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**4.1 Assets Management**

Lands owned by Government are managed by the Ministry. Between January 2013 and June 2017, it has disbursed significant funds totalling Rs 3,051.6 million, mainly for the payment of compensations and interests.

* In the absence of an Asset Register, the existence, locations, cost and area of all lands owned by Government could not be ascertained;
* Some lands are vested in Ministries and Departments for project implementation. However, due to lack of proper follow up by the Ministry, it could not be ascertained if the lands vested, were being used for the intended purposes;
* The extent of State Land not yet leased was not available.

***Ministry’s Reply***

The Ministry is in the process of setting up a State Land Register (SLR) which would include a module for land acquisition.

**4.2 Lands Vested in Ministries and Departments**

Since 2007-08, my Office has been making regular adverse comments on lands vested in Ministries and Departments. As of June 2017, there were 197.2 Arpents (A) of vested land for 85 projects in addition to a plot of land of 334.74A earmarked for the Riviere des Anguilles Dam project.

13 Ministries/Departments were allocated lands for some specific projects. However, the projects have not been implemented. The vested lands have, thus, remained idle and some even for more than 10 years, as shown in Table 4-1.

*Table* *4-1 Age Analysis of Land Vested*

|  |  |  |  |
| --- | --- | --- | --- |
| **No of Years since Vested** | **Arpents (A)** | **No. of Projects** | **No. of Ministries/Depts** |
| 1 to 2 | 14.09 | 7 | 4 |
| 3-4 \* | 384.85 | 26 | 9 |
| 5 -10 | 56.00 | 24 | 11 |
| Above 10 | 77.00 | 29 | 12 |
| **Total** | **531.94** | **86** |  |

\**Including Riviere des Anguilles Dam Project*

In August 2017, the Ministry of Housing and Lands (MHL) requested the Ministries/Departments to confirm whether the projects for which the lands were vested would be implemented, together with the timeframe for implementation and availability of funds. The Ministry would then consider whether to retrieve the land or not. Subsequently, the Ministries/Departments submitted feedback on the status of their projects. The following were gathered:

* 10 Ministries/Departments had not sent any reply, involving 127.81A of land for   
  46 projects;

* Four Ministries/Departments were not going ahead with eight projects, that involved 7.03A of land;

* One Ministry reported that two projects, involving 0.71A of land, were to be kept in abeyance;
* Four Ministries/Departments intended to go ahead with 29 projects involving 61.65A of land.

***Recommendations***

* The Ministry should consider recovering vested land for which the Ministries/  
  Departments have no firm commitment;
* For the other projects, the Ministry should monitor prompt utilisation of the vested lands;
* For lands already vested and intended to be developed, the Ministries/Departments should submit a project implementation plan and their financial budgets;
* The Ministries/Departments should report to the Ministry on the status of their projects on a regular basis.

***Ministry’s Reply***

The Ministry further followed up with letters and a slow response was received.

Action has been initiated to retrieve land where projects are not being implemented.

Ministries have to inform us of their way forward prior to our proceeding with any further action.

This Ministry cannot retrieve such land without confirmation from the Ministry in which the land has been vested that the land would no more be required for the purpose for which it was acquired prior to vesting same in another Ministry.

**4.3 Mauritius Sugar Producers’ Association Lands Scheme**

In the context of restructuring of the Sugar Sector, an agreement was signed between Government and the Mauritius Sugar Producers’ Association (MSPA) in April 2008. This would, inter alia, involve the gradual transfer of 2,000A of land to Government up to December 2017. A Steering Committee was set up and it was agreed that the land would be used mainly for agricultural and social housing as well as for small and medium enterprises, university campuses and other social purposes.

Though the agreement was to expire in December 2017, the Ministry had not yet finalised the transfer of 668A of land as of early February 2018. The latter included the following:

* Deeds for 530A that had to be finalised by Notary;
* Acquisition procedures that had been initiated for 102A;
* Proposals from Sugar Estates that have been awaited for 36A.

***Ministry’s Reply***

There were delays by:

1. Sugar Estates in proposing sites for social housing projects, many of which were not found suitable for project implementation by different stakeholders due to *inter-alia* difficult topography, high cost of off-site works, and presence of natural water features;
2. Relevant stakeholders in submitting views regarding the suitability of the sites;
3. Sugar Estates in submitting survey reports;
4. in finalization of title deeds at the level of Notaries.

Remaining extents of land have already been identified and consultation has been held by relevant stakeholders to assess suitability of sites. The Survey Division is undertaking surveys for all identified plots of land to ease the process instead of waiting for the Sugar Estates to do so. We are pressing upon the Sugar Estates to submit relevant documents but to no avail as this is not their priority.

**4.4 Acquisition of Lands**

The Ministry disbursed Rs 3,051.6 million between January 2013 and June 2017 for acquisition of lands including compensations and interests of Rs 522.5 million and Rs 113.6 million for 2016-17 respectively, as shown in Table 4-2.

*Table* *4-2 Disbursement of Funds between January 2013 and June 2017*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Jan-Dec 2013**  **(Rs m)** | **Jan- Dec 2014**  **(Rs m)** | **Jan-June 2015**  **(Rs m)** | **Jul 2015-June 2016 (Rs m)** | **Jul 2016-June 2017**  **(Rs m)** | **Total**  **(Rs m)** |
| Compensation | 422.6 | 938.4 | 175.6 | 434.0 | 522.5 | **2,493.1** |
| Interest | 83.9 | 170.7 | 14.2 | 93.5 | 113.6 | **475.9** |
| Notarial Fees | 2.4 | 3.4 | 0.1 | 2.6 | 2.8 | **11.3** |
| Publication | 11.1 | 15.7 | 1.1 | 4.9 | 3.2 | **36.0** |
| Costs for  Belle Rive -  Q. Militaire | 11.7 | 10.9 | 2.3 | 4.1 | 6.3 | **35.3** |
| **Total** | **531.7** | **1,139.1** | **193.3** | **539.1** | **648.4** | **3,051.6** |

*Source: Treasury Accounting System*

***4.4.1 Missing Deeds of Acquittance***

In three cases, certified copies of Deeds of Acquittance had not been submitted to the Ministry, although the latter had already disbursed funds totaling Rs 14.3 million to the Notary between November 2012 and September 2016.

***Ministry’s Reply***

A list of such cases is being compiled to inform the ‘Chamber of Notaries’ of the situation through the Solicitor General’s Office.

***4.4.2 Records of Acquisition***

A total amount of Rs 64.6 million was paid in 2016-17 for seven ongoing projects, as shown in Table 4-3. For these projects, essential information, such as name of former owners, extent of land acquired, date of transcription, amount assessed by the Valuation Department, cases referred to Board of Assessment, amount of compensation and interests already paid during previous years together with any amount due were not made available to my Officers.

*Table* *4-3 Projects Records*

|  |  |
| --- | --- |
| **Projects** | **Rs million** |
| Rehabilitation works of la Ferme Dam | 5.4 |
| Construction of 2nd part Ring Road | 39.3 |
| Improvement of QM Road | 4.9 |
| Construction of Verdun- Trianon link Road | 12.5 |
| Phoenix Beau Songes Link Road | 1.4 |
| Construction of Triolet Bypass | 1.1 |
| East Coast Trunk Road | 0 |
| **Total** | **64.6** |

*Source:Treasury Accounting System*

***Ministry’s Reply***

The State Land Register, which is currently being set up, will comprise a module on vesting and acquisition of Land. This module will enable the Ministry to maintain proper databases of the lands being vested and acquired.

Until the coming into operation of the State Land Register, officers of the Acquisition Section maintain a record of the lands acquired. Arrangements have been made to reinforce the team with supporting staff so as to keep the recordings updated and easily retrievable.

***4.4.3 Interest Payments***

Between January 2013 and June 2017, the Ministry has paid interests totaling Rs 475.9 million, including Rs 113.6 million for 2016-17, as shown in Table 4-2.

Two main factors directly affecting the quantum of interests paid were the time to finalise a case of acquisition and the interest rate of eight per cent per annum being applied following Regulations as per GN 19 of 2004.

Interests were paid in the following circumstances;

* From the date of transcription to the date of appointment of the Notary, for the drawing up of the deed of acquittance.
* From the date of vesting until the date of award of the compensation by the Board of Assessment (BOA).

The following were observed:

* The rate of interest has remained at eight per cent since 2004 though interest rates have been moving downwards locally. The basis for determining the legal rate was not known;
* There is no legal deadline for the Government Valuer to advise the Ministry of the value of the property. Time taken by Valuation Department for assessment of compensation varied between five and 34 months;
* There was a gap of 14 to 69 months from date of transcription to the date of the appointment of Notary.

***Recommendations***

The interest rate needs be reviewed regularly.

The Land Acquisition Act needs to be revisited to accommodate necessary deadlines. As a baseline, the Land (Duties and Taxes) Act sets a limit for the Government Valuer of not more than five months from the date of registration of the deed of transfer to advise the Registrar General of the value of the property.

***Ministry’s Reply***

The Ministry of Finance and Economic Development has in November 2017 regulated that the rate of interest shall be equivalent to the Repo rate as determined by the Central Bank in GN 227 of 2017;

There is also an urgent need to amend the Land Acquisition Act with a view to including a timeframe for the Valuation Department to submit its evaluation of land to be acquired by this Ministry as the time taken by the Department has an implication on the interest to be paid to the former owner upon finalisation of the acquisition.

**4.5 Management of State Land Leases**

As of July 2017, 23,318 plots of land of a total extent of 10,930A were leased or reserved as per records of the Land Information Unit (LIU) of the Ministry. As of July 2017, the database of the Ministry showed the following:

* Some 45 promoters had exceeded the validity period of 18-month of the Letter of Reservation (LOR);
* Lease agreements had not yet been signed for 103 cases though the Letter of Intent (LOI) had been issued between 2003 and 2017. For instance, four lessees who had not signed their deeds of lease and owed some Rs 6.8 million to Government as at   
  30 June 2017;
* Information as to the date of possession or occupation was not readily available;
* There were 3,548 leases which expired between 1950 and 2016.

***Recommendations***

The Ministry should

* Maintain an updated database;
* Take necessary actions in respect of those cases where LOR is still pending since long;
* Take necessary action to ensure that all lease agreements are being promptly signed;
* Carry out site visits to ensure that conditions of lease are being complied with;
* Take necessary action regarding expired and cancelled leases.

***Ministry’s Reply***

The Ministry is consulting the State Law Office for cases for which LOR has long been issued.

With the setting up of the State Land Register, this issue would be addressed on the basis that proper and structured data would be fed in the new system under the supervision of an IT Expert.

With regard to the expired leases, these concern mainly building site leases for residential purposes. These leases have not been signed for various reasons, such as lessees have passed away, heirs have not submitted relevant documents to finalise the lease. However, up to the time of finalization of the lease, the occupiers are required to pay indemnity fees, equivalent to the rental amount, for use and occupation on a yearly basis.

**4.6 Disbursement of Funds to National Housing Development Company Ltd**

The National Housing Development Company (NHDC) is the executive arm of the Ministry for the implementation of Government Social Housing Programs. The Ministry signed a Service Agreement in December 2009 with the NHDC for the provision of agreed services by the latter against payment of applicable fees. During 2016-17, the Ministry had disbursed funds totalling Rs 1,169.3 million to the NHDC, as shown in Table 4-4.

*Table* *4-4 Funds disbursed to NHDC*

|  |  |
| --- | --- |
|  | **(Rs Million)** |
| Construction of Social Housing Units | 672.9 |
| Loans to National Housing Development Company | 200.0 |
| Rehabilitation of Infrastructure of NHDC Housing Estates | 173.4 |
| Casting of Roof Slabs Grant Scheme | 91.8 |
| Syndics for maintenance of NHDC Housing Estates | 15.3 |
| Subsidies - NHDC - Housing loans | 15.9 |
| **Total** | **1,169.3** |

Though significant funds had been disbursed by the Ministry to the NHDC, the latter had not submitted its Annual Reports together with its financial statements to the Ministry.

Applications for funds for 2016-17 were not supported by monthly cash flow statements and bank statements.

***Recommendations***

* NHDC should submit its Annual Report and Financial Statements annually to the Ministry;
* With the Negative Income Tax Scheme, the NHDC should require each Applicant to also submit a copy of the Income Tax Returns filed at the Mauritius Revenue Authority;
* The Ministry should ensure compliance with grant conditions before disbursement of funds.

***Ministry’s Reply***

The Ministry is favourable to the recommendation for submission of Income Tax Return and the NHDC will be informed accordingly;

Currently there is no legal requirement for the NHDC to submit its Annual Report to the Ministry or the National Assembly. The NHDC has been informed that it should submit its Annual Report to the Ministry for onward transmission to the National Assembly.

**4.7 Revenue Management**

Government acquired 12.86A of land at Reduit for an amount of Rs 6.4 million in 2006 for a high tech National Children’s Hospital and Institute of Cardiology and Neurology. A letter of intent was issued in July 2006 to a private Hospital.

On the assumption that the cost of infrastructural works is borne by the promoter, the annual rental was assessed by the Valuation Department in August 2006, at Rs 180,000 per arpent, that is Rs 2,314,800 annually; otherwise, it will be the full annual rental of Rs 400,000 per arpent or Rs 5,144,000 annually.

I was informed that Government’s approval was obtained for the promoter to pay a nominal rental of Rs 100 per annum for the first 10 years as from the date of signature of the lease and as from the 11th year, the full rental of Rs 400,000 per Arpent as assessed by the Valuation Department. The approval for payment of the nominal rental of Rs 100 per annum was extended for a period of 19 ½ years up to 30 June 2026. The lease agreement was signed in 2008.

Article 18 of the Lease Agreement regarding ‘Change of Ownership/Purpose of lease’ provides that in case of change of ownership, the agreement will be automatically cancelled.

* In January 2017, there has been a major change in the ownership and management of the hospital following acquisition by a new company;
* The financial statements of the new company showed freehold land and turnover amounting to Rs 103.7 million and Rs 1,216.4 million respectively, as at 30 June 2017.

***Recommendation***

The Ministry shall seek legal advice on the validity of the lease agreement and re-consider the rental to be charged.

***Ministry’s Reply***

The views of the State Law Office (SLO) are being been sought in order to advise on any amendment to be made to the deed in the event the rental has to be reconsidered to take into consideration the turnover and asset values of the company.

**4.8 Debtors Management**

Debtors amounted to Rs 1,345.5 million as at 30 June 2017, as shown in Table 4-5.

*Table* *4-5 Age Analysis of Debtors for Land Lease*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial Year** | **Campement Rental**  **(Rs m)** | **Campement Premium (Rs m)** | **Other land Lease**  **(Rs m)** | **Ex-CHA**  **(Rs m)** | **Total**  **(Rs m)** |
| 2012-13 | 7.8 | 21.8 | 248.9 | 9.9 | 288.4 |
| 2013-14 | 2.8 | 8.5 | 109.2 | 1.2 | 121.7 |
| 2014-15 | 3.5 | 8.2 | 123.7 | 1.1 | 136.5 |
| 2015-16 | 4.4 | 4.1 | 184.3 | 1.2 | 194.0 |
| 2016-17 | 9.1 | 1.9 | 346.3 | 1.3 | 358.6 |
| ***Sub total*** | ***27.6*** | ***44.6*** | ***1,012.3*** | ***14.8*** | ***1,099.4*** |
| Interests | 4.7 | 15.5 | 216.7 | 9.2 | 246.1 |
| **Total** | **32.3** | **60.1** | **1,229.1** | **24.1** | **1,345.5** |
| Reported in Accountant General Report | 20.5 | 60.1 | 435.4 | 24.0 | 540.1 |
| Excluded from Accountant General Report | 11.8 | Nil | 793.7 | 0.1 | 805.4 |

*Source: Statement of Arrears of the Ministry*

* Out of Rs 1,345.5 million, only an amount of Rs 540.1 million had been reported as arrears by the Ministry to the Accountant General;
* The amount of Rs 805.4 million (including interest) that the Ministry had not reported to the Accountant General comprised the following:
* 26 lessees owed Rs 115.8 million and their leases had been cancelled. Any action for recovery of the arrears and status thereof were not known;
* Nine lessees for a total of Rs 436.8 million of arrears that the Ministry intended to write off;
* 33 lessees who owed Rs 241.1 million on account of campement sites, industrial and other leases as at 30 June 2017, have not signed their lease agreements. Most of them had opted for 60 years’ leases.
* Rs 11.7 million due by 11 other lessees.
* The collection report for the year ended 30 June 2017, totalling Rs 1,025 million, was not analysed to show collections for current and prior periods;

I was informed that campement site leases not yet signed have not been included in the list of arrears as rental becomes due on the date of signature of lease.

***4.8.1 Long Outstanding Debtors - Rs 436.8 million***

Between July 2008 and July 2016, seven private companies owed the Ministry a total of   
Rs 436.8 million as at 30 June 2017, for nine leases. The Ministry has sought advice of the Director of Internal Control on 9 October 2017, as to whether the debts may be written off.

* The financial statements of six of the companies did not show any Lease Property under the Fixed Assets nor any rent due as Liabilities;
* Three of the companies having a lease agreement drawn between 2006 and 2009 and one of them having a LOI since 2011, owed rent totaling Rs 139 million since July 2009. These three companies are active, as per records of the Corporate and Business Registration Department (CBRD). Two of them have filed their latest annual return of   
  31 December 2016 with the CBRD, and the third one for the year ended 30 June 2014 when its Stated Share Capital amounted to Rs 264.1 million;
* The Ministry issued Letters of Intent to three other companies between 2006 and 2010 and they owed a total of Rs 116.5 million as at 30 June 2017. These three Companies are ‘Active’ as per records of the CBRD. Two of them had filed their latest annual return of 30 June 2016 with the CBRD. The third one has filed its annual return for financial year ending 31 December 2015 and which also showed a turnover of   
  Rs 828.4 million;
* One Company was issued a Letter of Intent in 2009 for two projects, involving two plots of land for an extent of 70A. However, it had never paid rent since July 2009 totalling Rs 181.3 million. No return was available at the CBRD and no action was taken for the recovery of the debt.

***Recommendations***

* The fact that the Companies are active at the level of CBRD, the Ministry should initiate legal action for recovery of all dues;
* The Ministry should promptly follow up all cases where LOR and LOI are issued and ensure that lease agreements, where applicable are signed within reasonable time;
* Deterrent measures should be included specifically in the LOR or LOI or lease agreements. Where lease agreements are not being signed promptly, the Ministry should closely follow up the matter and act accordingly.

***Ministry’s Reply***

* Necessary action will be taken to ensure that information relevant to debt management is maintained. In this respect, the Revenue System of the Ministry has been upgraded to allow for comparison of arrears for different periods;
* Action has been initiated by the SIL for upgrading the Revenue System to allow the generation of reports for prior year debtors.

**4.9 The Land Administration, Valuation and Information Management System (LAVIMS) Project**

The LAVIMS project mainly comprises the Valuation, Cadastre, Deeds Registration and an Information Management System components.

***4.9.1 Payments under the LAVIMS Project***

Total costs incurred as of November 2017 on the LAVIMs project amounted to   
US $ 25,994,088 that is Rs 808.5 million. This comprised the following:

* The contract for LAVIMS was awarded to a foreign Firm in December 2008 for a fixed sum not exceeding US $ 18,285,000 that was revised to an amount of   
  US $ 20,451,894, following variations. The contractor had been paid US $ 20,111,637 between 2009 and 2016;
* The foreign Firm has also been paid US $ 5,165,919 for maintenance of the system from 2012 to 2017 that is Rs 167 millions;
* A local Consultancy Firm was paid fees of US $ 716,532 (or Rs 23.2 million) for the period September 2009 and March 2012.

***Observations***

* The technical and financial proposals submitted by the Private Firm (Contractor), as well as the feasibility study and the business case of the project were not available;
* The Ministry awarded a contract for the Project Coordination and Quality Assurance for the LAVIMS Project to a private firm. The initial contract period of 14 months, was extended by 16 months to March 2012 due to delays in the LAVIMS project. Cumulative payments up to 2012 totalled US $ 716,532, including incremental cost of US $ 338,072.

***4.9.2 Valuation Component – US $ 2,966,418***

Government required a valuation survey and a valuation of properties within the boundaries of the Island of Mauritius, based on market value, as defined by the International Valuation Standards Committee and the compilation of the valuation list, in accordance with the Local Government Act. The valuation roll is instrumental for the proper revenue management, for the Local authorities, the Registrar General Department (RGD) and the Ministry of Housing and Land.

***Observation***

As at time of audit in November 2017, the valuation roll was not operational. The valuation component had not yet been signed off, though the contract amount ofUS $ 2,966,418 had already been paid todate, that is, six years later.

***4.9.3 Cadastre Component – US $ 889,925***

The key aims of the Cadastral Component of the LAVIMS project were:

* To compile a complete Cadastre of Mauritius, based on existing survey plans, allowing every land parcel to be linked to a deed through a Digital Cadastre Database;
* To build a system that would allow ongoing land transactions to be recorded and mapped, and enable continual accuracy, improvement and updating with real time changes in land ownership.

***Observations***

* The Cadastre did not include plots of lands owned by the State. This is important in order to have a more efficient and modern State Land Management;
* Despite being a key component, the requirements for the cadastre were not fully met. The last 30 years of deeds had to be captured and entered into LAVIMS.
* Over 50 per cent of the deeds collected had no reference to Land Survey Plans and many had no location plans;
* The data capture did not conform to standards and specifications of the LAVIMS data, while they were input and processed into the system;
* Not all land parcels mapped in the Cadastre were linked to a Plan or Deed.

***4.9.4 IT Security***

Breakdown occurred in the system on three consecutive days, from 8 to 10 November 2017. The system could not function and this caused disruption in work flows and the Ministry had to resolve its backlog manually.

The following information were not provided:

1. IT strategic plan of the Ministry;
2. Source code of the software;
3. Documents relating to overall virtualization management architecture, including the hardware and supporting Network Infrastructure;
4. Records of Change Management and Incidence Management;
5. Post Implementation Review done for the performance management of the LAVIMS system;
6. The procedures for security monitoring by management;
7. IT audit Reports as well as Vulnerability Testing and Penetration Testing Reports;
8. A documented Business Continuity Plan and a Disaster Recovery Plan as well as Policies, Procedures and Controls for data backup;
9. The processes for monitoring capacity usage for storage, memory, and processing and for future operational requirements.

***4.9.5 IT Governance of LAVIMS***

The LAVIMS, no doubt, will foster greater accountability and transparency in land management in the island of Mauritius. IT will be the pillar to foster good governance and economic development, instead of the present traditional, lengthy procedures in place at the RGD or the ineffective cadastre system in place at the Local Authorities. Given the availability of the LAVIMS platform, management should consider the following:

1. To put in place a proper IT structure, with permanent qualified IT professionals.
2. To carry out a post implementation review of the LAVIMS to ascertain and evaluate its strength, weaknesses, opportunities and threats internally as well as to other relevant stakeholders;
3. To identify the State Lands and to bring them in the LAVIMS system;
4. To come up with a road map for the effective utilisation of the Valuation, Cadastre and Information Management System modules, especially as the Ministry is incurring some Rs 36 million annually as maintenance costs;
5. To develop an IT strategic plan;
6. To carry out IT Audit of the LAVIMS;
7. To ensure the effective use of LAVIMS viz MeRP system of the RGD and the Valuation Department, together with User Acceptance Tests;
8. To investigate reasons why payments were released to the Contractor though relevant stakeholder, namely the Valuation Department, adversely reported on the Valuation module;
9. To consider claiming liquidated damages from the Contractor.

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