

# **PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**TUESDAY, 29TH MAY, 2018**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 29TH MAY, 2018 AT 9.30 A.M.**

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

In Attendance:

- |    |                        |   |   |
|----|------------------------|---|---|
| 1. | Mr. Sekove Uluinayau   | – | General C/S                                     |
| 2. | Mr. Michael Lal        | – | Chief Financial Officer                         |
| 3. | Mr. Samanmal Ekanayake | – | Chief Operation Officer                         |
| 4. | Mr. Nemani Waqanivalu  | – | General Manager Construction, Planning & Design |
| 5. | Ms. Joana Kaloucava    | – | Accountant                                      |
| 6. | Mr. Pita Waqanivalu    | – | Manager Finance                                 |
| 7. | Ms. Talei Ligairi      | – | Manager Legal, Board Secretary                  |

Office of the Auditor General

1. Mr. Dineshwar Prasad – Director of Auditor

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DEPUTY CHAIRPERSON.- Honourable Members, representatives from the Ministry of Economy (MOE) and the Office of the Auditor-General (OAG), in particular representatives and resource personnel from the Water Authority of Fiji (WAF); I welcome you all to the meeting of the Public Accounts Committee (PAC) today dated 29th May, 2018. I welcome you, Sir, and your team.

We are here to discuss issues in the 2015 Audit Report on State-Owned Entities (SOEs) and Statutory Authorities (SAs) and before we move on to the actual discussion, you must have noticed that the whole structure of the Audit Report has changed. Now, we are focussing on the major issues as well, which are mostly a collective summary of all the Government Commercial Companies (GCCs) out there and the ones that are applicable to your entity has been highlighted.

Some of the issues were sent to your good office, Sir, are the modified audit opinions in which we asked questions on that; emphasis of the matter and the third issue that we sent says, “Please, advice the Committee on the following audit findings:

1. High provision of water and sewerage rates debtors; and
2. Authority’s Plant and Equipment not insured.”

Basically, those are the main issues that the Committee would be discussing in today’s submission.

Without further ado, I would like to give the opportunity to the Chief Financial Officer (CFO) or any designated speaker from WAF.

My apologies, I have not introduced the team. I might find it a bit respectful if I call out your names as it appears here, I might make a mistake in trying to pronounce your names so out of respect a humble plea and request if you could introduce your team. Thank you.

MR. M. LAL.- Deputy Chairperson, Honourable Members of Parliament, first of all, thank you for the invitation for us to come and clarify some of the issues from the 2015 Audit Report for WAF. I would just like to introduce our team.

(Introduction of WAF Team by CFO)

We have brought this team in case there were also any technical questions that would be asked, that is why the composition is of this. Just to update the Committee before we move on to those questions, WAF has also completed its 2016 financial accounts and it is under audit at the moment and would be finalised shortly.

We have also completed our 2017 financial statements and that has been endorsed by the Board and would be subject to audit in the latter half of this year. We are also changing our financial year end to be in line with the Government's financial year so for this year also, we are ending our accounts in July, seven months into July we will be ending. That account also will be ready after a month and a half after the Board's endorsement so we would be (sort of) up-to-date with all our financial records.

In terms of the clarity questions, Deputy Chairperson, there was few issues that were identified by the letter that we received. In terms of the Modified Audit Opinion which had the revenue recognition, whether it is to do with the revenue is to be recognised by WAF or by the Government of Fiji; WAF still maintains its stand that the main activities in terms of water and sewerage rates are billed to its customers. The contractual obligation, the follow ups, the credit risks, et cetera, are all maintained by the Authority and, therefore, the revenue that is generated out of the services provided for water and sewerage that is billed to the customers should be recognised as revenue for the Authority. That is WAF's stand in terms of the revenue recognition.

The Authority feels that even though the money that is paid out goes back into the Consolidated Account of the Government, we treat that as either an advance or a contribution to the Government. So, that is how the Authority is treating that at the moment.

DEPUTY CHAIRPERSON.- OAG, the last few statements as to how they are treating the consolidated funds, is it acceptable?

AUDIT REP.- Thank you, Deputy Chairperson. The OAG notes the comments from the Authority. While the Authority maintains its position in stating that the revenue collected from water and sewerage fees is revenue for the Authority, the OAG thinks otherwise and the justification for that is that, first of all, the cash that is received are water and sewerage charges that is returned to Government so it goes into the Consolidated Fund Account.

In order to operate and meet the operational cost and capital cost of the Authority, Operating Grant and Capital Grant is given by the Government. OAG feels that a disclosure in form of a note would be more appropriate than recognising the revenue because the actual costs is borne by the Operating Grant that is given by the Government.

There is no control over that revenue directly because it comes in and then it goes back to the Consolidated Funds. There are few entities that also operate in a similar way which receives

grants from the Government and the revenue goes back into the Consolidated Funds and they do not show that in their books.

So, while we note the Authority's position, the OAG also maintained its position that it should not be recorded as revenue but it could be disclosed as a note in the financial statement.

DEPUTY CHAIRPERSON.- CFO, there will be some supplementary questions so I hope you are alright with that.

Honourable Members any supplementary questions on that?

HON. A.M. RADRODRO.- An interesting scenario was explained by the OAG in terms of your position and the position of WAF. Can you explain the basis of your position? Why do you think that WAF should account the revenue in a way that you think is best?

AUDIT REP.- There are particularly two reasons; one is that, in order for revenue to be recognised then the entity should have the control over the revenue. What happens here is that, cash is coming in, then it goes back to the Consolidated Funds, so the Authority does not use those cash for its operations. They do not meet that criteria in revenue recognition.

HON. A.M. RADRODRO.- The treatment of the revenue that you are saying, what is the basis of your opinion that they should not be treated in the way that they are treating it? How do you base your opinion?

AUDIT REP.- It is based on the Standards, we quote the Standards.

HON. A.M. RADRODRO.- Which Standards, is it according to the International Accounting Standards (IAS)?

AUDIT REP.- IAS 18 – revenue, that is the basis. One of the conditions is that, the Authority needs to control the cash that is receiving in order for it to be recorded as a revenue but because it comes in and it goes out to the Consolidated Fund.

Another justification for that is that, the grant is given by the MOE which is the Operating Grant and Capital Grant. The Operating Grant comes in, that is used to finance the operational activities of the Authority. So the revenue that is received by the Authority, there is no matching, it cannot be matched with any expenditure because they do not incur the expenditure which is financed from the Operating Grant.

In 2012 when we were actually discussing this with the Authority and we also went to meet with the MOE, at that time we did not want to just raise the qualification like that, so we had our discussions with the MOE and they also confirmed that since they are giving the grant to WAF, the revenue is booked in the Whole of Government's Accounts. So they cannot be double recording because when it consolidates, there will be two. The Government is also recording the revenue through its Consolidated Funds and there is another recording of revenue through WAF.

We did consult MOE before we came up with our opinion and they concurred with us, that it should not be recorded as a revenue but as a note. And they also gave examples of LTA and FRCS for which they are also giving Capital Grant and Operating Grant. So that was the basis of how we came up with the qualification.

DEPUTY CHAIRPERSON.- MOE?

HON. A.M. RADRODRO.- A supplementary question regarding this treatment, what revenue amount is involved in this one, is it \$32 million?

AUDIT REP.- Yes, that is correct, \$32.4 million.

HON. DR. M.T. SAMISONI.- A supplementary question; for accounting purposes, I agree with the IAS and the system so that everyone knows. What is going to happen in future?

I hear you say that all your other financial reports are ready till the middle of the year and up-to-date. So how are you going to treat this now because there seems to be a difference that needs to be brought together in a system so that accounting continues with the taxpayers' funds? What is going to happen now, as you said a note to follow that so that everyone is aware? How is it going to be treated, especially with other Departments, for example, LTA doing the same thing? This seems to be conflicting and not really clear. So you really had the last say in it?

AUDIT REP.- Thank you, Honourable Member.

Just for the information of the Committee Members and for the Authority, in 2013 when the audit was going on and they had a discussion, the former Auditor-General then recommended the Authority to have discussions with MOE so that this issue could be sorted out. The MOE gave the Authority the control over the funds so once that is done, we probably would be happy with the recording of the revenue.

HON. A.M. RADRODRO.- Just a supplementary question; are similar entities also not recording as their revenue, especially LTA and others?

AUDIT REP.- They are recording it as a note -disclosure, not on the face of the income statement.

MR. S. ULUINAYAU.- Thank you, Honourable Member, just to continue from the comments by our CFO, if we look at IAS 18 in terms of the definition of revenue, it defines revenue as the gross inflow of economic benefits during the period, arising from the cost of ordinary activities. And in relation to WAF, the ordinary activities for the Authority as per the Promulgation 2007 is the supply of water and waste water services. So that is part of the basis why the Authority maintains its position to recognise water and waste water tariff as a revenue for the Authority.

Also, as mentioned by the OAG in relation to LTA and other agencies, if we do compare LTA with WAF, most of the revenue that is recognised by LTA is on a cash basis, whereas for WAF revenue is recognised on accrual basis and then we collect from customers at a later date. So those are some of the challenges that the Authority has to consider in terms of recognising revenue.

As also mentioned by the OAG in terms of the meeting with the MOE, I believe that the accounts for MOE is in compliance with IPSAS whereas for the WAF, their accounts is in compliance with IFRS. So there are two different Standards that you are trying to compare.

HON. DR. M.T. SAMISONI.- If there are two different systems, it is going to be very confusing and I am not surprised that the standard in general is not very good as I see it with this confusion. It is just a comment, I will leave it to you.

DEPUTY CHAIRPERSON.- It is not actually a confusion, it is the challenges and...

HON. DR. M. T. SAMISONI.- Sorry, it is challenges, yes.

HON. A.M. RADRODRO.- A supplementary question; OAG, this treatment that you are recommending was it from day one when WAF was corporatised or is it a new recommendation that you put in?

AUDIT REP.- Thank you, Honourable Member for your question. The qualification is appearing in the Authority's books from year 2012.

HON. A.M. RADRODRO.- Since it started or?

AUDIT REP.- From year 2012 or 2011, if I can get back to the Honourable Member on that.

HON. A.M. RADRODRO.- I am just curious about the recommendation that you put in because of the decision by the Government to put revenue into the Consolidated Fund is a policy decision which, by right, if WAF is allowed to be fully corporatised, they would have recognised their revenue as such. But because it has been seen as (you can correct me CFO) cash cow for Government in terms of its consolidated revenue, that is the policy that was made at that time, similarly for LTA.

LTA was also put separately into its own entity before it changed back to revenue being deposited into the Consolidated Fund. It is a policy decision, otherwise WAF would have operated on its own. Maybe, you can check on that and see how your recommendation works out.

AUDIT REP.- Noted, Honourable Member.

Just a further comment from OAG, even though it is a policy decision to put the cash from the water and sewerage charges into the Consolidated Fund, the revenue should be enhancing the equity of the Authority but, in fact, it does not. It comes in and it goes out, so there is no enhancement of the equity as well. Those are some of the things we are considering, whether it meets the definition of the revenue or not.

The Authority interprets the Standards in a different way and OAG interprets the definition of the Standards in a different way, but we are also considering all the other factors in terms of the cash coming in, it is not confirmed because they cannot use that cash, it needs to be returned to the MOE through the Consolidated Fund and also it does not enhance the equity. So, those are some of the basis on which we have conflicting views.

HON. A.M. RADRODRO.- Do you obtain legal opinion on how you interpret that and whether WAF also obtained legal opinion on the interpretation of how you treat this revenue?

AUDIT REP.- Thank you, Honourable Member for your question. Because the opinion of the Auditor-General is based solely on the Standards and he has only looked at the Standards, I think that is something that cannot be resolved through a legal opinion because the Standard is such for the recognition.

HON. A.M. RADRODRO.- So, both are maintaining the Standards now?

AUDIT REP.- Yes.

MR. P. WAQANIVALU.- Thank you, Honourable Member. I would like to add to the comments by the OAG; in terms of WAF, we had sought a third party opinion from KPMG in 2012. So, with that opinion that the Board had received from KPMG, they stood on those grounds based on the issue that we have attempted.

DEPUTY CHAIRPERSON.- Will it be all right if we get a response from KPMG? It is on this issue, the independent response from the ....

MR. P. WAQANIVALU.- I have noted that, Deputy Chairperson, we will do that.

AUDIT REP.- Just to add on to that, Mr. Chairman, KPMG also met with the OAG in regards to that issue, but the former Auditor-General still maintained his opinion on that.

DEPUTY CHAIRPERSON.- He still maintained that?

AUDIT REP.- Yes, he still maintained. KPMG did come over to the OAG for discussion but he had his final say.

DEPUTY CHAIRPERSON.- So what can be our final say?

AUDIT REP.- He further advised the Authority that the best way to resolve this is to discuss it with MOE.

DEPUTY CHAIRPERSON.- Yes, that is why I wanted them here.

HON. DR. M.T. SAMISONI.- I have a comment; last night and the night before, I received an email from PricewaterhouseCoopers, they are my auditors and they have updated from January 2018 to IFRS and that they are going to change all these. So I just want to mention it and I will send it to you. So it is going to really make it easy for you to read your Standards.

DEPUTY CHAIRPERSON.- We will move on to the next issue.

MR. M. LAL.- Thank you, Deputy Chairperson.

Opening balance of the Property Plant & Equipment (PPE) amounting to \$1.8 billion was not subject to valuation at the time of its transfer from Public Works Department (PWD). These assets were valued in 2016. Consequently, accuracy of the opening balance could not be determined. That is the Audit finding.

WAF's response on that is that, at the moment the Director of Lands and WAF are awaiting legal opinion from the Solicitor-General's Office advice on transfer of assets on *iTaukei* land and freehold land while we are applying leases to Lands Department for assets on State-owned land.

At the moment, the transfers have not happened. We are still waiting for the transfers to be finalised and, therefore, after that we would be able to take a valuation of the full assets.

We are currently having monthly fixed assets general ledger reconciliation to our register. In 2018-2019 (this year to next year), we are planning to conduct a full Board of Survey (BOS) again and then upload its results. Currently, we are maintaining an excel sheet for our Fixed Assets Register but we are planning to use our accounting software, Sage 300 to incorporate all these.

One of the challenges WAF has at the moment is that, the assets that were transferred are of PWD. Some of them do not exist. When it was taken over, we could not identify them so that is the biggest challenge.

WAF has, at the moment, in terms of whatever it has inherited and then trying to do a valuation of those assets so what we thought was that we would work on two plans; one was to ensure that we follow up and get all our transfers of all our titles done and also do a BOS. Then there would probably be a discrepancy once we do the valuation but that would be recognised in the year probably when we do the financials.

DEPUTY CHAIRPERSON.- Sir, do those assets also include, I mean, the old staff quarters and all that where PWD depots are?

We have yards or depots everywhere around Fiji and we can see some depleting staff quarters and Government vehicles. Are these the assets that we are talking about here or do that come under Fiji Roads Authority (FRA)?

MS. J. KALOUCAVA.- Thank you, Deputy Chairperson. With regards to the assets that are on the depot, one of the exercise that is currently ongoing with the Department of Lands is the demarcation because these yards were co-shared back in those days because we had the presence of FRA, WAF and so the process involves the demarcation first, and that is currently in progress.

DEPUTY CHAIRPERSON.- That is why I think this legal process is taking a lot of time because it used to be shared.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question to the CFO; you are talking about two issues here, one is the valuation of assets and the other is the transferring of assets which is going to take time. In the meantime, is WAF going to undertake valuation of the assets as they were to address what OAG has raised?

MR. M. LAL.- Thank you for the question, Honourable Member. We were deciding that once everything is, sort of, transferred to the Authority, that we will do a full valuation of everything in one cost rather than having done in two different valuation exercises, which probably would be more costly to the Authority.

HON. A.M. RADRODRO.- Regarding 2016, that is not correct. Is that right OAG? Is there a statement you also put out?

AUDIT REP.- Thank you, Honourable Member, those are the actual comments that we received for the 2015 Audit, from the Management.

DEPUTY CHAIRPERSON.- Thank you, we will take note of that and we will move on to the next issue.

HON. A.M. RADRODRO.- A supplementary question.

DEPUTY CHAIRMAN.- One more supplementary question.

HON. A.M. RADRODRO.- CEO, you are talking about your assets and the valuations. The current status of your assets and also late last year, about the Western Water Catchment, can you just give us an update on that, the one in Nadi? It was closed because of the algae or something.

MR. S. EKANAYAKE.- Regarding the Catchment, we have done one aerial survey to identify the Catchment so in future, I think we have to negotiate with the landowners, either to protect the Catchment or to pay some amount as a lease and WAF to take over. Those are the two proposals at the moment.

In terms of the algae issue, the main reason is the soil erosion with nutrients so that is why we are identifying the Catchment through aerial survey. So, it is in progress at the moment.

The aerial survey is already completed. We have to demarcate the required area, not the entire area, only the sensitive area, we have to demarcate.

DEPUTY CHAIRPERSON.- It was soil erosion, mineral and long period without any rainfall that led to that algae. Was it also because of drought?

MR. S. EKANAYAKE.- Soil erosion is sometimes due to the climate change also because we are getting very high intensity rainfall, not like before, so that is the main reason for this soil erosion.

DEPUTY CHAIRPERSON.- But that algae was during the time when there was no rainfall.

MR. S. EKANAYAKE.- What happened was, the nitrogen and phosphorous in that soil makes the algae later on when the water level is low.

DEPUTY CHAIRPERSON.- The water level was low because of the drought?

MR. S. EKANAYAKE.- Yes.

DEPUTY CHAIRPERSON.- Thank you.

MR. S. EKANAYAKE.- The algae was there but the algae level has gone down. Algae will always be there, there will be some amount of algae in all the reservoirs and rivers but it has gone down, but we have to protect the Catchment because it can come up again, if we do not tackle it properly.

DEPUTY CHAIRPERSON.- Thank you. I think, that supplementary question is not on the audit issue but anyway, thank you for those reasons. We will move on to the next one.

MR. M. LAL.- Audit Findings: Internal controls in the maintenance and issue of inventories need to be strengthened to avoid possible leakages; from process improvement, what the Authority

has done in the last year and half, we have a new Inventory Management Policy that was prepared in 2017, to cater for the improved process of stores.

Periodic stocktakes are being performed on all stores, making the storeman accountable for his results. We have also, over the last year, up-skilled all our storemen in terms of their technical and functional competencies so that they are able to perform their role as storeman. Previously, they had not gone through a formal training and most of them were just probably picked from the operations and project staff, so we had to provide them with that training so that they are able to perform their duties properly.

Monthly General Ledger Reconciliations; we have also done improvements to our stores facilities and storage areas and currently looking at additional storage space in terms of meeting the demands of our projects.

We have updated our Work Order Forms to account for inventory usage. The Work Order Forms are mostly for the operational use where they take anything that is required to fix a burst main or fix a pipe, they take those and they account for what has been used.

Also for the last one year, we have put in additional security controls, including security officers at the sites or premises in terms of the inventory movements.

DEPUTY CHAIRPERSON.- Sir, you mentioned periodic stocktakes. What is the timeline of this activity?

MR. M. LAL.- We do quarterly stocktakes.

HON. DR. M.T. SAMISONI.- A supplementary question, I want to bring up two points. What IT system do you have to enhance the control of all those, your training, et cetera? Do you have an IT system or e-system to help you control this list?

The other question is, I have not noticed any HR personnel, do you have a HR department to help in motivating the people to change their culture? I see the culture really is the challenge.

MR. M. LAL.- Thank you for the question Honourable Member. In terms of the IT system controls, the inventories are actually in our accounting system, it is part of our accounting software.

HON. DR. M.T. SAMISONI.- You do not have IT at all to help you control this?

MR. M. LAL.- We do have an IT department.

HON. DR. M.T. SAMISONI.- You do?

MR. M. LAL.- Yes.

HON. DR. M.T. SAMISONI.- Have you consolidated all those linkages between your technology, your money, people and your inventory, et cetera, to motivate people so that everyone is on the same page?

MR. M. LAL.- In terms of the inventory procedure, what we have is, system purchase orders are generated and they are able to be either emailed or accessed by the storeman through IT. This is because they are all connected in the various depots.

In terms of the stock control itself, we have various files, it is sought of manual at the moment where they have pending purchase order files, like receipts, et cetera, but the actual update of the inventory system in terms of the stock movements are done originally. That is where the staff are actually based. So, the movements are actually recorded at the depot and processed at the original level.

HON. DR. M.T. SAMISONI,- Do you have a system to consolidate all those? For example, do you have a Point of Sale (POS) system where all information are gathered immediately on the same day, so that the IT people know what is happening?

This is probably I come from a system where we have that, we keep an eye on assets everyday - money, people and time. I am just asking the question.

DEPUTY CHAIRPERSON.- I think what the Honourable Member was referring to is something similar to hardware shops where you go to any branch, purchase anything but from anywhere, you will be able to see how much is coming in or how much is going down. For example, if something is going out from the bulk stores, the resource personnel here in the head office are able to monitor that immediately, the Inventory Management System.

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

DEPUTY CHAIRPERSON.- This question is arising from the fact that there are lots of inventories that WAF deals with. We are talking about hundreds and millions of dollars' worth of things going in and out, so probably on that line.

MR. P. WAQANIVALU.- Thank you, Deputy Chairperson. In relation to the Authority's IT support system, the Sage 300 ERP System has a stock module within the system.

In that module, there is a stock valuation report function that generates the balances of stock at any point in time, taking into account any transfers out of stores, any usages of stock that are punched in by our regional locations, so based on that report we have an understanding of what the stock quantity is at any point in time.

HON. DR. M.T. SAMISONI.- At the moment as I hear you, that is not able to incorporate the asset account as well because you got a lot of assets worth \$32 million. I am just trying to get my head around all these so that it is coordinated and consolidated. That is where I am coming from, for you to account for OAG....

HON. A.M. RADRODRO.- How is the system working?

MR. P. WAQANIVALU.- The system will work as much as the input that it receives. So, in relation to the asset module, there is an asset module that was updated in 2010 but it became dormant over the years. However, we have a manual register that maintains the records of the assets for the Authority.

Part of the comment by CFO for 2018-2019, we are looking at updating the register in terms of additional information that needs to be entered into as a module in order to be reliable and able to generate it.

HON. DR. M.T. SAMISONI.- You have got a lot of work to do.

MR. P. WAQANIVALU.- Yes.

(Inaudible)

MR. P. WAQANIVALU.- Thank you, Honourable Member. In relation to the update, we have updated our records up to the current month. The challenge that has been mentioned by our CFO is trying to update information relating to 2010 and prior, and for those information we will still have to go back to the region and also to the documents since 2010 to get some information, particularly for water distribution assets and sewerage assets that bulk of the balances were carried forward from pre-WAF era. So, those are the challenges that we are currently faced with.

But in terms of the movements of assets or the assets that were acquired after 2010, those information had been updated and are with us in the form of an Asset Register.

DEPUTY CHAIRPERSON.- Thank you, we will move on to the next issue.

MR. M. LAL.- Project Monitoring System and its documentation; the audit findings was that the project monitoring system and its documentation needs to be improved to further enhance efficiency and effectiveness in delivery of project works.

It is imperative that an effective monitoring system is put in place to monitor the project works of the Authority. This will ensure that project works are carried out effectively and efficiently.

The Authority was unable to provide relevant details or a monitoring report for projects that commenced in 2015 or that was brought forward from 2014. In the absence of a report there is no evidence to establish whether the projects were monitored in terms of its progress and timeliness.

The above anomaly may result in inefficient and ineffective delivery of project works.

Their recommendation was, and I quote:

“It is highly recommended that an effective monitoring system is put in place to monitor the progress of the whole project works.”

In terms of the Authority’s response, we have established a Quality Assurance Unit within the Project Management that actually monitors all the projects in terms of the financials, and also in terms of the quality of the projects that are being delivered. The respective files for the individual projects are progressively compiled when projects are issued job numbers to begin implementation.

In addition to that, we have a Project Finance Team that reconciles the work-in-progress on a periodic basis, and also we have project delivery reports that show the status of each of the projects and the percentage of delivery that is being done, the spending, commitments, et cetera, and those are actually produced on a monthly basis and also submitted to Senior Management on a monthly basis for monitoring purposes.

DEPUTY CHAIRPERSON.- Thank you. Honourable Members, we will take a small tea and we will continue the session at 10.30 a.m.

The Committee adjourned at 10.16 a.m.

The Committee resumed at 10.42 a.m.

DEPUTY CHAIRPERSON.- Honourable Members, we will continue with the Audit Findings and would like to give the opportunity to the CFO to take us from Page 5 - issues on Pages 33 and 34. Thank you.

MR. M. LAL.- Thank you, Honourable Deputy Chairperson.

High provision of water and sewerage rate debtors; the comment is that, and I quote:

“It is important that the Authority exhaust all avenues for collection of water and sewerage rates prior to writing off the bad debts.

Audit noted that the Authority’s provision for rate debtors is 70% of the total water and sewerage rates.”

The table is on Page 6.

“The above shows that the provision for doubtful debts is increasing which may indicate that the Authority may not be in a position to recover these from the customers.

This indicates that inadequate monitoring in the past may have resulted in the huge accumulation of the debt. Eventually these debts will become bad which will be written off. The Government will be deprived of the much needed revenue from water and sewerage rates.”

It was recommended that, and I quote:

“The Authority should continuously review its collection strategy and address any accumulation of customer debt in a timely manner.”

In terms of the strategies and improvements that the Authority has implemented so far, in terms of customer registration, et cetera, we have made it very mandatory in terms of getting the mandated fields for our customer database. For new customers registered in the new billing system, TIN numbers are used as a primary identifier. So we have done a lot of updates to our customer database.

In addition to this, for customer disconnection now, we have full registration or full details before meters are reconnected.

In March 2015, the Authority also established a new billing system called “GENTRACK”, to facilitate the efficient billing of customers, better monitoring of debts and follow-up on arrears.

The Authority has also increased its billing communication modes in the last year or two through SMS and e-billing, apart from the billings that we do on postage.

We have also launched a “Bill Info Card”, which enable WAF’s valued customers to easily access their account details with a swap of the card at any of the authorised agents where you can make payments. So we have made information more timely now and people are able to access their bills more on a timely basis.

There has been also an establishment of the Debt Recovery Unit which was not there before, that focusses purely on collections and does follow-ups and call reminders. We also get monthly updates from the Debt Recovery Team in terms of what the billings have been, what the adjustment have been, what are the collection rates in terms of measuring our performance.

There are modes and setting up terms to encourage prompt payments. WAF has several agents where customers can easily make payments too.

In addition, customers with large debt balances and under financial difficulties have been allowed to make payment arrangements to ease their financial burden. Again, if they do not meet the agreed repayment schedule, then that will result in disconnection.

In terms of disconnection of meters, WAF Enforcement Team is continuously involved in timely disconnection of meters for account in arrears. Previously, meters had stopcork installed and a disconnection of meters was basically turning off the stopcork.

That has been one of the challenges before so to prevent that, WAF has begun to install a new device called, "Lockable value". With the use of lockable value, WAF has managed to control the accumulation of bills in customers account and enabled them to make payments for the debts.

Also there is continuous meter replacement. WAF is involved in the replacement of all cease and under registering meters. This will reduce the incidents of estimate bills, incorrect estimate billing and refusal to pay estimates.

Lastly, lease agreements to be formalised between WAF and the landowners whereby WAF would pay lease rentals to landowners for water source utilised whilst landowners would be required to pay water rates.

Those are some strategies that the Authority is currently putting in place and the last one is something that is still work in progress.

DEPUTY CHAIRPERSON.- Sir, I have a question out of interest and perhaps, to do with this issue as well. The new meter and the old meter, a lot of customers complain that when they had the old meter, billing was less and with the new meter, the billing is more. Is that correct information which the customers are giving? A lot of them have this issue.

MR.S. ULUINAYAU.- Honourable Deputy Chairperson and Honourable Members, in regards to that statement, the difference as alluded to by our CFO is in regards to the meter replacement. It is mentioned there that the replacement for all ceased and under registering meters, the old meter is a mechanical meter and the wear and tear, after 10 to 15 years the mechanism inside becomes loose so it cannot register the actual water consumed. This had been going on for a while during the transition from PWD to WAF, so people were paying less.

With the replacement of new meters, it has actually gauged the correct usage. Maybe because of that long period of time that people were used to paying for those estimated bills or under registered bills, that created that impact where people are crying now. Now, we are going with water conservation and trying to control our demand.

As part of that package of meter replacement, we have a Demand Management Team also, so people can conserve water or use water wisely because in the water studies, we have found that

Fiji has one of the highest water usage where there is an average of 220 litres per day used by a person rather than the norm which is 180 litres worldwide.

DEPUTY CHAIRPERSON.- So our good strategy will be just replacing all the old meters with the new ones, but that needs a policy direction. A lot of people would not want to replace the old ones.

MR. P. WAQANIVALU.- Yes, we have been having those requests from customers that they do not want to replace their old meters, they prefer to have that meter with them.

DEPUTY CHAIRPERSON.- Any plans to make it compulsory because water management is something which is becoming an issue and it will become an issue, like our wastage is more than 40 litres on average?

MR. P. WAQANIVALU.- Thank you, Deputy Chairperson. The replacement of the meters are based on two strategies:

1. Age based, all meters that are 15 years and above will be replaced; and
2. WAF has come up with a number of meters that are giving false readings - estimated readings.

So those are the two strategies which we use within WAF; all meters that are 15 years and above are automatically replaced in our ongoing Meter Replacement Programme. Thank you, Sir.

DEPUTY CHAIRPERSON.- Honourable Members, any questions?

HON. A.M. RADRODRO.- A supplementary question regarding meter replacement; for a person who is having an old meter and wants to change to a new meter, what is the cost to the customer, is there any cost bond by the customer?

MR. P. WAQANIVALU.- Honourable Member, the cost is free.

HON. A.M. RADRODRO.- For a new installation?

MR. P. WAQANIVALU.- For a new installation, there is a charge rate, an average of \$345.

HON. A.M. RADRODRO.- Some reports are coming that they have been charged more than \$300, what is the basis of those charges?

MR. P. WAQANIVALU.- For domestic customers, the standard is \$345. Previously, we used to charge the road opening or the road crossing because we pay FRA but in 2015, I believe WAF has absorbed that cost. So now it is \$345 across, for domestic.

HON. DR. M.T. SAMISONI. - My question is in support of that supplementary question, what about commercial or industrial customers?

MR. P. WAQANIVALU.- Commercial is based on the cost of the survey. They will do an estimating, then...

HON. DR. M.T. SAMISONI. - Is it case by case?

MR. P. WAQANIVALU.- Yes, it is case by case.

DEPUTY CHAIRPERSON.- Honourable Members, any questions?

HON. DR. M.T. SAMISONI.- The next one is the third point, I quote:

“...with large debt balances and under financial difficulties have been allowed to make payment arrangements... Failure, will result in disconnection.”

I understand all that and I really admire you for having to put up with this. This concern of mine also links up with the OAG’s strategy and I am looking at this holistically, to allow information or data to come up so that you can fill in the gaps and allow the transformation and change.

I was glad to see the strategy from the Annual Report on the OAG Report, satisfying clients’ needs effectively and efficiently, effective and efficient human resource development and management, research and innovation, quality control and continuous improvement. With your people, as opposed to just money and accounting for money, you can do much, much more and you can do and far quicker, if you motivate people, empower them, train them and get them to be on the same page.

That is just a comment from the private sector. That is all I wanted to say because it will take you a long time to transform from the old culture of bureaucracy to the new information, knowledge and economy to be efficient.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member, the point is noted.

Honourable Members, any more questions?

HON. A.M. RADRODRO.- Deputy Chairperson, just a question regarding trades receivables, do you have a detailed aging of these trade receivables and I note that you also make provisions, the collectability of these trade receivables, is there a certainty in the collection of this rate? What is the Authority’s explanation in terms of the aging and the provision that has been provided?

MR. P. WAQANIVALU.- Thank you, Honourable Member. In relation to trade receivables, we have an aging report that we generate on a monthly basis from GENTRACK, which is our billing system.

HON. A.M. RADRODRO.- This \$34 million?

MR. P. WAQANIVALU.- Yes. Our provisioning policy is over six months of arrears, we apply 50 percent of provisioning and over a year, we apply 100 percent provisioning.

HON. A.M. RADRODRO.- What is the duration of that?

MR. P. WAQANIVALU.- More than two years.

HON. A.M. RADRODRO.- How do you recover balances on those accounts?

MR. P. WAQANIVALU.- In terms of our debt recovery on those balances, we do follow ups on specific accounts, particularly major balances and in most cases, as mentioned in point one, there is lack of information to do follow up on all outstanding customers but now, we have implemented controls which is managing information that is captured when creating new customers.

In relation to the arrears, we do follow ups on large balances and we have a debt recovery team, who normally does follow ups.

HON. A.M. RADRODRO.- How many registered customers do you have?

MR. P. WAQANIVALU.- Approximately, we have 150,000 registered customers.

HON. A.M. RADRODRO.- Is that the true reflection of your meters underground or are there still work to be carried out to finalise?

MR. P. WAQANIVALU.- Each account that we have in our receivables has a meter reference attached to that accounts.

HON. A.M. RADRODRO.- Against how many households?

MR. P. WAQANIVALU.- Inclusive of domestic and commercial customers.

HON. A.M. RADRODRO.- Is it a difference in rates for commercial and residential customers?

MR. P. WAQANIVALU.- Yes, there is a difference in rates for domestic and commercial.

MR. S. ULUINAYAU.- Thank you, Honourable Member.

For domestic, it is calculated on a tier band and there are three tiers where the first 50 units or the first 50,000 litres of water consumed during the three months is charged on a 15 cents and the second 50 units is charged on 44 cents and anything that exceed that 100 units is charged on 84 cents for domestic on a quarterly basis (three months). For commercial, it is on a standard rate of \$1.06.

HON. DR. M.T. SAMISONI.- ... (inaudible) ... because we use more.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members. I believe there are no more supplementary questions.

On that note, I thank the Officials from WAF. We take note of your comments and we will make recommendations accordingly. Please, do provide us with what we have asked for – the report from KPMG as we would like to have a look at that. We would like to make recommendations on that situation where there was a deadlock scenario so we will weigh all the options, see the responses and see what the OAG says.

I think the last one, you said that it is still pending. OAG, the issue that was raised on that revenue and on the Consolidated Fund, are there records of the decision that was made by the then Auditor-General, on that matter? Would you happen to have any record on that, so that we can make our recommendations too?

AUDIT REP.- Yes, Sir, we have.

DEPUTY CHAIRPERSON.- So we will need the KPMG Report and also your record so that we can make a very independent scrutiny of that matter in our report.

Apart from that, I believe most of the issues are operational issues, except for Issue 1 or Issue 2 which has to do with the land and the asset valuation and I think that is still awaiting legal opinion. We will wait on that as well.

All in all, I thank the team from WAF for your presence. A lot of big projects are coming up as we speak and on that note, the Committee has only to wish you the best of wishes in carrying out all those major projects, especially the Green Climate Funding one in future.

With those words, I request the CEO if he has any final comments before we conclude the session.

MR. M. LAL.- Thank you, Deputy Chairperson and Honourable Members. The Authority takes note of the request that has been made. Also I would like to thank the Honourable Members for providing valuable insights in terms of additional comments that would be valuable for us to take away and have a look at.

On behalf of the Authority, we would like to acknowledge and thank the Honourable Members for their valuable insights. Thank you.

The Committee adjourned at 11.05 a.m.