



**GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO**  
**MINISTRY OF ENERGY AND ENERGY INDUSTRIES**

Head Office: International Waterfront Centre, Level 26, Tower C, Energy Trinidad and Tobago  
#1 Wrightson Road, Port of Spain, Trinidad and Tobago  
Telephone (868) 225-4334 Facsimile (868) 225-5746

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**EI: 3/4/191**

28 November 2017

Mrs. Jacqui Sampson- Meiguel  
Clerk of the House  
Office of Parliament  
Levels G-8, Tower D  
The Port-of-Spain International Waterfront Centre  
1A Wrightson Road  
**Port-of-Spain**

Dear Mrs. Sampson- Meiguel

**Re: Eighth Report of the Public Accounts (Enterprises) Committee on the examination of the Audited Financial Statements of the National Gas Company of Trinidad and Tobago Limited (NGC) for the financial years 2009-2015**

I wish to acknowledge receipt of your letter dated 29 September 2017 on the subject matter at caption.

I hereby submit the Ministry's written response to the recommendations in the Report for the consideration of the Committee.

Sincerely,

  
Permanent Secretary

**Response to Eighth Report of the Public Accounts (Enterprises) Committee on the examination of the Audited Financial Statements of the National Gas Company of Trinidad and Tobago Limited (NGC) for the financial years 2009-2015**

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**Recommendations:**

**I. Status of NGC's Strategic Plan**

- **The Ministry of Finance and the Line Ministry should approve NGC's Strategic Plan no later than July 31, 2017; and**

**Response:**

A meeting between the Minister of Energy and Energy Industries and the NGC for the presentation of the Company's Strategic Plan is to be scheduled. However, NGC has reported that all of the Group Companies have presented their respective plans to their Board of Directors between August September 2017 and these have been approved. The summary presentation of respective plans were also made to the Ministry of Energy & Energy Industries (MEEI) at the 2017 Annual Technical Meeting held with the NGC Group of Companies on 26 April 2017.

- **NGC should submit a copy of the 2017-2020 Strategic Plan to the Committee no later than August 31, 2017.**

**Response:**

A copy of the 2017-2020 Strategic Plan will be submitted to the Committee after approval by the MEEI. It is expected that this would be in Q1 2018.

- **NGC should provide the Committee with a detailed schedule of the activities and timelines regarding the implementation of the plan within three months of the approval of the plan.**

**Response:**

The MEEI would request that the NGC prepare and provide the relevant information.

## II. Staff Costs and Declining Profit Margins

- **NGC should improve its profitability before implementing any further wage increases;**

### **Response:**

NGC has reported that it has worked assiduously to improve its profitability. NGC also reported that no salary increases have been granted since 2015. NGC acknowledged that its profitability should be improved before any future salary increases are implemented in response to adverse economic and/or industry factors.

- **NGC should identify ways of reducing operating and administrative costs during the current fiscal year, in an attempt to enhance its profitability in the coming years.**

### **Response:**

NGC reported that its Board and Management has taken actions in managing costs since October 2015 and that for the years 2015, 2016 and 2017 significant focus has been placed on rationalizing operational costs. The Company held a Vendor Forum which facilitated discussions on the rationalization of prices and payment terms of contractors. The Company also rationalized its Teak-Samaan-Poui (TSP) operations and significantly lowered expenses. Further, NGC reported that they have significantly reduced expenditure associated with Corporate Social Responsibility (CSR), insurances and licenses.

- **The company should provide the Committee with a dis-aggregated schedule showing the total number of staff, the various groups of staff (Commercial, Administrative, Engineering etc) and the total wages and salaries paid to each staff grouping by July 31, 2017; and**

### **Response:**

See *Appendix 1* for a Schedule showing Group, Number of Employees and Total Salaries & Allowances by Group as at July 31, 2017.

- **The company should reconsider its method of financial reporting and group all staff costs as one.**

**Response:**

NGC has reported that in terms of its allocation of costs, there is separation of costs between operational (or direct) and indirect costs.

**IV. Debt Management**

- **The Management of NGC should examine ways of enhancing revenues and reducing expenses to improve cash inflows that will assist in managing debt.**

**Response:**

NGC reported that its Board and Management is continuously focused on growing revenues and managing costs in order to improve cash flows of the Company. This includes maximizing value from the re-negotiation of all expired contracts. The Company is focusing on its core mandate and is diversifying business by moving into Commodity Trading and cost marketing. Significant focus has been placed on cost management, managing both Operating and Capital Expenditures and thus positively impacting cash flows. In addition, no increase in salaries has been granted for 2015 and 2016. The NGC pension plan is currently being restructured, CSR costs have been significantly curtailed and there have been cost savings for insurances and licenses.

**V. Human Resource Issues**

- **NGC should conduct Exit interviews with a view to fully understanding the underlying reasons for the human resource issues that exist at NGC; and**

**Response:**

NGC has reported that it conducts Exit Interviews with employees leaving the Company. See *Appendix 2* for an Exit Interview Analysis for the period Jan 2016 to September 2017.

- **The company should establish an ESOP Programme to encourage staff to perform to their fullest potential.**

**Response:**

NGC has reported that it is currently in an advanced stage in the implementation of an ESOP plan for all the employees of the NGC Group of Companies. The Sponsor Company would be Trinidad and Tobago NGL Limited, a member of the NGC Group of Companies, with Deeds of Adherence will be executed with all Participant Companies of the NGC Group.

**VI. Cost Overruns- Liquid Fuel Pipelines**

- **NGC should provide this committee with a detailed scope of the works needed complete the facility inclusive of the estimated costs to do so and the estimated date of completion.**

**Response:**

See *Appendix 3* for a detailed scope of works needed to complete the facility and estimated costs and completion dates.

- **For future projects, NGC should establish more stringent controls to ensure that cost overruns do not occur and projects stay within the estimated range. These controls should include the use of lump sum contractual arrangements as well as engagement of specialty project management firms; and**

**Response:**

NGC reported the following:

- (a) As at June 1 2017, NGC was restructured to establish the Project Execution function, the Project Management Office (PMO) and the Procurement function under a common umbrella, with a view to achieving:
  - A more effective, collaborative and harmonious procurement process in support of major projects;
  - Seamless transactions transitioning through the elements of the supply chain;
  - Mitigation of costly delays in procurement turnaround;
  - More timely technical evaluations and approvals;
  - Improved quality of specifications and scope definitions going out to tender;

- Seeking and implementing improvement initiatives such as e-procurement, e-auctions and centralization of organizational procurement.
- (b) There is to be the establishment of a high-level function responsible for all capital and major construction projects, as well as project controls, that reports directly to the NGC President for higher accountability, transparency and visibility.
- (c) There was adoption of the revised NGC Group Project Management Methodology (PMM) that was approved in April 2017. The PMM prescribes Stage Gate approval processes for all major projects, and the reporting framework, forms, intrinsic accountability, fixed tolerances and procurement plans that would contribute to the mitigation of variability and risk.
- (d) There was reconstitution of the Project Management Control Unit (PMCU), responsible for project controls, Contract Management, Key Performance Indicator (KPI) reporting and project performance data management, as well as PMM compliance, and ongoing training of project operatives.
- (e) There was strengthened focus on cost and schedule estimating, adoption of best practices, enabling greater consistency in the approaches to lump sum estimating, and in the research of estimating software platforms.
- (f) There were discussions held with higher profile local Oil & Gas Engineering, Procurement, Construction (EPC) firms to forge and strengthen relationships and synergies and secure appropriate Project Management resources, services and expertise.
- **NGC should pursue all avenues to recover all outstanding reimbursements from Petrotrin by September 30, 2017.**

**Response:**

NGC has reported the following:

- (a) NGC has clarified, per Petrotrin's request, the reimbursable costs incurred vs. amounts claimed from the Public Sector Investment Programme (PSIP), in order to attest that there was no duplication of invoicing by NGC.
- (b) NGC has further invited Petrotrin to meet with the NGC Liquid Fuels Pipeline Project (LFP) Project Accountant to go through the relevant paperwork in order to validate the claimed amounts.

(c) The President of NGC has written to President of Petrotrin on August 18<sup>th</sup>, 2017 formally requesting settlement of the invoices.

(d) Petrotrin has further engaged with a representative of the MEEI to independently obtain details on what was claimed by NGC from PSIP. The MEEI is currently investigating this request.

As of 18 October 2017, the following remains outstanding from Petrotrin.

<b>Invoice No.</b>	<b>Description</b>	<b>TT\$</b>
28196	Design of New Loading Rack East PAP Refinery	16,590,707.20
28195	Supply of Seven (7) Pumps	5,199,360.00
27906	4" Isobutane Pipeline	25,787,187.98
27905	Water Pumped From Caroni River to PAP	7,677,309.29

## **VII. Staff Loans**

- **The company should liaise with the Ministry of Finance-Investments Division to seek guidance regarding obtaining approval for this initiative by July 31, 2017; and**

### **Response:**

NGC has reported that correspondence to the Ministry of Finance (MOF) -Investment Division seeking guidance regarding its approval for this initiative was sent on October 24, 2017.

- **The company should provide a report on this decision to the Secretary of the PAEC by August 31, 2017.**

### **Response:**

The MEEI would ensure that NGC provides a report on the guidance received from the MOF to the Secretary of the PAEC.

## **IX. Risk Management**

- **NGC should implement a well-structured procurement unit by September 30, 2017;**

### **Response:**

NGC has reported the following:

- As indicated in response to Section VI above, as of June 1 2017, the Procurement function is more closely aligned with the Engineering and Construction Division, the major internal customer and also major service group to the organization, in order to improve efficiency and working relationships and provide a better and faster overall response to corporate strategic and operational needs. The beneficial effects of the collaboration are today more visible, and these two divisions now actively support a common group strategy map and related KPI's (e.g. service turnaround times, cost saving initiatives);
- Prior to June 1, 2017, within the Procurement Division, a Strategic Sourcing function was established with the expressed intention of seeking out and implementing value based initiatives such as blanket purchase arrangements, one-off contracts and e-tendering. While intensive one-off contract negotiations are led by this section, resulting in notable cost savings to the Company, the true strategic sourcing concept has not matured to date. The structure of the Procurement Division would be revisited by Q4 2017 however, with a renewed mandate for initiatives such as e-auctions, and Group prequalification and procurement;
- A number of the high priority audit recommendations relating to the Procurement process has been addressed, such as loose controls for receiving of goods in SAP, and a work plan has further been developed and submitted to NGC Internal Audit Division for the scheduling of recommended actions to address remaining risk exposures or governance issues again related to the Procurement process;
- A gap analysis exercise was commissioned and completed with regard to NGC Group compliance with the impending Public Procurement and Disposal of Assets Legislation, and work plans are in the process of being developed to address gaps or opportunities identified between current practices and the requirements of the Act.

- **The Company should ensure that staff charged with the responsibility of operating NGC's critical facilities are provided with the necessary training, at least bi-annually beginning July 31, 2017;**

**Response:**

NGC reported that relevant training is provided to staff charged with the responsibility of operating NGC's critical facilities. See *Appendix 4* attached for analysis of training conducted.

- **The Company should submit a copy of the recommendations made by the internal and external auditors and report on the status of these recommendations by July 31, 2017; and**

**Response:**

See *Appendix 5* and *Appendix 6* for a list of recommendations made by the internal auditors and external auditors of NGC respectively.

- **NGC should comply by the recommendations made by the HSE to ensure that staff is provided with a safe work environment.**

**Response:**

The MEEI would ensure that the NGC would implement recommendations for HSE so as to provide a safe work environment for its staff.

**X. The Status of Gas Sales Contract between NGC and T&TEC**

- **NGC should take urgent steps to review the final pricing arrangement with T&TEC and submit a report to the PAEC by August 31, 2017;**

**Response:**

NGC has reported that it has submitted its written request to T&TEC on July 13, 2017 to regularize and formalize the gas pricing for the period June 2011 June 2017 and also has submitted a proposal for the period 2018 to 2023. NGC is currently awaiting a response from T&TEC on NGC's proposal.

- **NGC should take immediate steps to ensure that a well-defined contract with T&TEC is in place by August 31, 2017; and**

**Response:**

NGC reported that they submitted a draft Gas Sales Contract to T&TEC for the period 1 January 2018-31 December 2023 on July 13, 2017. T&TEC is currently reviewing same with the intent that the parties meet on a regular basis to negotiate and execute the contract at the earliest opportunity.

- **NGC should seek an engagement between the line Ministries to develop a strategy so that T&TEC would be able to pay sums due as soon as they are billed.**

**Response:**

The MEEI has held and continues to have discussions with both the NGC and the MOF on the status of the T&TEC account with NGC, and to find a solution for the arrears to NGC by T&TEC.

## **XI. Dividend Payout Plan**

- **NGC should liaise with the Ministry of Finance to seek guidance on a review of its dividend policy;**
- **NGC should cease the practice of paying dividends from its retained earnings;**
- **NGC should examine ways of improving the effects of high dividend payments on its financial statements; and**
- **The company should not pay dividends more than four (4) times per year.**

**Response:**

NGC has reported that it has submitted its Dividend Policy to the MOF for its review and advice. The MEEI expects that dividends would be paid in accordance with the Company's Dividend Policy, as reviewed and advised by the MOF.