Government of the Republic of Trinidad and Tobago

Ministry of Public Utilities

FIFTEENTH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE, THIRD SESSION OF THE 11th PARLIAMENT

Examination of the Audited Financial Statements of the Water and Sewerage Authority for the financial years 2008 to 2013

September 26, 2018

Office of the Permanent Secretary (Ag.)

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INTRODUCTION

1. A report entitled, "Fifteenth Report of the Public Accounts Committee, Third Session of the 11th Parliament: Examination of the Audited Financial Statements of the Water and Sewerage Authority for the financial years 2008-2013", was presented in the House of Representatives and in the Senate on May 11, 2018 and May 25, 2018, respectively.

2. Standing Orders 100(6) and 110 (6) of the Senate and the House of Representatives respectively, require the Minister with responsibility for the Ministry/Body reported on by the Joint Select Committee to present to each House a paper responding to the recommendations/comments contained in the Report.

3. In accordance with the above Standing Orders, the Ministry of Public Utilities has prepared a response on behalf of Senator, the Honourable Robert Le Hunte, Minister of Public Utilities. The said response as contained in this paper is being submitted for the consideration for the House of Representatives and the Senate.

MINISTERIAL RESPONSES TO ISSUES, OBSERVATIONS AND RECOMMENDATIONS OF THE REPORT

1. Aged Infrastructure

Recommendation:

1.1 WASA should formulate a comprehensive maintenance plan to cover all aspects of maintenance and servicing, inclusive of parts, labour and wear and tear.

Ministerial Response

The Authority has a detailed Maintenance Policy which was prepared by the Asset Maintenance Department and is revised every three (3) years.

Recommendation:

1.2 WASA should submit a report to Parliament on its initiatives taken to identify potential asset failures and accelerate repairs to address its aged infrastructure in the short, medium and long-term.

Ministerial Response:

WASA undertakes the following initiatives to identify potential assets failures and accelerate repairs to address its aged infrastructure to identify potential asset failures:

1. Development of an inventory of the Authority's assets.
2. Updating and continuous monitoring of the inventory of the Authority's assets.
3. Inspections to determine the asset condition.
4. Specific recommendation for either maintenance, rehabilitation and/or replacement requirements.
5. Replacement of aging infrastructure namely areas with Ci (Cast Iron) mains, and mains with high leakage tendencies.
6. Identification of costs and timing of works.
7. Determination of the impact of failure on the system and the customer.
8. Prioritization of the works through an Infrastructure Development Programme.

In addition, WASA also has a Maintenance Policy and Procedure for its plants and equipment. This document outlines a planning framework for finding failures (avoid and detect) as part of its proactive maintenance strategy, and a workflow to handle reactive maintenance. There are also performance indicators to measure maintenance works. The document treats with proactive and reactive maintenance of its assets and includes:

1. Ranking the criticality of its plants and equipment based on impact on customer service.
2. Scheduling maintenance considering the operations of standby units and any opportunities for maintenance.

3. Creating an inventory of spare parts needed for maintenance.

The following plan outlines the initiatives to deal with aged infrastructure.

Short-Term (1-2 years)	Medium-Term (2-5 years)	Long-Term (5-10 years)
1. Updating of the asset inventories to capture maintenance records and service history. 2. Development of an Asset Management Plan. 3. Rehabilitation of specific groundwater wells. 4. Implementing and maintaining the Leak detection and Prevention Plan inclusive of a main replacement programme. 5. Apply the First Order Reliability Method (FORM) for assessing the reliability of pipeline.	1. Deployment of a computerized maintenance management system to assist with asset management. 2. Desilting of the major impounding reservoirs. 3. Refurbishment of intakes and modules of strategic water treatment plants. 4. Upgrade of specific booster stations and service reservoirs. 5. Implementation of Action Plan to Reduce Non-Revenue water which includes network and pressure management, bulk and source metering, repairing backlog of leaks, repairing reservoir valves, service pipes and replacement of strategic mains.	1. Continuation of the Action Plan to Reduce Non-Revenue Water which includes network and pressure management, bulk and source metering, repairing backlog of leaks, repairing reservoir valves, service pipes and replacement of strategic mains.

2. **Absence of Guidelines and Procedures in place to Replace Pipelines**

Recommendation:

2.1 WASA should immediately employ cost effective pipeline rehabilitation techniques that require little to no excavation in the repair and replacement of underground pipes.

Ministerial Response:

The use of technology that requires little to no excavation in the repair and replacement of underground pipes is constrained by the fact that a significant amount of the rehabilitation work undertaken involves leak repairs in which physical access to the pipeline is necessary.

Recommendation:

2.2 WASA should adopt a risk based approach to improve the repair rate for reported pipeline failures and submit report to Parliament on initiatives taken by July 31, 2018.

Ministerial Response:
WASA has employed a Risk Assessment Matrix tool to manage and prioritize risks to assist in strategic development, budget preparation and maintenance management. Further, WASA is presently examining the practicability of applying the First Order Reliability Method (FORM) for assessing the reliability of pipelines. Upon the completion of this assessment, a Report will be submitted to Parliament.

Recommendation:

2.3 WASA should provide a programme with timeframes to repair all leaks. Losing approximately 43 to 50 percent (%) of treated water due to leakages is quite excessive and unacceptable. <u>A report should be submitted to Parliament within one month of the laying of this Report.</u>

Ministerial Response:
WASA has a Leak Detection and Prevention Plan which is attached at **Appendix I** of this document, which provides information on WASA's "Leak Reporting System" and includes but not limited to: time taken to repair leaks, the human resources requirements for treating with leaks, the critical success factors and challenges in relation to the repairing of leaks.

3. **Revenue Generation**

Recommendation:

3.1 WASA's should urgently examine ways of enhancing revenues through effective billing and collection systems and submit a report to the Parliament on the initiatives taken to increase revenue generation by <u>June 30, 2018.</u>

Ministerial Response:
The Authority introduced a new Customer Care and Billing System in May 2017, which provides the following additional functionality:

- the billing and dispatch of customer bills according to route and cycle;
- the management of customer interactions – inbound/outbound on queries and request for services;
- E-Billing;
- E-functionalities - through the use of an auto-dialler to assist in the debt recovery process which includes: telephone calls, SMS (text) messaging and

reminder Letters; and

- an easy payment method whereby customers are given the option to make payments online through the Authority's Webpage.

The introduction of the new Customer Care and Billing System has improved the billing and collection systems and has also enhanced revenue collection of the Authority. For the period October 2017 to 31st May 2018, the Authority in excess of the budgeted figures collected **$12.2Mn**.

Recommendation:

3.2 WASA should explore opportunities to increase sources of income other than water sales, to offset increases in operating expenditure.

Ministerial Response:

The Authority is currently exploring non-traditional sources of income to offset increases in its operating expenditure through the following:

- The Regional Corporations - to market the services offered by WASA to the various Regional Corporations (e.g. Through specialized equipment such as a VacMaster for clearing drains and water courses);
- Waste disposal - to increase the rate charged to contractors for septage disposal at the Authority's Waste Water Treatment Plants (WWTPs). A new process was developed to include a comprehensive contractual agreement and an updated pricing structure;
- Septic disposal services - these services are offered to residential customers who require clearing of septic tanks and soak away systems, as well as Commercial Customers who require periodic clearing of septage;
- Sludge - to market a suitable blend of water and wastewater sludge by-product for retail as topsoil and fertilizers, which has been deemed suitable for landfill applications through CARIRI testing; and
- Reservoirs and dams - to promote the major facilities as tourist and recreational destinations. WASA is presently partnering with the Asa Wright Nature Centre to develop each of these facilities as bird watching sites, particularly for North American and European visitors.

Recommendation:

3.3 ***WASA should justify its proposal to commercially sell bottled water in the context of government policy and the existence of private sector players.***

Ministerial Response:

WASA is not pursuing this initiative at this point in time.

Endorsement:

3.4 ***The Committee endorses the cost saving strategies implemented by the Board of Commissioners to reduce WASA's operating expenditure.***

Ministerial Response:

The Committee's endorsement has been noted and WASA will continue implementing and developing saving strategies to reduce the Authority's operating expenditure.

Recommendation:

3.5 ***WASA should urgently submit a status of the implementation of its cost reduction plan to the committee by June 30, 2018.***

Ministerial Response:

A status of the implementation of WASA's Cost Reduction Plan is provided at **Appendix II.**

4. Debt Position

Recommendation:

4.1 ***WASA should implement more stringent financial and debt management internal controls to ensure greater accountability and transparency in satisfying and meeting its financial obligations.***

Ministerial Response:

WASA has developed the following initiatives and internal control mechanisms to manage its debt portfolio and ensuring the integrity of the information being reported:

- Revenue generated is utilized to assist in maintaining overdraft facility within its authorized limit and collections received in US currency are used to pay for critical services such as Desalinated Water purchases;
- Revised payment process for both recurrent and capital expenditure which is based on payment of critical goods and services such as chemicals, aggregates, Information Technology and system provider, regulatory, legal payments and aging balances as well as timely processing of payments;
- Revised Accounts Payables invoice validation process to ensure inflows are used for the payment of authentic invoices for goods and services received;

- Internal cost reduction initiatives to improve cash flow in the areas of vehicle lease rentals, inter-island travel and overseas travel, external training and externally contracted services such as ground maintenance and other professional consultancies;
- Ensuring timely auditing of financial statements; and
- Verification of liabilities;
- Establishment of clear monitoring and control policies and reporting arrangements;
- Revision of the procurement policy and tender rules in alignment with the new **Procurement Act No 1 of 2015** to improve accountability and transparency in the acquisition of goods and services; and
- The development of standard operating procedures for the recording and reconciliation of unrecorded liabilities.

Recommendation:

4.2 WASA should provide the Committee with its detailed plan to liquidate its outstanding debt balance over the next five years.

Ministerial Response:

WASA's ability to meet its financial obligations is challenged by the persistence shortfall between revenue generated and expenditure; and the payment of outstanding payables. Under its present configuration of income and expenditure, WASA is dependent on Government to finance most of its expenditure, including debt obligations. That being said, the Authority's ability to liquidate outstanding debt over the next five (5) years from its own resources will be dependent on a combination of factors involving in an increase in revenues and reduction in expenditures. The Business Plan to facilitate a rate review by the Regulated Industries Commission (RIC) is presently being prepared for submission to the RIC, which is charged with the responsibility for making such decisions. Until the review exercise is completed, a clear plan for the liquidation of debt cannot be developed.

5. Initiatives taken to Improve Debt Collection

Recommendation:

5.1 WASA should immediately put measures in place to effectively monitor and enforce the collection initiatives stated.

Ministerial Response:

In spite of documented systems for the effective monitoring and enforcement, and timely collection of receivables; for a number of reasons largely related to enforcement, receivables outstanding have remained relatively high and stood at \$674.7 Mn as at 30th September, 2018.

The Authority has been aggressively implementing strategies to get customers to liquidate outstanding indebtedness and keep their accounts current. However, the ability to dispose of properties of delinquent customers has been stymied by laws that require properties to be valued before they are sold.

Recommendation:

5.2 ***WASA should state the initiatives taken to improve service quality, which, in turn, incentivises customers to pay their bills in a timely manner.***

Ministerial Response:

The initiatives to improve service quality at WASA includes a combination of measures, including the following:

- Bringing additional sources of water to the system;
- Improve treatment of water for a better quality of water and improved reliability;
- Upgrade the network to convey treated water to customers and reduce scheduling or increase customers' service level;
- Construct additional storage facilities to improve WASA's ability to deal with fluctuating daily and seasonal demand;
- Expand wastewater treatment coverage for customers (no longer having to deal with septic tank haulage); and
- Improve customer feedback through training of customer service representatives and expanding WASA's platform to receive customer feedback (WASA App.)

In spite of the above, the demand for water exceeds the supply, resulting in a shortage of water. This situation is exacerbated by a relatively high Non-Revenue Water, and interconnectivity issues, which limits the ability to move water around regions.

Recommendation:

5.3 ***WASA should continue its efforts to collect outstanding funds, including accounts receivables from government Ministries and local government authorities.***

Ministerial Response:

WASA reviews its outstanding receivables (public and private) monthly to ensure that all efforts are used to effect timely collections. Additionally, it meets on a monthly basis with public sector agencies to updates on the status of receivables and to work out payment plans and options for liquidating the outstanding debt.

Recommendation:

5.4 ***WASA should report on the progress made to recover its outstanding monies to the Committee as well a list of outstanding receivables by July 31, 2018.***

Ministerial Response:
The Authority developed a Debt Recovery Policy to formalize its Debt Recovery procedures, towards collection of valid debt for water and sewerage rates. To date, through the Sale of Property under the Rates and Charges Recovery Act Chapter 74:03, a number of accounts were identified for recovery of outstanding debt owed to the Authority.

As at the 31st May 2018, six (6) properties have been targeted for Sale. The Authority was successful in concluding Agreements with five (5) of the owners of the commercial properties, this resulted in WASA receiving $143,742.72.

6. **The Illegal Sale of Truck Borne Water**

Recommendation:

6.1 WASA should take urgent steps to identify areas that are prone to water shortages for long periods and target those areas to provide water on a predictable basis. The areas identified and the schedule of predictable service should be submitted to Parliament within a month of the laying of this Report.

Ministerial Response:
The level of service varies depending on whether it is the dry season or wet season. **Appendix III** provides a listing of the areas prone to water shortage for a long period.

Recommendation

6.2 In accordance with the Water and Sewerage Act, WASA should pursue legal action and impose all available penalties and fines against any and all such persons/entities who engage in the unauthorised supply of water to consumers.

Ministerial Response:
The Authority notes the recommendation of the Committee and will continue to pursue all available legal options to address the unauthorised supply of water to consumers.

Recommendation:

6.3 WASA should educate and inform citizens on the Authority's toll free numbers and report all instances of illegal water trucking, connections or sale of water.

Ministerial Response:
The Authority accepts the recommendation, and will continue to intensify public education initiatives to discourage incidence of illegal water trucking, connections or sale of water. In this regard the Authority regularly publishes media releases informing citizens of the Authority's Toll Free numbers and to report all instances of illegal water trucking, connections or sale of water.

7. **Disconnection Cost vs Reconnection Fee**

Recommendation:

7.1 WASA should submit a copy of the business plan it sent to the RIC to the Committee.

Ministerial Response:

A draft Business Plan was prepared, but it requires more information and depth of analysis. The Plan is being reviewed and is expected to be completed by January, 2019. The Approved Plan will be provided to the Committee upon completion.

8. **Contracted Pipeline Maintenance and Repair**

Recommendation:

8.1 WASA should take urgent steps to address the issue of hiring contractors to perform maintenance and repair works and deploy its field staff effectively to address maintenance and repairs. WASA should complement the work of employees who were deployed. A report on the action taken on this matter and the savings anticipated should be submitted to the Parliament by June 30, 2018.

Ministerial Response:

The Committee is asked to note that since May 2016, the Authority has not engaged any contractors for pipeline maintenance and repair works. WASA Employees are being redeployed into selected functional areas to engage in work which was previously performed by an external service provider. As such, the utilisation of daily rated employees for maintenance of the Authority's grounds is saving WASA an estimated \$1.5 Mn. monthly resulting in an estimated \$18 Mn. annually.

9. Overstaffing at WASA

Recommendation:

9.1 WASA should closely monitor its operating costs as a gauge to its financial performance and ensure that its total revenues sufficiently cover its operating expenditure in order to improve financial viability and report to the Parliament on the initiatives taken by June 30, 2018. The Authority should ensure that employees are engaged in full time, productive effort.

Ministerial Response:

The financial viability of WASA hinges on its ability to increase revenue and curtail expenditures.In the case of revenue enhancement, the Authority is working on a Business Plan to submit to the RIC in support of its request for a rate review, which was last undertaken in 1993.

In the case of expenditure, staff related expenses and costs associated with fixed contractual services represent over seventy-five percent (75%) of the Authority's total operating cost. Due to the legacy issues inherited in terms of contractual services, the focus has been on reducing the number of services outsourced and utilising the existing staff, as far as possible. In this regard, the Authority has undertaken the following initiatives to ensure that employees are engaged in more productive efforts to reduce employee cost, and provide a more efficient work arrangement:

- Redeployment of employees into selected functional areas to engage in work which was previously performed by an external service provider. As such, the utilisation of daily rated employees for maintenance of the Authority's grounds is saving WASA an estimated $1.5 Mn. monthly resulting in an estimated $18 Mn. annually.
- A recruitment freeze for positions deemed non critical provides an estimated saving of $1,191,710.00 in salaries for the period 2015 – 2018;
- In keeping with the Memorandum of Agreement signed in 2013 with the Public Services Association, the representative union for monthly-paid employees, the Authority initiated a restructuring exercise directed at identifying jobs and the number of employees needed to function at the optimal manpower level based on the internal and external environment;
- Review of the shift system with a view to implementing a more cost effective system whilst exploring the feasibility of introducing flexible work hours for the optimal utilization of its employees. As such, the Authority will review the current five (5) team shift system with a view to implementing a four (4) team, twelve (12) hour shift system in the Authority. This change will result in a reduction in manpower, increased working hours i.e. from 33.6 hours per week to 40 hours per week, and reduced absenteeism. It is projected that WASA will receive a monthly savings of $0.8 Mn. monthly. The Authority is cognizant that this estimated cost saving is dependent on the successful renegotiation of the existing (legally binding) Memorandum of Agreement between the Authority and the Public Services Association.
- Implementation of a flexible work arrangement, whereby, night work within the daily paid cadre is aimed at reducing overtime costs and providing 24-hour service coverage within the area of Pipeline Maintenance. The Flexible Work Arrangement Pilot Programme was successful in reducing a number of leaks and unaccounted for water. However, the actual cost saving cannot be measured;
- Implementation of a Human Capital Enhancement Training programme for

both staff and supervisors/managers. This Training Programme is aimed at developing the right mind set, attitudes and behaviour in employees which would improve performance and productivity levels.

- Provision of supervisory training to ensure Supervisors possess the necessary skills to improve worker performance and productivity levels. This training reinforces the importance of planning and managing work, ensuring that work is allocated and executed in an efficient manner, workers are optimally utilized in productive efforts and that work is completed within the expected deadlines. It has been determined by WASA that the estimated savings for Human Capital Enhancement Training and Supervisory Training will be $1.1 Mn. per year;
- Providing Supervisors with the tools and techniques for managing the employee's performance, including goal setting, performance monitoring and documenting the importance of performance conversations and training to close performance gaps. It also focuses on disciplining employees who are not performing as expected; and
- Development of a proposal for early retirement for employees who have attained the age of fifty (50), so that they can retire on special grounds consistent with Article 21 (Separation from the Authority) of the subsisting Collective Agreement between the Authority and the Public Services Association (PSA) which states as follows:
    - development of a proposal for selective separation for positions deemed non critical to the Authority by offering severance pay; and
    - increase the number of plants that are automated through the use of the relevant technology, thus, requiring less staff to operate these Process Plants.

Recommendation:

9.2 WASA should address the fundamental issue of the high employee cost and report to the Committee on its progress in reducing employee cost, increasing productivity and achieving the intended savings with respect to contract labour by June 30, 2018.

Ministerial Response

As indicated above, the Authority is addressing the fundamental issue of high employee cost through various initiatives directed at increasing labour productivity and reducing employee costs. The Authority has also been paying attention to reducing its overtime bill which has been reduced from $87.6 Mn in 2015 to $66.8 Mn in 2017. In addition, since 2016 there has been a recruitment freeze on the hiring of contractors, except in situations to ensure continuity of the provision of water and wastewater services and safeguard and protect the authority's assets. As a result of this undertaking, employees are being redeployed into selected functional areas to engage in works which were previously performed by external service providers. As such, the utilisation of daily rated employees for ground maintenance is saving WASA an estimated \$1.5 Mn. monthly (\$18 Mn. Annually).

10. Water Distribution Range and Frequency

Recommendation:

10.1 WASA should submit a report on the measures taken to increase the number of times households receive a daily supply of water.

Ministerial Response:

WASA has undertaken the following measures to increase the number of times households receive a daily supply of water:

- reduce wastage – repair leaks (leak repair report) and pressure management;
- reduce downtime of plant and equipment – this is being monitored through the KPI report;
- maximize production of all water treatment facilities – this is being monitored through the KPI report; and
- the continuation and completion of the Bulk Metering Programme to each domestic and commercial customer in addition to District Metered Areas (DMA), this will improve the Authority's knowledge of each customer's supply of water.

Recommendation:

10.2 WASA should investigate the reasons for the infrequent receipt of water by citizens and identify/review strategies to address this issue and report to the Parliament on the initiatives taken by June 30, 2018.

Ministerial Response:

The Authority has identified the following reasons for the infrequent receipt of water by citizens:

- water availability is less than demand, a situation which has been exacerbated by the high level of Non-Revenue Water estimated at 50%;
- aged infrastructure resulting in corroded distribution mains, high leakage, and frequent breakdown of booster pumps used to provide water at high elevations and on the periphery of the network;
- the water distribution network is undersized in some instances so the water which is available cannot be transmitted to where it is needed i.e. there is a

bottleneck in the network which may be as a result of an undersized booster station or pipeline for example;

- pipeline network is underdeveloped in terms of storage reservoirs as a result there are many parts of the pipeline network where there are no tanks to balance diurnal demand. Storage capacity is currently made up of 9 impounding reservoirs and 70 service reservoirs with a capacity of 60 cubic metres per capita per year. The international standard is 2000 cubic metres per capita per year;
- unavailability of spare capacity at Distribution, thus resulting in the inability to perform corrective maintenance as and when required; and
- insufficient flows and pressures from major facilities.

The Authority, having identified the aforementioned issues, has developed the following strategies to treat with the issues:

- the continued implementation of its "Leak Detection and Prevention Plan" and affording greater attention to leakage management in areas where leaks affect the supply to residents, which would be predominantly in areas at higher elevations;
- replacement of aging infrastructure namely areas with Ci (Cast Iron) mains, and mains with high leakage tendencies;
- procurement of spare capacity for all Water Treatment Plants and Booster Stations;
- exploration and development of additional water sources; and
- construction of storage reservoirs at strategic locations;

Recommendation

10.3 WASA should establish a fair and equitable system of water distribution and implement a timeframe for 24/7 100% water distribution by June 30, 2018.

Ministerial Response:

Given that water availability is less than demand, the Authority is challenged to provide all customers with a 24/7 supply of water. The available supply is distributed to customers based on a schedule, which is intended to provide each customer with a minimum supply of water 24/2. Challenges are experienced in supplying customers on the extremities of the network and on high elevation. Truck-borne water is supplied where the schedule is disrupted for a prolonged period.

WASA has developed a 5-year Plan to improve the level of supply to the majority of its customers to 24/7 by the implementation of the following strategies:

- further development of new water sources to increase water production;

- increase transmission capacity to distribute water from the sources developed to areas with poor level of supply;
- continue to construct booster stations and reservoirs;
- reduce the level of leakage with the replacement of high leakage mains;
- continued reduction of Non-Revenue Water with Bulk metering and pressure management; and
- demand reduction with the expansion of universal metering.

The capital cost associated with the above is extremely high and can only be executed with the availability of funds.

11. High Daily Percentage Loss of Water from Leakages

Recommendation:

11.1 WASA should investigate the reasons for the increase in total system losses, and identify/review strategies to manage these losses and submit a report to the Parliament on the <u>initiatives taken by June 30, 2018</u>.

Ministerial Response:

The Authority conducted a comprehensive review and identified the following reasons for the increase in total system losses:

- physical bursts or leaks;
- inaccurate meters;
- illegal connections or water theft;
- faulty appurtenances (valves, meters etc.);
- poor workmanship;
- increases in the required system operating pressures, resulting in greater frequency of leaks;
- inferior pipeline maintenance materials being purchased, for use by pipeline maintenance crews, which result in frequent reworks being carried out; and
- aging pipeline infrastructure; and

Strategies to reduce system losses:

- establishment of District Metered Areas (this would incorporate domestic metering);
- pressure management;
- bulk metering;
- step testing – process whereby sections of the distribution network are isolated and leakage is measured quantitatively;
- replacement of high leakage mains and aging/aged mains;
- procurement of proper pipeline maintenance materials for use by pipeline maintenance crews; and
- installation of Pressure Regulating Valves and Pressure Safety Valves in strategic

locations.

12. Pipeline Placement in La Brea

Recommendation:

12.1 WASA should review its pipe placement policy for areas where the land/ground is not suitable for the long term placement of pipeline infrastructure such as the case in La Brea which is in close proximity to the Pitch Lake and heavy traffic zones. WASA should adopt a more sustainable, practical method for laying of pipe in such areas.

Ministerial Response:

In relation to La Brea which is close to the Pitch Lake, several challenges are created in the placement of the pipeline. In this regard, WASA has determined that the issue should not be about the placement of pipe but on the type of pipelines used in these areas. The Authority has determined that there are a number of approaches which they can explore to treat with this challenge, including the following:

- Flexible Pipe Installations together with High Density Polyethylene Pipe System (HDPE) as an alternative to standard materials, to counteract areas where there are soil movement and land/ground is not suitable for long term placement of pipelines.
- Pipe embedment materials which can be utilized in areas where the soil does not provide the proper support for long term placement of pipeline. This method can enable the placement of pipeline infrastructure in soil previously not suited for pipeline placement, as the embedment materials will enable less deflection of embedded pipe.

13. Matters before the Courts

Endorsements:

13.1 WASA should continue its position of only releasing payments in accordance with its verification process.

Ministerial Response:

The Authority notes the endorsement of the Committee.

Recommendation:

13.2 WASA should continue to vigorously defend itself in claims made by contractors for works done if the Authority is of the view that the works were not completed as per the terms of the contract.

Ministerial Response:

The Authority will continue to hold contractors accountable to the terms of their contract by ensuring that checks and balances are in place to treat with all elements of the contract and vigorously defend itself against any breaches.

14. WASA's Disciplinary process

Recommendation:

14.1 WASA Investigations Oversight Committee should identify and review strategies to manage and ensure effective disciplinary actions and the Board and Management shall ensure that the system works transparently, fairly and effectively.

Ministerial Response:

The Authority's Anti-Fraud Policy states as follows:

"The Authority will take disciplinary action, in accordance with the Authority's disciplinary process, against any persons found committing incidences of fraud. Recommendations of the IOC will be submitted to the Chief Executive Officer who will direct the actions to be taken unless otherwise delegated to other Senior Officials.

Remedies extend to termination of employment, restitution and forwarding the information to the appropriate authorities for criminal prosecution. The actions taken are consistent with the Authority's respective Collective Agreements, Code of Ethics and Business Conduct, Employee Rules of Conduct, and the laws of Trinidad and Tobago"

It should be noted that the Authority is guided by the Collective Agreements between the Management of WASA and the Public Services Association (PSA), National Union of Government and Federated Workers (NUGFW), and the Estate Police Association (EPA) when treating with employees who belong to the respective bargaining units.

Consistent with the recommendations made by the Public Accounts Committee, the Authority has undertaken the following initiatives:

- training and retraining for managers and supervisors in conducting workplace investigations, disciplinary process and grievance handling; and
- the introduction of Standard Operating Procedure (SOP) for initiating disciplinary action and grievance handling.

The Authority also proposes to embark on the Development of a Management Supervisor Handbook, inclusive of a Disciplinary Matrix, which will provide guidelines to Managers and Supervisors on the disciplinary process and procedures, as well as grievance handling. It is also intended to standardize penalties and for the matching of penalties with the acts of misconduct committed.

15. The Inability to Implement SCADA Systems Nationwide

Recommendation:

15.1 WASA should operationalize its SCADA operating systems on a phased basis at its strategic/key locations of its water distribution network and install SCADA systems at its dams located in remote areas.

Ministerial Response:

The Authority has been able to operationalize its SCADA system at the Tacarigua High-lift Plant, utilizing internal resources. Real-time data on the operation of the Tacarigua High-lift Plant is displayed graphically on a computer terminal at the Authority's Customer Service Bureau at Head Office, St Joseph. This current achievement is limited to the Tacarigua High-lift facility. The Authority will continue to implement and operationalize SCADA systems at other facilities as available funding allows.

16. Field Work in High Risk Areas

Recommendation:

16.1 WASA should submit its work schedule in high risk areas to the TTPS to indicate the need for assistance in advance in order to avoid scheduling dilemmas.

Ministerial Response:

WASA usually informs the TTPS when planned work is to be undertaken in areas designated as high risk. However, in the case of an emergency, the notification would of necessity be of short notice.

17. Late Submission of Financial Statements

Recommendation:

17.1 WASA should submit a report to the Parliament on the initiatives undertaken to address the weakness in the financial reporting system by June 30, 2018.

Ministerial Response:

The initiatives undertaken by the Authority to address the weakness in the financial reporting system are outlined in the attached **Appendix VI** of this document.

Recommendation

*17.2 **The Finance and Accounting Department should set clear targets and milestones for successful performance levels and submission of Audited Financial Statements.***

Ministerial Response:

The Finance and Accounting Department has the following clear targets and milestones for successful performance levels and submission of Audited Financial statements which are assessed quarterly:

Performance Objectives:

- prepare and monitor the Operating Plan and Annual Budget, as well contributing to the achievement of the Authority's Strategic Financial Objectives;
- meet all Compliance, Regulatory, External and Internal Reporting requirements;
- implement, revise and monitor Finance Standard Operating Guidelines and Policies to achieve Business Objectives in order to adequately mitigate against risk and fraudulent activity;
- monitor and improve staff performance as required by the Human Resource Guidelines; and
- achieve Finance Projects such as Fixed Asset Verification Exercise, Management Letter and Financial Services Action Plan.

Targets:

To achieve up to date/current Audited Financial Statements status by September 2019. The target dates for completion are as follows:

- FY2014 and 2015 – September 2018;
- FY 2016 – March 2019;
- FY 2017 – June 2019; and
- FY 2018 – September 2019.

Recommendations

*17.3 **The Ministry of Public Utilities should exercise their oversight functions by ensuring that all Statutory Authorities under their purview submit their Audited Accounts to the Parliament in a timely manner.***

Ministerial Response:

The Ministry notes the recommendations of the Committee and have mandated the respective Boards under its purview to put measures in place to ensure the timely auditing and submission of Accounts to Parliament.

Recommendations

17.4 WASA should strengthen the internal controls of its financial management processes to ensure the timely preparation and submission of Statements.

Ministerial Response:

In order to ensure the timely submission of Statements, WASA has implemented the following internal controls, which are operational within the financial management process:

- the Payroll and Fixed Assets Modules within the Oracle system in order to automate processes thereby increasing efficiency and reducing human errors;
- Financial Statements close process is performed monthly and monitored by Senior Finance Management;
- implementation of recommendations identified by Internal Audit during its periodic internal controls review;
- revision of performance objectives for Finance Managers and Divisional Targets; and
- revision of the Accounting Manual which include new and revised Standard Operating Procedures for critical processes such as the Payment Process, Petty Cash Policy, Banks Reconciliations, Procurement, Inventory and Project Accounting processes.

Recommendation:

17.5 WASA should undertake a quarterly closing process of financial accounts to ensure the ongoing completeness and accuracy of data collected.

Ministerial Response:

WASA has a closing process of financial accounts. The Authority implemented an integrated Financial System in June 2014, and the financial statements close process is performed monthly, benchmarked against the 'Oracle System Financial System Close Process' guideline and monitored by Senior Finance Management.

Recommendation:

17.6 WASA should include the timely submission of financial statements for auditing the performance standards for the persons in charge of financial statement preparation.

Ministerial Response:

WASA's has Finance Performance Objectives which were revised and 'rolled out' to line management within the Financial and Exchequer Services departments which includes:

- accurate and timely completion of Management Accounts in line with IFRS and GAAP (where applicable);
- accomplish/meet regulatory and statutory requirements required time frames for Ministry Public Utilities (MPU) Income and Expenditure Report (Monthly), Securities Exchange Commission Audited Financial Statements (Annual) and Management Accounts (Quarterly), Central Bank of Trinidad and Tobago, Regulated Industries Commission;
- timely and accurate approval of transactions in accordance with operating guidelines and established best practice; and
- completion of all critical internal and external audit recommendations relating to the financial processes and External Audit Management Letters

18. Lengthy Suspensions with Pay

Recommendations:

18.1 WASA should review its suspension with pay policy since the granting of suspension with pay for activities that involved bribery, corruption, asset misappropriation, conflict of interest or payroll fraud will not deter employees from engaging in such activities.

Ministerial Response:

It should be noted that there are subsisting Collective Agreements between the Water and Sewerage Authority (WASA) and its three (3) recognized associations and trade union namely, the Public Services Association (PSA), National Union of Government and Federated Workers (NUGFW) and the Estate Police Association (EPA). Further, the Authority is guided by these negotiated Agreements, inclusive of the procedures in treating with serious offences. Consequently, if Management seeks to unilaterally amend the terms and conditions of these agreements or breaches any of the terms and conditions of employment enshrined in any of the Collective Agreements, legal action may be taken against the Authority.

In light of the above, the Authority will propose the necessary amendments to the respective Articles of the subsisting Collective Agreement for each bargaining unit as part of the Authority's non cost proposals for bilateral discussions in the next negotiating period. The Authority is guided by the disciplinary procedures contained within its three (3) Collective Agreements with the PSA, NUGFW and EPA.

Recommendation

18.2 Employees should only be on paid suspension for the duration of the fraud investigations.

Ministerial Response:

The response above is pertinent to this recommendation. Further, of the three (3) Associations and Trade Union that WASA has subsisting Collective Agreements with, the Agreement with the Public Services Association (PSA) is the only one that has a clear procedure for the treatment of suspensions relative to its members. However, Agreements with the National Union of Government and Federated Workers (NUGFW) and the Estate Police Association (EPA), do not contain clearly stated timeframes for concluding investigations involving its members who are on suspension. In an effort to rectify this situation, the Authority will, as part of its non-cost proposals, include the specific timeframes for the completion of fraud investigations. This can only be implemented following bilateral discussions and agreement with the Associations and Trade Union.

Recommendation

18.3 Fraud investigations should not exceed thirty (30 days). Where the investigation into the alleged misconduct finds no grounds for a charge of the misconduct, the suspended employee should resume their responsibilities as soon as possible.

Ministerial Response:

All investigations are treated with urgency. Due to the complexity of some fraud cases, some investigations may not be completed within thirty days. Where the investigation clears the employee of any misconduct every effort is made to have the employee immediately reinstated.

Recommendation

18.4 WASA should develop clear procedures to manage suspensions. These procedures should ensure the management of suspensions in an efficient, effective and economic way while also adhering to national labour laws.

Ministerial Response:

In treating with the suspension of employees, the Authority is guided by the National Labour Laws, as well as, disciplinary procedures contained within its three (3) Collective Agreements with the PSA, NUGFW and EPA. Subject to these Agreements, every effort is made to ensure the management of suspensions is done in an efficient, effective and economic manner. The Collective Agreement with the PSA has a clear procedure for the treatment of suspensions relative to its members. The Agreement for NUGFW and the EPA, however do not contain clearly stated timeframes for concluding investigations involving its members who are on suspension. In an effort to rectify this situation, the Authority in upcoming negotiations will, as part of its non-cost proposals, include the specific timeframes for the completion of fraud investigations. This can only be implemented following bilateral discussions and agreement between WASA and the Associations/Unions.