to

clean drinking water by 2025 from the current 88 percent since 2016. This target is identified under the Government's Green Growth Framework – Thematic 6 which the Water Authority

of Fiji is mandated to accomplish. The Water Authority of Fiji is also playing pivotal role in the global endeavour of working towards Goal 6 of the Sustainable Development Goal. SDG 6, Clean Water and Sanitation, set by the United Nations in trying to ensure availability and sustainable management of water and sanitation for all.

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

Under the 2017-2018 CAPEX budget for Water Authority, Water Authority has been allocated 217 million to ensure that we achieve most of these goals but will require further capital investment in the coming years. The rural schemes allocated has significantly increased to 27 million demonstrating Government's commitment to our rural communities. This allocation will deliver 176 rural projects benefitting approximately 49,780 rural population.

The Asian Development Bank, Green Climate Fund, European Investment Bank and our Government of Fiji are providing financial assistance over the next three years target towards water and waste water infrastructure developments, non-revenue water reductions and capacity building within the institution. One of the major projects is the Rewa project which is the Fiji Urban Water Supply and Wastewater Management Project set to be completed by the Year 2021. This will ensure that we increase service coverage and improve reliable water supply 24/7 to approximately 340,000 population in the greater Suva area.

In the areas of wastewater, the national coverage is low at 44 percent. WAF – Water Authority of Fiji is currently engaged in augmentation and consolidation works for its biggest wastewater treatment plant in Kinoya. The Kinoya Wastewater Treatment Plant serves the Suva – Nausori corridor and will be expanded up to 150,000 equivalent population and further upon completion of the augmentation works, this will be further expanded. The capacity will be further expanded to a 277,000 equivalent population. The Water Authority of Fiji is prioritising on expanding wastewater coverage to urban commercial zoned areas to expedite rapid commercial developments aimed at generating economic growth for the country. A feasibility study will be undertaken in 2028 for the development of water and wastewater infrastructure in Savusavu through a grant from the Government of Kuwait.

To improve its service delivery, Water Authority of Fiji recently launched its customer charter and the Liquid Trade Waste Policy to ensure that all customers from domestic to commercial are fully informed of their rights and provide a framework for defining service delivery standards and how complaints from customers will be handled.

WAF – Water Authority of Fiji, in its eight years of existence as a Commercial Statutory Authority went through some very challenging times, transitioning from a Government department to a CSA. WAF inherited a very old and aging infrastructure, more than 40 years old, very high customer expectation and demands, rapid growth in commercial developments, significant increase in rural-urban migration and a workforce that has limited

technical capacity. In some quarters, it was referred to as a rudderless ship with little direction and few systems and procedures to help put it on course.

This inception in 2010, WAF continues to address these challenges with vigilance through a guidance of a very dynamic executive management team and Government support,

steering WAF to realising its ultimate goal of delivering clean water and sanitation to our customers on a 24/7 basis. A relevant point of reference for direction was our 5-year National Development Plan put together with our Strategic and Operational Plans for 2014 – 2019 and our 20-year Water and Wastewater Master Plan for the 4 major urban systems together with the WAF Promulgation 2007. Water Authority of Fiji (WAF) also set-up dedicated business units and appointed specialised personnel to address key focus areas challenging the authority, resulting in the reorganisation for the restructure in our relevance to our environment and operations. This includes the set-up of the Non-Revenue Water Unit (NRW) aimed at reducing our NRW levels to 20 percent by year 2019. To date, the unit has reduced the NRW levels from 51.7 percent which was at 2013 to 31.3 percent in 2017. The 20.4 percent reduction equates to \$13.5 million dollar in savings for WAF.

This has been brought about by a collection of activities and established programs. Firstly, is the introduction of District Metered Areas (DMA's) to the greater Suva areas and urban areas. This is to clearly demarcate the operational areas and ease the monitoring and identification of problem areas. Secondly, the reduction of intermittent areas from 68 at 2013 to 8 as at the end of 2017. Thirdly, the restructuring of the Leak Detection, to allow training of technical officers and assistants together with field officers. Fourthly, the formation of the Integrated Meter Management (IMM) Unit together with capacity building to ensure the adoption of smart metering and introduction of smart technology to aid the monitoring process. And also, the establishment of the demand management program to monitor the drive of bringing the current 220 litres per capita per day to 180 litres per capita per day. And also in conjunction with demand management is our water conservation awareness program, which was initially targeted at school kids and expanded to the corporate sector and social clubs and women's groups. This particular program won WAF a distinction in the Water Leaders category at the 2017 Global Water Awards in Madrid, Spain.

WAF is in the process of developing its Disaster Risk Management Plan especially after the experience of the Tropical Cyclone Winston in February 2016. The rural unit had mobilised to 184 villages across the country and within three to six weeks were able to restore water in these respective villages. As of today, some villages are still to be attended with further rehabilitation works. Approximately 27,000 people will benefit from this rehabilitation program.

In respect to WAF's preparation for Climate Change and COP 23, WAF currently operates 55 Water Treatment Plants and 11 Wastewater Treatment plants, and Climate Change has proved to have certain impacts on the water and wastewater systems. High floods, adverse raw water quality and rise of sea levels are some of these factors impacting the water and wastewater infrastructure. WAF, as a mentee in early 2017 entered into a twinning program with the Asia Development Bank (ADB), Sydney Water Climate Risk, Samoa Water Authority and Water of PNG, to carry out a quantitative Climate Change Risk assessment of the organizations key vulnerable areas, and to develop strategic pathways towards building Climate Resilient Infrastructures moving into the future. These twinning programs are spread over twelve months where Lidar and Asset Data is submitted to Climate

Risk to be analysed based on 2030 Forecast through the Climate Change Tool called Adaptware which was created for, and utilized by Sydney Water to carry out their Quantitative Risk Assessment in 2008. Nadi was selected as the pilot zone for WAF's Quantitative Risk Assessment due to major climatic events severely damaging WAF's infrastructure in recent history. After the Pilot Program is completed, WAF will endeavour to carry out the same Quantitative Risk Assessment for all its Water and Wastewater Systems around Fiji, to ensure that future investments are developed with Climate Change factored as a key consideration in our Strategic Planning process.

WAF started with the restructuring of its Project Management Unit from 2014, with the setting up of two separate distinct units; the Planning and Design Unit and the Construction Unit. The re-structuring is a strategic move by the WAF to improve its overall efficiency and effectiveness of project management culture, project delivery, and reporting. The overall strategy is centred round WAF's Project Delivery Lifecycle or Process Delivery Process, from Project Initiation right through to Project Closure.

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

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

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

MR. CHAIRMAN.- Thank you very much for that introduction, it has given us insights on the Water Authority of Fiji (WAF) and new projects that they have undertaken. I congratulate WAF on their various achievements, WAF has become efficient. Before the introduction of WAF, the response time to attend to faults and maintenance was too long. Now the response time has improved. The only company that beats you is the Fiji Electricity Authority (FEA), they are probably quicker than WAF.

Water is an essential commodity, it is a need. The Constitution also provides that water is one of the basic needs and every Fijian has the right to get access to free and clean

drinking water. There is also Sustainable Development Goals (SDG) 6, and you have achieved quite a lot.

We will now look at the audit issues that have been raised Auditor General's office. , It should not be taken as criticisms, it is those areas that can be improved and probably bring WAF in line with other commercial entities that is run under the Government banner, so that efficient service delivery is achieved. I have noticed from the submission that you have addressed section three, four, five and seven. There was no audit issue in section one, it was an unqualified report, so it is clear. I have one question based on what is noted there on page 1- the total expenditure decreased by \$2.06 million or 22 percent compared to 2012, this was attributed mainly to the decrease in the expenses incurred on the main road rehabilitation. Can you please elaborate on that, what was the cause of the reduction and how is that related to the main road rehabilitation? Any of you Members who can assist can speak?

MR. N. WAQANIVALU.- I believe the first section the report leads to a project that was implemented by FRA instead of Water Authority, that was the reason why we did not respond to the report.

MR. CHAIRMAN.- It is an FRA issue? It does not come under banner?

MR. N. WAQANIVALU.- Yes.

HON. A.D. O'CONNOR.- Can we get a response from OAG office, please.

MR. CHAIRMAN.- Yes it is noted here that the project unit was managed by FRA. Is FRA coming anytime soon? Tomorrow. We will note that for FRA. Thank you for that clarification.

Now let us move to Section Three that is the Suva/Nausori Regional Water Supply and Sewerage Project (ADB Funded). This also has an unqualified report, we will look at the actual audit issues that had been raised. The major ones are in Part B Control Issues on the variance between reimbursable and reimbursement figures in Financial Statements. Now what is noted it is that the total project expenses reimburse by the ADB is determine by adding the direct payment by ADB in previous years, and the total direct payment made in the current year. The total project expenses reimburse by ADB as at 30th June, 2013 should be the same as total reimbursed expenditure YDT in the financial statements as there are no outstanding claims from ADB.

However the review of the financial statements reveal variances between the total reimbursed amount and the total project expenses reimbursed. The total variance between the two records was \$1,621,127m the variance indicates that ADB may have reimbursed \$1.621m more than the amount that should had been reimbursed as at 30th June, 2013. The breakdown is in Table 3.1.

The recommendation was that Water Authority of Fiji should investigate the variance and determine whether the amount has actually been overpaid by ADB. What happen there?

MR. T. VAKADRAVUYACA.- WAF's as per our submissions on the right hand side of the recommendation by ADB and it reads an overpayment was made as it's overpayment were based on progress claims certified by the Engineer of which 14 percent was paid by WAF and 86 percent was paid by ADB. Where it is noted by the Officer of Auditor General

were not discussed with the Authority, so therefore more detail breakdown of the figures would be appreciate in order for WAF to verify.

MR. CHAIRMAN.- OAG you have noted here Management comments, no comments was received from Management. They are saying that question was not asked but you are saying the no comments was received. Can you reconcile that please for us? It's on Page 4.

AUDIT REP.- I cannot give reasons why comments are not there. Normally because our reports are published, we have a timeline for the reports. But we wish to request that we discuss this issue with the Water Authority of Fiji and we will come back to the committee.

MR. CHAIRMAN.- Yes please, if you can do that because discuss with Water Authority of Fiji and set the audit opinion in your files and come back to us because you have come up with a figure of \$1.62m and Water Authority is adamant that no overpayment was made, as each payment was based on progress claims certified with engineer. On which 14 percent was paid by Water Authority and 86 percent by ADB.

It seems to add up, from their side it seems to be clear and usually it is any project you only pay when you have a certificate by the Engineer. So there is very little chance of overpayment but please check with them and come back to us.

The second one is delays in Project Completion. What is noted here is that the audit noted that the rehabilitation of Kinoya Sewerage Treatment Plant Project was delayed due to the following reasons provided by the General Manger Project. Those are the five reasons given there. Some of the reasons includes the wharf was supposed to make an advance payment of \$140,181.44 to the contractor. The advance payment claim was submitted by the contractor with the invoice and advance payment guarantee. However the Project Engineer Erasito Beca Consultant Limited requested amendments to the bank guarantee, which TL amendment and resubmitted on 27th January, 2010.

Water Authority paid the advance to the TL 8 months after receiving the invoice the result effective date of contract shifted from that date 18th November 2009 to 1st August 2010. TL was supposed to submit piping water within 15 days on 14th October 2010 with effect from 30th September 2010. However TEL submitted their drawings on 3rd June 2011. This was delayed by 232 days or 8 months. TL was supposed to submit construction drawings within 90 days on 30th October 2010 with effect 1st August 2010 however it submitted construction drawing 152 days late.

The drawing for the gasholder was supposed to be completed and submitted by 27th October 2010, however TEL submitted the drawings on 10th March 2011, which was delayed by 134 days or 4.5 months. The completing of the digested tank wall was completed on 30th March 2011 but the digested tank wall was delivered on site on 21st April 2011, this was delayed by 22 days. The audit noted that TL was issued at practical completion date of work on 30th August 2013 by WAF Project Manager, Mr. Roly Hyes after several extensions were given for the project. As at the date of audit the following works were completed. The audit noted that the Contractor failed to complete all works by the revised completion date of 13th August. This included SCADA works, electrical works and the ratification and finishing works. As a result of delay and completion of the work Water Authority of Fiji further extended the completion date to 31st October 2013. The audit further noted that Water Authority of Fiji did not give notice for delays to the contractor and did not claim damages for delays in the project completion.

The delay in project completion may result in additional expenses for Water Authority of Fiji and have an impact on other project implementation dates. There were numerous anomalies noted, delay in project and no action by Water Authority of Fiji against the contractor. TEL is Technofad Engineer Limited, is it local company or foreign company from India?

MR. N. WAQANIVALU.- From India.

MR. T. VAKADRAVUYACA.- The Suva/Nausori ADB project was managed by a separate Project Management Unit led by Mr. Roly Hyes. Our understanding was that the project was delayed in several occasions as mentioned by the Auditors Report. All those the extension of times had been carefully assessed and approved by the Project Engineer Mr. Roly Hyes, under the final approval of the General Manager of the Project Management at that time Mr. Timoci Turaga. There were a lot of problems with the project.

One of the main problems with the project was during the transition from PWD to the Water Authority of Fiji a lot of designs were not finalized. There were issues with the contract as a whole, with Erasito being the consultant for the project. There were a lot of problems with the design, the delays in finalisation of the design. Part of the delay was due to Water Authority by delaying the finalisation of the design which included the design of certain parts of the project. There was also the delay caused by Technofad Engineering Limited from India and I believe that this was the main reason for the occasional delay.

MR. CHAIRMAN.- Was this the design and build project? Did Technofad design it themselves and build it or someone else design it.

MR. T. VAKADRAVUYACA.- No, Sir, it was design and build project.

MR. CHAIRMAN.- Design and build.

MR. T. VAKADRAVUYACA.- Yes.

MR. CHAIRMAN.- Because you have said that there was several problems with the design itself so that means the designer which was again TL they design it themselves and you said there were problems with the designs. Who was your Project Engineer?

MR. T. VAKADRAVUYACA.- Mr. Roly Hayes.

MR. CHAIRMAN.- At the initially stages he did not pick it up probably there are problem with the designs.

MR. T. VAKADRAVUYACA.- The problems were inherited by WAF during the transitions from Public Works Department to Water Authority of Fiji.

MR. CHAIRMAN.- This contract was awarded when PWD was there.

MR. T. VAKADRAVUYACA.- Yes, during the PWDs day.

MR. CHAIRMAN.- So, PWD was the one who tender it out, they were the ones who probably approved the designs but when the WAF inherited the project, you found out that there were problems with the designs.

MR. T. VAKADRAVUYACA.- That was one of the main problems we faced during the transaction from Department of Water and Sewerage to the Water Authority of Fiji the transition and the project manager Mr. Roly Hayes was recruited late 2010.

MR. CHAIRMAN.- By Water Authority.

MR. T. VAKADRAVUYACA.- There was a predecessor who was appointed during PWD's time.

MR. T. VAKADRAVUYACA.- The Project Manager who was managing the project from PWD time was not employed by WAF in the transition. He remained with the Department of Water and Sewerage.

MR. CHAIRMAN.- This project engineer Mr. Erasito Beca Consultant Limited. This was WAF agent?

MR. T. VAKADRAVUYACA.- Yes, they were our consultants.

MR. CHAIRMAN.- Did they pick up that there are problems with the design.

MR. T. VAKADRAVUYACA.- They picked it up but during the course of the project, their contract was terminated. The project was totally administered and managed by WAF under the leadership of Mr. Roly Hayes.

MR. CHAIRMAN.- It is noted here that Technofad delivered the designs in drawings in 3rd June, 2011. Was that during WAF's time? When was WAF established? In 2010?

MR. T. VAKADRAVUYACA.- Yes in 2010.

MR. CHAIRMAN.- For this project, while PWD had called for tenders, the designs were submitted to WAF?

MR. T. VAKADRAVUYACA.- That is correct. The design was awarded during PWD time and then the contractor may be 2008 or 2009 started working on the design. During the implementation which carried over during WAF's time, there were some problems with initial design. This is one of the problems with the design and build project if it is not carefully administered by the client. During PWD's time Erasito Consultants were our consultant advising on that design.

MR. CHAIRMAN.- Is this project Suva/Nausori is completed?

MR. T. VAKADRAVUYACA.- It has been completed and working fine.

HON. A.M. RADRODRO.- There is a recommendation by the OAG regarding the claim for delayed damage. Has WAF considered invoking those Clauses?

MR. T. VAKADRAVUYACA.- Those penalties were not paid to the contractor.

HON. A.M. RADRODRO.- It says for WAF to consider invoking the Contract Clause to claim for delayed damages. Do you have any update on this particular Clause on recommendation?

MR. N. WAQANIVALU.- The Clause was not invoked so no damages were claimed.

MR. T. VAKADRAVUYACA.- There were some claims by the contractor because of the delayed and blamed WAF for it. WAF did not accept those claims. We did not pay out those claims to the contractor.

HON. RATU N. LALABALAVU.- A question to both the teams WAF and OAG, this is going back to 3.1. What could be some of the reasons why the cropping of properties unqualified on audit report? From what we hear the old project seems to be playing with expenditures problem. In addition to the question that I have raised and the response given by WAF it is interesting to know or be given some breakdown as well as to the \$14 million that was allocated for the consultancy services for Suva/Nausori. My question is what would be some of the reasons for the unqualified report in the unqualified audit report?

All we hearing now is problems with expenditure, what you have inherited,. Once you step in the shoes you bear everything, otherwise we will be coming up with excuses all the time and this is taxpayers' money.

MR. CHAIRMAN.- I think OAG can answer that.

AUDIT REP.- We need to clarify the unqualified Audit Report. In layman's language it is a good report. The accounts have been presented fairly and correctly. There are no major discrepancies in the accounts. That was the unqualified report.

MR. CHAIRMAN.- When the OAG is not able to sight documents or there is something missing then it becomes a qualified report. Unqualified means you have got everything, now you have done their accounts properly the explanation part is theirs.

AUDIT REP.- Yes, the unqualified audit report is only on the accounts.

MR. CHAIRMAN.- On the accounts, yes.

AUDIT REP.- Part B, those are the audit issues that the OAG also decides to present with the accounts. I said earlier on layman's language the accounts are presented fairly and correctly.

MR. CHAIRMAN.- What we have heard from your office previously was that unqualified means they did their part in submitting all the right papers to you. Is fair account and fair reporting on the accounts? The audit issues is theirs to explain. That is why it is unqualified, is it not? Have been qualified that means you would have something missing, you could not confidentially said that these account were proper. That would make a qualified report.

AUDIT REP.- Yes, that will be correct and we will also include a qualification paragraph for this issue. But in this case there is no issue that is affecting the accounts.

HON. RATU N.T. LALABALAVU.- What would be the component of this \$14 million consultancy cost? It is huge.

MR. T. VAKADRAVUYACA.- Can we come back to you with the breakdown of the \$14 million consultancy fees.

MR. N. WAQANIVALU.- \$14 million on total on consulting services on the account, abridge statement that is provided in category four on Page three, lists all the costs that make up that total of \$14.2 million.

MR. CHAIRMAN.- At a cost of \$14.3 million the consultant which was Erasito Consultants or someone else? I heard that they were terminated. That means they did not do a good job with \$14 million?

So Mr. Roly Hayes would have been paid some amount as well?

MR. N. WAQANIVALU.- Yes, Sir.

MR. CHAIRMAN.- Will that be part of the \$14.3 million or that \$14.3 million went straight to?

MR. N. WAQANIVALU.-Yes Sir, his salary would be part of that \$14.2 million.

MR. CHAIRMAN.- So please provide us a breakdown when you can on what was paid to Erasito and what was paid to

MR. T. VAKADRAVUYACA.- Mr. Chairman, just to add to the comments by GM Planning and Design, the project began in 2004 so the \$14 million is an accumulated figure in terms of the consultancy fees.

MR. CHAIRMAN.- All right, it was in 2004?

MR. T. VAKADRAVUYACA.- Yes.

MR. CHAIRMAN.- What is noted here is that the tender was awarded to Technofad in 2009 before Water Authority's time. The project was supposed to commence on 1st August, 2010 and completed in 70 weeks. So by 1st December, 2011, the project was to be completed and that is within 70 weeks. Water Authority was supposed to make advance payment of \$140,181 to the contractor that is Technofad. TEL by 23rd of January, 2010, that was the date when the money was to be paid, the advance payment claim was submitted by the contractor on 23rd December, 2009. That is before the time they were supposed to start the project because the project was supposed to start in August, 2010 so on 23rd December, 2009 they did provide the invoice.

The Project Engineer Erasito Consultants requested amendment to the bank guarantee with TEL which TEL amended and resubmitted on 27th January, 2010. Even before the project commencement time they had done this part. Water Authority paid the advance to TEL eight months after receiving the invoice, so there was a delay of eight months on the part of Water Authority in paying that invoice that is the first payment, the advance payment.

As a result the effective date of the contract shifted from 18th November, 2009 to 1st August, 2010, because there was an eight months delay in payment made by the Water Authority of Fiji for the advance payment. TEL was supposed to submit the piping drawings within 15 days on 14th October, 2010, that is before the commencement date. The initial commencement date of the project was 1st August, 2010 but it was shifted to 18th November, but the actual drawings came into picture after the commencement date.

You were supposed to start the project in 2010 but the drawings came to you in October, 2010, with effect from 30th September, 2010. The drawings were finally submitted on 3rd of June, 2011. Even at the inception date, the project was delayed by 232 days. What could be a reason for paying that invoice eight months late after submission of the first invoice, Manager Finance?

MR. P. WAQANIVALU.- I began with Water Authority of Fiji in 2014 and the events that transpired in 2010.....

MR. CHAIRMAN.- Would you have any records in your books, there must be some notation on why an invoice was paid late? Not all the fault can be attributed to the contractor and we cannot recommend a surcharge or a penalty on the contractor, they will come back and say that you paid my invoice eight months late. We need some explanation on that.

MR. M. LAL.- I would just like to discuss the process now...

MR. CHAIRMAN.- What is happening now?

MR. M. LAL.- Yes.

MR. CHAIRMAN.- All right.

MR. M. LAL.- Because none of us were there at that time so it is very difficult to explain.

MR. CHAIRMAN.- But would you have some record back in office to show on this particular project file? This file must be there. Please explain the process now and then take us back to that time.

MR. M. LAL.- Since the last couple of years we have improved. Our financial policies, document policies and project management policies have been developed. Now in our project cycle everyone know exactly the time lines in terms of doing the things, in terms of processing of documentation et cetera.

Currently, there are no delays in those processes because once the engineers or the Department responsible certifies the payment, the payments are done within a specified period of time but. For this case, can we look at our records and come back to you.

MR. CHAIRMAN.- Yes, please advise us on what actually happened at that time so that we can have something in the explanations. When was this project actually completed and was given a go ahead?

MR. T. VAKADRAVUYACA.- I cannot confirm the exact date but it was in late 2013.

MR. CHAIRMAN.- The initial projected date for completion was 1st December, 2011. This entire Kinoya Sewerage Treatment Plant project was delayed by two years. We will try to identify the delay from the contractor, the consultant and Water Authority of Fiji's perspective. It would be a blue print so that none of these things recur. WAF has implemented some stringent methods to avoid these kind of delays. Please submit us from the files of what actually happened because of this delay in the payment.

Coming back to the other issue here, this contractor Technofad after the invoice was paid eight months late, Technofad was supposed to submit piping drawings within fifteen days that was 14th October 2010 with effect from 30 September that was delay. TL was supposed to submit construction drawing within 90 days on 30th October 2010 with effect from 1st August however he submitted a construction drawing one hundred and fifty two days late that is 31st March 2012.

Something which was supposed to be done in June 2011 was done finally in March 2012. There was 152 days delay there. The drawing of gas holder was supposed to be completed and submitted by 27th October 2010 however TL submitted the drawing again on 10th of March. Everything was delayed for about 4.5 months. Could it be a result of that 8 months delay in paying their invoice? They might come back and say you paid me eight months late so I am doing everything in this sequence.

MR. T. VAKADRAVUYACA.- When I came into Water Authority one of the things that I put in place was GAP analysis, looking at issues that were inherited from PWD and from 2010 until 2013 when I joined Water Authority.

One of the issues that I identified was the lack of procurement workshop in terms of major projects. That is one of the reasons these issues have been brought up. The procurement workshop that was supposed to happen for this project did not eventuate. In that workshop all procurement and all processes in terms of project delivery was supposed to be done. That is one of the things that I saw that did not happen.

As a way forward we have implemented procurement workshops. We are into the ADB processes on all projects in ensuring that before we start implementing projects, we know everything and what time it should come in, what should be bought and proper planning.

MR. CHAIRMAN.- Does this project has a defect liability period? Have you passed that or is this still there?

MR. T. VAKADRAVUYACA.- I think we have passed the defects liability period for this project.

MR. CHAIRMAN.- What about retention? Any amount retained as a security which has to be released to the contractor? Or that has already been done?

MS. J. VATUVOKA.- All ADB funded projects have a clause for 10 percent retention, in which 5 percent are paid upon practical completion and the remaining 5 percent upon full completions. With this TECHNOFAB project there was a 5 percent retainer and paid upon full completion of the projects.

MR. CHAIRMAN.- And the other 5 percent?

MS. J. VATUVOKA.- Upon practical completion. When the project was completed then the remaining 5 percent after the one year defects liability period.

MR. CHAIRMAN.- The full 100 percent was paid.

HON. RATU N.T. LALABALAVU.- On the issue of due diligence for this project and the way forward. Who undertakes this? Because sitting here and hearing that you have come to inherit problems from PWD, we were there during PWD time.

One of the most important things that we address was due diligence, even the head consultants would do that for us. How do you plan to undertake that to ensure that we get contractors? They are able to carry out the work required of them rather than what we are reading here.

MR. T. VAKADRAVUYACA.- In the issue of due diligence for ADB projects. We follow ADB procurement process now other than you sort of setting up another project unit. The ADB and Water Authority and the Government of Fiji provided a consultant to come and do project preparatory works and capacity building.

The project preparatory works and capacity building for the project is looking at the due diligence issues that is from the selection of the contractor that is coming in to do the work and all the requirement for the project to be implemented. Those are the issues that are taken over by the consultant that comes in to do due diligence.

For the Suva/Nausori regional water and waste water project the due diligence process was done by the DHT and it is now completed. We are ready for the implementation of that Rewa project. I am not in a position to answer the due diligence process that was done by the PWD project that we are addressing now.

ADB and Water Authority and the Government of Fiji put out consultancy services and GSD company from Australia has done the due diligence process looking at all environment, social and procurement issues for the projects.

HON. A.M. RADRODRO.- On Statement of Expenditure. We note that there is a portion on asset preventative maintenance or water supply scheme. In terms of sewerage scheme there is no assets preventative maintenance. Would you be able to inform the Committee why is that particular expenditure not present in the sewerage scheme?

MR. T. VAKADRAVUYACA.- Can we come back to the committee with the reason why there is no asset preventative maintenance allocation to the previous project. I can assure the Committee today that asset preventative maintenance for future projects especially for the project that is about to be amended are allocated in the budget for that project.

HON. A.M. RADRODRO.- An update on the 4 miles sewerage piping? Is that completed or what is the status?

MR. T. VAKADRAVUYACA.- That project is currently on going the procurement workshop. Looking at the consultants and the contractors will be coming to build and we are finalising the social issues regarding the project construction area. There are few houses

along those areas that needs to be looked at and those are being finalised. We are planning to implement that project in this financial year.

HON. A.M. RADRODRO.- Most of the times as you drive across the 4 miles bridge the odour, foul-smell that comes out of that particular burst pipe. What is the Water Authority doing to address this smell?

MR. N. WAQANIVALU.- The odour that is coming out at of the 4 miles bridge is coming from a temporary pumping station. There is a set of pumps and a pumping well where all the wastewater that has come through the main trunk sewer discharges into that tank. And it pumped the sewer out from that tank through the temporary pipes that are placed on top of the bridge at the moment. The smell is coming from the pumping well, the tank where the wastewater settles. There is a retention time and lot of the sewerage that is coming through, what we term as industrial sewerage which is contributing to the smell. During dry periods, there is more odour coming out but during rainy seasons, it is less because it is diluted with storm water. But the smell is coming out from the pumping well. The original set-up which will be fixing this year with the construction of the new pipe bridge, we will go back to the original set-up. There is no retention of wastewater in a pumping station so it will be transported directly through the new pipe which is going to be placed on a pipe bridge. The contract for the construction of the pipe bridge at 4 miles bridge was awarded last year in December to Equipment Hire Ltd in conjunction with Concrete Solutions for around \$1.4 million. The design was done by Erasito Consultants, it was a design bid and build project. They will be commencing with construction towards the end of the first quarter of this year. We are finalising their mobilisation now. They have a few issues with reallocation of some of the houses that are on the Nausori end of the 4 miles bridge which we are sorting out with The Prime Minister's Office.

MR. CHAIRMAN.- It was not an audit issue but it is for general knowledge of the committee.

HON. A.M. RADRODRO.- That is part of Kinoya sewerage station?

MR. CHAIRMAN.- Isn't that project completed? It is a new contract awarded to Kinoya, that 4 miles is a new project. Is it part of this Kinoya project?

MR. N. WAQANIVALU.- This project, the reconstruction of the pipe bridge is funded internally.

MR. CHAIRMAN.- internally.

MR. N. WAQANIVALU.- From The Government of Fiji funds.

HON. A.M. RADRODRO.- The late projects at Kinoya especially the works that are involved there and the opening statement, you highlighted the current 150,000 equivalent population, then it will increase it to 277,000 equivalent population. That is for the Suva – Nausori corridor. Have you in terms of this EP, that is a household or individual.

MR. T. VAKADRAVUYACA.- That is equivalent population.

HON. A.M. RADRODRO.- What does that represent? Individually or household

MR. T. VAKADRAVUYACA.- It represents household.

HON. A.M. RADRODRO.- This is one project that was done in 2000 up to 2013. The refurbishment of the Kinoya Sewerage. Will this mean that additional work will be done, additional funds will be sought for Kinoya. How has WAF also taken that into consideration going forward?

MR. T. VAKADRAVUYACA.- The Kinoya Wastewater Treatment Plant is catering for the whole of Suva/Nausori corridor. The greater Suva area. Currently it is serving around 90,000 EP, Equivalent Population and the plant is currently overloaded. The plant is not meeting the standards that were set by the EMA standard, the environment standards. Currently we are not meeting the faecal coliform levels and the phosphorous levels discharged into the Kinoya and the Laucala Bay receiving waters. The improvement which will be funded by ADB, is the consolidation works which will bring the Kinoya treatment plants to 155000 EP. Under these works, it is the improvement of the existing infrastructure at Kinoya. When we do the improvements at Kinoya, we should also understand that Kinoya currently has a SVR that has not been functioning since PWD days. During this process of consolidation works, we will be reviving all or bring into operation these plants that are not in operations under these consolidation works. The tender has gone out. The first part of the project is under evaluation at the moment and we are about to start the procurement process for consolidation works. The consolidation works is funded by the Government of Fiji. It is not funded by ADB. After the consolidation works has been completed, the augmentation works will be starting. We are planning to start the augmentation works in 2019 financial year through ADB, the Government of Fiji and EIB. Through this project we will be increasing the capacity of Kinoya to around 277,000 EP. This is the construction of new processing areas, new processing plants. We are trying to lift the image of Kinoya to mirror in, into standards or international levels. Currently the Kinoya treatment plant, are not meeting environment standards, after the augmentation works we will be achieving those levels but we will not be meeting phosphorous levels and faecal coliforms levels.

Water Authority of Fiji is engaging EIB consultants, technical assistance from EIB to look into the receiving waters from Laucala Bay and how the Laucala Bay receiving waters is acting as a tertiary treatment for the Kinoya discharge, that is, the waste that is coming out from Kinoya. Looking at the Laucala Bay receiving waters after the studies from the EIB consultants, grant technical assistance from EIB and we see that the faecal coliforms are actually dying out. From preliminary studies done, from consultants that have been engaged, there is 90 percent die out of fecal coliforms. We are currently engaging with Ministry of Environment in trying to assess the standard for the Kinoya Wastewater Treatment Plant. In terms of capacity, calculations have been done in terms of the current population and we are looking at Stage 3 of implementation which will raise the level of Kinoya to 500,000 EP.

MR. CHAIRMAN.- This treatment plant that we are talking about, does it only deal with human waste or night soil or does it also deal with other water, wastewater that is from sinks and sewerage or bathrooms etcetera.

MR. T. VAKADRAVUYACA.- Water Authority of Fiji is receiving waste from everybody in the Suva – Nausori system including commercial waste, industrial waste. Our Liquid Tradewaste Policy has been approved by Cabinet and we are finding it very difficult at the moment currently to cater all these waste that is coming from everybody, that is reaching Kinoya.

MR. CHAIRMAN.- The capacity is to be increased.

MR. T. VAKADRAVUYACA.- Not only that. We are also looking at households that are directly connecting to the wastewater systems. Rain water and all the runoffs from the surfaces that are coming into our system that is overloading Kinoya. A team has been set-up looking at houses, looking at individual houses, auditing their connections from individual houses and these individual houses are actually illegally connecting to our systems in Kinoya. So you will see that our systems are overflowing because of these illegal connections to our waste water systems.

MR. CHAIRMAN.- Even these informal settlements like squatters, they are also connected to the system?

WAF. REP.- For these informal settlements, there is a program in place. We are looking at putting communal septic tanks that will be connected to our systems, we are working with the Non-Government Organisation (NGO's) looking at where Water Authority of Fiji can come into the communal systems and where the responsibility of the community, as an organised committee, in terms of looking at waste management in communities.

So that is where the waste-water system is at Kinoya.

MR. CHAIRMAN.- That is why it is overloaded, I mean there is also some connections there.

WAF. REP.- It is overloaded in terms of volume and it is also overloaded in terms of the chemical mix up that is coming into Kinoya.

HON. A.D. O'CONNOR.- A good example of this waste-management system is Koroipita Homes in Lautoka. If any of you been ever been to there that is one you can take a cue from. Secondly, whether the authority and the Department of Environment ventured where you can channel these waste water, to create a botanical garden, it just becomes natural – natural atmosphere

WAF REP.- Point is noted.

MR. CHAIRMAN.- But will the chemicals not kill the plants in the botanical garden? It is already overloaded with chemicals.

Part 3.5 - Project Physical Assets. You say that now you have got a system, but that time it was noted that the Senior Accountant shall be responsible for maintaining the fixed asset register. The fixed asset register should provide the following details that the notes to the project statement of the year ended 31st June, 2013 disclosed total projects physical assets of \$1.084million, the following anomalies were noted;

WAF did not have a fixed asset register. As a result audit could not verify the physical existence of the assets totalling \$1.084 million as disclosed in the notes to the projects financial statement. The Asian Development Bank (ADB) funded Suva/Nausori regional water supply and sewage statement for expenditure for year ended 30th June, 2013, showed equipment purchased for National Water Quality Laboratory totalling \$676,000. Audit could not establish if the National Water Quality Laboratory equipment is adequately recorded in the project physical asset, and included in the total cost of assets disclosed in the notes. The Project Management Unit (PMU) did not carry out a board of survey as at 30th, June 2013 to establish the existence of assets and whether these assets were in unserviceable condition. There were findings indicate that the project asset disclosed at a cost at in notes may not be correctly stated. The recommendation was the WAF should ensure that proper records are maintained for all physical assets and carry out a board of survey to determine the existence of all physical assets. Management comments – No comments received from the management.

So what was the situation then that there was no physical register and what is the situation now?

MR. T. VAKADRAVUYACA.- Since 2010, the senior accountant at that time who began with WAF in 2012 had to update the asset records since 2010 and I believe during the time of the audit, he was in progress of updating the asset register. But I confirm that in 2014, the records have been updated and there was a board of survey that was conducted in 2013, and again the updated board of survey is being anticipated to be carried out this later year.

MR. CHAIRMAN.- You have a fixed asset register and a board of survey done annually?

MR. CHAIRMAN.- Now, there something remarkable I have noted about WAF's audit is that, under all the heads of managements comment, there was no comment received from management. So, OAG these comments are received at what stage? Is it as it meeting or during the interview, where there is a nine step process that was told to us by the Auditor General himself Mr Ajay Nand, during all those nine process you did not receive any comment from WAF?

AUDIT REP.- Normally the comments are received before the exit meeting in which they are discussed and before the reports are finalised.

MR. CHAIRMAN.- In this particular case WAF was not telling you anything? I mean it does not reflect on the current board, I think they were not there. Anybody was there that time?

AUDIT REP.- From our side we were also not there.

MR. CHAIRMAN.- You were also not there?

MR. K. TUNISALEVU.- A different personnel was involved but for the report, because we have our timeline so if its late...

MR. CHAIRMAN.- Oh if the comments are late then it is not received?

AUDIT REP.- Yes.

MR. CHAIRMAN.- See that is the problem that the Public Accounts Committee is really facing because a lot of people are not there at that time when these things went to press or when these things were analysed. Maybe you can go back to you records in those days and also WAF, can you please tell us if there was something supplied at that stage to the OAG and also brief us, so that we can pinpoint the areas that can be improved in terms of giving information to AOG. It is a very important process, it is not a way to criticise the authority or agency, it is a way to fix those leakages as WAF is well aware off, fixing leakages, so that means the next report that we get can be clean and without any errors. Can that be done?

HON. A.M. RADRODRO.- A clarification in terms of physical assets, the projects. Some of these projects were undertaken on the various pump stations as highlighted in the table, the piece of land that they are sitting on, are they part of the WAF assets?

WAF. REP.- For the pump stations that are on the side of the road, the lands have not been transferred across to WAF. They are sitting in there within the road reserve, we have not formalised the acquisition of that land, and that is something that we are discussing now with Fiji Roads Authority (FRA) on our assets which are on the road corridor or on the road shoulders, all across the country. No, we have not regularised the transfer of the land where our pump stations are sitting on especially those that are sitting on the side of the road. It has not been transferred to WAF.

HON. A.M. RADRODRO.- WAF, how do you record the pumps that are there?

WAF. REP.- We record the physical assets, the pumps and all the equipment that come with the pump station.

MR. T. VAKADRAVUYACA.- In regards to the evaluation of those stations, the building itself is recorded as land and building but in regards to the land because it is still held by the Government or with the Lands Department legally, so that is not accounted by WAF. Unless the transfer is done, then we would account for that as a property of WAF.

MR. CHAIRMAN.- Sir, you have to get an easement on that if you cannot acquire the land

MR. T. VAKADRAVUYACA.- And I believe that there is an ongoing discussion that is led by the Ministry of Infrastructure and Transport with our delegates and Ministry of Public Enterprise in terms of the land transfer discussion. And I believe it is with the Solicitor General's (SG) office at the moment, in terms of the conveyance process.

MR. CHAIRMAN.- Recently when the Ratu Mara Road that was being constructed, there were numerous chambers or manholes that appeared along the way causing a little bump. Is that WAF property?

WAF REP.- Those were Telecom Fiji Limited chambers.

MR. CHAIRMAN.- TFL property. They have actually put wires under the roads, it should be shifted to the side so we do not have any construction problems. The next one is 3.6 Contract Agreement Not Provided, it was noted that Water Authority ordered contract to Harrison and Grierson Consultants Limited but the contract document was not given to the OAG. What is the issue there?

You requested a copy of the contract but they did not provide it, but current it is now handle by the Contract Management Unit. So this Contract Management Unit is your unit, Water Authority's?

MR. N. WAQANIVALU.- Yes Sir.

MR. CHAIRMAN.- What is the current practise in terms of contracts that are ordered are copies kept by the Contract Management Unit?

MR. N. WAQANIVALU.- In regards to the current process that the Authority has recently implemented. There is a Contract Management Committee and it is led by our Legal Team and there was a Contract Management Officer who was recruited solely for the role of centrally maintaining contracts, also vetting contracts before signing can be done by both parties and the General Administration of Contract Management.

MR. CHAIRMAN.- In which year was this Contract Management Unit implemented or established?

MR. N. WAQANIVALU.- It was established in 2015.

MR. CHAIRMAN.- That was well after this Harrison and Grierson Consultants.Has this contract been obtained from Harrison and Grierson Consultants? There were attempts made at some stage?

MR. N. WAQANIVALU.- The contract was signed and delivered back to the authority after the conduct of the audit but we have a copy of the contract.

MR. CHAIRMAN.- You have the copy please provide it to them so that we can also sight a copy and make a comment on that. The next one is 3.7 Monthly Progress Report, what was noted there was that monthly progress report shall be prepared by the Contractor and submitted to the Engineer in six copies.

Reporting shall continue until the contractor has completed all work which is known to be outstanding at the completion dates stated in the taking over certificate of works. The audit noted that Water Authority of Fiji failed to obtain monthly progress report from J S Hill, Fletcher Construction and Technofad Engineering Limited for the 18 months ending 30th June 2013. Water Authority might not be able to monitor project progress absence for monthly progress report from contractors. So that is very recent, that is well after Water Authority took charge, but they were not requiring the progress report from contractors. Can there be some explanation on what is the situation now?

WAF REP.- The comments from the Water Authority of Fiji is stated there compulsory monthly project site updates are carried out for all outsource projects by project engineers are working closely with the contractors. Currently we are also having monthly site meetings for all outsource projects.

Those are some of improvements that have taken place during the Water Authority days from 2010 until now. With the Suva, Nausori project, since it was administered by the project management unit they had carried out the monthly meetings and the monthly reports were submitted. To my understanding most probably those reports were not properly filed after the projects were completed.

MR. CHAIRMAN.- By saying that in 2013 this companies J S Hill, Fletcher and Technofad, they were submitting their reports but were not filed properly?

MR. N. WAQANIVALU.- Yes, they were filed but during the departure of the Project Manager, the Project Engineer Mr. Roly Hyes, his role was taken over by Mr Timoci Turaga in 2013. During the transition there may have been some reports that had been misplaced. But currently with the Water Authority of Fiji that is something that we had improved from 2010 until now with the setting up of the planning, designing and construction unit, that is part of our mandate or part the improvements that is happening within the unit. Reporting and documentation of all especially Project Reports especially those are outsourced, works that are done by contractors.

MR. CHAIRMAN.- Some of this progress reports of J C Hill, Fletcher Constructions and Technofad from those period are they available now with your office, have you found them or still misplaced?

WAF REP.- One of the projects that was implemented two years ago was our data management, that was one of issue that was highlighted during the gap analysis, information gap within Water Authority, the lack of information of the infrastructure, the lack of information about what has been built along the years.

And we implemented Data Management Unit collecting all plans, all data, all contract documents, everything to do with the Water Authority. And we are now sort of collecting them together and putting them in one area. We have collected around \$136,000 drawings and plans looking at all the infrastructure that was built during PWD days and all the contract documents and all the implementation that were done within the period of Water Authority until now.

The team is working in terms of collecting all these documents together, putting it together and the aim is to for us to put it in one library and that is the target for Water Authority at the moment. Building a library and putting the infrastructure information into one library. This is working together with our current GIS system which is a working progress, updating the current infrastructure information and also working to complement the risk management work that is part of Water Authority's deliverable, that is the current practise at the moment.

MR. CHAIRMAN.- So the library is already been established?

WAF REP.- The design for the library and the process of tendering is now ongoing. We are planning to build a library in Toorak or in Wailoku depending on the availability of the area, Currently all soft copies are being put together as approach for Water Authority and the team are going around verifying the drawings physically on the ground and ensuring that what is in the drawings are actually built.

MR. CHAIRMAN.- So all this drawings, blueprints or white paper et cetera everything will be kept in the library so this is some maintenance work needed you will have the plans, the blueprints with you.

WAF REP.- Yes Sir, looking at the conditions of the drawings during the time of PWD and the conditions have sort of deteriorated, the process of scanning will be done to ensure that this information is not lost.

Currently we are doing soft copies in terms of getting all this information. Going forward since the implementation of this unit, the quality assurance unit is now looking at ensuring that all projects in house and outsourced projects for your information are coming to this unit and they are storing it. Including contract documents, engineering drawings and even the information over conversation between these two parties, that is the current practise at the moment at Water Authority.

MR. CHAIRMAN.- So that is in regards to plans et cetera, the current practise regarding monthly progress reports as explained by you, all the contractors, all the project engineer are giving you the reports?

WAF REP.- Yes, in one project folder the name of the project is there, the infrastructure is there, the progress report, the ownership of the land, everything to do with the project is there. It is going towards targeting the closure report of the project.

And we are also trying to implement the last phase of the project is the customer services excellence survey after the project has been implemented on the ground, whether the customers services fine with the project or not. So that is the process going forward now.

MR. CHAIRMAN.- Any general idea how many projects are currently going on under your banner Water Authority of Fiji, big and small?

WAF REP.- We are completing some of the projects which have rolled over from the last financial year. There are about eight projects which are happening on the ground now. In the West there are about three, in the Central there are four and in the North there are about two. We have started with some of the 2017-2018 the current financial year budgets. We have projects that had been implemented by our in-house construction teams and also those that are outsourced.

MR. CHAIRMAN.- Outsource to Private Contractors?

MR. N. WAQANIVALU.- Private Contractors.

MR. CHAIRMAN.- Is it possible to show the committee may be later, a copy of file of a completed project. A thin one probably to see everything from the start to the end so we can have a look at how it is done now?

MR. N. WAQANIVALU.- Yes, we will do that.

MR. CHAIRMAN.- At your convenient probably provide us, probably the committee a project file. However we will keep it confidential just for our viewing to see how from the start to the end, how things are managed currently, so we can include in the report. Is it possible sir?

MR. N. WAQANIVALU.- We will do that sir. Thank you.

MR. CHAIRMAN.- There is a question from Honourable Lalabalavu.

HON. RATU N.T. LALABALAVU.- Who makes this progress reports, we have eight projects, do they fall within the category where consultants are needed? And so why are the consultants task to do this and they report to the Water Authority instead of this report being done by the contractor. I do not know whether the engineers are engineers with the consultants or the project at Water Authority are divided into three major categories. First category is outsourced projects which is projects that are done by consultants. Second

category is in house projects which is divided into two, one is handle by the Project Planning Designer and Construction Unit and the other one is handled by Rural Projects, which is looking at the rural water supply for other schemes.

In terms of the progress reports, the progress reports for outsourced projects is a compulsory mandatory deliverable by the consultants. And compulsory project meetings are held with the consultants to gaze the progress of the project and also look at constrains or areas that maybe of hindrance to the project. In terms of the in house projects, they are projects that are handled within Water Authority. These are looked after by the General Manager Planning, Design and Construction and the Project Managers are handling these projects.

The Project Managers responsibilities are delivering these progress reports. The other major aspects of Water Authority renewable is the Special Project Unit which is headed by myself. It is looking at big major projects which is funded by ADB, EIB and looking at also waste water and water infrastructure. The deliverables in terms of progress reports is the responsibility of the consultants in this project.

MR. CHAIRMAN.- Thank you for that Members. Let us take a short tea break. Wewill commence in about 10-15 minutes within the next topic Section 4 same heading but it is a different year of the Suva, Nausori Regional Water Supply and Sewerage Project.

We will come back at about 11.20 and recommence and I invite the Water Authority Team to join us for tea and also the members of the media and public can join us for tea as well. Thank you.

The Committee adjourned at 11.03 a.m.

The Committee resumed at 11:35 a.m.

MR. CHAIRMAN.- Thank you, Honourable Members and the team from the Water Authority of Fiji (WAF). I welcome you back to the session and we are now ready to take the second segment from where we left.

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

This also was an unqualified report and I have explained earlier.

The unqualified report means that the documents were all submitted properly by WAF but the control issue do remain and those we cannot clarify with WAF.

Part B – Control Issue

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

Contract No. WAF 11/014 for Pump Stations Suva Point Backlog Sewerage Package 5G (1) was awarded to Fletcher Construction Company.

The contractor was to install seven sewerage reticulation pump stations in the Suva Point area. The project commenced on 27th February, 2012 with expected completion date of 25th March, 2013. The contract works included supply and installations of pump stations, including earthworks, drainage, pavements, chambers, pumps, lifting frame, valves, pipe works, access, control panel and cabling including connection to water supply.

Expenditure incurred for the project totalled \$14,023,885m. This included a total of \$514,000 incurred for Sewerage Civil Works, \$9.8 million incurred for Sewerage Civil Works-Backlog.

4.3.1 Failure by WAF to Deduct 10% Retention Sum

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

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

WAF will not be able to hold the contractor liable should any defect arise in the project during the defect liability period. So, can that point be addressed gentlemen and madam in terms of retention.

MR. M. LAL.- In terms of the retention amount for that particular year the authority did not deduct the retention sum but however a bank guarantee of the equivalent amount was obtained from the contractor. This was in accordance with Clause 45 of the General Terms and Conditions of the Contract that specified the contractor may substitute retention money with and demand bank guarantee. But from 2015 onwards the authority has adopted a

standard contract management guideline whereby 10 percent retention sum is a mandatory requirement.

MR. CHAIRMAN.- The terms of that contract was either you have a bank guarantee or a retention? So you chose WAF and the contractor chose bank guarantee and now the current practice is that you are mandatory to return that 10 percent.

4.3.2 Incomplete Works

The Contractor completed the construction/installation of sewerage reticulation pump stations for Suva Point. However, the audit visit to Suva Point Sewer Pump Stations project sites on 12th June, 2013 revealed the following anomalies. This is one of those site visits, which is very important to see if what is on paper is actually on the ground as well.

What was noted was that Kumi Street:

- i) The electrical switchboard/control cabinet for pump station was not locked. Intruders may vandalise and damage the equipment in the cabinet.
- ii) The keys for the Electrical switchboard/control panel were left inside the cabinet.
- iii) The pump station was complete and ready to be tested. The pump stations did not have a fence, gate and lifting frame as per bidding documents. Refer to the picture below. Can that be addressed, Kumi Street?

WAF REP.- As per Appendix 1 of the submission by WAF the picture shows that those issues have been rectified.

MR. CHAIRMAN.- What was to be noted here is the bidding documents. When someone applies for the tender they do provide a list of things they will do. Do you have a department or an agency within WAF that actually goes and checks these projects before payments are made to see if everything has per the bid is done.

WAF REP.- Yes, the Project Manager and this Project Engineer they will need to assess or to visit the site once they received the claims for payments they actually go out to site and verify that the works have been completed and they will sign off the Project Engineer and the Project Manager.

MR. CHAIRMAN.- The Project Manager and Engineer will that be your internal officers or you contracted it out.

WAF REP.- No, those are the internal officers. Part of the Project Management Unit that look after the Suva/Nausori project. And the final signatory will be the General Manager Project Management Unit at that time.

MR. CHAIRMAN.- A final payment is made up after checking the report from your own project engineers.

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- So, if there is any fault in a system the buck stops at your Project Engineers then.

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- It seems like a good system now. Since when they have been implemented?

MR. N. WAQANIVALU.- That is always been the case. With the Suva/Nausori Project that was the procedure.

MR. CHAIRMAN.- Alright.

MR. N. WAQANIVALU.- They will need to assess, they will need to verify that the claims are correct. They do their own assessment before they can sign off the payment claims.

MR. CHAIRMAN.- Probably this Kumi Street was an anomalies one of those rare cases.

In front of Fiji Revenue and Customs Authority, the pump station was complete and ready to be tested but it did not have a fence, gate and lifting frame as per the bidding documents? Has that been rectified?

MR. T. VAKADRAVUYACA.- Appendix 1, show the picture of Pump Station beside Customs building. The lifting frame is the red one.

MR. CHAIRMAN.- I am sorry which one is the lifting frame, the frame that is shown there.

MR. T. VAKADRAVUYACA.- Yes, a lifting frame is the red colour portal.

MR. CHAIRMAN.- Mine is a black and white, I cannot see which one is it.

MR. T. VAKADRAVUYAVA.- I am sorry.

MR. CHAIRMAN.- Table 4.2, Value of Works Not Completed For the Pump Stations

2.1.4.1 High fenced, plastic coated chain-link, steel posts, thee rows barbed wires at the top. Number of Pump stations that was not done. I cannot verify which pump station that was.

2.1.4.2 2.20, high double gate, plastic coated chain-link, three barb wires at top.

2.1.5 Pump set lifting frame. Is that regarding the same two projects?

These two projects are in Appendix 1, I still do not see the fence, is there any fence? Is that the metal one, second picture?

MR. CHAIRMAN.- On the bottom of Page four in the OAG's report, they have given table 4.2 and they listed down three descriptions of work that was not completed total of \$13,000. Can you identify which works were those and are they completed now?

MR. T. VAKADRAVUYACA.- Page four Sir?

MR. CHAIRMAN.- Yes Page four, right at the bottom. Table 4.2, the 2.2 metres high fence, plastic coated chain link.

MR. T. VAKADRAVUYACA.- 2.1.5 is already as per the picture.

MR. CHAIRMAN.- Palms and lifting frame?

MR. T. VAKADRAVUYACA.- Palms and lifting frame.

MR. CHAIRMAN.- This chain link fence, I do not see any chain link fence in both the pictures.

MR. N. WAQANIVALU.- Mr. Chairman, the 2.1.4 and 4.2.2 have not been installed. There could be reasons of why they were not installed.

MR. CHAIRMAN.- Could the contract be varied to put some different kind of security instead of plastic coated chain link?

MR. N. WAQANIVALU.- Any changes in the design would have been discussed between the Project Manager, Mr. Roly Hayes at that time and the designers.

MR. T. VAKADRAVUYACA.- The comments by my Management is on Page five. The decision not to fence and lift the frame on these two pump station was made on sound engineering basis. There were good traffic safety reasons for configuration in Kumi Street and the fencing in front of FRCA was unnecessary.

MR. CHAIRMAN.- It would have been ugly?

MR. T. VAKADRAVUYACA.- It would have been ugly, the deletion noted and it would have been included with the final quantities variation yet to be issued.

MR. CHAIRMAN.- I was thinking that there must be some reason for not including those fence. The further OAG comments, these are variations the project with need to be properly documented. That comes back to Mr. Nemani, you are saying something about variation by appropriate authority audit is not against any variation as long as it is approved. In addition, any down variation need to show reduction in the project cost. Advise us at a later date if those projects were properly varied and if it were varied there would have been some saving of at least of \$26,620, if the fence is not done, so please let us know on that.

MR. P. WAQANIVALU.- We will look for the necessary documents for the variations.

MR. CHAIRMAN.- All right. 4.3.3, Variations not approved by Water Authority of Fiji Board for Suva Point Sewage Package 5G.

The variation should have been approved by the Board. The audit noted the variation to the contract number awarded to Fletcher Construction Limited was not approved on that date by the Fiji Board.

Table 4.3. So, relocation of that 11kv cable, totalling \$27,600, sewage spills at Kinoya, as a result these expenses were not properly authorised. Failure by Water Authority of Fiji Board to approve the variation may result in cost overruns.

Recommendation was, Water Authority of Fiji should ensure all variations to the contract approved by the Board through way of Tender Committee. The Management comments were, all variations should have been approved by a private party whether Board, CEO or Project Manager. Three or four was approved by Board Sub Committee under delegation. The ADB Project Manager, could not locate the hard copy from the file, however, it confirms that approval was made by the Board Sub Committee.

BO6 and 8 were approved by CEO as the amounts were within the delegation. BO7 was approved by the Project Manager and it was a net deduction. The OAG further comments, called variation should be approved by the authority which shall initially approve the project which is the Board. In the case unless the Board delegates such powers in writing in the case variations were not approved by Board and no delegation authority by the Board was produced.

In addition, the retrospective approval of the Board for the variation was obtained in March, 2013. Hence, audit still stands by its finding. So the issue here is that audit first noted that there was no Board approval, then Management comment was that approval was obtained from the party responsible, CEO in one case within delegation and the rest by the Board, but OAG notes that retrospective approval of the Board was obtained in March, 2013 after that project was completed. Any comments on that Management? The retrospective approvals may obtained

MS. J. VATUVOKA.- The current practice is that all our variations are now approved as per the delegated levels which is per the updated Procurement Policy that we have at Water Authority.

MR. CHAIRMAN.- You now have a Procurement Policy?

MS. J. VATUVOKA.- Yes.

MR. CHAIRMAN.- All right and what is the procedure now, so any approval, any variation has to be obtained from the same party that authorise the project.

MS. J. VATUVOKA.- There is a delegated level.

MR. CHAIRMAN.- Satisfied?

HON. A.M. RADRODRO.- A question to the OAG, they still maintain their findings despite the assurance by the Water Authority of Fiji regarding the delegated level, can they advise whether their comment still stands or have they now revised their comments to consider the comment by the Water Authority of Fiji?

MR. K. TUNISALEVU.- I think the issue is on the retrospective approval, it should be discouraged, it is not good to have those, and it is not in order.

MR. CHAIRMAN.- It has to be obtained before the approval is done. For instance, if there is a court case then they might raise that challenge that there was no approval.

HON. A.M. RADRODRO.- What the auditors have highlighted is that the formal approval was obtained despite the delegated authority, you are highlighting about the formal retrospective approval. Despite the delegated authority by Water Authority of Fiji you still maintain about the retrospective approval.

AUDIT REP.- No, approval to be obtained first. Also with the delegated authority, there is a risk that the small amounts of variations later on can add up.

MR. CHAIRMAN.- To the big amount?

MR. K. TUNISALEVU.- Yes.

HON. A.M. RADRODRO.-What is now included as delegated power in their Procurement Policy? Is that satisfactory or do they need to still go through the Board?

MR. CHAIRMAN.- What they have done is that in their Procurement Policy they have put in authority for approval of variation and they have delegated the powers to officers apart from the Board, is that allowed? Even the small variation has to go to, if it goes to the Board, how often does the Board meet, four times a year?

WAF REP.- Once a month.

MR. CHAIRMAN.- It might cause a little bit of delay, if everything has to go to the Board for approval even the small ones. Honourable O' Connor, what was the practise in your days?

HON. A.D. O' CONNOR.- (Inaudible)

MR. CHAIRMAN.- What is the practice elsewhere, you would know?

WAF REP.- I think the risk is still there, it is similar to like splitting the LPOs of the project amount, if you have a lot of variations of small amounts and those can add up, there is a risk here, but maybe there should be a cut of on total number of variations that can be delegated.

MR. CHAIRMAN.- Let me ask the Project Accountant, for the delegated authority for variation is there any particular amount like ceiling so a particular or delegated officer can approve variation up to what amount?

MS. J. VATUVOKA.- The delegated levels are in range. We have the ones up to \$5,000 there is a limit above \$50,000. Those are the delegated authorities and the respective managerial that are allowed to approve such limits.

MR. CHAIRMAN.- Over what amount does it have to go to the board?

MS. J. VATUVOKA.- \$100,000

MR. CHAIRMAN.- Anything under \$100,000

MS. J. VATUVOKA.- Anything above \$100,000 will need the board approval.

MR. CHAIRMAN.- Anything below \$100,000. There is different levels of delegation.

MS. J. VATUVOKA.- Yes there is different of delegation.

MR. M. LAL.- The delegated levels are just within the Chief's level, the Executive level, management level it is not with the project managers et cetera.

MR. CHAIRMAN.- So, it is at the CEO level.

MR. M. LAL.- Senior Management level

MR. CHAIRMAN.- Is that satisfactory?

HON. A.M. RADRODRO.- while you have the respective delegated levels, the board has to be informed or notified after the delegated approval has been made by the respective levels? Does the board need to be notified eventually?

MR. CHAIRMAN.- Will it appear in the board papers not for retrospective approval but will it appear in the board papers that a particular officer authorised this?

MR. M. LAL.- Normally, when the progress of the projects are being given those are included as part of the board information paper.

MR. CHAIRMAN.- So, if the board is not satisfied?

MR. M. LAL.- Because the delegated levels are already in place in terms of the officers allowed to sign on the variation. What happens is there is a 10 percent contingency amount already approved when things are being approved. Most of these variations do come in at the moment would be within that 10 percent contingency that the board already approves.

MR. CHAIRMAN.- What about this procurement policy itself? Is it board approved?

MR. M. LAL.- Board approved.

MR. CHAIRMAN.- It is impliedly approved the legal term for it. It is impliedly approved that this thing will happen.

HON. A.M. RADRODRO.- This procurement policy, is it attached?

MR. M. LAL.- That is a flying minute just an update to the initial procurement policy that was approved in 2013. It is just an update to the initial policy.

MR. CHAIRMAN.- That is the information to the board. I think the procurement policy is approved by the board so the board is aware.

4.4.1 Variations not approved by Water Authority of Fiji put to China Railway. Water Authority of Fiji variations totalling \$1.015 million. So currently all variations are now approved as per delegated levels per procurement policy. What happened there? Water Authority of Fiji allowed variations totalling \$1.015 million to the contractor as at 31st December 2012 which was not approved by the Water Authority of Fiji board. These variations were approved by ADB manager Mr Roly Hayes, General Manager Project Managing Unit, Mr. Timoci Turaga, CFO Mr. Maikali Naikawakawavesi and Acting Chief Executive Officer Mr. Opetiaia Ravai and Project Engineer Mr. Elain Morrel.

In addition Water Authority of Fiji did not provide three of the variations for review despite several requests to project accountant Ms. Joana Kaloucava, ADB project manager Mr. Timoci Turaga refer to table 4.4. So, here is an approval that is actually well above that ceiling that we were talking about a while ago \$100,000. Variations totalling \$1.015 million, that is probably something that OAG pointed out a bit earlier it could be a number of variations totalling that amount and that is the case.

Various approvals of \$170,000, \$600,000, \$11,000 totalled \$1.015 million. The findings shows the proper procedures were not followed by Water Authority of Fiji for approving variations and they reserved all variations not properly approved. This is a serious one, it is above the ceiling. Did the ADB project manager Mr. Roly Hayes have the authority to approve such variations? Or any of those officers?

Now there is a procurement policy anything above \$100,000 goes to the board. In here some of those amounts are above \$100,000 it did not go to the board. It was approved at this level here by the project officer and the Acting CEO then Mr. Opetiaia Ravai. Did they have the authority at that time? Or would you be aware that they had the authority to approve such variations?

MR. P. WAQANIVALU.- Thank you Mr. Chairman, from my knowledge it was back in 2011 and 2012 where the project manager had some delegated powers under the contract.. It was late 2010 that was when we started with the board approving all the variations, back then was when we started with the delegated limits.

Our Acting CEO Mr. Opetiaia Ravai then have had approval limit.

MR. CHAIRMAN.- Of how much?

MR. P. WAQANIVALU.- I cannot recall the exact limit

MR. CHAIRMAN.- But he had some authority

MR. P. WAQANIVALU.- He was authorised to approve certain limits of variations and above that, those were required to be submitted to the board for their approval.

MR. CHAIRMAN.- So, the other addition is that despite several requests to the project accountant Ms. Joana Kaloucava. Is that the same Joana or different Joana? Same one and ADB project manager Mr. Timoci Turaga. He is not here. So, there was a request to you madam to provide the variations for review. Have you provided the variations to the OAG for review?

MS. J. VATUVOKA.- The initiation of these projects back at those days, each project manager they keep track of their own documentation in terms of variations, approvals,

the contract documentation. At the time of the audit most of these information were not available for them to assess during audit so in previous discussion in section 3, the improvement that we have implemented we have now have a contract management which we have highlighted. Those have kept about the issues that were identified by the Auditor General back in those days in relating to information not being available at the time of the audit.

We have addressed that by setting up a unit which now look at all the compliance and documentation of all our source projects.

MR. CHAIRMAN.- Would the plan library also have section for these variations with the file itself?

MR. T. VAKADRAVUYACA.- This plan library will have information regarding all operations of Water Authority.

MR. CHAIRMAN.- Ms Joana is it possible for you to try to locate at least some of these variations for the project of China Railway and provide it to the OAG for completion of the report? If you can find them?

MS. J. VATUVOKA.- Noted Sir.

HON. A.M. RADRODRO.- Another question regarding this approval. What sort of variations are being left to be approved by the Chief Financial Officer? Is it that they have to approve it together with the CEO at that time?

MR. M. LAL.- From my understanding the delegated levels at that time is delegated so that a certain amount the CEO can approve any amount up to say \$50,000 either the Chief Operations Officer - COO or the CEO can sign. Depending on the amount and who is available that could go. Even under \$50,000 CEO could sign if based on his availability.

MR. CHAIRMAN.- Next one is 4.4.2. No expected completion date for China Railway Number 5 Engineering Group Ltd. It is just a matter of knowledge. Is China Railway, have different companies? There is number 5 here. We earlier saw number 7 so they have got China Railway number 2, 3, 4 all the way up. So it is the same China Railway.

MR. N. WAQANIVALU.- Yes. They are different. China Railways. In Fiji we have China Railway 1, China Railway 5 and China Railway 7.

MR. CHAIRMAN. - I noticed that. So there is different companies. What is noted here is that they were given the contract number 44-04-3 for Samabula North sewer reticulation package. They started the work but then they extended the completion date three times and still they could not complete the job on time. The final completion date was 14 of May, 2013. No action was taken by Water Authority of Fiji against the contractor for not completing the works on time despite extending the initial completion date three times. Recommendation, Water Authority of Fiji must ensure that all projects are completed on time as per the contract agreement or extensions allowed. Management comments, valid contract extensions were approved as per contract conditions. In this case, extensions were approved by the consulting engineers based on inclement weather factors. At the time when Water Authority of Fiji took over from Erasito, the contractor was on the verge of submitting

another inclement weather extension to November 30. Water Authority of Fiji is now working with the contractor for works to be completed on August 31. I think that explains extensions were given because of prevailing weather conditions that time and there is some explanation here provided by the Water Authority as well. The Project Delivery Framework (PDF) was introduced through the review of project management manual so and so. The PDF provides details. Step by step project implementation and direct users. So, what is the current system? How many times can you extend a project and if it has to be extended, what are the factors; weather being one, what other circumstance can a project completion date be extended?

MR. N. WAQANIVALU.- . Another factor for approving extension would be for, 1 is unfavourable weather conditions.

MR. CHAIRMAN. - Lack of material.

MR. N. WAQANIVALU. - Yes. Sir, delay in the supply of the materials from the supplier which they have to submit proof from the suppliers. There were some cases where the delay in supply is beyond their control.

MR. CHAIRMAN. - If during the course of a project, if there for example, by building a chamber the walls collapse and there is damage, which is the responsibility of your contractor. They do it again. They redo the project or the damage. That time factor, is that taken into account in extending time?

MR. N. WAQANIVALU. - That will depend on the scope and nature of the collapse of the chamber. It will be assessed by the consultant. If we have a consultant or by the project engineer from Water Authority of Fiji, on the extent of the nature of the collapse, from there they can make an assessment whether that will contribute to the overall extension of time for the project, they will work together, the consultant and the contractor. There are some times which we call, technical term is flow time.

MR. CHAIRMAN. - Flow time.

MR. N. WAQANIVALU.- So there are various factors that they will need to look at, working closely our consultants with the contractor before they can assess and approve and justify that this case is justifiable for an extension of time for the old contractor.

MR. T. VAKADRAVUYACA.- There is just one comment on time extension. Under the FIDIC Contract Agreements, there are many book colours that govern contract documents. Contract limitations. Under the FIDIC agreement, time extension, there is a provision under that book and within that provision fairness and equality is the basis of time extension.

MR. CHAIRMAN. - Basis, you assess the situation.

MR. T. VAKADRAVUYACA.- Yes so depends on the situation but under the FIDIC agreement of contract construction, extension of time is a provision, there is a provision allowed.

MR. CHAIRMAN. - Noted. 4.6 Trust Fund.

HON. A.M. RADRODRO.- A question to Water Authority of Fiji regarding involvement of companies like China Railway. There is always a challenge and risk in terms of understanding each other through, understanding through language used. So how has The Water Authority of Fiji put in place strategies for future engagements of companies such as China Railway?

MR. N.WAQANIVALU.- From our experiences currently with you know with 3 China Railway Companies or literally in Water Authority, we working with two of the China Railway Companies. over the years, they have adapted. They have adapted well. the communication is not a barrier currently because they have been retaining the same construction teams. You know they are moving their personnel from each project and not only that, they do not have a dedicated project team for Water. You know the people that they mobilise or the team that they mobilise to do work for Water Authority of Fiji, same teams that have done works with FRA and other projects in Fiji. The team that is here at the moment currently, most of them have been here for at least four to five years now from our understanding and working with them on the ground.

HON. A.M. RADRODRO.- Going forward.

MR. T. VAKADRAVUYACA.- These China Railway Companies, the strategy behind their involvement with the Government is, they are involving consultants. Especially from Australia, New Zealand to do their design work. These are the people who become the mouth piece of China Railway in terms of dealing of projects, in terms of communication. Especially on planning and design issues.

MR. CHAIRMAN.- A Trust Fund Account. It was noted that the retention amounts were kept in the current operating account as advised by Joana that time. I see from your notes that the recommendation was implemented by setting up a Trust Fund Account. Can you confirm that a Trust Fund Account has been set up?

MS. J. VATUVOKA.- We confirm we have a Trust Fund Account.

MR. CHAIRMAN.- Since when.

MS. J. VATUVOKA.- This was in mid-2014, we have.

MR. CHAIRMAN.- So that Trust Fund Account has all the retention monies. Anything else.

MS. J. VATUVOKA.- Just retention money.

MR. CHAIRMAN.- And is being operated as like any other trust account. You raise a voucher and invoice and then ...

MS. J. VATUVOKA.- Yes.

MR. CHAIRMAN.-. Again Suva/Nausori Regional Water Supply and Sewerage Project, (ADB-Funded). Audit opinion as unqualified upgrade of Waila, Tamavua Water Treatment Plants, Alum Solid Project, Fletcher Construction Company. Water Authority of Fiji on 24 December, 2012 made variations to the original contract number 23/ 04 to carry

out backwards treatment/ disposal project known as Alum Solid Project at Waila, Tamavua Water Treatment Plants. Initial cost of backwards treatment/ disposal project was \$3.429 million VEP., For 15 December, 2013 to 12 February 2014 several variations totalling \$590,000 were made to Fletcher Construction. The total cost of backwards treatment/ disposable project, Alum project after initial variations was \$4.019 million. The following anomalies were noted. Tenders were not called for backwards treatment/ disposable project. It is noted that these project tenders were not called. Is it for the total amount or just for the variation?

WAF REP.- Those two projects, the alum solid project were awarded to Fletcher directly, it was after consultation with Asian Development Bank (ADB). At that time, the project loan was going into completion, there were only a few months left and we identified those projects to be further funded from the balance of the loan. In the ADB procurement document or policy, there is a procurement method called 'Single Source procurement and this is done at the best interest of the Principal and it is also being scrutinised and approved by ADB and the board and the management looked at it and approved that method of procurement. Fletcher's Construction had carried out a few projects with us successfully, completed them on time and within budget, the Suva- Nausori and the Waila and Tamavua Treatment Plant and they were also being engaged and at that time the management had assessed Fletcher to be the most capable contractor to do the project. That was why the board and management of WAF in consultation with ADB – because for us to go ahead and do that we had to submit a 'no objection' again to ADB for them to further approve this type of procurement method. And it was best value for WAF going on at that time, if we were to go out for tender, it was going to take us another six months to finalise the award and we did not have time.

MR. CHAIRMAN.- At the time the loan would have expired?

WAF REP.- Yes. So, that was one of the main reasons why the Board and ADB...

MR. CHAIRMAN.- The Board approved this one?

WAF REP.- The Board approved it, yes. A single source procurement to go straight to Fletcher's and engage them and the prices that they had submitted were assessed, and we had our own Engineers estimate. And that were assessed with the prices that were submitted by Fletcher's for those two projects.

MR. CHAIRMAN.- We can note that it was done because the term for the loan was about to expire had it been to the normal procurement process, it would have actually exceeded time and the loan would have expired. With the approval of the ADB and the Board you went ahead and engaged Fletcher, it was a reputable contractor to get it done in time, that explains but then the variation amount here about half a million dollars. There was a variation to the project that was allowed to Fletcher Construction, was that done by the Board's authority or ADB? The ADB one is a grant, it is not a loan right? We have to pay sometime, maybe at a smaller percentage of interest, so with the variation that is about \$590,000 extra on the taxpayers' pockets? Was that approved anywhere? Any idea, Project Accountant or Manager Finance?

If you need time to come back on it, we can allow you time.

MS. J. VATUVOKA.- We will note this Mr Chairman, and we will provide the details of that \$590,000.

MR. CHAIRMAN.- When you go back to the file, just note that we do understand the first part, the contract was not called and there are some reason for it. But then the variation, the \$590,000, that was also approved, there must be solid basis otherwise it would turn out like that building – what was that building that we were talking about? It was a building here done by the Ministry of Foreign Affairs(St Stephens)- so they started it without any tenders, without any contract, they kept on varying it, cost overruns ITC and then it never got completed, we do not want to see a project like that. But yes please come back to us on that. Is this Waila-Tamavua Water Treatment Plant is it working now? Is it a project that is completed?

WAF. REP.- Yes Sir, it is completed and it is working now, it is in operation.

MR. CHAIRMAN.- Is the defect period over?

WAF REP.- Yes, the defect liability period is over. It was over in 2014.

MR. CHAIRMAN.- The next one, 5.3.2 Contact Agreement not provided. The review of this project reveal the following anomalies;

Contract Agreement should be properly maintained for reference, so this is one of those that was approved without the tender, but the contract document is not available for reference. WAF did not provide the contract agreement for audit review, as a result audit could not verify the performance of security of \$324,000 bank guarantee. In addition, the audit could not substantiate whether the contractor complied with some of the important contract requirements.

The contractor guaranteed bank guarantee of \$197,000 instead of allowing retention payment, progress claim, so again this is one those cases where bank guarantee was substituted for retention. We note the current policy, the retention is mandatory. In the absence of contract agreement, the audit could not verify whether contractor complied with the contract agreement. WAF did not provide the contract at that stage, is it in a position to provide the contract now?

WAF REP.- We request if we could get back to you on that.

MR. CHAIRMAN.- Yes please. Take a note for completeness, we will need to see the contract, so there are two issues here, one is the variation and the second, the contract document. Provide to us and we will provide to the OAG.

The issue of 5.3.3 Variations and project costs and scope of works not approved by WAF Board. Any variations shall be approved by WAF Board, tender committee, the project engineer Mr Serio Cokocoko Yanuyanurua made several variations with the project price. During the project and implementation phase, however four variations which included downward variation of \$30,000 and upward variation of \$74,000 to the contract was not approved. If we do take note of your earlier explanation that now there is a procedure on variation approval, anything below \$100,000 there is a delegation of powers, above \$100,000 goes to the board. Are you in a position to tell the Committee what actually happened there at 5.3.3?

WAF REP.- To clarify the letter that WAF got did not state anything on 5.3 to be clarified that is why have not provided any response?

MR. CHAIRMAN.- Oh you mean the letter from us?

WAF REP.- Yes.

MR. CHAIRMAN.- Did we? Who wrote the letter? I see they have not actually touched that so probably it was not written. So can we write another letter to you?

WAF. REP.- We can provide that authority but it was not stated in that letter so that is why we did not respond.

MR. CHAIRMAN.- I do understand, I see even in your response, we have gone straight from 5.2 to 5.4.1, so maybe we missed that but have a look at that and assist the Committee in that regard. Since we have raised so far, 5.3.3, 5.3.4 Variations and provisional sum, is the next one, 5.3.5 Performance bond, 5.3.6 Prolongation claim – that is a new one. 5.3.7, we have missed a whole section. To make it easy for them, just do another letter, a cover letter to WAF, it is not their fault, it is our fault, I did not realise that actually. We will do a notation and we will send it back to you in consultation with OAG, so that anything is missing, you can fill in the blanks.

So can we go to 5.4 now? Tenders not called for trickling filter Kinoya - this is the one? Am I reading from page 10 of the OAG report 5.4

MR. CHAIRMAN.- The Solution of Sewerage Articulation Pump Station Fletcher Construction that is the one. We missed that section but we are now in the right place. Fletcher Construction Company wants to install seven sewerage reticulation pump 5.4.1 Tenders Not Called For Trickling Filter at Kinoya Waste Water Treatment Plant. Is that another of those cases where the ADB money was about to run out or?

MR. V. VAKACEGU.- The trickling filter project at Kinoya was also similar case as the Alarm Solid Project, it was a direct source procurement.

MR. CHAIRMAN.- ABD approved that?

MR. V. VAKACEGU.- ADB approved that. It was also internally designed, it was using the same design as the existing two trickling filters, those were the two initial treatment reactors in Kinoya which was build back in the 70's in 1973 and we still had the design with us. The design was reviewed by our consultant and we use the same design for these projects.

The reason being because we had to complete the project on time and ADB had approved this, our reports for the selection of the trickling filters and the usage of the existing design drawings that we had for the two existing filters.

MR. CHAIRMAN.- This is a matter of interest, what is it exactly the trickling filter?

MR. V. VAKAVEGU.- The trickling filter is a big concrete box it is about 50meters in diameter circular with stones placed inside the circular.

MR. CHAIRMAN.- So water comes from the top it filters through those rocks.

MR.V. VAKACEGU.- Yes, it filters through the rocks that is where the treatment takes place.

MR. CHAIRMAN.- Oh, that is the one we learnt in Basic Science in High School.

MR. V. VAKACEGU.- Yes.

MR. CHAIRMAN.- The little cone that actual.

MR. V. VAKACEGU.- That is growth process.

MR. CHAIRMAN.- Is it conical shape?

MR. V. VAKACEGU.- At the bottom it is conical where it collects all the water but the particles are actually trap by the stones.

MR. CHAIRMAN.- The fresh tenders were not called. Currently what is the practise of the Water Authority of Fiji, if there is a similar project like ADB and one of periods is about to end. Are you still allowed to have a similar arrangement, direct contract without tender process or has that changed?

MR. T. VAKADRAVUYACA.- For ADB currently we still have the single source selection process and the quality based selection process.

MR. CHAIRMAN.- You have both?

MR. T. VAKADRAVUYACA.- We still have both processes in place.

MR. CHAIRMAN.- Since there is amount of rain that we have, will the rain water harvest that also comes under your Portfolio or is it Ministry for Rural Development?

MR. T. VAKADRAUYACA.- Rain water harvesting is operationally handled by Water Authority, yes, under the rural unit.

MR. CHAIRMAN.- Water Authority has some input in that?

MR. T. VAKADRAVUYACA.-Yes. Water Authority is actually handling the rain water harvesting programme.

MR. CHAIRMAN.- In some countries like India, they have the large tanks underground for rain water harvest, is that something Water Authority had looked into? Currently we doing what you call that guttering and have a tank around the house to collect the rain from the roofs.

MR. V. VAKACEGU.- Our people just come back from India, guys are going on 3 months attachment and also training they brought back that information that they have it underground. And some of the villagers in Lau they have not properly underground but part of it in the ground, so that is an area that we might look into, at the moment it is all above ground.

MR. CHAIRMAN.- In the rural settlements when they do the water harvest rain from the roofs the bird droppings and the dust and the leaves they actually also get filtered through that gutters into the tank. So do you have any system methods of straining that?

HON. A. D. O'CONNOR.- I was brought up in Colo-i-Suva and if you go to Colo-i-Suva there is some very, very old concrete homes that were built by the then Colonial days when the foreigners came in and worked for the Native Land Trust Board. If you go up now those five homes are still standing and homes are actually built on water tanks, so all their rain water through the guttering's went into their holding tanks which was beneath their actual floor. Partially below ground level but then that is an example for harvesting.

MR. V. VAKACEGU.- On that bird dropping, there is an apparatus now which they called the first flush it is available now with Carpenters you can see it has been advertised., It is something that we will have to develop into, at the moment it is just the tanks but at least they have water, they need to boil it.

MR. CHAIRMAN.- Water from the gutters are passed through a certain filter before it goes to the tank?

MR. V. VAKACEGU.- Yes it is available now with Carpenters Hardware.

[Inaudible]

MR. CHAIRMAN.- I define that view, unless they eat guava it can turn to jam but everything else. Okay performance bond security 5.4.2 The Contractor Shall Provide Performance Security In 10 percent Contract Price. Is that the performance bond guarantee that was similar to retention? What does it mean that performance bond security?

MR. P. WAQANIVALU.- The retention sum and performance bond is separate, the performance bond is payable during the duration of the contract, whereas the retention is payable at the end and at the expiry of the defects liability period.

MR. CHAIRMAN.- So the bank guarantee and the 10 percent retention that is similar, that covers for the defects liability period but the performance bond security is for variation purpose.

MR. P. WAQANIVALU.- Any variations and.

MR. N. WAQANIVALU.- Chair the performance bond is specifically for the performance of the contractor if he is not performing good you can penalise him as well.

MR. CHAIRMAN.- That has got a different application from the bank guarantee and the retention. So in this case for the trickling filter 5.4.2 the performance bond was not provided?

The finance indicate Water Authority did not provide the correct sum for the performance bond security to be paid by the contractor. The explanation there was since 2014 Water Authority has implemented performance safeguards that required under FIDIC all contractors of Water Authority of Fiji now have performance guarantee values at 10 percent of the contract cost, design and built, supply and solution, is it uniform across the board now 10 percent performance bond?

MR. N. WAQANIVALU.-Yes Chairman it is standard now it is 10 percent as per the requirements of FIDIC regulations.

MR. CHAIRMAN.- For any contract now if I understand it correctly, you have to have a performance bond security and one of the other two bank guarantee or retention, so that is the total of 20 percent. For example, if the contract is a million dollars then \$100,000 would be a performance bond security. Is that a cash or a bank guarantee?

MR. N. WAQANIVALU.- It has to be a bank guarantee.

MR. CHAIRMAN.- And then after the period is completed this one is released, this second one comes into play the retention amount or the bank guarantee form?

MR. N. WAQANIVALU.- Yes.

MR. CHAIRMAN.- Retention Security 5.4.3, again the same one I think the trickling filter one.

Audit noted that the Contractor provided a Retention Bond from its bank, ANZ Bank New Zealand Limited for \$144,856 even though the contractor provided \$18,894.50 more than the amount requested, the Retention Security was underprovided by \$71,851.68 compared to the amount required under the contract conditions.

The findings indicate that the retention security requested by WAF was incorrect and less than the amount required under the contract condition.

I believe it was that time this under control now. Who is the main person in charge of looking at that, that these things are done, the bank guarantees is that the correct amount is given to the contractor. Is that Joanna, Project Accountant or the Chief Financial, Michael Lal?

MR. P. WAQANIVALU.- Mr. Chair, it is the responsibility of the contract management officer to do all those cheques before contracts signing takes place.

MR. CHAIRMAN.- We know whom to catch next time these issues arises in the next audit opinion. Would OAG considered doing a follow up audit on these projects? Most of them are completed. Do we have a look to see, already? Only to visit the sites and see if that is done properly. Everything is in order now. But not the accounts committee?

HON. RATU N.T. LALABALAVU.- It has been going, Mr. Chair.

MR. CHAIRMAN.- Alright.

MR. P WAQANIVALU.- This is a normal financial audit.

MR. CHAIRMAN.- Alright, when you go there takes some nice pictures. I want to see how these things look like.

5.5. Package 5G: Suva Point Sewerage – Technofad Engineering Limited

The contract for Package Suva Point was awarded to Technofad Engineering Limited (TEL).

The project comprised of 32km.

Expiry of Contractor's All Risk Insurance Policy

This is a new one. The amount insurance to be affected in respect of contract works and materials shall be for not less than the sum of the following:

- a) The contract price, after the acceptance of the tender;
- b) The cost of demolition, disposal; and
- c) For professional fees including the cost of Clerk of Works and inspectors.

Public Liability insurance shall be effected for an amount not less than \$10million. Motor vehicle third party insurance shall be effected for an amount not less than \$1million.

TEL was to commence sewer reticulation of works and complete the work in 18 months on 26/07/13. The Contractor Technofad Engineering Ltd submitted a Contractor's All Risk Insurance Policy from New India Assurance effective from 27th January.

The audit noted that the Contractor was not able to complete the project on expected completion date and WAF allowed extension of time. At the date of the audit the project was still not completed. However, the WAF did not obtain a renewed Insurance Policy from the contractor as at the date of audit.

The audit further noted that the Contractor:

- did not provide any insurance cover for demolition and professional fees as required in the contract agreement.

Another issue here it seems to be a bit serious one. WAF allowed for an extension of contract completion time they did not ensure that the public liability insurance and motor vehicle insurance were also renewed. But that exposed both the companies' workers and WAF to uncovered liability. Any explanation on that WAF?

5.5.1 Expiry of Contractor's All Risk Insurance

An increase in compliance monitoring on documentary safeguard in contracts by 2014 has enable WAF to centralise this core function into an existing sub-unit for full time personnel to document, monitor and ensure compliance of WAF outsourced contracts to date. This has been sourced from audit findings and capacity development in WAF.

Submission for valid worker compensation, policy and public liability cover are a mandatory.

That means some changes there but which unit is responsible to ensure that if there is an extension granted they also have a policy extension.

WAF REP.- That is the Contract Management Unit that has been established they will be monitoring the performance and also the extensions everything else and also looking at the compliance component of the contract.

MR. CHAIRMAN.- Some of your own employees will be sitting in that unit. It is an internal.

WAF REP.- There is a separate department that looks after contractors.

MR. CHAIRMAN.- Alright, Members that what happened back in that time but they have got a Construction Management Unit (CMU).

MR. N. WAQANIVALU.- Contract Management Unit.

MR. CHAIRMAN.- Any of your current presenters here is in that unit? Someone who can like give us some background on how to operate operates.

WAF REP.- The unit is headed by our Manager Legal.

It is a unit within the legal unit and it operates closely with planning and designing unit and the finance unit. These units sit in the contract management workshop and also sit in the procurement workshop. It is part of the unit and the unit that fetch the documents through the Contract Management Workshop.

MR. CHAIRMAN.- Everything from the word, go, is their responsibility, the contract documents itself.

WAF REP.- The contract document, yes.

MR. CHAIRMAN.- Then to see if they are complain with their contract obligations.

WAF REP.- Yes, they have got a check list of things that needs to be dealt with first before the contract is signed.

MR. CHAIRMAN.- Do they have a terms of reference or something that we can have a look?

WAF REP.- We will provide that.

MR. CHAIRMAN.- Please note that down. That unit is an important one that can streamline or ironed out all these variations here.

5.5.2 No Extension of Time for Technofab Project

WAF allowed two extensions to the contractor to complete the project from 26/07/13 to 25/09/13 and from 25/09/13 to 30/10/13. According to the Project Engineer Mr. Munue Memaofa the extensions of time was allowed to the contractor due to delays in the works and finishing creek crossing.

The audit noted that no extension for project completion was allowed.

The findings indicate that the Project Engineer did not monitor the progress of works and to take appropriate action against contractor's inability to complete their works.

What happens in the case when the Project Engineer which is your agent does not monitor a job? What sort of action can you take against your own Project Manager?

WAF REP.- The case we find that the Project Engineer is not properly monitoring the project, we will terminate the officer, which what we had carried out in the case of Mr. Munue.

MR. CHAIRMAN.- Is a good strategy though because if you keep on harbouring them is not going to get ...ground. So, you have to change them then what happens to the monies that already paid to them? You refund it? Project Manager must be a firm or a person.. They always take some deposits and money.

MR. T. VAKADRAVUYACA.- He is a member of our staff, Mr. Munue.

He was terminated in 2013.

MR. CHAIRMAN.- Findings indicated the project did not monitor the progress for works for their project and take appropriate action as a contractors. That officer exposed to WAF to unnecessary risks. There was no comment provided by the management.

The project was related to service contract.

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

WAF awarded with the contract to Samabula North:

- Supply and installation of new gravity sewers and ancillaries, generally below ground and Poly Vinyl Chloride (PVC) but with above ground sections in spigot/socket ductile iron pipe at creek crossings.
- Supply and installation of reinforced concrete columns and foundations for support of above ground pipe sections.

5.6.1 Variations Exceeding 15 percent for the contract sum.

The audit noted that the Contractor provided a Retention Bond from its bank, ANZ Bank New Zealand Limited for \$144,856 even though the contractor provided \$18,894.50 more than the amount requested, the Retention Security was underprovided by \$71,851.68 compared to the amount required under the contract conditions.

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- Supply and installation of reinforced concrete columns and foundations for support of above ground pipe sections.

5.6.1 Variations Exceeding 15 percent for the contract sum.

We understand that variations below \$100,000 goes to the respective heads.

WAF REP.- The issue was brought up during the audit. It was in the calculation of tax where we had the two formulas netting off and grossed up formula. In this instance instead of the net off formula being applied, it was end up formula. In 2014 contract agreement for Mr. Hayes the board had approved for a gross up method, all this while the assumption was the contract was in gross up.

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

(Inaudible)

WAF REP.- I think it is around \$23,000 the actual.

MR. CHAIRMAN.- Now, what has happened we have round off time up to 1.00pm and very soon the next Committee will move into this room. We have to do is we have to adjourn the meeting to another date which is suitable to you. We have one whole section left and that is the Fiji Flood Emergency Response Grant also Water Authority. Paragraph 5.7.3 onwards which is Unavailability of Information consultant Mr. David Zoellener.

We also have some pending questions on 5.7.2 together with what you have to respond to. Can we write back to you on a suitable date? When are you available the entire team?

WAF REP.- Whenever the Committee is ready.

MR. CHAIRMAN.- So, who is coming on Tuesday, tomorrow we have FRA. We do not have anyone on Friday, Monday. So, is Tuesday next week suitable?

WAF REP.- I think the team would be out in Nadi for the Nagado shutdown whole of next week.

MR. CHAIRMAN.- A staff will contact you after the shutdown and you can then plan a date to complete this. Is that suitable? In the meantime you can work on the additional submissions, the once we have already highlighted. I commend Water Authority of Fiji for forth right answers and very detailed answers. It is just that we do not have time so we will move to another date and my staff will consult you in that regards.

WAF REP.- Section 7. These issues have been discussed previously last year with the Committee here. The responses are similar to what has been provided to the Committee last year.

MR. CHAIRMAN.- Previously on Fiji Flood Emergency one.

WAF REP.- So, it is the same comments.

MR. CHAIRMAN.- Honourable Aseri Radrodro you were here at that time? I was not here. I do not remember Fiji Flood Emergency.

WAF REP.- I think the Deputy Chairperson was here at that time.

MR. CHAIRMAN.- You were here discussing section 7 – Fiji Flood Emergency. What the Water Authority is telling us is that the response is similar. You have the written response here, will go through them and if there is a need then we will call you back. Otherwise we will round up on the submission. That will save time both ways. Will that be suitable?

WAF REP.- Thank you Sir.

MR. CHAIRMAN.- We definitely need some answers on the previous ones that we have highlighted. Honourable Members consider the time I would like to thank Mr. Taitusi Vakadravuyaca, Mr. V. Vakacegu, Mr. Samanmal Ekanayake, Mr. Nemani Waqanivalu, Ms.

Joana Vatuvoka, Mr. Michael Lal and Mr. Pita Waqanivalu for your attendance this morning and afternoon before this Committee.

The Committee is indeed indebted to you for your explanations and all of you have very good knowledge of the workings of Water Authority. I hope the projects that are underway will be completed on time. I have not had a water cut in months in Ba and I hope it remains that way.

Team that was a good work and thank you very much for your time.

The Committee Interview adjourned at 1.01 p.m.