

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE
AUDITOR-GENERAL'S REPORT OF THE REPUBLIC OF THE FIJI ISLANDS
VOLUME 4- AUDIT REPORT ON GOVERNMENT MINISTRIES AND DEPARTMENTS 2015**

40 MINISTRY OF INFRASTRUCTURE AND TRANSPORT

DEPARTMENT OF ENERGY

No.	Heading	Issue	OAG Recommendations	Ministries/Dept.'s Comments	Departments Response on Current Status
40.16.1	REU - Anomalies in Community Contribution	<p>The Naiyala to Nayavu grid extension project was completed by a major electricity provider in February 2015 at a total cost of \$1,381,713. The Department's contribution was 95% or \$1,312,627.35 while the community contribution was 5% or \$69,085.65 and an additional \$7,493.60 was for deposit required by the electricity provider.</p> <p>However, the audit noted that the community only contributed \$66,865.86 or 88% of the total required contribution.</p> <p>The Department paid the community contribution of \$69,085.65 which was to be recovered later. The</p>	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • community contributions are received in full before projects are implemented; • concerted efforts are made to recover the outstanding contributions from the community to avoid write offs; and • investigate and recover the outstanding community contribution from the Officers responsible for allowing this project to commence without collecting the full community contribution. 	<p>This was a Prime Minister's initiative project and we were instructed verbally to commence all project processes and receive the contribution simultaneously as we were to provide power to the community before Christmas of 2014. We managed to supply Nayavu Village by the Christmas time and the other communities from Wailotua thereafter.</p> <p>The Total Required Community Contribution is \$76,579.25, which is the contribution for 232 consumer houses. We have managed to recover all these contribution in 2015. There were additional houses which we had assisted during the implementation of these projects; to date the total</p>	<p>The said project has been commissioned. Effective from January 2016 there is no community contributions required for Rural Electrification Projects.</p>

		<p>project was completed in February 2015.</p> <p>However, as of the date of audit, the community still owe a sum of \$9,713 to the Department \$9,713 for its contribution.</p>		<p>amount collected from the project is \$81,584.22.</p> <p>The community contribution has been fully paid and there is no basis to recover from the project officers.</p>	
40.16.2	<p>Additional Expenses Incurred Due to Delay in Formulating Contract</p>	<p>As a result of delay in finalizing the contract with the major electricity provider, the Department incurred additional cost of \$559,194.90 compared to the initial quote of \$399,651. This included additional community contribution of \$21,176.29 which was also paid by the Department.</p>	<p>The Department should ensure that when community contributions are fully received:</p> <ul style="list-style-type: none"> • contract is finalised and appropriate approvals are obtained without delay; • payments are made without delay to avoid extra costs; and • appropriate disciplinary action is taken against responsible officers for delays which resulted in additional cost for the government. 	<p>The Vatubalavu FEA Grid Extension project was quoted in the 4th Quarter of 2013. The community contribution was fully paid by the community on 17/12/2014 the same day the FEA quotation expired. This was also the Christmas period where most staff from all agencies took their annual leave. The FEA quotation was revised in February 2015 and the request for approval sent to the Government Tender Board. The GTB sent their approval and then the draft contract is sent to the Solicitor General's office for vetting. The appropriate approvals were obtained in due course and the contract was finalized.</p> <p>The extra cost to the project was incurred because the</p>	<p>Ministry continuously liaises with SG's Office for finalization of contract to avoid expiry of the FEA quotations.</p> <p>We have noted that the turnaround time for finalization of contract agreement has improved.</p>

				<p>contribution was paid in full on the same day as the FEA quotation expired. We do not have any time to process for payment approval but to get a revised quotation first. In 2015 we had asked all our project communities to pay us in full six months before the expiry date of quotation to give us ample time to process for payment approvals.</p>	
40.16.3	<p>Anomalies in Contractual Agreement</p>	<p>Contract agreements should clearly state the Date of Commencement and the Date of Completion of the project.</p> <p>Contract agreements signed between Department and the contractors for the Rural Electrification Projects did not state the project commencement dates.</p>	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • contract agreements clearly state the project commencement and completion dates with delivery timelines; and • projects are properly planned and monitored to avoid delays. 	<p>The audit recommendation is acknowledged. Clause 1.0 H clearly defines the duration of the contract;</p> <p>“Duration of Contract” shall be when the Agreement commences on the _____ and expire on _____</p> <p>unless varied by agreement in writing between the parties or unless terminated in accordance with this Agreement by the Ministry. The auditor comment is noted.</p> <p>The project has been</p>	<p>All contract agreement of the department is vetted by the Solicitor General’s Office.</p> <p>The project updates are sent to Ministry of Economy on quarterly basis.</p>

				successfully completed pending commissioning.	
40.16.4	Muana Hydro - Delay in Project Completion Due To Non Supply of Materials by the Approved Supplier	<p>As at the date of audit on 19/02/16, the major electricity provider did not supply the overhead transmission line and transformer materials to the contractor. The project was only 50% complete and the Contractor was awaiting the materials from the supplier in order to complete the project.</p> <p>The audit further noted that the Department did not have a written contract agreement with the supplier for the purchase of overhead transmission line and transformer materials for the Muana Hydro Project.</p>	The Department should ensure that an agreement is entered into with the suppliers of materials in future.	<p>FEA is the sole supplier of this material, ordering these materials from other agents result in the supply of materials with different specifications. Paying in advance confirms the supply of materials especially when it is a sole supplier. The payment was done to FEA on 02/09/15; please note that FEA orders their materials overseas and by the date of audit (17 days after payment) the materials were not supplied which should be the case in this scenario.</p> <p>The materials have been supplied and project completed on the Muana Transmission lines.</p>	<p>The Ministry has now put in place a monitoring Team headed by Principal programming Officer who monitors project progress, compiles monthly Capital Project reports, progress of Tender processes, compilation and filing of all contract documents and brief to Management.</p> <p>The Ministry has also developed a control mechanism/checklist to verify physical works against contract specifications. Contractors are penalized for any delays, deficiencies or deviations from Contract Specifications by reducing the Claims for payments.</p>
40.16.5	No Delay Damages Charged for Delay in Project Completion	The GTB award the tender number CTN 68/2013 for construction of Electrical Overhead Grid Extension Works and Connection to 24hr Supply to Kadavu to PEL and Muana Hydro to a contractor for \$53,543.20	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> capital projects are properly planned and reviewed to avoid delays; delay damages are claimed from the contractors for 	The audit recommendation is acknowledged. The delay is mainly for the late supply of materials from FEA who is a sole supplier. The delay is for the late supply of materials; the department is responsible for the supply of materials for the two project and not	The Ministry has also developed a control mechanism/checklist to verify physical works against contract specifications. Contractors are penalized for any delays, deficiencies or deviations from Contract Specifications by reducing the Claims for payments.

		<p>and \$510,416, respectively.</p> <p>As per the inspection report after the completion date, the works were still in progress.</p>	<p>works not completed as per the contract; and</p> <ul style="list-style-type: none"> terms and conditions of the contract are complied with at all times. 	<p>the contractors themselves.</p>	
40.17.2	Solar Home System - Items Not Taken on Charge	<p>3,200 solar home system equipment costing \$10,803,113.88 received by the Department on 22/10/15 were not taken on charge in the Department's inventory ledger or the tally cards.</p>	<p>The Department must ensure that:</p> <ul style="list-style-type: none"> all equipment purchased are updated in the inventory ledger and or tally cards to avoid losses; there is proper and adequate storage space for inventory items; items purchased are received and securely stored at the Department's own storage facilities; and That all items ordered are received. 	<p>The audit recommendation is acknowledged. DoE has requested for the use of FRA and the supplying contractors yards for storage spaces due to limited space at DoE warehouse. Even though the containers are not in DoE yard, the keys to the container lock are with DoE Storeman. Nobody has access to this container except the Storeman.</p> <p>All items ordered are received by our storeman; as for the 3200 SHS the equipment's are verified in the containers and locked</p>	<p>Stock takes are carried out periodically by all stores and reports are submitted quarterly to PSIT for control and monitoring purposes.</p> <p>The Ministry had trained its stores and accounts personnel in the maintenance of store record, inventory register management and asset register management with the assistance of Fiji Procurement Office.</p> <p>This has been incorporated in the Ministry's Finance Manual 2015.</p>

				for safekeeping by storeman.	
40.17.3	Significant Delays in Renewal of Solar Home System Maintenance Contracts	Significant delays in the approval for the renewal of contracts from the date of submission of the performance review to GTB after the contracts were vetted by the Solicitor General's Office.	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • performance review of contractors are properly planned to avoid delays in service delivery; and • contracts are submitted on a timely basis for vetting by the Solicitor General's Office after • GTB approval is obtained. 	The audit recommendation is acknowledged. The Department is improving on the working relations and timelines with the Office of the Solicitor General which is anticipated to improve the turnaround time for vetting of contracts.	All renewal of contract agreement is submitted to Government Tender Board approval before contract agreement is submitted to SG's office for extension.
40.17.4	Revenue Arrears for Solar Home System Scheme	The arrears of revenue for the Solar Home System Scheme fees were prepared up to 30/6/15 only. The Department was still in the process of updating the arrears records. The Department's arrears of revenue for the Solar	<p>The Department should:</p> <ul style="list-style-type: none"> • update its arrears records on a monthly basis to fairly represent arrears of revenue; and • ensure that concerted effort is made to recover the arrears to avoid write offs. 	<p>The audit recommendation is acknowledged. The Department is working on improving the processes of collecting the monthly bills.</p> <p>Most of the forecasted arrears were based on 100% operational of the SHS projects although some of the systems were not fully</p>	The maritime and remote settlements in the Northern and Eastern Divisions sustained damages to the SHS equipment during TC Winston. The SHS equipment are either inoperational, houses not being built or consumers have relocated.

		Home System Scheme as at 30/6/15 was \$548,124.		<p>operating due to faulty lights, batteries, panels, controllers or inverters hence these were the main reasons customers were not willing to pay their monthly bills.</p> <p>The SHS projects are Government owned and customers were advised to pay their bills on a 6 monthly basis when systems were operational. Most of the arrears accumulated were when systems were down and this did not warrant DoE to collect these bills.</p> <p>Recommendation was made to write off these arrears.</p>	
40.18.1	FEA Grid Extension - Missed out Schemes/Tee offs (Seaqaqa / Dreketi Grid Extension Projects)	Department completed the electrical wiring for 634 households, only 549 household were connected to the power grid. The remaining 91 households were not connected to the grid because they were located far from the major electricity providers grid.	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • all grid extension work is carried out in consultation with the electricity supplier; • the grid extension drawings and cost estimates are agreed by both parties before the contract agreement is signed; and 	<p>The usual procedures for application of rural electrification schemes were applied in the Seaqaqa/Dreketi project. This is also one of the projects which the Department was instructed verbally to get it commissioned as soon as possible.</p> <p>The project officer migrated to New Zealand halfway</p>	<p>This has been notified to FEA and it undertakes the projects as per its construction schedule.</p> <p>The scoping and quotations is done by FEA is done by FEA being the regulatory body and sole provider of service.</p>

			<ul style="list-style-type: none"> actual construction works by electricity supplier are closely monitored to ensure that the grids are constructed according to the approved drawings. 	<p>through the project without proper hand over of scope of work and responsibilities.</p> <p>The electricity provider commences actual works including drawings after receiving the payment and nothing is agreed before that.</p> <p>The project implementation was closely monitored however unfortunately the electricity supplier had exhausted all funding for this work with pending poles to be constructed. Moving forward, the supplier has submitted quotation for additional poles which the Department will fund in year 2016.</p>	
40.18.2	Flaws in Grid Extension Payments	<p>Department paid \$1,530,628.85 to the major electricity provider on 31/12/14 for 17 grid extension projects. However the Department paid additional \$514,272.05 to the major electricity provider in 2015 as variation costs for 15 out of the 17 projects</p>	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> approved drawings and cost estimate details are jointly approved by both parties before contracts are signed; mandatory requirements for due diligence are 	<p>Drawings are done when the payment is made to FEA and this is after contract is signed. No drawing is prepared without payment. In this case the 1 year quotation validity period is critical as it will ensure all proper approvals are acquired before quotations expire.</p>	<p>The designing, scoping and quotations is done by FEA being the regulatory body and sole provider of service.</p> <p>All Grid Extension payments are done according to the schedule of payments as per the contract.</p>

submitted by the major electricity provider.

satisfied to ensure that the interests of government is protected at all times; and

- inspection of construction work is carried out regularly by the Department

A submission had been sent to FEA Board to increase the validity period of quotations to two years. This will ensure the processing of payments without the need for revised quotations.

The Department is working closely with the Office of the Solicitor General in improving all requirements in the draft contract. The vetted contracts for FEA Grid Extension are being improved by the SG's Office to safeguard government's interest.

FEA has its own team to inspect the transmission and distribution lines to comply with standards outlined in the Overhead Materials Construction Manual. This was an isolated case whereby funds had been exhausted before completion of the project. The department does not have a mandate under the Electricity Act to inspect these grid lines while they are in construction however

				DOE receives physical progress updates from FEA every month.	
40.19.1	REDP - Bidder Engaging Officers of the Ministry in Preparing the Tender Document	<p>Audit review of the bid documents submitted by both companies revealed that one of the companies indicated in the bid document that it will engage three of the Ministry's staff who works in the Technical Section, if awarded the tender.</p> <p>The three officers will be assisting in the dam and powerhouse drawings, material schedule and work program and project supervision, electro mechanical, and other associated works. The audit also noted that these officers did not inform the Ministry about their involvement with one of the bidding companies</p>	The Department should investigate the matter and take appropriate action.	<p>The audit recommendation is acknowledged.</p> <p>The Ministry will refer the issue to the Ministry's Discipline Unit for investigation and recommendation based on the findings.</p>	The case was forwarded to the Ministry's Discipline Unit for investigation which is currently under way.
40.19.2	Losses Incurred on Installation of Wind Monitoring Systems (WMS)	The contractor imported the 34m tower materials from RNRGS (USA) after contract for the project was signed by Department	<p>The Department should:</p> <ul style="list-style-type: none"> ensure that all project ground work is sorted prior to calling of tenders for 	<p>The audit recommendation is acknowledged.</p> <p>The requirements for banks concerning the funding of</p>	This has been noted and will be considered for future projects.

and contractor. However, the Department later decided to install a 50m tower rather than a 34metres tower as approved by the Government Tender Board in its Meeting no 06/2012 on 20/03/12.

As a result, the Department incurred an additional \$83,852 in 2015 to return 15 x 34m complete sets of Automated/Telemetry Wind Monitoring Systems.

The GTB withdrew the award for the supply and installation of the 15 x 34m WMS from the contractor to replace it with the 50m systems. A new contract for \$832,947 was signed on 12/4/2013 by the Department and the company which was awarded the initial contract.

The project cost in the

capital projects; and

- ensure mandatory requirements for due diligence are satisfied to ensure that governments interest are protected.

renewable energy projects for project developers are constantly reviewed. As such the requirements for World Bank and other donor agencies had been revised for such feasible studies. Upon realisation of the World Bank requirements, the Ministry had made the submission for the 50m wind Telemetry Systems to be effective and viable for data collection and collaboration.

The Ministry is now ensuring that all relevant information required by the Donor Agencies is collated before any such project submission is made.

Furthermore, the payment for the shipping cost of \$83,852 was paid to Clay Engineering Ltd upon the GTB approval dated 4/1/2013.

		new contract was \$550,322 or 195% higher than the original contract price. However, the Department did not call for fresh tenders despite significant change in project cost and specification.			
40.20.1	Biofuel Implementation Programme - Failure of biofuel mills operations in outer islands	Despite the huge capital investment made by government over the years in biofuel production in the outer islands, the audit noted that the 5 out of the 9 biofuel mills were not operational as at the date of audit on 11/02/16. The total funds spent on these bio fuel mills as at 31/12/15 were \$3,298,607.77 or 42% of the total investment over the past 5 years.	<p>The Department must ensure that:</p> <ul style="list-style-type: none"> the mill's financial reports are submitted by mill managers on a timely basis; and a review of the biofuel mill operations is conducted immediately to evaluate its viability and take appropriate action. 	<p>The audit recommendation is acknowledged.</p> <p>Mill Managers have been constantly reminded to submit reports on time regardless of issues faced on the islands, such as logistical cost to post offices, fax the reports and communication issues. The Department will work on improving the submission of financial reports by further training, awareness and disciplinary actions where necessary in the future.</p> <p>The Department with the funding assistance of Global Green Growth Institute (GGGI) funding and Ministry of Economy is currently working on the engagement</p>	<p>Biofuel Mill operations have been reviewed and reports (recommendations) have been received on 1/5/2017.</p> <p>Management will review the recommendations in the report and implement as appropriate.</p>

				of a consultant (August to December 2016) to review the whole biofuel programme and recommend actions to be taken.	
40.20.2	Demolition and Reconstruction of the Moala and Matuku Biofuel Mills	Department paid \$5,876.50 to the engineer for the project inspection and \$752,502 to DECE to demolish and reconstruct the biofuel sheds. Hence, the Department incurred \$758,378.50 additional expenses for the bio fuel projects at Moala and Matuku, Lau.	<p>The Department should:</p> <ul style="list-style-type: none"> • Ensure that all capital works are properly planned, approved and supervised in future; and • Seek assistance from relevant authorities when implementing such projects in future. • Ministry of Finance should investigate the matter and take appropriate action against officers responsible for waste of public funds. 	<p>The audit recommendation is acknowledged.</p> <p>The Department ensures that biofuel projects were properly planned, approved and supervised which saw the successful completion of the reconstruction works on the two sites in 2015.</p> <p>The Department had sought the assistance of the Divisional Engineer Works - Central/Eastern for the reconstruction works hence the successful completion of the works.</p> <p>The Ministry had terminated two officers in 2013 regarding the biofuel project issue from Moala and Matuku and the same is currently being handled by the Office of the Solicitor General in recovering funds from the Contractor.</p>	For future projects, thorough consultations will be held for design, scoping and project monitoring.

40.20.3	<p>Delay in Installation of Dual Fuel Kits and Power Converters</p>	<p>The Vegetable Oil Dual Fuel Kit sets were received by the Department on 21/11/14, after delay of seven weeks. In addition, as at the date of audit, only seven out of the 40 sets were installed by the Department at the various locations.</p> <p>40 power convertors were also purchased by the Department costing \$30,000 via EFT no. 1132 of 23/12/15. However, as at the date of audit on 11/02/16 the items were yet to be installed.</p>	<p>The Department should ensure that the above items are installed at the identified sites without any further delay.</p>	<p>The audit recommendation is acknowledged.</p> <p>The Department is working towards 100% installation by July 2017.</p>	<p>Currently the workers are in field undertaking the installation of DFKs.</p>
40.21.1	<p>Inconsistencies in Basis for Award of House Wiring Works through Expression of Interest</p>	<p>Inconsistencies were mainly most expensive bidders were selected compared to other bidders, 2nd most expensive bidders were selected, bidders with outstanding works were not selected and the cheapest bidder selected.</p> <p>Invitations for obtaining quotations were sent only</p>	<p>The Department must ensure that:</p> <ul style="list-style-type: none"> • the basis for awarding house wiring works is consistent; • reasonable time is given for companies to submit their quotation before the closing date; and • independent members of 	<p>The OAG recommendation is acknowledged.</p> <p>The DOE is continuously working towards improving its processes and procedures for awarding house wiring works.</p> <p>DOE has implemented the process of engaging a technical representative from the Department of Works –</p>	<p>The audit recommendations are noted and for future projects, DOE is strictly adhering to procurement regulations at all times.</p>

		<p>two to four days before the closing date of the quotations and in some instances, these quotations were evaluated by the TEC within two to four weeks after the closing date of the quotations.</p> <p>The audit further noted that all the members of the TEC for the House Wiring Works were officers from within the Department.</p>	<p>the TEC committee are appointed.</p>	<p>Electrical Section and one Senior Accounts Officer from the Accounts Section as independent TEC members.</p>	
40.21.2	<p>Inspections on House Wiring Works not carried out</p>	<p>Payments were made to house wiring electrical contractors for house wiring projects without inspection reports from Departments officials.</p>	<p>The Department should:</p> <ul style="list-style-type: none"> • carry out inspections for house wiring projects to ensure that it has been carried out as per the contract; • ensure that all payment for the projects are made on the basis of recommendations as per inspection reports; and • inspection reports are produced for audit verification on request. 	<p>The audit recommendation is acknowledged.</p> <p>A checklist is in place for all contractual payments which needs to be complied with before processing of any payments; this also includes verification of the inspection reports.</p>	<p>There is a monitoring process in place and payments released in compliance with the checklist.</p>
40.22.1	<p>Bukuya Hydro Scheme - Anomalies in</p>	<p>All tenders advertised must be evaluated and</p>	<p>The Department should ensure that:</p>	<p>The audit recommendation is acknowledged.</p>	

	Awarding of Contract	<p>submitted to the Government Tender Board (GTB) for a decision within three (3) months from the tender closing date. Agency should issue contracts to successful bidders two weeks after the GTB approval.</p> <p>Significant delays were noted for the GTB in evaluating and approving the tenders. In addition, significant delays were also noted for the DOE in signing the contract from date the GTB approved the Contractor.</p>	<ul style="list-style-type: none"> • all tenders called are evaluated and awarded on a timely basis to avoid delays; • Officers responsible for signing contracts are diligent in performing their duties; • investigate and take appropriate disciplinary action against Officers for their negligence. • the contract agreement clearly outlines the project commencement and completion date which is in line with the contractor's tender bid; and • the contract is duly signed by both the parties on the same date or in few days' time. 	The Ministry will refer the issue to the Ministry's Discipline Unit for investigation and recommendation based on the findings.	
40.23.1	Project Administration Issues - Roll Over of Projects	\$8,617,980.41 or 30% of the total Capital Expenditure budgetary allocations in 2015 was utilized to pay for projects rolled over from prior	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • all projects are properly planned for implementation within the financial year; 	<p>The audit recommendation is acknowledged.</p> <p>All projects will be aligned with the Department's Annual Work</p>	Ministry strictly monitors the project implementation and utilisation to ensure that projects are completed on time.

		<p>years.</p> <p>The GTB approvals obtained from the prior years were used to make payments from the 2015 capital expenditure allocations. In this regard, the Department failed to comply with the requirements of the Finance Circular 21/2014.</p>	<ul style="list-style-type: none"> • current year budgetary allocations are not committed for prior year projects; and • only valid or current years GTB approvals are used for payment purposes and funds allocated are utilized for the intended purpose. 	<p>Programme and monitored accordingly and in line with budget provisions. Payments will be made based on GTB approval and funds will be expended in line with the budget and AWP.</p>	
40.23.2	Poor Project Record Keeping	<p>Capital project records were not properly maintained by the Department. In most cases, project files were only kept on the workstations of the responsible officers and were not securely filed in cabinets.</p> <p>Records of capital projects that were in progress at the time of audit were not centrally maintained in the Department. Instead each unit maintained its own progress reports which in most instances were not up to date as at the date of audit.</p>	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • All project records are properly filed, indexed and stored securely; and • progress reports for each capital projects are centrally maintained and updated on a regular basis 	<p>The audit recommendation is acknowledged.</p> <p>The Department now has new mobile compactors for filing of records.</p>	<p>Ministry has set up a designated filing and archives area on the ground floor.</p>

40.23.3	Composition of Tender Evaluation Committee (TEC)	Most of the TEC meetings were not chaired by the Directors and Divisional Heads. Instead, the meetings were chaired by the Principal Technical Officer from Department of Energy	The Department should comply with the requirements of the Finance Manual at all times.	The audit recommendation is acknowledged. The Department ensures that Finance Manual requirements will be complied with at all times.	The current TEC comprise of technical experts from Divisional Engineers.
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