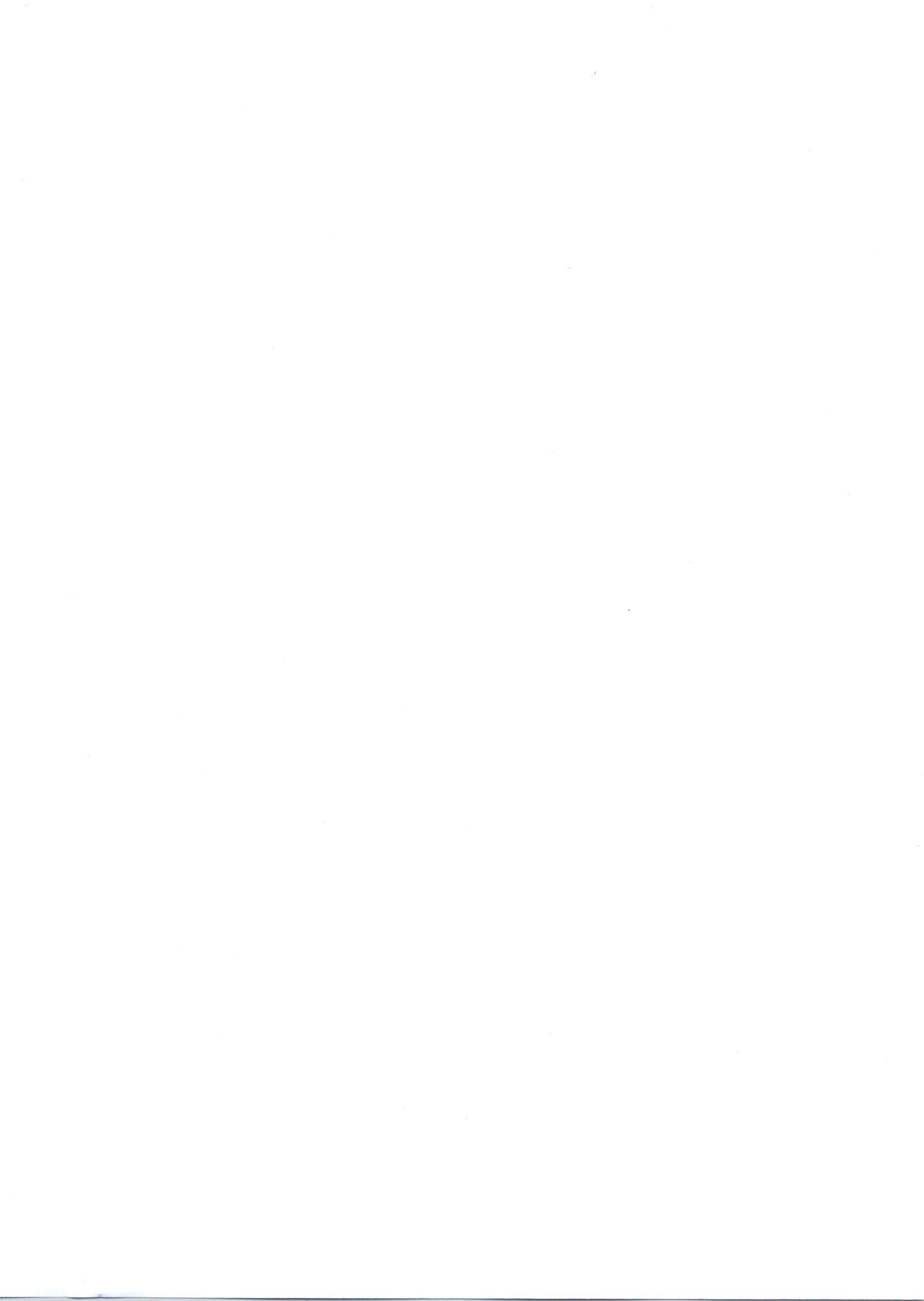




REPUBLIC OF MAURITIUS

NATIONAL AUDIT OFFICE

REPORT OF THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE
RODRIGUES REGIONAL ASSEMBLY
FOR THE FINANCIAL YEAR
1 JULY 2016 TO 30 JUNE 2017



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INTRODUCTION

Section 110 of the Constitution provides that the Director of Audit shall audit the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government.

The island of Rodrigues is an integral part of the State of Mauritius. The Rodrigues Regional Assembly has been established under Section 3 of the Rodrigues Regional Assembly (RRA) Act; and by virtue of Section 48 of the RRA Act, the accounts of RRA are public accounts of Mauritius for the purpose of Section 110 of the Constitution. As such, the Director of Audit is also the Auditor of the RRA.

The National Audit Office (NAO) is the Supreme Audit Institution (SAI) of the Republic of Mauritius and the Public Office of the Director of Audit has been established by the Constitution of the Republic of Mauritius.

Mandate of the Director of Audit

The Constitution provides for the independence and security of tenure of the Director of Audit. In the exercise of my function, I am not subject to the direction and control of any person or authority.

The Finance and Audit Act conveys the authority for the Director of Audit to audit and report upon examination of all accounts relating to the RRA. This Act requires that the Director of Audit shall satisfy herself that:

- all reasonable precautions have been and are taken to safeguard the collection of public money;
- all laws, directions or instructions relating to public money have been and are duly observed;
- all money appropriated or otherwise disbursed is applied to the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it;
- adequate directions or instructions exist for the guidance of public officers entrusted with duties and functions connected with finance or storekeeping and that such directions or instructions have been and are duly observed.

Accountability

An Executive Council has been set up under Section 34 of the RRA Act, for carrying out of the functions of the Rodrigues Regional Assembly. Seven Commissions, each one under the responsibility of a Commissioner, were set up with defined responsibilities.

In February 2017, pursuant to Section 35 (1) of the RRA Act, the Chief Commissioner submitted to the Chairperson of the RRA, areas of new responsibilities to be assigned to each of the seven Commissions in Rodrigues. As such, certain Departments/Units shifted

from the responsibility of one Commission to that of another during the financial year 2016-17.

The Island Chief Executive is the administrative head of the RRA and is responsible for the efficient administration of the functions of the Executive Council. Each Commission is under the administrative responsibility of one or more Departmental Heads.

It is the RRA's responsibility to maintain proper financial systems. This involves keeping appropriate financial records and where applicable, following generally accepted accounting principles. The responsibilities of the RRA include the following:

- ensuring that public funds are used only to the extent and for the purpose intended by the National Assembly and the Regional Assembly and that value for money is obtained in the use of resources;
- the safe custody of assets and stores;
- the maintenance of a sound system of internal control;
- to follow and stand guided by financial instructions, circulars governing the Public Sector and to adhere to all applicable laws and regulations.

Departments that do not fall under the responsibility and administrative control of the RRA include the Judiciary, the Police Department and the National Transport Authority. The respective functions are exercised by the Government of Mauritius. Revenues collected by the Mauritius Revenue Authority are also directly remitted to the Government of Mauritius.

Financial Statements

The financial statements of the RRA are prepared in accordance with Section 19 of the Finance and Audit Act. This Act requires the Commissioner, responsible for the subject of finance, to sign and submit to the Director of Audit, within three months of the close of every financial year, annual financial statements, showing fully the financial position of the Island of Rodrigues on the last day of such financial year.

The financial statements of the RRA for the year ended 30 June 2017, duly signed, were submitted to my Office on 26 September 2017, that is within the statutory time limit. These statements, prepared on a cash basis, comprise a Statement of Assets and Liabilities, and other Statements as required under Section 19(6) of the Finance and Audit Act.

Reporting

Section 110 of the Constitution provides that the Director of Audit shall submit her reports to the Minister responsible for the subject of finance, who shall cause them to be laid before the National Assembly.

The Finance and Audit Act also requires the Director of Audit to submit, within eight months of the close of every financial year, copies of the statements submitted in accordance with Section 19, together with a certificate of audit and a Report upon the examination and audit of all accounts relating to public money, to the Minister responsible for the subject of finance. The latter is required as soon as possible thereafter to lay these documents before the National Assembly.

Public Accounts Committee

The RRA Standing Orders and Rules provide for the setting up of a Public Accounts Committee, which shall examine the audited accounts showing the appropriation of the sums granted by the Regional Assembly to meet the public expenditure, together with the Audit Report thereon.

The Committee is required to satisfy itself, amongst others, that the monies shown in the accounts as having been disbursed were legally available for, and applicable to, the services or purpose to which they have been applied or charged; and that cases involving negative expenditure and financial irregularities are subjected to scrutiny.

The Public Accounts Committee of the National Assembly also has an oversight function on the activities of the RRA.

Acknowledgement

I would like to take this opportunity to thank all the staff of the NAO who have been involved in the audit of the accounts of the RRA for their full support, valuable contribution and commitment, without which the submission of this report would not have been possible. I would also like to thank and acknowledge the cooperation and collaboration of the Island Chief Executive, the Departmental Heads and all their staff

Kwee Chow TSE YUET CHEONG (MRS)

Director of Audit

Head of SAI Mauritius

27 February 2018

2 – FINANCIAL STATEMENTS

Financial Statements for the year ended 30 June 2017

2.1 Submission of Financial Statements

The Finance and Audit Act requires the Commissioner responsible for the subject of finance to sign and submit to the Director of Audit, within three months of the close of every financial year, annual financial statements showing fully the financial position of the Island of Rodrigues on the last day of such financial year.

The financial statements of the Rodrigues Regional Assembly (RRA) for the year ended 30 June 2017, duly signed, were submitted to the National Audit Office on 26 September 2017, that is, within the statutory time limit. These statements comprise the Statement of Assets and Liabilities, and other Statements as required under Section 19(6) of the Finance and Audit Act.

2.2 Annual Report

Section 33 of the RRA Act provides that the Chief Commissioner shall, not later than three months after the end of every financial year, forward to the Minister, for presentation to the President, a report reviewing the activities of the Regional Assembly during that financial year. As of mid-September 2017, the annual report for the year 2015 was not produced. As for the report on activities covering the six-month period 1 January to 30 June 2016, same had not been prepared.

RRA's Reply

Annual Report 2015 has been completed and sent for printing. A first copy has been received in late September 2017 for approval. As regards the Annual Report for the period 1 January to 30 June 2016, it will be worked out together with that of the year July 2016 to June 2017.

2.3 Estimates of RRA and Grants Received

The draft estimates of revenue and expenditure for the financial year ended 30 June 2017 were approved by the RRA on 30 October 2015, together with those for the six-month period 1 January to 30 June 2016. The total amounts approved were Rs 2,967,770,000 for revenue and Rs 2,964,826,000 for expenditure.

The estimated revenue of Rs 2,967,770,000 comprised mostly contribution from Central Government to the tune of Rs 2,939,820,000. Other revenue of the RRA was made up of licence fees, property income and sale of goods and services, amongst others.

2.3.1 Actual Amount of Grant Received

Total contribution for the financial year ended 30 June 2017 received from the Central Government amounted to Rs 3,166,232,007, comprising Rs 2,350,000,000 and

Rs 816,232,007 as recurrent and capital grants respectively. The contribution was financed from the budget of the Prime Minister's Office.

2.4 Statement of Assets and Liabilities

Included in the annual statements of the RRA is Statement A: Assets and Liabilities of the RRA. Details thereof as at 31 December 2015, 30 June 2016 and 30 June 2017 are as shown in Table 1.

Table 1 Assets and Liabilities of RRA as at:

	30 June 2017	30 June 2016	31 Dec 2015
	(Rs)	(Rs)	(Rs)
Assets			
Cash and Bank balances	212,627,844	248,069,505	170,698,757
Advances	66,520,996	55,486,977	54,293,775
Total	279,148,840	303,556,482	224,992,532
Liabilities			
Rodrigues Consolidated Fund	74,223,942	29,124,920	24,290,485
Deposits	139,289,208	219,403,144	147,686,822
Loan: Government of Mauritius	65,635,690	55,028,418	53,015,225
Total	279,148,840	303,556,482	224,992,532

The accounts of the RRA were prepared on a cash basis. As such, current assets, such as arrears of revenue amounting to Rs 35,856,349 and current liabilities, such as pension liabilities, passage benefits and the monetary value of accumulated sick leaves as of 30 June 2017 were not recognised in the Statement of Assets and Liabilities.

2.4.1 Advances - Rs 66,520,996

The above figure represents total outstanding balance on advances made to Members and Officers of the RRA, Cooperative Societies and a company of the RRA as at 30 June 2017, as shown in Table 2.

Table 2 Balance of Advances as at :

Details	30 June 2017 (Rs)	30 June 2016 (Rs)
Advances to RRA Members	2,912,666	4,370,966
Motorcar loans to RRA Officers	37,191,350	24,003,566
Motorcycle loans to RRA Officers	9,765,834	9,807,675
Advances to Cooperative Societies for Fibre Glass Boats	14,694,000	14,694,000
Advance Account Personal	88,800	88,800
Advance to Rodrigues Trade & Marketing Co. Ltd	1,868,346	2,521,970
Total	66,520,996	55,486,977

2.4.2 Advance to RRA Members - Rs 2,912,666

At paragraph 2.10.2 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I reported that a former Member of the RRA, who had been granted a car loan of Rs 1.6 million in September 2011 for the purchase of a motor car, had subsequently stopped payment. The car was seized and sold in November 2012, but an amount Rs 743,976 still needed to be recouped.

Legal proceedings were initiated. Following Court judgement in December 2016, the former Member was ordered to pay the RRA an amount of Rs 950,000 inclusive of interests, in 12 monthly equal instalments starting from the end of January 2017. However, as of August 2017, no repayment had been effected.

2.4.3 Advance - Fibre Glass Boats - Rs 14,694,000

At paragraph 2.10.2 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I reported that only an amount of Rs 108,000 had been refunded by the five Cooperative Societies which had been granted loans of some Rs 2.9 million each in December 2011. I also stated that on this trend, the complete settlement of the outstanding loans would take a considerable number of years.

In August 2016, the RRA sought approval from the Prime Minister's Office and the Ministry of Finance and Economic Development to finance the purchase of the five fishing vessels with the aim of renting them to cover the running costs. As of September 2017, there had not been any development in this respect and the amounts advanced, had still not been repaid.

RRA's Reply

The Commission for Fisheries will be requested to identify a strategy so as to address the issue.

2.4.4 Advances to Rodrigues Trading and Marketing Co. Ltd (RTMC) - Rs 1,868,346

An advance of Rs 2,621,970, made to the RTMC in November 2013, was to be repaid by February 2014. The Executive Council approved, on two occasions, that the refund period be extended to February 2015 and finally to February 2016. Thereafter, an amount of Rs 100,000 was refunded in March 2016.

During the financial year 2016-17, an amount of Rs 653,624 was refunded by the RTMC, leaving an outstanding balance of Rs 1,868,346 as at 30 June 2017. At this pace, it may take several more years for the RRA to recoup the advance.

RRA's Reply

The Commission for Trade, Commerce and Licensing has been requested to follow up with the Company.

2.4.5 Deposits - Rs 139,289,208

The total amount held on deposit as at 30 June 2017 was Rs 139,289,208. Included therein was an amount of some Rs 103.9 million relating to projects funded jointly by the European Union (EU) and the RRA.

The EU and the RRA had, up to September 2017, contributed Rs 101,525,056 and Rs 38,103,681 respectively to implement eight projects identified for the water sector in Rodrigues. Details are as shown in Table 3.

Table 3 Projects funded jointly by the EU and the RRA

Pr. No.	Project Title	EU contribution Rs	RRA contribution Rs	Amount disbursed Rs	Bal. on Deposit as at 30.06.17 Rs
1	EU Rainwater Harvesting at School Level	4,670,210	2,037,240	6,576,837	130,613
2	EU Rainwater Harvesting Burying of Feeder Pipes	13,435,615	5,208,872	10,988,496	7,655,991
3	EU Rainwater Harvesting First Flush System.	16,002,320	1,994,119	13,294,941	4,701,498
4	EU Improving Water Quality and Safety	13,530,018	5,236,104	2,966,796	15,799,326
5	EU 2 Rainwater Harvesting on Public Buildings, Hospital and College.	5,089,262	6,467,090	1,844,139	9,712,213
6	EU 2 Rehabilitation of Cascade Pigeon Dam, Upgrading Works at Creve Coeur..	16,175,934	6,131,747	30,977	22,276,704
7	EU 2 Rain Water Harvesting First Flush System for Low Income Households	7,616,122	1,890,932	615	9,506,439
8	EU 2 Burying of Associated Pipes Lines at Songes	25,005,575	9,137,577	615	34,142,537
	Total	101,525,056	38,103,681	35,703,416	103,925,321

Funds for the above first four EU projects were received in May 2015. The period during which these projects were to be implemented varied between 18 to 36 months. As of August 2017, besides the EU Rainwater Harvesting project at School Level, which was already completed, the other three projects were still ongoing.

As for the last four EU 2 projects, funds were obtained from the EU in March 2016. The implementation period of these four projects was 30 months. As of August 2017, more than 16 months later, three of these projects were still at an early stage of implementation.

I have expressed concern that there is a risk that these projects may not be completed within the scheduled implementation period.

RRA's Reply

- There has been delay in the finalisation of the project due to procurement process. Actions are being taken to complete the projects at the earliest. The project is now being closely monitored by the Economic Planning and Monitoring Unit (EPMU) and the Finance Section.
- The position regarding each of the above mentioned eight projects is as follows:
 - Projects 1 and 2 are completed, whilst Projects 3, 4 and 5 are nearing completion.
 - Project 6: The rehabilitation of Cascade Pigeon Dam is at tender evaluation stage, whilst for upgrading works, it is proposed to purchase the pipelines and the burying works will be done by the Commission.
 - Project 7: Out of 500 water tanks, only 61 have been completed. Due to damage of moulds there has been delay in casting of new tanks. It is now proposed to purchase additional moulds to complete the project.
 - Project 8: The tender is at the Central Procurement Board for evaluation.

Security Deposit - Rs 10,867,953

Also included in the amount of Rs 139,289,208 was a total of Rs 10,867,953 representing security deposits. Organisations, whose projects to invest in Rodrigues had been approved for implementation, have to make a security deposit which will be refunded to them after satisfactory performance. However, proper records were not kept to allow easy identification of these depositors. I have recommended the introduction of appropriate records for that purpose.

RRA's Reply

The comments have been noted for further action.

2.4.6 Rodrigues Consolidated Fund - Rs 74,223,942

The Rodrigues Consolidated Fund (RCF) was established under Section 75D of the Constitution. Section 42 of the RRA Act stipulates the revenue that is to be credited to the Fund, namely money appropriated by the National Assembly and all revenue collected by the RRA and all expenditures are paid out of that Fund.

As of 30 June 2017, an amount of Rs 74,223,942 was standing to the credit of the RCF after accounting for a surplus of Rs 65,065,022, arising as the total revenue of Rs 3,268,092,516 for the financial year ended 30 June 2017 exceeded the total expenditure of Rs 3,203,027,494.

2.5 Abstract Account of Revenue and Expenditure of the RCF

2.5.1 Revenue

Total revenue of the RRA for the financial year 2016-17, including contribution from Central Government of Rs 3,166,232,008 and transfer from the RCF of Rs 19,966,000, amounted to Rs 3,268,092,516. An amount of Rs 510,981 was also accounted as 'Other Social Contributions'. The balance of Rs 81,383,527 was represented by collection of 'Taxes' and 'Other Revenue'. Details are as in Table 4.

Table 4 Revenue Collected by RRA

Item	Jul 2016- Jun 2017 (Rs)	Jan -June 2016 (Rs)	Jan-Dec 2015 (Rs)	Jan-Dec 2014 (Rs)
Taxes	2,512,662	1,909,508	2,686,499	2,850,524
Other Revenue	78,870,865	12,482,009	26,228,838	22,035,125
Total	81,383,527	14,391,517	28,915,337	24,885,649

Other Revenue - Rs 78,870,865

Other Revenue of Rs 78,870,865 included Property Income: Rent of Government Property of Rs 13,373,783 and Miscellaneous Income of 51,735,630, as shown in Table 5.

Table 5 Other Revenue

Types of Revenue	Amount (Rs)
Property Income	13,373,783
Sales of Goods and Services	9,034,823
Fines, Penalties and Forfeits	4,726,629
Miscellaneous Revenue	51,735,630
Total	78,870,865

Property Income - Rs 13,373,783

Property income comprised rent received from lease of State Land to the tune of Rs 13,332,283, as detailed in Table 6 and Rs 41,500 as rental of other buildings.

Table 6 Rental of State Land

	July 2016- June 2017	Jan -June 2016	Jan - Dec 2015	Jan - Dec 2014
Lease Type	Rs	Rs	Rs	Rs
Residential	5,619,202	2,671,965	4,982,905	3,992,070
Commercial	1,593,727	664,382	1,581,741	989,538
Industrial	6,086,518	1,756,464	5,092,130	5,284,835
Agricultural	32,836	17,056	27,181	43,505
Total	13,332,283	5,109,867	11,683,957	10,309,948

No significant improvement was noted in the collection of arrears of rent, which as of 30 June 2017, totalled some Rs 28.8 million.

As per approved procedures, every year, the Cadastral Office is required to issue claims in July, a first reminder in August and second one in September. However, for financial year 2016-17, claims were issued but not reminders.

Out of some 6,000 claims issued, some 10 per cent were returned to the Cadastral Office with remarks like ‘gone away’ and ‘unknown address’. No follow up was subsequently done. As for claims which were duly delivered to lessees, several of them did not turn up for payment.

RRA’s Reply

As from next year, the Cadastral Office will issue claims in July and reminders in August and September respectively.

Sale of Goods and Services - Rs 9,034,823

Included in the above was an amount of Rs 1,228,000 representing proceeds from the sale of unwanted goods, through an auction sale held on 20 and 21 December 2016.

A Sworn Auctioneer was appointed for that purpose and the latter remitted a cheque of Rs 578,000 on 13 February 2017, 54 days after the auction sale took place. This goes against Financial Instructions which stipulate that the proceeds from an auction sale should be deposited within a week of the date of auction. There was also no mechanism in place to ensure the completeness and accuracy of the amount remitted by the Auctioneer to the RRA.

The Internal Control Unit (ICU), in May 2017, carried out an audit in respect of the auction sale. A case of forgery was suspected and figures were worked out again by the ICU. After allowing for cost of advertisement and the Auctioneer’s commission, an

amount of Rs 2,034,150 was to be remitted to the RRA. There was, therefore, a short remittance of Rs 1,456,150. The RRA had agreed that refunds be made in instalments during the period June to September 2017.

RRA's Reply

- The whole amount due has already been refunded;
- Henceforth, action will be taken to strengthen control and to ensure compliance with the relevant Financial Regulations/Instructions.

2.5.2 Expenditure

Total expenditure of the RRA over the past three accounting periods, is as shown in Table 7.

Table 7 Expenditure of RRA

Financial Year	Recurrent Expenditure (Rs)	Capital Expenditure (Rs)	Total Expenditure (Rs)
2015	1,985,333,390	579,019,285	2,564,352,675
Jan-June 2016	1,008,802,420	231,544,049	1,240,346,469
2016-17	2,394,177,104	808,850,390	3,203,027,494

Total expenditure for year ended 30 June 2017 amounted to Rs 3,203,027,494. This exceeded the original estimates of Rs 2,964,826,000.

The initial contribution from Government of Rs 2,964,826,000 was not sufficient to finance the total expenditure of the RRA. Additional contribution of Rs 201,406,008 was made available from the Central Government together with a transfer of Rs 19,966,000 from the RCF. The balance was financed from RRA's own sources of revenue.

2.6 Statement of Investments - Rs 58,639,590

Regarding investments of the RRA in Private Companies, the position as of 30 June 2017 is shown in Table 8.

Table 8 Investment of RRA in Private Companies as at 30 June 2017

Company	Date of Incorporation	Number of shares held	Total Investment as at 30 June 2017 (Rs)	Status
Discovery Rodrigues Co. Ltd	15-Nov-06	2,000	2,000,000	In operation
Rodrigues Water Co. Ltd	29-Oct-07	17,000	17,000,000	Winding up in process since Aug-2012
Rodrigues Trading and Marketing Co. Ltd	30-Jun-06	1,000,000	10,000,000	In operation
Rodrigues General Fishing Co. Ltd	08-Jun-07	6,400	6,400,000	Removal of the Company by the Registrar of Companies in May 2015
Rod Clean Co. Ltd	19-Sep-07	4,200	20,188,590	In operation
Rodrigues Housing & Property Development Co. Ltd	12-Jan-10	300,000	3,000,000	Company has been wound up under Insolvency Act 2009 on 2 June 2016
Rodrigues Educational Development Co. Ltd		51,000	51,000	In operation
Total			58,639,590	

Six of the above companies are fully owned by the RRA whilst the Rodrigues Trading and Marketing Co. Ltd (RTMC) has the State Trading Corporation as a minority shareholder in the proportion 60:40.

2.6.1 Rodrigues Trading and Marketing Co. Ltd

In June 2015, an additional amount of Rs 6 million was invested as equity in RTMC for the implementation of its strategic plan, with a view to addressing going concern problems. The last financial statements submitted by the RTMC to the RRA were for the year ended 31 December 2013.

RRA's Reply

Reminders have been sent to the Company on 31 August 2017, 10 January and 5 February 2018 for the submission of financial statements.

2.6.2 Discovery Rodrigues Co. Ltd and Rod Clean Company Ltd

The RRA has been refunding the monthly operational costs incurred by the above mentioned two companies. For the year ended 30 June 2017, the RRA has disbursed some Rs 7 million and Rs 29 million respectively. As of September 2017, both Discovery Rodrigues Company Ltd and Rod Clean Company Ltd have submitted financial statements up to the year 2015 only.

RRA's Reply

A correspondence has been issued to the two companies for the submission of financial statements. Reminders have been sent to Discovery Rodrigues Company Ltd on 10 January 2018 and 5 February 2018.

2.6.3 Rodrigues Water Co. Ltd, Rodrigues General Fishing Co. Ltd, Rodrigues Housing and Property Development Co. Ltd

The three above companies were in the process of winding up since 2012. The RRA had invested a total of Rs 26.4 million in shares of these three companies. From evidence gathered from the Registrar of Companies, the Rodrigues Water Company Ltd is in the process of winding up and a liquidator has been appointed in September 2015. As of September 2017, the process of winding up was not completed.

As for the other two companies, Rodrigues General Fishing Co. Ltd and Rodrigues Housing and Property Development Co. Ltd, same had been wound up in May 2015 and June 2016 respectively. However, the investments of the RRA in these two companies were still shown in the Statement of Investments. It is unlikely that the RRA will be able to recover these investments, the more so that these companies have been wound up.

2.7 Arrears of Revenue - Rs 35,856,349

Arrears of revenue as at 30 June 2017 totalled Rs 35,856,349, that is an increase of some 23 per cent as compared to the arrears as at 31 December 2015, as shown in Table 9.

Table 9 Arrears of Revenue as at

Division/Unit	30 June 2017 (Rs)	30 June 2016 (Rs)	31 Dec 2015 (Rs)
Fisheries	110,538	106,335	94,138
Judicial	1,349,180	1,412,330	1,128,500
Rental of Government Property	28,884,059	26,226,861	23,036,796
Water Unit	2,748,349	2,585,759	2,473,604
Health and Sanitary	743,585	793,535	524,635
Miscellaneous revenue	594,203	594,203	594,203
Rental of Snacks Stalls	11,750	-	-
Rental of kiosk	13,000	5,000	-
NHDC Houses	1,343,530	1,162,355	1,132,145
Sand Removal	12,080	12,080	12,080
Tourist Enterprise	7,000	10,500	37,000
Registration of Factory	39,075	28,675	-
Total	35,856,349	32,937,633	29,033,101

Some 80 per cent of the total arrears of Rs 35.8 million were in respect of the rental of Government Property, which had registered an increase of some 25 per cent over the past 18 months.

The arrears of Rs 28,884,059 in respect of the rental of Government Property related to a total of 6,434 cases, of which 5,951 cases were in respect of Residential leases, 158 cases of Commercial leases, 170 for Industrial leases and 155 for Agricultural leases. An age analysis is as shown in Table 10.

Table 10 Arrears of Revenue: Rental of Government Property

Period	Residential	Commercial	Industrial	Agricultural	Total
		Rs	Rs	Rs	Rs
Prior to 2005	5,810,967	336,970	612,655	248,679	7,009,271
2006-2010	6,757,283	1,033,293	2,625,451	264,494	10,680,521
2011-30.06.15	4,711,464	971,358	1,567,021	68,622	7,318,465
1.07.15 to 30.06.16	645,760	89,814	129,732	3,756	869,062
2016-17	1,288,856	128,290	1,585,825	3,769	3,006,740
Total	19,214,330	2,559,725	6,520,684	589,320	28,884,059

Recommendation

A proper mechanism needs to be put in place without delay to ensure prompt collection of rent. Arrears of rent should be closely monitored and forceful recovery action needs to be taken.

3 – INTERNAL CONTROL

3.1 General

At paragraph 3.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I stated that the primary responsibility for the establishment of internal control systems at the level of the RRA rests with management. I also highlighted that the RRA, through its seven Commissions, carries out a significant volume of transactions involving substantial amounts in terms of revenue and expenditure. For the financial year 2016-17, total revenue of the RRA amounted to Rs 3.27 billion, of which Rs 3.17 billion represented contribution from Central Government whilst expenditure for the same period amounted to Rs 3.20 billion, that is an increase of some 25 per cent as compared to the year 2015.

3.1.1 Internal Control Unit

The RRA has a permanent Internal Control Unit (ICU) which carries out the function of internal audit. At paragraph 3.1.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I pointed out that the ICU is expected, amongst others, to assess whether the internal control systems are adequate to provide management with assurance to the effect that the objectives of the RRA have been met in an economic, efficient and effective manner. I also drew attention that the ICU was not adequately staffed. The staffing position has only slightly improved in 2016-17, with a total of four officers serving the Unit, of which two were from the Internal Control Cadre (ICC) in Mauritius and the remaining two being Support Officers from the RRA.

With the increasing budget allocation, coupled with an increase in the volume of activities/transactions at the level of the RRA, the Unit should be strengthened, the more so that various shortcomings, such as lack of monitoring and failure in internal controls, were reported by the ICU in 2016-17.

Some of the key issues reported by the ICU included the following:

- Lack of control over cash collection, delays in remittance and non-updating of accounting records;
- Lack of control over the purchase and issue of diesel;
- Abuse in payment of mileage allowances;
- Non-compliance with Financial Instructions regarding disposal of unwanted goods;
- Suspected case of loss/shortage of animal feed.

Recommendations

A proper structure, and clearly defined procedures need to be put in place to mitigate the risks of errors and irregularities, and at the same time provide assurance to management as to the completeness of transactions, reliability of records and proper safeguard of assets of the RRA. The following need to be considered:

- Revisit procedures and issue circulars to remind RRA Officers of their obligations and duty of care;
- Ensure that all Officers are well versed with Financial Regulations and Procurement Procedures so that they adhere to same for the efficient/optimum use of resources;
- Strengthen the Internal Control Unit with more resources, the more so that in most of the assignments undertaken by the Unit, weaknesses in internal controls were noted.

RRA's Reply

A request has been sent to the Head of Internal Control for the posting of additional Internal Control Officers to Rodrigues. As from the end of March 2018, an Internal Control Officer will be posted on tour of service to Rodrigues.

4 – CHIEF COMMISSIONER’S OFFICE

4.1 Management of State Land in Rodrigues

4.1.1 Introduction

The Island of Rodrigues covers some 10,000 hectares of land, of which some 1,000 hectares are private land and some 9,000 hectares are State land. The State land includes forests, mountains, natural reserves, agricultural/farming land, and commercial, residential and industrial site land. The State-owned land are scattered over different regions of the island, including Port Mathurin. The management of State land in Rodrigues is vested in the RRA.

At paragraph 4.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I drew attention to several shortcomings noted in the administration of State land in Rodrigues. Absence of a Master State Land Register, lack of Guidelines and Procedures posted on the website of the RRA, incompleteness of lease database, and non-compliance with conditions of the letter of reservation issued, were amongst the main issues highlighted.

A review of the management of State land was carried out in September 2017 and hereunder are the main observations.

4.1.2 Master State Land Register

I had, in the past, pointed out the importance of keeping a Master State Land Register, showing details of all State land vested in the RRA, the extent of State land leased for purposes like residential, commercial, industrial together with the extent/location of State lands still available for rent at any point of time. As of September 2017, a Master State Land Register showing the extent of State lands allocated/unallocated region-wise was still not in place for ensuring the completeness of State lands under the responsibility of the Chief Commissioner’s Office. The present *auto cad map* system for the generation of information on land was not sufficiently informative. It was contemplated that a Geographical Information System (GIS), after examining the cost effectiveness of its implementation, be put in place. However, as of September 2017, this action had not yet materialised.

Recommendation

GIS should be used to maintain a proper Master State Land Register, showing State lands already leased as well as those unallocated that could be developed for commercial, industrial and tourism related projects.

RRA’s Reply

All survey information is already Geo Reference. In the meantime, the RRA is working on the structure of the Land Administration and Management System. Provision will be made in the next budget for the following:

- Expression of interest for the preparation of the Term of Reference for consultancy services for the preparation of a GIS for the Cadastral Office;
- The tendering process for the setting up of GIS and its maintenance.

4.1.3 Guidelines, Policies and Procedures for State Land Leases

Guidelines, policies and procedures, regarding State land leases, were still not posted on the website of the RRA. This is contrary to the provision of the State Land Act which stipulates that for industrial and commercial leases, the particulars thereof and the guidelines referred in Subsection 6 (1)(c) shall be available for consultation at the Ministry (Chief Commissioner's Office) and posted on the website.

All leases of State lands granted in Rodrigues were previously being governed in accordance with guidelines issued by the Ministry of Housing and Lands (MHL) where the Minister was approving grant of leases on State lands. The RRA Act now empowers the RRA to do all such acts and take all such steps including, subject to the State Lands Act, the acquisition or disposal of any property or rights, as may be necessary for or which may be conducive to or incidental to the exercise of its powers and duties.

Recommendation

The RRA's official website should be uploaded with all relevant information so as to ensure more transparency in the allocation of State lands leases and for the ease of reference for the public at large.

RRA's Reply

The RRA is currently updating and finalising existing guidelines and policies for the allocation of residential lease and same will be put on the RRA's website by the end of March 2018.

4.1.4 Residential Lease in Excess of 600 m²

Amongst the new policies adopted by the Executive Council on 29 July 2011 was that the extent of land granted for residential purposes be increased from 420 m² to 600 m² subject to availability of land. However, according to the lease database, several cases of State lands over 600 m² were leased for residential purposes. I was informed that these cases referred to leases granted more than 20 years back.

These cases should be investigated with a view to regularising them.

RRA's Reply

- Enquiries are being carried out and appropriate action will be taken accordingly;
- The Cadastral Office is setting up a system to ensure that the problem does not persist from now on. The recruitment of Development Control Officers is proposed as a means to reinforce the existing staff and to carry out better control on land management.

4.1.5 Lease Information Data

A review of the Lease Information Data for all types of leases of State lands, as at August 2017 revealed the following:

- Application date, date of letter of reservation/intent issued, date of start and duration of lease, date lease agreement signed, and for industrial lease, date cash deposited/reservation fee paid, and validity of reservation period were not always recorded;
- No information was available as to when site visits were effected and whether the site had been developed.

Lease data should be complete and kept up-to-date at all times.

RRA's Reply

RRA has taken note and the issues will be addressed with the setting up of the Land Management System. The land data base will be upgraded with the help of the IT Unit.

4.1.6 Delay in Regularising "Built-up" cases

4,484 'built-up' cases (squatters) were identified during a survey carried out in 2008. As of September 2017, the number of leases already signed and those awaiting for signature were not available for those cases which needed to be regularised. Delay in regularising these illegal 'built-up' cases results in delay in the collection of rental fees on State lands, as no rent is claimed until a letter of intent and a lease agreement are drawn.

Due consideration needs to be given to these cases so as not to delay the collection of rental fees.

RRA's Reply

The number of leases signed has already been updated in the system. Due to lack of resources, the RRA is giving priority to applicants who do not possess a house. However, since October 2017, with the setting up of the Fast Track Unit, most of the 'built-up' cases will be finalised with the recruitment of additional staff proposed in the 2018-19 budget.

4.1.7 Delay in Processing Applications for Land Lease.

The data in Table 11 has been extracted from the lease database.

Table 11 Status of Applications for Land Lease

	Received	Approved	Cancelled	Outstanding
No. of applications in 2014	1,251	847	8	396
No. of applications in 2015	1,021	342	8	671
No. of applications in 2016	1,120	250	8	862
Total	3,392	1,439	24	1,929

3,392 applications were received during the three years ended 31 December 2014, 2015 and 2016. The rate at which these applications were processed was slow. During these three years, 1,439 cases had been approved. As of September 2017, 1,929 cases were still outstanding.

Revenue could have been maximised, had a greater number of applications been processed promptly.

RRA's Reply

Regular monitoring is being effected. A Fast Track Unit has been set up since October 2017 for the exercise. The RRA has contracted out the services of private Surveyors to survey lots for residential, commercial and industrial purposes.

4.1.8 Granting of Industrial Leases

When an application is approved, subject to availability of land, a Letter of Reservation (LoR) is issued to the promoter subject to the following conditions:

- Reservation period of six months, revised to 12 months as from July 2011;
- A Reservation Fee to be paid within a period of one month as from date of the LoR;
- Submission of three copies of preliminary plans within a period of three months as from date of the LoR.

Failure to comply with the conditions of the LoR will entail the forfeiture of the reservation fee. Once the conditions in the LoR are satisfied, the Chief Government Valuer (CGV) is requested to assess the rent to be claimed and a recommendation is then made to the Chief Commissioner for the grant of an industrial lease.

An examination of a sample of applications of industrial/commercial leases was carried out.

The following were noted:

- (i) The reservation periods were renewed for a longer period than the six months' period allowed. The collection of annual rent was therefore delayed. Had a letter of intent been issued after the expiry of the reservation period initially granted, the RRA would have been able to claim the annual rent earlier;
- (ii) Where applicable, the reservation fees were not forfeited but were left on deposit accounts of the RRA;
- (iii) The lessees had not developed the land on which an industrial lease was granted, although a LoR was granted more than five years back. It is to be noted that many potential investors are on the waiting list to be granted an industrial lease;
- (iv) Financial strength of potential investors was not assessed. In some cases, lessees could not complete their projects. The services of Invest Rodrigues could have been sought for assistance to the Commission;
- (v) The clause of *de plein droit* as per lease agreement was not always applied. In one particular case, upon liquidation of a Company, unpaid rent was approved for write off without having secured the comments of the Director of Internal Control, as stated in Financial Instructions;
- (vi) No mechanism was put in place to ensure that any development on site was completed within the time allowed.

Recommendations

- The LoR and Letter of Intent need to be reviewed to include a clause requiring the lessee to sign the lease agreement within a specified period of time. The reservation period cannot be extended for unduly long period of time. Once the lease agreement is signed, action needs to be taken to ensure that conditions stated in the lease agreement are being complied with, failing which the RRA should consider the possibility of repossessing any undeveloped land;
- Immediate action should be taken against lessees who did not pay their dues within the prescribed time period.

RRA's Reply

The RRA is working out a policy for industrial purposes to take prompt actions on all of the abovementioned shortcomings.

4.1.9 Arrears of Rent

Revenue collected for 2016-17 from rental of State land amounted to Rs 13,332,283 which represented an increase of some 13 per cent as compared to 2015. However, as depicted in Table 12, there was no significant improvement in the collection of arrears of rent, which as at 30 June 2017 totalled Rs 28,884,059.

Table 12 Arrears of Rent as at

Arrears of rent	30 June 2017 Rs	30 June 2016 Rs	31 December 2015 Rs	31 December 2014 Rs
Residential	19,222,233	17,992,955	15,023,562	14,087,987
Commercial	2,554,314	2,397,820	1,724,235	2,128,545
Industrial	6,518,161	5,292,462	4,332,886	7,884,020
Agricultural	589,351	543,624	486,279	435,264
Year to year lease	-	-	1,469,834	1,469,834
Total	28,884,059	26,226,861	23,036,796	26,005,650

An analysis of a sample of residential and industrial leases revealed that, in a few cases,

- the annual rent had not been paid as far back as the year 2005;
- the RRA did not apply the clause of *de plein droit* to cancel the lease without payment of compensation if rent had remained unpaid for more than three months after its falling due and a 48-hour notice had been served upon the lessee by registered post requesting him/her to pay the rent.

RRA's Reply

For the time being, due to lack of human resources, the issues cannot be addressed immediately. Proposal for additional staff is being made in the 2018-19 budget to reinforce the existing team for better monitoring and follow up.

4.2 Setting Up of a 'Technopole' In Rodrigues

On 30 June 2017, the RRA acquired a hotel under administration/receivership, of an extent of 7,918m² built on State land for an amount of Rs 55 million, for the purpose of setting up a 'Technopole' to help in the creation of innovative businesses, thereby creating more employment in Rodrigues.

4.2.1 State Land Under Industrial Lease

Company X, which held an industrial lease for hotel development at Mt Venus up to 30 June 2021, was facing financial difficulties and it was unable to settle its rent since July 2009. Despite harsh measures taken, such as the serving of a notice in 2012, requesting the lessee to settle the arrears failing which cancellation of the lease would be contemplated, Company X did not pay all of its debts. Since a part payment had been

effected, the RRA decided, in October 2013, to abandon any legal action against the Lessee, to re-schedule its debts and to waive the decision for the cancellation of the lease.

Company X still did not settle its dues. On 17 June 2015, it received *a mise en demeure* from the RRA in respect of arrears of rent and in the meantime, Company X had gone into receivership. As of 30 June 2016, rent due totalled Rs 2,539,099.

4.2.2 Acquisition of Building for the setting up of a ‘Technopole’

To realise its project for the setting up of a ‘Technopole’ in Rodrigues, the RRA considered the re-possession of the land at Mt Venus, as an opportunity given that the hotel was found to be suitable both in terms of location and size, to implement the project.

However, a feasibility study, highlighting the extent to which that building was suitable and satisfied the required criteria for the setting up a ‘Technopole’, was not carried out. It is to be noted that the design/layout of the building is most suited for a hotel; and was valued as such in the determination of the purchase price. To run the building as a ‘Technopole’, major works will certainly need to be undertaken, thus adding up to the purchase price of the hotel.

The Commission did not apply Article 15 of the Lease Agreement, that is to cancel the lease for non-payment of rent. Instead, the RRA decided to resume possession of the whole portion of land. The Valuation Department had, on 29 February 2016, assessed the value of the building, exclusive of furniture and plant, to be Rs 55 million.

On 2 May 2017, the RRA informed the Deed Administrator (since Company X was in receivership) that it has decided to resume possession of the whole portion of land leased to Company X and that it had approved the payment of Rs 55 million to Company X as compensation for added value to the land. It was also stated that all unpaid rent would be deducted from the amount of Rs 55 million.

On 15 May 2017, the Chief Commissioner’s Office informed the Cadastre Section that the Executive Council, at its meeting of 5 May 2017, had agreed to waive outstanding rent with regard to land leased at Mt Venus. However, documentary evidence to that effect was not made available.

On 30 May 2017, the Ministry of Finance and Economic Development (MOFED) informed RRA that it had provided financial clearance for the acquisition of the property for a sum of Rs 55 million, as assessed by the Government Valuer. However, there was no evidence as to whether MOFED was apprised of the write off of the arrears of rent, which as of 30 June 2016, totalled Rs 2,539,099.

The RRA was required by MOFED to follow all necessary procedures to complete the acquisition and must make optimum use of all the spaces available after refurbishment and an adequate pricing policy must be applied for renting of office and commercial spaces. However, a Plan incorporating the above mentioned issues was not produced to my Officers.

Payment of Rs 55 million was effected on 30 June 2017 to a Notary in view of the finalisation of the notarial deed.

During a site visit carried out by my Officers on 22 September 2017, it was observed that the hotel was in a deplorable state.

RRA's Reply

- The purpose of acquiring the building at Mt Venus was to set up a 'Technopole' with a view to, amongst others, boosting the economic growth of Rodrigues by developing the ICT Sector, and to facilitate the setting up of innovative technological projects in Rodrigues. However, refurbishment works would have to be undertaken. As decided, only those parts regarding the yard and part of the building would be renovated by the RRA. The Company willing to set up the 'Technopole' would have to upgrade the slot building at its own cost. The Government Valuer will thereafter be requested to assess the prices for rent to be paid by the lessee to the RRA;
- Being given that the building was closed for more than four years, no maintenance was done. The building was handed over to the RRA on 21 October 2017, after all legal procedures were completed. In the meantime, the building has been secured and cleaning is on-going.

4.3 Construction of Secondary School at Pistaches

The contract for the construction of a Secondary School at Pistaches, Rodrigues was awarded to a private Contractor on 24 August 2015 for an amount of Rs 88,451,739. The contract was to be implemented in two phases, as shown in Table 13.

Table 13 Phase Implementation of Project for Construction of Secondary School

	Intended Completion Date	Works to be carried out
Phase 1	18 July 2016	School block, staff room, toilet block and associated site works to make the block fully functional
Phase 2	04 Jan 2017	Landscaping works, parking and boundary walls, amongst others

Payments totalling some Rs 78 million were made to the Contractor as of August 2017.

All works were scheduled to be completed by the end of December 2016 so that the School could start operation as from January 2017. However, delays were encountered and the School was not ready before the resumption of studies in January 2017. Consequently, students had to be temporarily housed in another school.

4.3.1 Registration with the Private Secondary Education Authority

In view of the opening of the school in January 2017, there was a need to obtain the approval of the Private Secondary Education Authority (PSEA) to start operation.

In that respect, on 25 July 2016, the Rodrigues Educational Development Company Limited (REDCO) made a request to the PSEA for the registration of the new School as a Grant Aided School, as from January 2017. At the request of REDCO, the Chief Commissioner's Office also liaised with the Ministry of Education, on 5 October 2016, in order to speed up matters. The PSEA requested REDCO to submit certain documents such as Building Permit/Land Use Permit, Fire Clearance Certificate Structural Soundness Certificate, Health Clearance Certificate; and space availability for recreational purposes.

On 1 November 2016, the Commission informed the PSEA that the School was still under construction and had reached some 75 per cent completion. As such, all of the information requested could not be made available at that stage.

In the meantime, a contingency plan had to be worked out to house the students temporarily in another school, pending the completion of works.

The building was practically completed and handed over in mid February 2017. The School started operation as from the beginning of the second term, that was on 24 April 2017.

4.3.2 Outstanding Works

A site visit was effected at the School on 20 April 2017 by representatives of the Chief Commissioner's Office, representatives of the Contractor and the Consultant and representatives of REDCO. Issues noted to be addressed included the following: painting, water supply, cleaning of sites and level up of the green space around the yard, setting up of classrooms, permanent power supply to the premises and marking of parking area.

A Health and Safety inspection was also carried out at the School on 24 April 2017 and the following issues were highlighted, amongst others:

- Absence of fire extinguishers;
- Building was operational without a valid Fire Certificate;
- Absence of adequate signage to demarcate exit route;
- Absence of electricity supply in staff's toilet, classroom, and canteen. Electrical fans and light tubes not functioning, un-insulated electrical wires;
- Only one male and female toilet available for staff;
- Cracks in window panes in several classrooms.

Other issues to be addressed and which were reported in July 2017 by REDCO to the Commission, included the following: reviewing cabling and sockets, painting works inside the classrooms, construction of separation wall in front of toilet in staff rooms, and closing of empty space behind staircases.

As of August/September 2017,

- Electrical, Structural, Fire and Health Certificates were still being awaited for onward transmission to the PSEA for registration purposes;
- Some of the outstanding issues highlighted above were still not addressed. These included the construction of separation wall in front of toilet in staff rooms, closing of empty space behind staircases, replacement of existing sockets in the office block and cracks in window panes in several classrooms. Cracks, as well as expansion of joints, were also noted in certain places along the beam;
- From information gathered at the School, there were approximately 325 students in Grades 7 to 10 and 14 pre-vocational students. The School can accommodate up to some 600 students.

4.4 Construction of Pre-Primary School at Montagne Charlot

The contract for the construction of a pre-primary school at Montagne Charlot was awarded to a private Contractor for an amount of Rs 8,337,017 on 12 September 2016. Works started on 10 October 2016 and the intended completion date was scheduled for 8 March 2017, that is after 150 days.

Total payment made to the Contractor as of August 2017 was to the tune of Rs 4.3 million. The following were noted:

- There had been constant delays throughout the execution of the project. The actual progress of work, which was 75 per cent in June 2017, had increased by only 10 per cent after two months;
- The Consultant expressed concerns about the cumulative delays and informed the Contractor that serious action would be taken as per conditions of contracts. The Contractor confirmed that the project would be completed by August 2017. However, this was not so, as there were several tasks that remained to be completed, amongst others, painting, waterproofing, masonry retaining wall and landscaping works;
- Liquidated damages of Rs 420,013 were applied on payment made on 31 August 2017.

RRA's Reply

Construction of Secondary School at Pistaches

- Delays were caused due to shortage of water and cement, as substantiated by the Contractor and confirmed by the Consultant;

- Pending the submission of required documents and inspections procedures by PSEA, approval was obtained to operate the college as an annex of Marechal College;
- After due consideration, though the school was ready in February 2017, it was decided to officially open the college at the beginning of the second term;
- Necessary action has been taken to review the cabling and defective sockets. Painting works inside the classroom and replacement of broken window panes in classrooms have been completed. Action has been initiated for the construction of the separation wall in front of the toilets in the staff room and to close the empty space behind the staircases.

Construction of Pre-Primary School at Montagne Charlot

The work has been completed on 16 October 2017 and the School is operational as from January 2018.

4.5 Setting up and Operating a Slaughter House in Rodrigues

4.5.1 Construction of Slaughter House

The need to construct a slaughter house in Rodrigues arose as far back as 2008 in the context of food security. The aim of the project was to improve meat production, obtain good quality meat and to ensure proper sanitation.

After the necessary tendering procedures, the contract for the construction of the building was awarded to a private Contractor in December 2011 for an amount of Rs 56.2 million.

At paragraph 3.2.3 of the Audit Report for the year ended 31 December 2014, I reported that the completion of the project had been extended several times due to slow execution of works. These were scheduled for completion in mid-January 2013 but were practically completed in September 2013. I also mentioned that several files relating to the construction of the slaughter house and the supply of equipment were secured by the Independent Commission Against Corruption (ICAC) in March 2014 for investigation. Same were returned in August 2017.

In March 2017, an outstanding balance of some Rs 7 million was released to the Contractor, being final payment on the contract. This brought the total amount paid to the Contractor for that project to some Rs 59 million.

In addition to the construction cost, the Commission had incurred the following:

- Some Rs 3.2 million for consultancy services for the design, supervision and monitoring of the construction of the slaughter house;
- Rs 242,500 for preparing tender documents for the various items of equipment which were required for the operation of the slaughter house. This sum was paid to the Consultant in June 2013. However, the tender documents had not been used, as during

a site visit carried out in September 2017, it was noted that the slaughter house was still an empty building with no equipment;

- Some Rs 6.2 million for the construction of an access road to another private Contractor to allow ready access to the slaughter house.

As of September 2017, total amount spent for the construction of the slaughter house, including consultancy and access road amounted to some Rs 68 million.

4.5.2 Operation of the Slaughter House

The Commission did not properly plan for the operation of the slaughter house. Although the building was practically completed in September 2013, prompt action was not taken to make it operational. In September 2015, technical assistance was sought from a firm of foreign Consultant.

There had been a change in project concept. The initial objective, which was for the slaying of pig, goat, sheep and cattle, was changed in 2016 to specialise in swine and poultry slaughtering and transformation. Consequently, there was a need to modify the initial project model in terms of equipment and interior building structure.

The foreign Consultant submitted a report and a business plan in April 2016 and July 2017 respectively. An amount of 17,500 Euro was paid to the Consultant in November/December 2015 and the remaining 7,500 Euro was settled in September 2016, that is a total of 25,000 Euro, equivalent to some Rs 1 million.

The estimated cost to render the slaughter house operational was worked out to be to the tune of some Rs 55.8 million, exclusive of VAT. In view of the high operating costs involved, the RRA informed the Project Plan Committee (PPC) in December 2016 that it had decided to implement the project in two phases: Phase 1-Swine and Phase 2-Poultry. The RRA justified the rationale behind favouring the implementation of the Swine Section over the Poultry Section by the following:

- Delays encountered in the airport project which makes it impossible to export freshly killed local chicken meat to Mauritius;
- Swine is the most consumed meat in Rodrigues which is being slaughtered in poor hygienic conditions. The slaughter house will allow butchers to adhere to international food and safety norms;
- More diversified value added products of swine.

The RRA requested the PPC to fast track the approval, whereby Phase 1 would be implemented first. Pending the approval of the PPC, the technical report submitted by the firm of foreign Consultant in April 2016 was reviewed with the aim to decrease the estimated cost to operate Phase 1: Swine Section of the slaughter house, which was previously estimated at Rs 32.57 million, to an amount below Rs 25 million. As such the approval of the PPC was no longer required.

4.5.3 Expenditure Incurred on Training

During 2016, 10 trainees were sent on a training programme for three months (February to April 2016) in Reunion Island at a cost of Rs 5 million for acquiring the necessary know-how and techniques on good practices on slaughtering, processing, handling and hygienic practices in the field of butchery. Three trainees were also in Reunion Island from 25 April to 17 June 2016 in connection with training on repairs and maintenance of cold rooms. The amount disbursed amounted to some Rs 1.2 million. Training was also provided locally to 22 trainees in July/August 2016 for 14 days in 'charcuterie/boucherie' in the context of 'salon des metiers et des entreprises' at a cost of some Rs 120,000.

Although significant amounts were spent on training in the field of butchery/charcuterie and maintenance and repairs of cold room/cold systems to enable the trainees to bring their experience and competence to support the operation of the slaughter house, as of September 2017, their services had not yet been put into practice due to the delay in the implementation of the project.

4.5.4 Recruitment of Consultant for supply of services in the field of butchery and meat processing

Following the decision to operate the slaughter house, the Commission decided to recruit a Consultant to assist in, amongst others, the operation of the slaughter house, making proposals on how to improve the production of pigs and poultry in Rodrigues, providing technical assistance to the Commission on matters relating to butchery and meat processing, designing an operational plan for the slaughter house, proceeding with meat processing and providing training to butcher and meat processors, improving product packaging and labelling for local and international markets.

To that effect, a request for proposal through open advertised bidding was made in September 2016. After the necessary evaluation stages, the contract was awarded to a private Consultant on 1 March 2017 and the agreement was signed in July 2017 for a period of one year starting from 3 July 2017 to 2 July 2018, for an all-inclusive amount of Rs 1,080,000 for the assignment. The Consultant is presently working on the types of equipment to be procured.

Conclusion

The building has remained unutilised as of September 2017, that is four years since its completion. A site visit was carried out by my Officers on 20 September 2017. Both the yard and the building were in an abandoned state. Except for a few air conditioning units (which might not be in good running condition), no other items of equipment or furniture were seen on the premises, which were being guarded by a watchman. There was no water either inside or outside the building. Watchmanship and other associated costs worked out to be more than Rs 1.8 million for the four years.

Total costs associated with the construction and future operation of the slaughter house, including consultancy, training, watchmanship and other incidental costs would exceed Rs 100 million.

Recommendations

- For any major project, a feasibility study needs to be undertaken to assess the cost-benefit implication thereof. A proper planning should also be made to avoid situations where funds are tied up in assets not ready for use;
- The RRA needs to closely monitor the project so that the slaughter house could be made operational without any further delay, for the benefits of the livestock producers and the community at large;
- Training is necessary for good service delivery. The RRA needs to ensure that trainees put their knowledge, skill and expertise into practice so that expenditure incurred on training is relevant and valuable.

RRA's Reply

- Among the 10 trainees, some had temporarily set up their own butchery shop and are carrying out slaughtering activities pending the operationalization of the Slaughter House. As regards the three trainees who acquired training on repairs and maintenance of cold rooms, they are actually carrying this activity temporarily on a private basis. The training has been effective even though it is on a private basis;
- The Consultant is assessing all the implications and the minimum cost for the operationalisation of the Slaughter House. Apart from the tasks prescribed in the contract of employment, the Consultant has been:
 - Entrusted the task of setting up a poultry farm, as well as poultry processing at Montagne Croupier; and at the same time training of local women entrepreneurs of that region;
 - Requested to work out proposal for improving meat production in Rodrigues;
 - Assisting in the setting up of Master Meat Cooperatives for meat processing.

4.6 Asset Management

4.6.1 Procurement of Tractors and Implements for Land Mechanisation Purposes

On 30 August 2016, the contract for the supply of four Small Tractors and two Medium Tractors was awarded to a private Company for an amount of Rs 3,836,400. Another contract for the procurement of implements, such as Rotary Tiller, Disc Plough, Disc Harrow, Ridge Frower and Chisel Cultivator, was also awarded on the same day to another private Company for Rs 337,750. Delivery was to be done within 120 days as from the date of the placement of the order, that is by 28 December 2016.

The following were noted:

- The Tractors were delivered on 28 February 2017, that is with a delay of 60 days. Rear lift and accessories, forming part of the Tractors, were, however, delivered on 8 June 2017. The implements were received with a delay of 35 days, on 2 February 2017. No liquidated damages were applied for late delivery, as no provision thereof was made in the Tender Documents;

Payment was made to the supplier of the Implements for an amount of Rs 334,813 on 16 February 2017, after deduction of Tax Deducted at Source (TDS). As for the supplier of the Tractors, full payment of Rs 3,836,400 was effected on 30 June 2017, without deduction of TDS;

- The Commissioning of the implements was done from 7 to 9 August 2017. One of the five implements received on 2 February 2017, namely the 'Rotary Tiller', was 'inoperative' due to the fact that the shaft was too short and needed replacement, as stated in a Job Report. As of September 2017, the latter had not yet been replaced;
- As of September 2017, all six Tractors had not been operational since their acquisition. They were found lying unsheltered in the compound of the Commission, exposed to the inclemencies of weather.

Funds should not be allowed to be tied up in assets not ready for use. Tractors are to be procured only when there is a request for them and same should be used promptly for mechanisation purposes to benefit the Planting Community.

RRA's Reply

Four of these Tractors have already been provided to the Rodrigues Trading and Marketing Co. Ltd. The two other Tractors attached to the Commission are operational, performing land mechanisation at Farmer's level.

4.6.2 Repairs of Tractors and Implements

Following a survey carried out on Tractors, Bulldozers and Implements in November 2015 by a private Company X, a request for Sealed Quotations was addressed to five potential Suppliers for the repairs of Tractors and Implements on 11 March 2016. Bidders were required to make a complete diagnosis of all the Plant and Equipment listed for repairs by Company X, before submission of their quotes.

After the necessary evaluation exercise, the contract for the repairs/servicing of seven Tractors, one Bulldozer and four Implements was awarded for a total amount of Rs 4,111,121 on 24 May 2016 to the same private Company X which carried out the survey in November 2015.

The Tractors and Other Equipment, after repairs were tested/commissioned on 8 June 2017 and payment of Rs 4,084,309 was made to the Company on 30 June 2017.

The following were noted:

- (i) Company X which carried out the survey on the Tractors and Implements and proposed the necessary repairs to be carried out, was awarded the contract for the repairs of Tractors and Implements. This is not in line with the Public Procurement Regulations which state that “*a firm hired to provide Consulting Services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works or services related to the initial assignment*”;
- (ii) The works, which were to start within 20 days of the date of award of contract, had a duration of 45 days for completion, that is by 26 July 2016. An extension of time of 60 days for unavailability of spare parts was approved for the period from 2 September to 31 October 2016. Liquidated damages, as specified in the condition of contract, were not applied for all delays not covered by duly approved extension of time;
- (iii) The estimated costs of repairs of Tractors 43 RRA 08 and GMR 558 were Rs 293,000 and Rs 186,000 respectively. Although, the actual cost of repairs of Rs 492,126 for each Tractor exceeded by more than 15 per cent the estimated costs and a rebid exercise was considered not practical, negotiation with the bidder had not been resorted to, as prescribed in a Circular issued by the Procurement Policy Office (PPO);
- (iv) According to a Report issued by the Agricultural Research and Extension Services on 11 April 2017, the Tractor 15 RRA 11 was repaired in-house. There was no evidence of any repair works undertaken by Company X on that Tractor. However, payment for an amount of Rs 565,945 was effected to the Company in respect of repairs of that Tractor;
- (v) No register was kept at the Transport Section of the Commission to record the date of visits of Technicians, and the particulars of the work carried out by them;
- (vi) A survey of Tractors was carried out on 15 September 2017 by my Officers. Five of the seven Tractors repaired by Company X were not being used, as evidenced by the non-installation of batteries.

RRA's Reply

- Negotiation will be resorted to in future bids, whenever it is considered practical to do so;
- A Register has already been put in place at the Transport Section;
- The successful bidder has been requested to refund the amount which had been overpaid through oversight.

4.7 Rehabilitation of Agricultural Land

One of the objectives of the RRA, in so far as the agri-sector is concerned, was to increase the volume of crop production through an increased area of land under cultivation. To that effect, attention was directed towards the efficient recovery of all abandoned plots of land and to promote their optimum use.

The Executive Council, in April 2016, gave its approval to proceed with the recovery and rehabilitation of 100 hectares (ha) of abandoned arable land for crop production.

The procurement exercise for the rehabilitation of agricultural land was subsequently launched through Open National Bidding for bush clearing and land preparation for 100 ha of land in Rodrigues, with sites ranging from 5 to 20 ha in size.

Five bidders responded. After the necessary evaluation exercise, the Bid Evaluation Committee, on 29 April 2016, recommended the award of contract to a private Company for an amount of Rs 12,118,224 exclusive of VAT. The contract was subsequently awarded to that Company on 14 June 2016. Works started on 29 July 2016 and were scheduled for completion by 28 September 2016, that is within a period of 60 days.

On 5 August 2016, the Executive Council also approved, as Variation Works under the rehabilitation of agricultural land contract, an immediate carrying out of land rehabilitation works in the context of the implementation of pastures on Model Farms, and in connection with agri-business projects for some 25 former Brevet Professionnel Agricole (BPA) Trainees. As a result, the Contractor requested for an extension of the intended completion date of works till 31 December 2016.

On 25 November 2016, the Contractor was informed that extension of time would be given up to 20 December 2016 only, and that liquidated damages would apply as from 21 December 2016. An amount of Rs 11,421,213 was finally paid to the Contractor for rehabilitation of agricultural land on 30 June 2017.

Observations

- Documents certifying the actual date of completion of works were not produced to my Officers. As such, it was not known whether there were delays and whether liquidated damages had to be applied;
- Records regarding the rehabilitation of land were not complete. For example,
 - Programme of Work, as well as Programme Updates, were not available in the relevant file;
 - Except for the BPA Trainees who were allocated specific sites for rehabilitation works, a list of other sites to be rehabilitated, together with corresponding extent of land was not available in the relevant file;
- Works carried out by the Contractor were not properly monitored, as highlighted below:

Two Requests/Applications for payment, made by the Contractor on 31 July and 31 October 2016 for amounts of Rs 852,878 and 10,586,086 respectively, were not processed promptly. It was only on 6 January 2017, that Technical Officers of the Commission were required, by the Officer in Charge, to submit a Report of work carried out by the Contractor, to enable processing of payment. However, the Technical Officers were reluctant to certify that rehabilitation works had been carried out satisfactorily, as:

- At the time works were carried out on sites, all Officers were involved in the campaign against Foot and Mouth Disease (FMD) infection and therefore were not on site;
 - Officers were not aware of the scope of work, what operations had been carried out on field and when these had been carried out. They were also not informed of the handing over of sites and whether they were the ones responsible for work supervision.
- Joint site visits were carried out in May 2017 by representatives of the Commission and those of the Contractor, for the measurement of land rehabilitated and survey of access road. A Report was subsequently submitted, giving details such as location, area covered and beneficiaries. According to the Report, the total area covered was 75.83 ha, as compared to the 100 ha as per the contract. It was not known whether the Contractor had performed all the work required before the payment of Rs 11,421,213 was effected.

Conclusion

In the absence of proper supervision, monitoring and documentation, it could not be ascertained whether value for money had been obtained, the more so that a substantial amount had been disbursed for that project. There was also no post-monitoring mechanism put in place to ensure that the land actually rehabilitated was being optimally utilised.

RRA's Reply

- Officers of the Commission for Agriculture were at that time fully involved in the fight against the FMD. This has negatively impacted on the supervision of land rehabilitation works. Necessary actions will be taken for better monitoring of projects in the future;
- The Contractor for the rehabilitation of land has been paid on a pro-rata basis for the amount of land rehabilitated. 42 ha of the land have been under maize and bean cultivation, whereas the remainder is under fodder cultivation.

4.8 Construction of Remand and Convict Block at Pointe La Gueule - Rs 33,223,367

In January 2014, the present Prison Master Plan was revisited and it was decided to extend the prison building to cater for the segregation of remand and convict male

prisoners. A preliminary estimate was worked out in May 2014 by the RRA's Consultant, whereby the project was stated to cost some Rs 21.9 million.

Bids were launched in November 2014 with pre-bid meeting and closing date scheduled for 8 and 18 December 2014 respectively. However, on 11 February 2015, the Central Procurement Board (CPB) recommended the cancellation of the bidding exercise on the ground that bids received were all substantially above the estimated cost. In this case, it was stated that it would be difficult to negotiate a reduction in price to the tune of 15 per cent. Details are as in Table 14.

Table 14 Comparison of Quoted Price with Estimated Price

Bidders	Amount Quoted (Rs)	% over estimated cost
Company A	34,960,000	60
Company B	35,768,814	63
Company C	52,410,732	139

Subsequently, another cost estimate was prepared on 3 September 2015, based on Price Bill of Quantities. The revised cost estimate was Rs 27,582,193.

On 19 February 2016, invitation for bids through Open Advertised Bidding was launched, with closing date on 15 March 2016. Extension of closing date to 29 March 2016 was necessary as two Addendums were issued. It was also specified that electronic bids would be rejected.

Three bids were received as follows:

Bidders	Amount exc VAT (Rs)	% excess over cost estimates
Company D	31,046,468	29
Company B	35,926,980	50
Company E	30,374,885	27

On 26 April 2016, the bids received together with relevant documents were sent to the CPB for evaluation. On 20 May 2016, the CPB carried out the bid evaluation exercise and on 14 June 2016, it informed the RRA that since quoted price exceeded 15 per cent, negotiation with the lowest responsive bidder may be carried out.

On 29 June 2016, the CPB approved the award of contract to Contractor E for the negotiated price of Rs 33,223,367. The contract was awarded on 25 July 2016 and the agreement was signed on 8 August 2016.

Observations

- (i) In the advertisement for the invitation to bid, it was stated that bids submitted electronically would be rejected. This was not in line with the Public Procurement Electronic Bidding System Regulations which stated that *'Every Public Body shall, as far as possible, manage all procurement requests through the e-procurement system'* (e-PS).

All Public Bodies are expected to use the e-PS to conduct procurement above a defined threshold by the end of December 2016. Public Bodies are encouraged, in consultations with the Procurement Policy Office (PPO), to devise and implement measures aimed at employing information and communication technology in the procurement process;

- (ii) The *'Bid Evaluation Procedures for Major Contracts of the Public Procurement (Regulations 2008)'*, provides that *'For the purpose of examination and evaluation of bids, the Board shall constitute a Bid Evaluation Committee within 15 days after the opening of bids'*. However, CPB carried out the bid evaluation exercise on 20 May 2016, that is after a period of 51 days;
- (iii) The bids quoted exceeded the estimated costs by percentages ranging from 27 to 50 per cent in the new tendering exercise. As the lowest evaluated substantially responsive bid exceeded the updated cost estimate of works by more than 15 per cent and a re-bid exercise was considered not practical, the RRA carried out negotiation procedures as per Circular of the PPO, and awarded the contract at a price which was some 20 per cent over the estimated cost;
- (iv) There were inconsistencies between the letter of award of contract and the standard bidding documents. The former stated that Performance Security in the form of a bank guarantee, a detailed programme of work and insurance policies should be submitted within 14 days of issue of acceptance, whereas the latter stated that Performance security, insurance policies, and a program of work shall be submitted within 21 days of the letter of acceptance;
- (v) Handing of site to the Contractor was scheduled for 13 September 2016. Works were to start on 19 September 2016 and completed by 23 July 2017. However, extension of time of 39 days was granted due to a change in location for the construction of the building. This brought the new completion date to 1 September 2017. However, as of 11 September 2017, the progress of work on site was reported to be only around 67.5 per cent completed;
- (vi) The project was not properly planned in order to ensure that the desired outcomes and benefits are obtained promptly. Consensus was not reached regarding the exact location of the site on which the building would be erected. The handing over of the site to the Contractor was effected more than one month after awarding the contract. It was stated that the proposed construction area included structures which, if pulled

down as proposed in the project, would considerably disrupt some existing vital services in the prison. Another location was then proposed on the other unoccupied left side of the existing prison building where there were no built-in structures, except for a natural drain that could be easily diverted;

- (vii) The topography of the new site differed much from the initial site, resulting in major excavation works to be undertaken. Variation works, for an amount of Rs 1,530,000 were incurred. This exceeded the contingency sum of Rs 1 million and led to cost overrun of Rs 530,000. Also, extension of time of 28 days was approved by the Departmental Bid Committee (DBC) due to the additional excavation, following the relocation of the site;
- (viii) The advance payment of Rs 3.2 million was secured by an advance payment guarantee, which expired on 26 July 2017. This guarantee was not renewed so as to be effective until the contract completion date, which was revised to 1 September 2017.

RRA's Reply

Delay in the project was due to the fact that additional and variation works were entrusted to the Contractor, as there were important missing requirements, such as construction of block wall of 3.5 metres, construction of access road, relocation of dog compound, provision of generator and generator rooms, amongst others, which were not included in the initial tender document for the new present block to be fully operational.

4.9 Setting up of a Rehabilitation Youth Centre at Oyster Bay

4.9.1 Objective of the Project

Rodriguan juvenile offenders were sent to the Rehabilitation Youth Centre (RYC) in Mauritius, as one was not available in Rodrigues. The objective for the setting up of a RYC was to give a better chance to the juvenile offenders to be reformed in Rodrigues for their anti-social behaviour, without being separated from their family. In that context, an ex-shelter was upgraded to accommodate the juvenile offenders.

4.9.2 Upgrading of the Rehabilitation Youth Centre - Rs 3,938,853

Tenders for the project 'Upgrading of Ex-Shelter at Fond Baie Aux Huitres' were launched on 12 June 2015 through restricted bidding. After the necessary evaluation exercise, the contract was awarded to a private construction Company on 18 August 2015 for an amount of Rs 3,938,853. Works started on 17 December 2015 and were scheduled for completion by 5 May 2016. Due to additional works, the completion date was revised to 31 October 2016. Works were completed on 10 October 2016 and taking over of site was done on 14 October 2016. A list of minor defective works was drawn to be completed within the defects liability period, that is by October 2017.

Total cost of the project amounted to Rs 4,241,296. However, an amount of Rs 304,000 was deducted therefrom, as liquidated damages for delay of 38 days for which extension of time was not granted.

In addition, an amount of Rs 115,120 was paid to the Contractor for the supply and fixing of an entrance gate and for the construction of a boundary wall, which did not form part of the initial contract. The following were noted:

- As per letter of award of contract, the site was to be handed over to the Contractor two days after signature of contract so that work would start within seven days from date of possession of site. However, site was handed over to the Contractor on 19 October 2015, that is a delay of 39 days after the signature of contract on 10 September 2015. Works started two months later, on 17 December 2015;
- Poor planning had resulted in additional works to be added to the contract, thus requiring extension of time and causing delays in the implementation of the project. Furthermore, works relating to the supply and fixing of an entrance gate and construction of a boundary wall were not taken into consideration at the planning stage.

4.9.3 Posting of Staff at the Rehabilitation Youth Centre

Following requests from the Commission, the Prime Minister's Office (PMO), in February 2016, conveyed approval for the following:

- Five to six Prisons Officers from Mauritius be posted at the RYC for a temporary period of six months to assist in the manning of the RYC;
- The Assistant Superintendent of Prisons, in charge of the Pointe La Guele Prison, Rodrigues be entrusted with additional responsibilities to oversee the day to day running of the RYC.

However, the RRA was requested by the PMO to liaise with the Ministry of Social Security, National Solidarity and Reform Institutions to have a few Rehabilitation Officers from the RYC in Mauritius to support this initiative. The RRA was also advised to expedite the recruitment exercise for RYC Officers on its establishment.

On 1 April 2016, the Commission informed the PMO that it would prefer to have a Woman Prison or Police Officer to be assigned the responsibility of Officer in Charge of the RYC for its day to day operation. The Commissioner of Prisons, on 10 May 2016, stated that:

- It was not in order to have Police Officers seconded for duty as Prison Officers in view of the nature of their respective duties and scheme of service;
- Provision be made either for creation of posts to absorb the selected Prisons Officers/Senior Prison Officers on the establishment of RRA; or for funds to meet their salary after the initial period of six months;
- Passage costs be borne by the RRA.

Subsequently, in June/July 2016, 10 Prison Officers assumed duty in Rodrigues. Two of them ended their tour of service end of October 2016. A request to replace these two Officers was addressed to the Commissioner of Prisons in November 2016.

Following a request made by the Commission to the Divisional Commander, Rodrigues Division and to the Commissioner of Police in October 2016, for the release of a Woman Police Sergeant who would act as Officer in Charge of the RYC, the Commissioner of Police, on 7 November 2016, issued a 'Temporary Posting Order' for a Women Police Sergeant from the Rodrigues Division to the RYC.

For 2016-17, in addition to the salaries paid to these Prison Officers/Senior Prison Officers from the Vote of the Prison Service in Mauritius, an amount of some Rs 700,000 representing cost of travelling, night shift allowance, disturbance allowance, public holiday and bank allowances were also paid to them from the Vote of the RRA.

The following were noted:

- The RYC was scheduled to be opened in November 2016, yet Officers assumed duty in June/July 2016, that is some five months prior to the opening. As of September 2017, more than 10 months later, the RYC was still not operational. Officers convened for that purpose were present for duty at the RYC but no activities were being carried out, as the juvenile offenders were still in Mauritius;
- Since the RYC was not fully operational and did not involve any day to day running activities, the request for a Woman Prisons Officer or a Woman Police Officer, as Officer in Charge, was not justified at that stage;
- Although attention was drawn that it was not in order to have Police Officers seconded for duty as Prison Officers in view of the nature of their respective duties and scheme of service, same was not considered as a Women Police Officer was seconded to act as Officer in Charge of the RYC as from 7 November 2016.

Conclusion

The Commission did not properly plan for the setting up of the RYC. Although the building was completed since October 2016 and Officers had been trained and posted at the RYC, no activities have yet started. As of September 2017, that is a year later, still no activities have started.

Total costs associated with the upgrading of the shelter and its furnishing amounted to more than Rs 4 million. In addition, salaries and allowances incurred up to September 2017 for the RYC were to the tune of another Rs 4 million.

RRA's Reply

- Procedures have been initiated for the recruitment of RYC Officers on our establishment. A request has been addressed to the Reform Institution in Mauritius to have RYC Officers, for a tour of service in Rodrigues, pending recruitment on establishment of Rodrigues;
- The delay in the opening of the RYC was due to the fact that amendments had to be brought to regulations;
- Minor works were being undertaken in the meantime to make the building fully operational in February 2018.

5 – DEPUTY CHIEF COMMISSIONER’S OFFICE

5.1 Construction of Dormitory for Boys at Baladirou – Rs 3.8 million

The main objective of the Foyer at Baladirou is to provide love, care, attention and education to children at the Foyer so that they may develop and grow as other children under the care of their parents.

The project for the construction of dormitory for boys and associated facilities was undertaken to assist the Foyer to attain its objectives. In this connection, tenders were launched on 18 November 2014 through restricted bidding, as method of procurement. The lowest responsive bid of Rs 3,565,000 exceeded the estimated cost of Rs 2,967,000 by more than 15 per cent.

On 9 April 2015, the Departmental Bid Committee (DBC) decided to annul the tender exercise and to request the advice of the Consultant for any modification of the bidding documents.

On 6 May 2015, a second tender exercise was launched and the closing date was 1 June 2015. On 2 September 2015, the contract was awarded to a private construction company for an amount of Rs 3,878,409. Construction works started on 29 January 2016 and were scheduled for completion on 20 May 2016, with a duration of 112 days. An extension of time of 47 days was approved and the revised scheduled completion date was 6 July 2016. The project was delayed and works were completed only on 24 January 2017. The total amount paid to the Contractor less the maximum amount of liquidated damages of Rs 337,253 as of 30 June 2017 amounted to Rs 2,962,090.

The following were observed:

First Tender Exercise

The Chairperson of the DBC stated, on 9 April 2015, that the lowest responsive bidder was willing to review its price. However, no negotiation was held to bring the tender price, which exceeded the estimated price by more than 15 per cent, to a reasonable one. This was not in line with directives from the Procurement Policy Office (PPO) which recommended *that for non-major contracts, the Chief Executive Officer of the Public Body shall appoint a Negotiator or a Negotiating Team, depending on the value and complexity of the procurement contract, from among officers who are knowledgeable in all aspects of the procurement.*

Second Tender Exercise

The launch of the second tender exercise, some six months later, has cost the Rodrigues Regional Assembly (RRA) Rs 313,409 more than the first launch. Had negotiation been carried out in respect of the first launch, the lowest responsive bid of Rs 3,565,000 could have been reduced to Rs 3,412,050 (15 per cent above estimated cost), in which case a minimum of Rs 466,359 would have been saved.

Moreover, a cost estimate, which is an important yardstick to assess the price reasonableness of the second tender, was not seen. There was no evidence that contract

conditions were modified in line with Section 39 (4) of the Public Procurement Act which states that *'Where the invitation for the procurement is to be repeated, the reason for the rejection of all bids or the cancellation of the procurement proceedings shall be examined by the Public Body and the technical specifications, or contract conditions shall be suitably modified'*.

Bid Validity

The bids were referred to a Bid Evaluation Committee (BEC) since 9 June 2015 and the latter was given 15 days to complete the evaluation report. However, it was only on 1 September 2015 that the BEC, in its report, concluded that the bid validity period expired on 30 August 2015 and recommended to re-launch the tender.

At the DBC meeting of 2 September 2015, it was decided that since the BEC had already completed the evaluation exercise, there was no need for bid extension. It was also decided to award the contract to the private construction company for an amount of Rs 3,878,409.

The contract was awarded on 2 September 2015, after the expiry of the bid validity period. This was also not in line with the User Guide issued by the Procurement Policy Office which states that the evaluation shall be completed within the validity period so as to leave enough time for contract award.

Delay in Completion of Works

The Contractor has delayed the completion of works by some 200 days, even though 47 days extension had been granted. However, the maximum amount of liquidated damages (in terms of delay/days) that could be charged, as defined in the Particular Condition of Contract was 42 days. In spite of the fundamental breach of contract, decision to terminate the contract was not taken. Further, no explanation was given for such delay.

Performance Bond

Directive 9 issued by the PPO provides that *'In works contracts, where progressive payment is applicable, money from earlier payments may be withheld to constitute a security in lieu of a security from a bank'*.

As such, although performance bond was not required for contract up to Rs 5 million, the Commission did not take necessary precautions to constitute adequate security by withholding earlier payment.

Insurance Policy

The insurance policy covering the period from 27 October 2015 to 31 March 2016 was not in the joint names of the Contractor and the RRA. It was also not valid from the start of the contract to the end of the Defects Liability period of 365 days.

Recommendation

Terms and Conditions of contract, as well as procurement regulations, need to be strictly adhered to. Delays should be minimised so that the facilities are available to the children on time.

RRA's Reply

Works were monitored closely by the Consultant/Client. Minor works were included in the snag list which was to be completed during Defects Liability Period.

6 – COMMISSION FOR PUBLIC INFRASTRUCTURE, LAND TRANSPORT, HOUSING AND WATER RESOURCES

6.1 Desalination Project

6.1.1 Project Background

At paragraph 6.4 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I mentioned that the contract awarded in October 2013 to a private construction company (Contractor) for an amount of Rs 156.1 million was terminated in February 2015 due to non-performance of the Contractor and failure to execute works as per terms and conditions of the Contract.

I reported, amongst others, that none of the four Desalination Plant had been commissioned. Two of them (Pointe Cotton and Baie Malgache) were not completely installed while the other two (Pointe Venus and Caverne Bouteille) were operating at some 50 per cent of their capacity. I also reported that payments of some Rs 99.4 million had been disbursed to the defaulting Contractor.

6.1.2 Submission of Final Accounts

I stated that Final Accounts had not been received and the value of works executed, up to the termination of the contract, was not determined. It was, therefore, not known whether any sums were due or overpaid to the Contractor.

On 11 January 2017, some 23 months after the termination of the contract, the Consultant submitted the Final Accounts. This was not in accordance with the General Conditions of Contract, which states that *'As soon as practicable after a notice of termination has taken effect, the Engineer shall agree or determine the value of works and any other sums due to the Contractor for works executed under the contract.'*

According to the Final Accounts, 'Remedy Defects' amounted to Rs 21,861,045 after the checking of defects at termination of contract. This was taken into account and the final amount to recover from the defaulting Contractor was Rs 130,868.

The following were noted:

- The Consultant recommended the application of full delay damages of two per cent of the contract price for a total amount of Rs 3,122,032. Same was not taken into account in the Final Accounts;
- According to General Conditions of Contract: *'Payments After Termination'*, the Employer may recover from the defaulting Contractor any losses and damages incurred by the Employer and any extra costs of completing the works. As such, the Contractor shall bear the cost of uncompleted work. This issue was not considered in the Final Accounts.

RRA's Reply

The Final Accounts are being processed for further action.

6.1.3 Spare Parts kept at Pointe Cotton and Baie Malgache Building

Following the termination of the contract, several items of plant/equipment and spare parts for the Desalination Plant were left unassembled at Pointe Cotton and Baie Malgache. These were seen by my Officers during a visit in April 2015.

On 29 June 2016, the contract for the completion of works at Pointe Cotton (building and civil works) was awarded to another private contractor. Consequently, all items of plant/equipment and spare parts found at Pointe Cotton were transferred to the building at Baie Malgache, prior to the handing over of the site to the Contractor in August 2016. A list of items transferred was drawn on 24 August 2016.

According to the Final Accounts submitted by the Consultant, the value of plant/equipment and spare parts amounted to Rs 3,206,500 for Baie Malgache and Rs 6,388,800 for Pointe Cotton.

A visit was carried out by my Officers on 22 September 2017 on the site at Baie Malgache. The following observations were made:

- Various items of plant/equipment and spare parts, valued at some Rs 9.5 million, were kept in a haphazard manner in the building constructed to house the Desalination Plant. As such, it was difficult to carry out a physical survey of these items;
- Several items of spare parts were reported to have been used to cater for the wear and tear of the two other Desalination Plants at Pointe Venus and Caverne Bouteille. This could not be verified, in the absence of proper records;
- Six pressure filters purchased from a sub-Contractor were stacked outside the building and hence not properly stored. The cost of these filters was not available;
- Due to insufficient storage space, spare parts and other stores items were not maintained in appropriate conditions, being exposed to physical damage or deterioration, and thus running the risk of not being 'fit' for use in the future.

I was informed in February 2018 that spare parts were taken on charge on 24 August 2016 in a Store Ledger at the Water Resource Unit of Malabar.

6.1.4 Disqualification of Contractor by the PPO

In December 2016, the Procurement Policy Office (PPO) informed the Commission that, after investigation, the proposal for disqualification of the defaulting supplier, that is the Joint Venture and its two constituting members, had not been retained.

The PPO also advised that the RRA may seek legal guidance on prejudice caused to the Commission and whether it has avenue to recover from the defaulting supplier the

additional costs involved in having the contract completed by another supplier. There was no evidence that this had been done.

I was informed on 5 February 2018 that the performance bond of Rs 15,610,161 and the balance of advance payment of Rs 16,536,079 were recouped by the Commission in line with the Conditions of Contract.

6.1.5 Building and Civil Works at Pointe cotton

On 29 June 2016, the contract for Building and Civil works at Pointe Cotton was awarded to Contractor A for an amount of Rs 18,995,735. The handing over of site was made on 19 August 2016 and the construction period was 112 days as from start of work which was 26 August 2016. The expected completion date was 15 December 2016. Total Payments made to Contractor A, as at September 2017 amounted to Rs 11,114,458.

6.1.6 Delay in completion of works

On 26 July 2017, after the scheduled completion date, the Consultant approved an extension of time of 18 days bringing the revised completion date to 2 January 2017. As at April 2017, the progress of work on site was 70 per cent only and the Contractor informed the Consultant that an additional two months would be needed to complete the works. The latter recommended that the contract be terminated. However, this was not done.

RRA's Reply

The reasons for the delays on the part of the Contractor as indicated in the notes of site meetings are:

- No experienced full time site agent was provided during the first two and a half months of the project;
- Late procurement of formwork for the construction of the water tanks;
- Slow progress on site due to lack of labour and mismanagement of skilled labour;
- Breakdown of equipment and no immediate replacement.

An amount of Rs 1,073,860 had been applied as liquidated damages for delays attributable to the Contractor.

6.1.7 Performance Bond and Insurance Policy

According to bidding documents, whenever the Performance Bond and Insurance Policy expire before the end of the date of completion, the Contractor shall renew the bond and insurance policy so that they cover the period up to the completion of works and shall extend these to cover the defects liability period. The Performance Bond will expire on 28 June 2018 and the Insurance Policy was for the period 27 July 2016 to 16 January 2017. The Insurance Policy was not renewed to cover the defect liability period.

RRA's Reply

The Contractor has been notified to extend the validity of same to cover the liability period.

6.1.8 Completion of Building and Civil Works at Baie Malgache

In May 2016, the Consultant working on the project recommended that the project be split in two parts as Building and Civil Works were considered to be of dissimilar nature.

The contract for Building Works was awarded on 7 September 2017 to a private company, Contractor B for an amount of Rs 12,581,000.

The contract for Civil Works had not yet been awarded as at September 2017. The following were noted:

- The Desalination Plant was built on a site where, according to notes of meeting, the exact location for drilling was not yet identified. There was no evidence that a feasibility study had been carried out prior to choosing the site at Baie Malgache;
- There was a first proposal by RRA's Consultant, which was turned down due to its exorbitant price. A second proposal, with estimated cost of Rs 22 million, was made which comprised a jetty with intake towers, including due consideration to the geotechnical characteristics of the site;
- No expression of interest was invited from other Consultants to secure the most favourable proposal for Civil Works in order to address the water intake problem in Rodrigues;
- As at September 2017, the scope of work was not yet finalised, and as such, tenders could not be launched.

RRA's Reply

Tender has been launched for sea intake and Civil Works at Baie Malgache on 6 October 2017. The closing date for submission of bids was 23 November 2017.

6.1.9 Rehabilitation of the Two Reverse Osmosis Desalination Plant

In February 2016, bids were invited for a 'Design-Build and Turnkey' contract for Reverse Osmosis Desalination Plant at Pointe Cotton and Baie Malgache as a single project. In June 2016, the Central Procurement Board (CPB) informed the Commission that it had approved the award of the contract to a private company for an amount of Rs 103,010,469. However, the award was challenged by one of the bidders who lodged the case with the Independent Review Panel (IRP) for review. After several hearings, the IRP ordered, in July 2016, the annulment of the procurement exercise and the decision to award the contract to the successful bidder.

The Executive Council was informed by the Commission, in June 2017 that a new set of draft bidding documents for the supply of equipment for the Reverse Osmosis Plant for

Baie Malgache and Pointe Cotton have been received from the Consultant. On 13 September 2017, the CPB stated that amendments required in the bidding documents have been discussed and the revised bid documents were being awaited.

Observations

- The Commission has considered the revised bid documents based on full employer's design, a project which if implemented, would cost the RRA substantially more than the amount of Rs 103,010,469, which was a Design and Build project based on fixed cost;
- As at September 2017, more than one year after the annulment of the last procurement exercise, no fresh tenders had been launched.

RRA's Reply

The tender for procurement of Desalination Equipment for Baie Malgache and Pointe Cotton has been launched on 9 October 2017 with closing date on 6 December 2017.

6.1.10 Rehabilitation of Plant at Pointe Venus and Caverne Bouteille

In March 2016, the services of a private Consultant were sought to carry out a detailed engineering review of each of the two Plant, with a view to achieving a capacity of 1,000 m³/day. The amount paid for the consultancy work was Rs 508,805.

The Consultant submitted a quotation to undertake the works recommended in its own report, following the engineering review of the two existing Plant. However, the quotation was not accepted by the Commission as it was above the prescribed threshold for direct procurement and did not comply with the provision of the Public Procurement Regulations.

Observations

- Procurement of spare parts and related services, which was recommended by the Consultant, was not effected. There had not been any floating of tenders;
- Other items of spare parts were, however, procured from two suppliers for a total amount of Rs 3,691,000 for the maintenance of the Plant. There was no improvement in water production. The average daily production of water was still around 350 m³ and 304 m³ for Pointe Venus and Caverne Bouteille respectively, according to records of water production;
- As at September 2017, no Action Plan was available in the relevant files to demonstrate how each of the two Plant would be repaired/rehabilitated so that they can operate at their maximum capacity of 1,000 m³ per day.

Conclusion

The Project for the supply and installation of Reverse Osmosis Desalination Plant at the four above mentioned locations in Rodrigues was to initially cost some Rs 156 million in 2013.

The contract was terminated in February 2015 for unsatisfactory performance of the Contractor. As at September 2017, action was not taken to seek remedy from the defaulting Contractor, which is a Joint Venture between two companies.

The two Plant at Pointe Venus and Caverne Bouteille were still not operating optimally. The maximum capacity of water production was far from being reached. The supply of materials awarded in May 2016 for an amount of Rs 3.7 million, was only for the maintenance of the Plant but not for increasing the production of water.

The contract for building and civil works at Pointe Cotton has been awarded in June 2016 for an amount of some Rs 19 million. Works were completed with considerable delay. As for Baie Malgache, although the contract for the construction of building had been awarded, that of civil works was still pending. The Commission was still searching for an affordable cost solution for water intake that meet the geotechnical characteristic of the region.

As for the project for the installation and commissioning of the Desalination Plant at Pointe Cotton and Baie Malgache, the shift from a turnkey to employer's design project has delayed the finalisation of the tender documents and will cost the Commission substantially more, as compared to last tender exercise, for its implementation. As at September 2017, no contract has yet been awarded.

The overall cost of the desalination project could be some Rs 240 million, compared to the original cost of Rs 156 million.

There is urgency to maximize the production of water so as to ensure a more frequent and regular water distribution throughout the island of Rodrigues. The existing water distribution frequency is not enough to meet the increasing demand of water for both domestic and touristic consumption. Further delays will deprive the population of this basic commodity.

7 – COMMISSION FOR HEALTH AND SPORTS

7.1 Procurement and Supplies Management

Procurement of Surgical Stores Items and drugs during 2016-17 amounted to some Rs 13.8 million and Rs 8.1 million respectively. These were either obtained from the Central Supplies Division (CSD) of the Ministry of Health and Quality of Life in Mauritius or purchased on the local market. Details are as shown in Table 15.

Table 15 Procurement of Surgical Stores Items and Drugs

	Received from CSD (Rs million)	Local Purchases (Rs million)	Total (Rs million)
Surgical Stores Items	7.9	5.9	13.8
Drugs	6.5	1.6	8.1

At paragraph 7.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I mentioned that an efficient procurement and supplies management is a pre-requisite for the proper functioning of a hospital. A review carried out in 2016-17 revealed the following:

- Annual requirements for Surgical Stores Items and Drugs were sent to the CSD and delivery was made by the CSD on a quarterly basis. Posting of transaction in Store ledgers at the Surgical Store and Pharmacy Main Store were in arrears;
- In the absence of up-to-date records, any shortages may thus remain undetected.

7.1.1 Queen Elizabeth Hospital - Work Environment

Space constraints at the QEH are becoming more and more acute over the years and this problem is still awaiting to be resolved. My observations included the following:

- Two staff quarters were, as of September 2017, still being used to house stocks of Surgical Stores. Boxes were piled up on top of each other, hardly allowing free movement in the two quarters;
- Drugs, which were received in bulk on a quarterly basis for the Pharmacy, were stored in corridors and in offices, because of lack of space;
- Dozens of cartons of chemicals and solutions used for haemodialysis treatments were stacked in the treatment room itself and even in the toilet block. Also, some 25 bags of pure refined vacuum salt and sand used in the water purifying system were kept in the open and were stated to be of no use due to poor storage conditions;

- The kitchen of the Catering Unit, dating back to 1977 and considered too small for preparing over a hundred meals daily, had a low roof and poor ventilation making it uncomfortable to work in such premises. Moreover, the whole roof slab, involving office, store and kitchen were reported to leak heavily during period of rains.

RRA's Reply

I was informed, in February 2018, of the following:

- Store ledgers could not be updated instantaneously in the absence of Goods Forms and Delivery Notes. However, in view of addressing this shortcoming, the User Section at the QEH is taking these items on charge on a Store Form pending the receipt of the appropriate document from the CSD;
- As regards, environmental issues, the services of a foreign Consultancy Company were retained for the elaboration of a master plan of the Health Services in Rodrigues. Its representatives were on mission in Rodrigues in early December 2017 and have submitted a concept proposal in which all infrastructural issues at the QEH, are being addressed in a holistic manner.

7.2 Swimming Pool at Marechal

In the Audit Reports for the year ended 31 December 2014 and for the 18-month period 1 January 2015 to 30 June 2016, I mentioned that the swimming pool, constructed in accordance with Olympic norms in the year 2005 at Marechal, had not been optimally used although some Rs 75.8 million had been spent thereon.

I reported that this situation arose due to inadequate water supply, the rapid drawdown of the water level in the swimming pool and the high running and maintenance costs involved. I also drew attention that the compound was not properly maintained.

A review was carried out in September 2017 to assess to what extent action had been taken. The following were noted:

- Sealed bids were invited by the Commission responsible for the operation and maintenance of the swimming pool from eligible and qualified bidders for the re-opening of the swimming pool at Marechal, through open advertised bidding on 24 October 2016. The scope of work consisted of the upgrading of infrastructural works and the mechanical and electrical installation of the swimming pool equipment.

Following the evaluation of the bids, the Bid Evaluation Committee recommended that the contract be awarded to the lowest substantially responsive bidder for an amount of Rs 15,714,816, exclusive of VAT. Same were approved by the Departmental Bid Committee and the contract was awarded on 16 January 2017.

Works started only on 8 March 2017 and were practically completed in August 2017.

- During a site meeting held on 5 July 2017, wherein there were representatives of the Commission, the Consultant and the Contractor, it was stated that the client had to start filling the pool on 24 July 2017. This was, however, not effected.

On 14 August 2017, the Consultant informed the Commission that the Contractor had already installed all mechanical equipment on 5 August 2017 and the latter needed to carry out testing and commissioning. To that effect, the Consultant stated that he was waiting for the pool to be filled in order to start the testing. The Consultant also pointed out that associated costs may be claimed by the Contractor due to the delay in testing and commissioning of the work. Action had been taken at the level of the Commission to liaise with the Water Resources Unit for the filling of the pool. However, as of September 2017, the pool had still not been filled with water;

- A site visit was effected in mid-September 2017 by my Officers, in the presence of an Officer of the technical cadre of the Commission. The pool was almost empty, with a thin layer of greenish dirty water full with algae. Filtration pump, air valves and other accessories which were detached from the Pump/Filtration Room were kept outside, in the open air and subject to inclemency of weather. Gutters, which form part of the rain water harvesting system, were not repaired and well maintained.

Conclusion

The Commission did not properly plan for the re-opening of the swimming pool. The former Commission for Health and Sports had, in September 2016, stated that it was working on a long term solution to have a regular supply of water so that the swimming pool could resume its activities. This problem of water supply is still an issue up to now, as testing and commissioning are being delayed.

As of September 2017, benefits were still not being derived from the swimming pool. Athletes and the general public were still awaiting for this infrastructure to be operational. The total cost on this infrastructure has reached some Rs 92 million, notwithstanding the fact that watchmen and cleaners were being paid to guard and clean the premises.

RRA's Reply

- The works have been practically completed but testing and commissioning are outstanding due to scarcity of water following drought season. Meetings have been organised with the Consultant as well as the Water Resources Unit. Two options are presently being considered, and once approved, the pool will be filled;
- The water, though greenish, consists of rainwater and is necessary to protect the tiles in the pool from direct exposition to sunlight and thus prevent cracking;
- The filtration tank will be repaired and used for rainwater harvesting in the swimming pool area;
- Arrangement has already been made with the Mauritius Sports Council to assist in the running of activities at the pool.





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