



The Ministry Of Infrastructure & Transport

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our ref: E 50/1/1

Hon. Ashneel Sudhakar
Chairman, Public Accounts Committee
Government Building
Suva

Dear Sir,

RE: RESPONSES TO THE 2014 AUDITOR- GENERAL'S REPORT (RURAL ELECTRIFICATION PROGRAM)

Find attached herewith are our responses to the to the 2014 Auditor- Generals Report (Rural Electrification Program).

We are willing to deliberate and clarify any issues you may still have during our meeting on Tuesday 21st November 2017.

Yours faithfully

P.T. SOWANE

Deputy Secretary Infrastructure
For: Permanent Secretary

PART A: Overview

Management of the Rural Electrification Program

The Rural Electrification Programme is a rural empowerment program where the Ministry of Infrastructure & Transport through the Department of Energy (DOE) coordinates and facilitates the implementation of electricity supply to our rural and maritime communities. The program is implemented and govern by the Rural Electrification Policy (REP) 1993 and the Standard Operating Procedures (SOP). Subsequent reviews and amendments have been made to certain clauses of the policy to accommodate the decisions by government together with the systems and processes in place. The latest revision was done in 2016 when the government had made a commitment to meet the upfront costs of all rural electrification projects. Having access to electricity is an enabler and a catalyst for socio-economic growth. There are three different forms of schemes provided to rural communities include;

- a. Solar Home Systems
- b. Diesel Generators
- c. Diesel-Solar Hybrid System
- d. FEA Grid Extension

The program is managed by the Rural Electrification Unit under the Department of Energy.

PART B: Audit Findings

(a) Management Framework of Rural Electrification Program

1. Framework for management of rural electrification projects exists and is defined through the Rural Electrification Policy 1993 and Standard Operating Guidelines. These however need to be reviewed to incorporate current practices, roles and responsibilities.

- The Ministry noted the comments of the Auditor General's Report. Eventhough there hasn't been any full review done on the REP 1993 but there are amendments done in certain parts/clauses of the policy. In 2008, the government had made a decision to reduce the community contribution from 10 per cent to 5 per cent.
- Subsequently in 2016, the government had made a decision to review certain clauses of the policy which encompasses the following;
 - a. Waiver of community contribution to reciprocate community contribution in kind

- b. Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems
 - c. Increase in the Fiji Electricity Authority's annual Rural Electrification fund
 - d. Increase in validity of FEA Rural Electrification scheme quotations
 - e. The handover of Solar Home Systems ownership and maintenance to community's and recipients
- With the above, the Ministry through the Policy and Planning is undertaking a complete and a holistic review of the policy to incorporate the changes above and other important aspects including the paradigm shift from diesel to renewable energy supplies and the effective management of these systems to ensure its long term sustainability. The review will also look at strengthening the structure of the unit to be more vibrant and cohesive and to respond to the needs of our customers regularly. As part of the review process, a stakeholder consultation meeting will be held shortly to gather the views of all stakeholders involved.
- Furthermore, the Department is also in the process of reviewing its Standard Operating Guidelines to make it relevant, workable and harmonise with the changes and amendments of the policy.

The current structure of the Department of Energy had been existence for more than 20 years and has an effect on the effective implementation of the program

- The Department is reviewing its structure to recruit more staff to accommodate the higher demand of applications that we are currently receiving. At the moment the Rural Electrification Unit consists of thirteen (13) technical officers; two (2) Supervisors and one(1) Principal Technical Officer. At the moment the Department is intending to recruit an additional and this is done in close collaboration with review of the REP.
- To ensure successful implementation and monitoring of projects, the Department had transfer three (3) of its technical officers each to be based at the Divisional Engineer Works Western (DEWW) and Divisional Engineer Works North (DEWN) respectively. The decentralisation of our services to the divisions, will also allow easy access to the area of operations and improves our service delivery to our rural customers and attend to their issues and queries in a more timely and efficient manner with the least turnaround time.

3. There is a need for recruitment of more staff and the provision of adequate training for employee skills enhancement and development.

- As highlighted above, the Department is currently reviewing its structure to recruit more staff. In addition, the Department continues to send our technical officers to attend local and overseas training on any aspects relating to their field of work. This training ranges from technical, managerial and even with the government policies, systems and processes. Such kind of training will allow the officer to gain more knowledge and skills and apply them into their area of work.

(b) Administration and Implementation of Rural Electrification Program

1. Applications are not always supported by required documentations as required

- Eventhough some applicants failed to provide the full documentation in their application but these are always verified and scrutinize by our officers before the project proceed to the next stage of its implementation. As part of the process, our technical officers carry out site survey to confirm and authenticate the details of the applicant and assess the viability of the mode of electricity supply applied.

2. Once installed, use of diesel generator scheme are not always exploited by beneficiaries

- One of the main challenges faced with the use of diesel generator was on the high cost of fuel. Additionally, lack of maintenance schedule and improper management of the project is also a contributing factor to the unsuccessful operation of the project. As part of its implementation plan, the Department continues to train the village generator operators and electrification committee on all aspects of the project including repair and maintenance, record-keeping and overall management of the project.

3. There is no approval for variations in parts installed for solar systems and requirements as per the Policy. Recoveries of monthly fees under the RESCO are not evident

- The DOE have put in place a stringent and transparent monitoring process to ensure that the materials/equipments supplied or installed at the site comply with the standards as per the agreement contract. Some of the components or parts installed eventhough they might have not been listed in the policy will not affect the operation of the system and does not constitute a variation.

- The Department has been working together with the communities and with the post offices in the rural communities on the collection of the monthly rental fees. In addition, some communities prefer to make their payments to the Post Offices which was then paid and reconciled with our Ministry's Accounts team.

4. Recoveries of community contributions could not be ascertained

- Most of these communities have made partial payment on their community contributions. When the government made the decision in 2016 to meet the upfront costs of all rural electrification projects, most of these communities were refunded back on their contributions. Hence there are no outstanding payments to be recovered by government.

5. Records maintenance and security of records is lacking.

- The Department is working together with the Fiji Renewable Energy Power Projects (FREPP) funded by the United Nation Development Programme (UNDP) to develop a database for the Department. The development of this database will address issues of security of records and also ensure the availability of reports and updates as and when required.

(c). Monitoring and Inspection of Projects under the REP

1. Contradictory reports on inspections

- When staff engaged on inspection trips, they are provided with the inspection guideline as per the terms and condition of agreement. However there are instances when contractors install sub-standard brands which are not specified in the contract agreement. The Department had addressed and rectify most of these issues with the contractors and penalties are imposed if contractors don't comply with his terms and condition of engagement. This include but not limited to the withholding the release of their payment for that particular stage of work.

2. Improvements noted in monitoring processes include revision to regularity of contractual payment

- Before the release of any contractual payment, it is a requirement that Department carries out the inspection for that particular stage of work.

3. Monitoring activities are hindered by a lack of resources

- Due to the geographical locations of our islands and communities, it's always a challenge for us to monitor the progress of projects on the ground on a timely basis. The Department is looking at recruiting more staff to beef up with the existing staff structure. In addition, apart from the existing fleet we have, government has also approved the purchase of two (4WD) vehicles which we should be getting in December. One of the vehicles will be based in the Northern and the second one in Central Division. These vehicles will assist us service those projects in the interior which are inaccessible or with a rugged terrain. The decentralisation of our officers to the divisions will complement the Department intention to closely monitor our projects on the ground.
4. **Monitoring and evaluation reports were not submitted for audit scrutiny.**
- This is noted and the Department will provide the monitoring and evaluation reports as and when required.

Conclusion

The Department concur with the recommendation of the Auditor General's Report that there is an urgent need to review the Rural Electrification Policy 1993 together with the SOP. Eventhough the unit lack staffing together with limited resources but the number of projects currently implemented on the ground is a testament of government's commitment to uplift the standard of living of our ordinary Fijians.