

THE NATIONAL ASSEMBLY OF SEYCHELLES



**THE FINANCE & PUBLIC ACCOUNTS
COMMITTEE**

SPECIAL REPORT ON THE PUBLIC UTILITIES CORPORATION

THE FINANCE & PUBLIC ACCOUNTS COMMITTEE is empowered to consider the accounts referred to in article 158(3) of the Constitution; report to the Assembly on any excess of authorised expenditure; propose any measure necessary to ensure that the funds of the Government are properly and economically spent; and examine the financial statements of any public or statutory body.

Powers

The Committee is a Standing Sessional Committee under Article 104 of the *Constitution*, the powers of which are set out in the *National Assembly Standing Orders, 2020* and *Part III of the National Assembly (Privileges, Powers & Immunities) Act, 2011*.

Committee Staff

The Committee is assisted by the following Parliamentary Staff: *Ms. Alexandria Faure* (Secretary) and *Ms. Sheryl Rangasamy* (Secretary Assistant).

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The following Members of the Finance & Public Accounts Committee undersigned, submit this Report dated

Hon. Sebastien Pillay
Chairperson



Hon. Terence Mondon
Vice-Chairperson



Hon. Sandy Arissol
Member




Hon. Churchill Gill
Member



Hon. Georges Romain
Member



Hon. Richard Labrosse
Member



Hon. Conrad Gabriel
Member



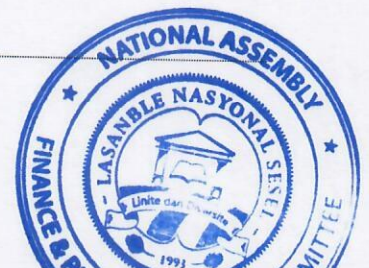


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EXECUTIVE SUMMARY

The Finance and Public Accounts Committee (FPAC) is established as the supreme institutional mechanism for ensuring oversight and scrutiny on the efficiency and effectiveness of all matters concerning public financial management and the systems in place. The Committee is regarded as a key component in the process of ensuring good governance, transparency and accountability.

In its role of oversight, the Committee holds the Executive accountable for its management of resources, efficiency in revenue collection, expenditure of public funds and proper accounting for state assets. Government spending is driven and directed towards achieving national objectives and delivering a better service to the public that is value for money.

This Report highlights the findings of the Committee in meetings that have been held with the Public Utilities Corporation pertaining to the processes for tender for the desalination plants at Anse Boileau and Providence, in addition to the case of stolen assets, the insurance and protection of those assets.

In extension to its oversight role, the FPAC must work in close collaboration with other institutions and agencies in their reporting/law enforcement capacity to help detect, prevent and expose corrupt practices thereby reinforcing anti-corruption strategies. This includes promoting practices of good governance and efficient spending.

Introduction: The purpose of this report is to provide an update to the National Assembly on work carried out by the Finance and Public Accounts Committee (FPAC) on what actions and measures have been taken by PUC in respect of several matters addressed in a meeting held with FPAC on 4th November, 2021.

Background: PUC was invited by FPAC to a meeting on 4th November, 2021 for the purpose of presenting a concrete plan of actions to address the following matters:

- i) The issue of lost assets (cables) belonging to PUC located on Ile Aurore in 2020;
- ii) The issue of the damages on PUC's newly procured submarine cable drums which forced a long delay for the installation of a new length of undersea cable from Eve Island, Praslin to Round Island, and from Praslin to La Digue;
- iii) A review of PUC's tender process.

PUC was represented by the following members of management (as per their designations at the time):

Mr. Philippe Morin – CEO
 Mr. Joel Valmont – Deputy CEO
 Ms. Doreen Bradburn – Corporate Manager
 Mr. Jalan Nathan – CFO
 Mrs. Nane Nanty – Deputy CFO
 Mr. Terrence Stravens – Security Manager

The meeting focused on ensuring that public funds and assets are properly accounted for and was conducted in the presence of the Auditor General, Mr. Gamini Herath. PUC informed the Committee that the organisation is trying to claim the insurance in order to recover the loss. Serious security concerns regarding the theft of some of the assets of PUC were discussed and the Committee recommended further security measures be implemented.

List of Supplementary Documents submitted to FPAC: On 30th November 2021, PUC submitted supplementary documentation, as requested by FPAC in a letter dated 12th November, 2021. Further details are provided in Appendix I.

- i) *Insurance documents pertaining to the claim arising from the incident involving electricity cables procured for La Digue.*
- ii) *Signed Contract documents between PUC and Vijay Construction for the carrying of cable service to La Digue.*
- iii) *5-year statistics of lost assets and theft recorded.*
- iv) *A breakdown of all storage units' value and inventories.*
- v) *2020 Internal and External Audit Reports.*

The FPAC requested that PUC actively pursue recovery of the cables stolen or use other means namely insurance claim to recover the cost of the cables. The FPAC also maintained that PUC should make all attempts to reconcile the cost regarding the damaged submarine cable in lieu of recovery of same.

On the 9th of March PUC management wrote to the FPAC updating the Committee on the status of action taken. On Tuesday 20th June 2023, the Committee, in accordance with Article 158 (7) of the Constitution requested that the Office of the Auditor General, in the public interest, audit the accounts and procurement procedures of the PUC expeditiously. This letter was received by the Auditor General to be undertaken and a commitment to keep the FPAC abreast of the audit findings was expressed. FPAC also summoned PUC for a meeting to explain the set of actions taken by the company to date as per the letter of 9th March 2023.

Findings:

On the 30th of June the FPAC conducted a meeting with PUC management, in this meeting the PUC was represented by;

Mr Joel Valmont - CEO

Ms Doreen Bradburn - Deputy CEO

Ms Michelle Marguerite - Legal officer

Ms. Noemie Chetty - Procurement Director

The issue of lost assets (cables) belonging to PUC located on Ile Aurore in 2020:

In 2020, there was a theft of stolen armoured cables of 630mm² and 400mm² at Ile Aurore where they were located in open storage. The value of the loss was ascertained at SCR 347K. The matter was referred to the police and the security guard who was complicit in the theft as well as the third parties involved were arrested. The cables could not be recovered as they were partly confiscated by the police and partly sold to a recycle agent. The matter was brought to the attention of the Board of PUC who approved for the armoured cables valued at SCR 347K to be written off from the books. Attempts for the Corporation to recover the loss from the insurance company were unsuccessful.

Actions taken to mitigate the risk of loss or theft of inventories:

The Corporation has a zero tolerance for theft, fraud and other illegal activities and all cases that are detected are handled by an independent Disciplinary Committee and/or referred to the police in compliance with the law. The Corporation already has in place internal controls and procedures to ensure that inventories are safeguarded at acquisition and deployment, properly accounted for, tracked, monitored, and reconciled against the system records, etc. Those internal controls, including segregation of duties, have been reviewed and reinforced by the finance and stores teams, and will be subject to continuous improvement as needed.

At Ile Aurore, the boundary fencing has been reinforced and extended up to the sea borders on all outside corners. In addition, razor wire has been installed around the perimeter fencing, including the pathway behind the fencing, making access to the site extremely difficult. Two security guards are now working each night shift rather than just one, thereby increasing the security guard presence there. To note that there are four teams of security guards which are rotated regularly.

Other measures taken to safeguard inventories held in open storage at Ile Aurore include positioning of heavy marketable items (e.g. cable drums), such that they are always within the line

of sight of the security guards. To the extent practicable, some marketable materials, such as HDPE pipes, are stored in closed containers.

Some security cameras and security lights have been installed at Ile Aurore for better monitoring as well as serving as a deterrent. The ICT team of PUC is currently doing a comprehensive assessment in order to plan for the installation of security cameras on key premises of the Corporation and adopt the most appropriate technology for digital monitoring and improved visibility.

The FPAC commended PUC on the measures it has taken to upgrade its security measures but was concerned that PUC could not recover the cost of the stolen cables either through the police investigation or through the insurance company. The FPAC also identified that the process and timeframe of the police investigation made it difficult for PUC to engage the insurance company. The action of the board to approve the write off whilst understandable does not address the need for more robust system in place to deal with compensation or recovery of lost or stolen assets.

The issue of the damages on PUC's newly procured submarine cable drums:

The total cost of damaged cables was established to be SCR 1,237,761.63. It is to be noted that a marine cargo insurance cover was taken with Sacos – Certificate No. MACRG002446 dated 24th March 2021 – for a sum insured value of SCR 7,484,706.00 in respect of the three cable drums transported to Praslin (out of which one was damaged). Despite its best efforts, PUC was unsuccessful in contesting SACOS' position that the policy covered only the voyage and not the loading operations. After a series of negotiations, SACOS made a final improved offer for an ex-gratia payment of USD 48,944.01 equivalent to SCR 685,216.14 (at the prevailing exchange rate of SCR 14) which PUC management accepted in consultation with the Board.

In addition, PUC held constructive discussions with Vijay on how to recover the balance of the cost that was not covered by insurance. Vijay admitted that their cargo insurance did not cover the loss, hence this option was ruled out. Furthermore, they were unable to have access to their frozen bank accounts as they were in administration, so they were in a position to consider an in-kind option only.

An agreement was reached for Vijay to rent a barge to PUC for joints during an operation which followed the laying of a length of cable from Eve Island next to Round Island around April, 2022. The rental charge of SCR 350,000 was partially offset against Vijay's liability in respect of the damaged drum. A reconciliation of the costs recovered and amount still to be recovered from Vijay:

Reconciliation of Costs in respect of Damaged Submarine Cables

1. Sacos ex-gratia offer USD 48,944.01* SCR 685,216.14
2. Cost for renting of barge for joints by Vijay SCR 350,000.00
3. Total cost recovered (1+2 above) SCR 1,035,216.14
4. Cost of damaged cables SCR (1,237,761.63)
5. Balance of cost to be recovered from Vijay SCR 202,545.49

*USD rate of exchange on 28.04.2022: SCR 14

PUC is still in discussions with Vijay on what works, or services could be performed by the latter in order to clear the outstanding balance of SCR 202,545.49

The FPAC noted the efforts that PUC had made efforts to recover part of the cost of the damaged submarine cables, however given that the insurance coverage was only for cargo insurance only this leaves PUC exposed if the fault is also attributed to the service provider (Vijay) in loading the cable drums for transportation. The delays caused in providing electricity service has to also be taken into account so that PUC makes an assessment of how best to cover transportation of cargo to and from its Mahe.

PUC's Tender Process

Procurement activities are conducted in compliance with the Procurement Act, 2008 and Public Procurement Regulations, 2014. In addition, an internal Procurement Policy was established in April 2021 to provide a guideline of best practice procurement principles, policies, processes and procedures for all goods, services and works by the Corporation in line with the requirements of the Procurement Act.

In October 2020, the formation of an internal Procurement Committee has provided a further layer of control in order to capture procurement process of all goods, works or services, including those under the SCR 150,000 threshold (now increased to SCR 250,000). The objectives of this committee are:

- To maintain transparency and accountability by all parties involved in the procurement process internally;
- To improve efficiency of the procurement process and alleviate unnecessary expenditure;
- To achieve value for money, bearing in mind such factors as quality, urgency, reliability, and competitiveness, amongst others.

The FPAC is aware of the level of procurement undertaken by PUC and the emphasis that the organisation places on value for money. However in a recent report the Ombudsman raised several concerns in light of a case that was brought to the attention of the Ombudsman's office. The FPAC has considered the issues raised by the Ombudsman and has also notified the Auditor General as the report also takes into account findings of auditor general. This matter will be revisited in a subsequent report.

Recommendations:

In light of the discussions and analyses of the findings the FPAC makes the following recommendations:

The FPAC recommends that PUC Management conducts periodical review of security measures in place and ensure that inventory is strictly monitored. High value assets on store must be constantly checked and designated personal must maintain a log of the monitoring process.

The FPAC recommends that insurance coverage for any and all assets or inventory must reflect different eventualities. The FPAC is mindful of the cost this will entail in premiums so the organisation must do its best to obtain the best coverage for its inventory.

The FPAC recommends that Government establishes a clearer reporting mechanism in regards to police investigations that has repercussions for insurance claims or affects recuperation of costs. These investigations can and will influence the ability of organisations such as PUC to engage with other parties insurance or otherwise. The FPAC notes however that this is not the first time it has noted that insurance claims were not possible as it relates to a government entity. It is something that Ministry of Finance should consider looking into.

Conclusion

The meetings held with PUC provided the FPAC with a unique perspective on how PUC deals with different issues that come up and the commitment of the people that work for the organisation. The management and staff of PUC has an enormous task to deliver for the people of Seychelles and in that respect also needs the support of other institutions. The FPAC is committed to working alongside all entities including PUC to achieve the highest level of efficiency and accountability. The recovery of costs associated with damage of the cable drums is an important example of accountability for all entities; to ensure they can recover the cost associated with the damage of inventory or assets. The Committee is grateful to the Senior Management of PUC past and present that assisted in establishing the facts and a way forward on the issues discussed in this report. We are also grateful to the Auditor General and our other partners that work with us.