

**NATIONAL AUDIT OFFICE**



REPUBLIC OF MAURITIUS

**REPORT OF THE DIRECTOR OF AUDIT  
ON THE ACCOUNTS OF THE  
RODRIGUES REGIONAL ASSEMBLY  
FOR THE FINANCIAL YEAR  
1 JULY 2017 TO 30 JUNE 2018**





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# CONTENTS

Chapter		Page
1	Introduction	1
2	Financial Statements	5
3	Internal Control and Project Monitoring	19
4	Chief Commissioner's Office	23
5	Deputy Chief Commissioner's Office	29
6	Commission for Women's Affairs, Family Welfare, Child Development, Industrial Development, Information and Communication Technology, Vocational Training, Cooperatives, Trade, Commerce and Licensing and Prisons and Reforms Institutions	33
7	Commission for Health, Community Development, Fire Services, Meteorological Services, Judicial Services and Civil Status	35
8	Commission for Social Security, Housing, Labour and Industrial Relations, Employment and Consumer Protection	37
9	Commission for Agriculture, Environment, Fisheries, Marine Parks and Forestry	45
10	Commission for Youth and Sports, Arts and Culture, Library Services, Museum, Archives and Historical Sites and Buildings	49



## **LIST OF TABLES**

<b>Table</b>	<b>Description</b>	<b>Page</b>
1	Assets and Liabilities of RRA for the Past Three Financial Periods	6
2	Balance of Advances as at end of Past Three Financial Periods	7
3	Projects funded jointly by the RRA and European Union	9
4	Loans as at end of Past Three Financial Periods	11
5	Revenue Collected for the Past Three Financial Periods	12
6	Rental of State Land for the Past Three Financial Periods	13
7	Expenditure and Government Contribution	13
8	Investments as of 30 June 2018	14
9	Annual Reports Not Submitted	15
10	Arrears of Revenue as at end of Past Three Financial Periods	16
11	Beneficiaries of PPT under ERP 2015 to 2016	40





# INTRODUCTION

The National Audit Office (NAO) is the Supreme Audit Institution (SAI) of the Republic of Mauritius and the Office of the Director of Audit has been established by the Constitution of the Republic of Mauritius. The Director of Audit is the head of the NAO, which plays a vital role in the public sector good governance framework.

## **Mandate of the Director of Audit**

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 offices of the Government.

The Constitution of Mauritius also spells out the independence of the Director of Audit, providing that in the exercise of her functions, the latter shall not be subject to the direction or control of any person or authority.

The Finance and Audit Act confers the Director of Audit the responsibility to audit and report upon the examination of the accounts of the Republic of Mauritius. The Act requires that the Director of Audit shall satisfy herself, amongst others, that public monies are raised and disbursed in accordance with the intentions of the National Assembly and the Rodrigues Regional Assembly and that value for money is obtained in the use of resources.

The Director of Audit is the Auditor of the Rodrigues Regional Assembly (RRA) by virtue of Section 48 of the RRA Act.

## **Accountability**

The Executive Council which was established under Section 34(1) of the RRA Act, is responsible for the carrying out, of the functions of the Regional Assembly and the Chairperson, acting on the advice of the Chief Commissioner, may, for that purpose, assign to a Commissioner the responsibility for one or more Departments of the Regional Assembly. The Island Chief Executive is the administrative head and is responsible for the efficient administration of the functions of the Executive Council. Seven Commissions, each one under the responsibility of a Commissioner, were set up with defined responsibilities. Each Commission is under the administrative responsibility of one or more Departmental Heads.

The Departmental Heads are responsible for ensuring that the funds entrusted to them are applied only to the purposes intended by the National Assembly and the RRA, which is to implement Government policy within the resources budgeted and ensure that adequate measures have been taken to safeguard the collection of public money.

It is the RRA's responsibility to maintain proper financial systems. This involves keeping appropriate financial records and following generally accepted accounting principles.

The Judiciary, the Police Department and the National Transport Authority do not fall under the responsibility and administrative control of the RRA. 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.

Duly signed financial statements of RRA for the financial year ended 30 June 2018, were submitted within the statutory date limit to the NAO on 28 September 2018. These statements were prepared on a cash basis and comprised 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 report to the Minister responsible for the subject of finance, who shall cause it 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(6), 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 provide for the setting up of a Public Accounts Committee (PAC), to examine the audited accounts showing the appropriation of the sums granted by the Regional Assembly to meet the public expenditure, together with the report of the Director of Audit. The PAC set up under the RRA Act 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.

## **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 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

National Audit Office

27 February 2019





## **2 – FINANCIAL STATEMENTS**

### **Financial Statements for the year ended 30 June 2018**

#### **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 Rodrigues Regional Assembly (RRA) on the last day of such financial year.

The financial statements of the RRA for the year ended 30 June 2018, duly signed, were submitted to the National Audit Office on 28 September 2018, 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 Rodrigues Regional Assembly 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 31 October 2018, Annual Reports reviewing the activities for the year 2015, six-month period ended 30 June 2016 and the financial year 2016-17 were not yet finalised.

##### ***RRA's Reply***

Annual Reports for the year 2015 and six-month period ended 30 June 2016 have already been printed. Annual Report for 2016-17 was being vetted.

#### **2.3 Statement A- Statement of Assets and Liabilities**

The accounts were prepared on a cash basis. Current liabilities, such as pension, passage benefits and the monetary value of accumulated sick leave as of 30 June 2018 were not recognised. Arrears of Revenue of Rs 37,486,685 were accounted for in Statement I.

##### ***RRA's Reply***

Pension and passage benefits are funded under the Accountant General's vote and are transferred as and when required upon request by the RRA.

Assets and liabilities for the past three financial periods are as per Table 1.

*Table 1 Assets and Liabilities of RRA for the Past Three Financial Periods*

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
<b>Assets</b>			
Cash and bank balances	248,069,505	212,627,844	170,265,814
Advances	55,486,977	66,520,996	82,183,237
	<b>303,556,482</b>	<b>279,148,840</b>	<b>252,449,051</b>
<b>Liabilities</b>			
Rodrigues Consolidated Fund	29,124,920	74,223,942	55,313,766
Deposits	219,403,144	139,289,208	117,090,792
Loan- Government of Mauritius	55,028,418	65,635,690	80,044,493
<b>Total</b>	<b>303,556,482</b>	<b>279,148,840</b>	<b>252,449,051</b>

#### **2.4 Advances - Rs 82,183,237**

The above figure represents the total outstanding loans advanced to Members and Officers of the RRA for acquisition of motor vehicles, Cooperative Societies and a Company owned by RRA. However, an amount of Rs 1,131,892 overpaid to a Contractor for the repairs of tractors was not recognised as advances.

A breakdown of outstanding advances as at the end of the past three financial periods is shown in Table 2.

*Table 2 Balance of Advances as at end of Past Three Financial Periods*

<b>Details</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
Advances to RRA Members	4,370,966	2,912,666	6,792,366
Motorcar loans to RRA Officers	24,003,566	37,191,350	49,762,518
Motorcycle loans to RRA Officers	9,807,675	9,765,834	9,066,007
Advances to Cooperative Societies for Fibre Glass Boats	14,694,000	14,694,000	14,694,000
Advance Account Personal	88,800	88,800	-
Advance to Rodrigues Trading and Marketing Co. Ltd	2,521,970	1,868,346	1,868,346
<b>Total</b>	<b>55,486,977</b>	<b>66,520,996</b>	<b>82,183,237</b>

#### **2.4.1 Advances to RRA Members - Rs 6,792,366**

At paragraph 2.4.2 of the Audit Report for the year ended 30 June 2017, I reported that a former Member of the Regional Assembly, who was granted a car loan of Rs 1.6 million in September 2011 had ceased payment and that the car was seized and sold in November 2012. The net proceeds amounting to Rs 832,757 was remitted to RRA. The outstanding balance of Rs 743,976 could not be recouped. In December 2016, the former Member was ordered by Court to pay Rs 950,000 in 12 monthly instalments, inclusive of interests starting from January 2017. However, as of September 2018, no refund was effected despite several reminders.

Another former Member who was granted a car loan of Rs 525,000 in March 2015 had not effected any repayment since February 2017. As of September 2018, the outstanding car loan was Rs 341,250. No action was taken by RRA to recover the outstanding amount.

RRA was encountering difficulties for the recoupment of the outstanding amount of Rs 1,447,888 due by three other former Members for non-payment and irregular payments. These advances should have been settled upon cessation as Member of the Regional Assembly.

#### ***RRA's Reply***

Correspondences have been addressed to the former Members of the Regional Assembly on 25 January 2019 to request them to settle the amount due.

#### **2.4.2 Advances to Cooperative Societies - Rs 14,694,000**

At paragraph 2.4.3 of the Audit Report for the financial year ended 30 June 2017, I reported that five Cooperative Societies were each granted loan of some Rs 2.9 million in December

2011 for the acquisition of fibre glass boats and that the amount advanced had still not been repaid.

No refund was effected since 8 August 2016.

#### **2.4.3 Advances to Rodrigues Trading and Marketing Co. Ltd – Rs 1,868,346**

At paragraph 2.4.4 of the Audit Report for the year ended 30 June 2017, I reported that out of an advance of Rs 2,621,970 made to Rodrigues Trading and Marketing Co. Ltd (RTMC) in November 2013, the outstanding balance was Rs 1,868,346 as at 30 June 2017.

No repayment was effected since that date.

#### ***RRA's Reply***

The Executive Council has approved the conversion of the debt into shares in favour of the RRA.

The Company has been requested to initiate action accordingly.

#### **2.5 Rodrigues Consolidated Fund - Rs 55,313,766**

The Rodrigues Consolidated Fund (RCF) was established under Section 75D of the Constitution. Section 42 of the RRA Act stipulates that all recurrent revenue collected by the RRA, money appropriated by the National Assembly and any other money properly accruing to RCF under any other enactment, are to be credited to RCF.

For the financial year 2017-18, a grant of Rs 3,425 million was received and a total amount of Rs 32,065,954 was collected as revenue. The total expenditure of Rs 3,475,976,130 exceeded the total revenue of Rs 3,457,065,954 giving rise to a shortfall of Rs 18,910,176. An amount of Rs 21 million was transferred from RCF to finance the recurrent expenditure.

The excess expenditure of Rs 18,910,176 financed from RCF was not subject to any debates by the Regional Assembly.

#### ***RRA's Reply***

Henceforth, the prior approval of the Executive Council will be sought.

#### **2.6 Deposits - Rs 117,090,792**

Deposits held under different Commissions as of 30 June 2018 amounted to Rs 117,090,792.

##### **2.6.1 Security Deposits - Rs 11,156,814**

Individual balances of security deposits totalling Rs 11,156,814 could not be traced in the absence of a Deposit Ledger. Appropriate records would need to be maintained for identification and status of each security deposit.



### ***RRA's Reply***

The Security Deposits will be monitored by the Deposit Section of the Finance Section at Central Administration. Deposit Ledger will be introduced.

#### ***2.6.2 Deposit Accounts –European Union Funded Projects***

At paragraph 2.4.5 of the Audit Report for the year ended 30 June 2017, I had expressed concern that projects might not be completed within the scheduled implementation period.

Four projects, for increasing the production of water supply while ensuring its quality were financed jointly by RRA and the European Union (EU) to the tune of Rs 22,396,359 and Rs 62,327,650 respectively. Details of these projects are as shown in Table 3.

*Table 3 Projects funded jointly by RRA and European Union*

<b>Projects</b>	<b>Balance as at 01 July 2017 (Rs)</b>	<b>Amount disbursed during 2017-18 (Rs)</b>	<b>Balance as at 30 June 2018 (Rs)</b>	<b>Start Date</b>	<b>Contractual completion date</b>
Improving the water quality and safety	15,799,327	1,787,036	14,012,291	08.04.2015	08.04.2018
Rehabilitation of Cascade Pigeon Dam, upgrading works at Creve Coeur	22,276,704	2,178,086	20,098,618	21.01.2016	21 .07.2018
Rain Water Harvesting with first flush system for low income household	9,506,440	1,264,537	8,241,903	21.12.2016	21.07.2018
Rehabilitation and upgrading of Songes desalination plant and burying of associated pipe lines	34,142,537	15,359,337	18,783,200	21.01.2016	21.07.2018

The above projects were not completed within the scheduled implementation period and were ongoing as of September 2018. Extension of time from EU was requested. Various issues, such as poor procurement planning and project implementation were identified.

#### ***Improving Water Quality and Safety***

The project which started on 8 April 2015 consisted of securing boreholes and purchasing equipment for laboratory and was due for completion on 8 April 2018.

The scheduled completion date was extended to October 2018. However, equipment for laboratory was not yet purchased.

#### ***RRA's Reply***

Fencing works were expected to be completed by 27 December 2018. Water pumps would be delivered by 29 December 2018 and quotations were being sought for the two remaining pumps, for which no responsive bids were received.

#### ***Rehabilitation of Cascade Pigeon Dam and Upgrading Works at Creve Coeur***

The main objectives of the project were to increase the production of potable water, reduce water leakage and improve water distribution in the northern region of Rodrigues. The project started on 21 January 2016 and was scheduled for completion on 21 July 2018.

However, three procurement exercises were unsuccessful as the bids were substantially above the estimated cost and negotiation with bidders did not materialise. It was thereafter decided that pipes and fittings would be procured and works would be performed with in-house labour. Procurement of fencing works and water pumps would be split. An extension of time of 12 months was requested by RRA on 30 March 2018.

#### ***RRA's Reply***

Fencing works and laying of pipes are expected to be completed by mid-March 2019. Bids exercise for five pumps have been completed while those for two others will be opened on 28 February 2019.

#### ***Rain Water Harvesting With First Flush System for Low Income Households***

The objective of the project was the setting up of a rainwater harvesting system to capture and store rain water by constructing a two-metre cube concrete water tank for each low income household. The completion was scheduled for 21 July 2018.

On 2 April 2018, RRA requested for an extension of time of four months due to the slow shipment of moulds.

#### ***RRA's Reply***

The 50 moulds ordered in January 2018 were delivered in lots of seven sets on each vessel coming to Rodrigues as from April 2018.

#### ***Burying of Associated Pipe Lines at Songes***

The agreed time frame for the implementation of the project was from 21 January 2016 to 21 July 2018. The completion date was rescheduled for January 2019, due to unavailability of plant and equipment on the local market.

## 2.7 Loans - Rs 80,044,493

Loans were granted for the issue of advances to Members and Officers of RRA and to other bodies. Loans as at end of three past financial periods are as per Table 4.

*Table 4 Loans as at end of Past Three Financial Periods*

	30 June 2016	30 June 2017	30 June 2018
	(Rs)	(Rs)	(Rs)
RRA Members	5,606,214	4,172,581	7,397,281
RRA Officers	34,692,204	46,769,109	57,953,212
Fibre Glass Boats	14,730,000	14,694,000	14,694,000
<b>Total</b>	<b>55,028,418</b>	<b>65,635,690</b>	<b>80,044,493</b>

### 2.7.1 Fibre Glass Boats - Rs 14,694,000

In 2011, a loan of Rs 14,847,000 was granted to RRA for the acquisition of five fishing boats for Cooperative Societies. Only an amount of Rs 170,000 (Capital Rs 153,000 and interest Rs 17,000) was refunded from June 2015 to August 2016.

According to the Treasury, the loan outstanding as of 30 June 2018 amounted to Rs 21,922,332. This included Rs 4,812,296 as interest and Rs 2,416,036 as penalty.

The fishing boats were rarely used by the Cooperative Societies. RRA was previously financing the operational cost. It was not known whether appropriate maintenance was carried out on these fishing boats and their sea worthiness could not be ascertained.

The RRA would need to take appropriate action concerning the loan repayment.

### *RRA's Reply*

Action is being taken for the repossession of the five fishing vessels. Legal advice will be sought on the modus operandi for recovery of unpaid loans.

## 2.8 Statement B - Abstract Account of Revenue and Expenditure of the Rodrigues Consolidated Fund

### 2.8.1 Financial Allocation to RRA

Government approved a budget allocation of Rs 3,425 million for financial year 2017-18 comprising Rs 2,600 million and Rs 825 million for recurrent and capital expenditure respectively.

The recurrent grant included a sum of Rs 75 million for contingencies to cater for any unforeseen expenditure. Any expenditure incurred under this item requires prior clearance of the Ministry of Finance and Economic Development (MoFED).

MoFED's clearance was not seen though the Rs 75 million budgeted for contingencies were spent.

### ***RRA's Reply***

Monthly request for fund was referred to the Ministry of Defence and Rodrigues for approval and release of funds. The amount requested was deducted from the grant of Rs 2,600 million which includes contingencies. When approval was conveyed for the release of funds, it was understood that approval was also conveyed for deduction from Contingencies.

### **2.8.2 Revenue – Rs 32,065,954**

Revenue collected by RRA amounted to Rs 32,065,954 in 2017-18. Other items of revenue such as Motor Vehicle Licence Fees, Stamp Duties and Company Annual Registration Fees totalling Rs 20,273,700 were not accounted for as revenue of RRA and were remitted to the Treasury. Table 5 shows the revenue collected for the past three financial periods.

*Table 5 Revenue collected for the Past Three Financial Periods*

<b>Item Description</b>	<b>Jan - June 2016</b>	<b>2016-17</b>	<b>2017-18</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
Taxes	1,909,508	2,512,662	2,891,800
Social Contribution	262,440	510,980	601,665
Other Revenue	12,482,009	78,870,865	28,572,489
<b>Total</b>	<b>14,653,957</b>	<b>81,894,507</b>	<b>32,065,954</b>

### ***Lease of State Land - Rs 12,088,335***

A total amount of Rs 12,088,335 was collected in respect of lease of State Land. Table 6 shows the rent collected from the lease of State Land for the past three financial periods.



*Table 6 Rental of State Land for the Past Three Financial Periods*

<b>Lease Type</b>	<b>Jan-June 2016</b>	<b>2016-17</b>	<b>2017-18</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
Residential	2,671,965	5,619,202	5,607,334
Commercial	664,382	1,593,727	1,663,930
Industrial	1,756,464	6,086,518	4,803,290
Agricultural	17,056	32,834	13,781
<b>Total</b>	<b>5,109,867</b>	<b>13,332,281</b>	<b>12,088,335</b>

Property Income for financial year 2017-18 had decreased by Rs 1,243,946 as compared to financial year 2016-17.

### **2.8.3 Expenditure - Rs 3,475,976,130**

Over the past years, Government Contribution to finance capital and recurrent expenditure has gradually increased as detailed in Table 7.

*Table 7 Expenditure and Government Contribution*

<b>Financial period</b>	<b>Recurrent Expenditure</b>	<b>Capital Expenditure</b>	<b>Total Expenditure</b>	<b>Government Contribution</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
Jan-Dec 2013	1,581,492,739	392,500,382	1,973,993,121	1,972,229,044
Jan-Dec 2014	1,706,610,735	485,324,928	2,191,935,664	2,170,913,800
Jan-Dec 2015	1,985,333,390	579,019,285	2,564,352,675	2,539,149,545
Jan-June 2016	1,008,802,420	231,544,049	1,240,346,469	1,230,526,946
2016-17	2,394,177,104	808,850,390	3,203,027,494	3,166,232,008
2017-18	2,650,976,938	824,999,192	3,475,976,130	3,425,000,000

Total expenditure for the financial year 2017-18 exceeded Government Contribution by Rs 50,976,130.

In May 2018, RRA requested an additional contribution of Rs 40 million to meet its financial commitments. The Ministry of Finance and Economic Development approved the transfer of an amount of Rs 21 million from the RCF. As this amount was insufficient to finance the outstanding financial commitments, an amount of Rs 29,976,130 was used out of revenue collected by RRA.

## 2.9 Statement F - Investments Rs 59,731,590

The RRA held investments in seven Companies and none of these yielded any returns since their incorporation. As of 30 June 2018, the total investments were Rs 59,731,590 as shown in Table 8.

*Table 8 Investments as of 30 June 2018*

<b>Company</b>	<b>Date of Incorporation</b>	<b>No. of shares held</b>	<b>Total investment as at June 2018 (Rs)</b>	<b>Status of Company</b>
Discovery Rodrigues Co. Ltd	15 November 2006	2,000	2,000,000	In operation
Rodrigues Water Co. Ltd	29 October 2007	17,000	17,000,000	Wind up
Rodrigues Trading and Marketing Co. Ltd (RTMC)	08 June 2007	1,300,000	11,092,000	In operation
Rodrigues General Fishing Co. Ltd	08 June 2007	6,400	6,400,000	Wind up
Rod Clean Co. Ltd	19 September 2007	4,200	21,188,590	In operation
Rodrigues Housing & Property Development Co. Ltd	12 January 2010	300,000	3,000,000	Wind up
Rodrigues Educational Development Co. Ltd	-	51,000	51,000	In operation
<b>Total</b>			<b>59,731,590</b>	

### 2.9.1 Winding up of Companies

Three of the Companies were wound up as of September 2018 and thus removed from the Register of Companies of the Corporate and Business Registration Department (CBRD). However, these three Companies in which RRA had invested Rs 26.4 million were still accounted for in the Statement of Investments. These investments had been impaired and were unlikely to be recouped.

### 2.9.2 Companies in Operation

The other four Companies were in operation. Three of them were fully owned by RRA, except the Rodrigues Educational Development Co. Ltd, which was 51 per cent owned.

- No returns on investment were received from these Companies;
- Annual Returns were not submitted to the CBRD.

### **2.9.3 Annual Reports**

Section 20 of the Rodrigues Regional Assembly (Investment Management) Regulations requires the Board of Directors to publish a report, including the audited accounts, in relation to the Company's functions, activities, affairs and financial position in respect of the previous financial year and submit same to the Commissioner, who shall lay it on the table of the Assembly, not later than six months after the end of every financial year. As of September 2018, Annual Reports were not submitted by the three Companies as shown in Table 9.

*Table 9 Annual Reports Not Submitted*

<b>Company</b>	<b>Annual Reports Not Submitted</b>
Discovery Rodrigues Co. Ltd	2015-16, six-month period ended 31 December 2016, 2017
Rod Clean Co. Ltd	2017
Rodrigues Educational Development Co. Ltd	2017

### **2.9.4 Discovery Rodrigues Co. Ltd**

Discovery Rodrigues Co. Ltd was incorporated in November 2006 with a share capital of Rs 2 million.

- Financial statements since 2016 were not filed with the Registrar of Companies of CBRD;
- According to the financial statements for the year ended 31 December 2015, some Rs 5.3 million were collected by the Company as entrance tickets for Ile aux Cocos and Caverne Patate;
- Some Rs 21.5 million were disbursed by RRA as operational and promotional costs for the past three financial years.

### **2.9.5 Rodrigues Trading and Marketing Co. Ltd**

The Rodrigues Trading and Marketing Co. Ltd was owned by RRA and State Trading Corporation (STC) in the ratio 60:40. In April 2018, RRA acquired the shares of STC for Rs 1,092,000. However, no share certificate was produced.

### **2.9.6 Rod Clean Co. Ltd**

RRA was financing the operational costs since its incorporation in September 2007. During financial year 2017-18, an amount of Rs 30,655,932 was disbursed to meet its operational costs.

## 2.10 Statement I - Arrears of Revenue Rs 37,486,685

Arrears of Revenue as of 30 June 2018 of Rs 37,486,685 represented an increase of 13.8 per cent as compared to 30 June 2016. This might be attributed to inefficient recovery procedures and absence of enforcement action. Details of arrears are shown in Table 10.

*Table 10 Arrears of Revenue as at end of Past Three Financial Periods*

Division/Unit	June 2016 (Rs)	June 2017 (Rs)	June 2018 (Rs)
Fisheries	106,335	110,538	122,838
Judicial	1,412,330	1,349,180	1,238,205
Rental of Government Property	26,226,861	28,884,059	30,387,281
Water Unit	2,585,759	2,748,349	2,924,033
Health	793,535	743,585	860,785
Rental of Snacks Stalls	-	11,750	28,750
Rental of kiosk	5,000	13,000	13,000
Low cost Housing	1,162,355	1,343,530	1,243,210
Sand Removal	12,080	12,080	12,080
Tourist Enterprise	10,500	7,000	39,500
Registration of Factory	28,675	39,075	31,800
Miscellaneous	594,203	594,203	594,203
<b>Total</b>	<b>32,937,633</b>	<b>35,856,349</b>	<b>37,486,685</b>

### 2.10.1 Rental of Government Property

There were 15,398 lessees of State Land according to records maintained at the Cadastral Office.

However, these records were not updated and were unreliable due to incorrect addresses, death of lessees and wound-up Companies. Follow up action to ensure collection of rental of leases was therefore ineffective.

Claims were issued to some 5,000 debtors as of 30 June 2018. However, some 10 per cent of claims were returned undelivered to the Cadastral Office. No attempt was made to verify the reasons for which the claims had not been delivered. RRA would need to:

- Maintain an updated database;
- Take appropriate actions in respect of non-compliant lessees;

- Carry proper investigation to ascertain whether State Land vested was being used for the intended purpose;
- Retrieve the land in absence of firm commitment or non-occupation and for reallocation to other applicants.

### ***RRA's Reply***

Following the award of contract for restructuring of the RRA, proposals have been made for an improved structure for the Cadastral Office which includes a Debt Recovery Unit. Currently, reminders are being issued more frequently.

### ***2.10.2 Tourist Enterprise – Rs 39,500***

Arrears in respect of Tourist Enterprise pertaining to 34 licence holders were accounted for a total amount of Rs 39,500 as at 30 June 2018. However, this was understated as 60 Tourism Enterprise Licence holders owing an amount of Rs 1,323,500 had not settled their licences fees as of 30 June 2018.

RRA would need to:

- Review the list of holders of Tourism Enterprise Licences;
- Update its records and compute the arrears of revenue;
- Enforce payment of the appropriate licence fees and surcharge.

### ***RRA's Reply***

The amount of Rs 39,500 refers to arrears in respect of Pleasure Craft only. The Tourist Enterprise Licensing system is being upgraded and is expected to be fully operational by July 2019.

### ***2.10.3 Unaccounted Arrears - Trade Licence fees***

Regulation 10 of the Rodrigues Regional Assembly (Licences) Regulations stipulates that “Any fees payable under Third Schedule in respect of any financial year shall become due as from 1 July of that year and may be paid in 2 equal instalments, the first to be on or before 31 July of that year and the second instalment on or before 31 January of the following year”.

According to records maintained at the Licensing Unit, 1,886 out of a total of 4,515 registered economic operators holding trade licences had not paid the required trade fees as at 30 June 2018. The arrears totalling Rs 16,464,520 was not accounted for in the Statement of Arrears of Revenue.

An efficient mechanism would need to be set up for timely collection of revenue and prompt recovery of arrears.

***RRA's Reply***

The Commission is currently working on the setting up of an efficient mechanism for the timely collection of revenue and prompt recovery of arrears. The Commission for Tourism was requested to submit a list of unpaid Trade Licenses for consideration.

## 3 – INTERNAL CONTROL AND PROJECT MONITORING

### 3.1 Internal Control

#### 3.1.1 General

At paragraph 3.1 of the Audit Report for the year ended 30 June 2017, I drew attention that the Internal Control Unit (ICU) was not adequately staffed and that the ICU should be strengthened. The ICU is required to assess the adequacy of the internal control systems so as to ensure that the objectives of the Rodrigues Regional Assembly (RRA) have been met in an efficient and economic manner.

Internal control is designed and effected by management and those charged with governance to provide reasonable assurance in respect of the reliability of financial reporting, efficiency and effectiveness of operations, compliance with the applicable legislations and safeguarding of assets against unauthorised acquisition, use or disposal.

Loopholes in Internal Control of RRA arose due to an absence of:

- Standard Operating Procedure Manual (SOPM), documenting the various policies and procedures in all Commissions to ensure achievement of objectives;
- Regular, relevant and reliable flow of management information, including variance analysis to anticipate risk for strategic planning, monitoring of performance and ensuring prompt remedial action;
- Audit Committee to effectively oversee the evaluation of the internal control system in place;
- Risk assessments to identify risks relating to procurement, project management and those relevant to the preparation of financial statements, and to assess the likelihood of their occurrence and prompt response to manage these risks.

#### ***RRA's Reply***

SOPM will be introduced and documented. ICU will adopt a proactive approach through an effective management information so as to provide reasonable assurance that risks are mitigated and prompt remedial action is taken. The issue of Audit Committee will be forwarded to the Office of Public Sector Governance.

#### 3.1.2 Internal Control Unit

The RRA has over the years, been provided with increased budgetary provisions to finance the recurrent and capital expenditure at the level of the different Commissions. Total revenue of RRA for the year 2017-18 amounted to Rs 3.46 billion, while total expenditure for the same period amounted to Rs 3.47 billion. Financial transactions which did not relate to revenue or expenditure, particularly Advances and Deposits, amounted to some Rs 82 million and Rs 117 million respectively.



The main role of internal audit is to review, analyse, evaluate, appraise and test systems in view of assessing the level of compliance and the adequacy of existing managerial controls to mitigate risks for achievement of organisational objectives.

### *Inadequate Human Resources*

The number of Officers posted at the ICU were not commensurate with the substantial increase in the volume of transactions and expenditure as it was serviced by only four officers, of whom, two were from the Internal Control Cadre and the other two being Support Officers from RRA.

During the period November 2017 to March 2018, the ICU was functioning with only the two Support Officers of RRA, despite several control weaknesses noted across all the Commissions, as reported in previous internal audit reports.

### *Audit Plan*

The ICU did not complete all the assignments included in the 2017-18 Audit Plan, thus failing to improve the effectiveness of risk management, control and governance processes of RRA. Audit Plan for the year 2018-19 was not yet prepared as of October 2018.

### *Work Performed*

A review of the work performed by the ICU was carried out and the following were noted:

- There was no evidence of evaluation by internal audit of the potential risk for the occurrence of fraud and how that risk was managed and mitigated;
- Absence of testing of systems for identification of control breakdowns;
- Substantial expenditure incurred in respect of capital projects had remained outside the ambit of ICU.

The extent, to which the roles and functions of ICU were carried out, was limited and the objective of adding value to RRA's operations was thus not achieved.

### ***RRA's Reply***

A meeting was held with the representative of the Ministry of Finance and Economic Development to review the staffing of ICU. The Director of Internal Control will be requested to ensure continuity in posting of staff.

ICU will assist RRA in the implementation of a Risk Management Framework. The ICU will ensure that adequate mandays are allocated for the audit of capital projects.

### ***Recommendations***

In view of the increased budget allocation and emerging challenges faced by RRA, it is imperative to empower ICU so as to ensure a wide coverage of risky areas, compliance with legislations, financial integrity and efficiency of operations. ICU should be equipped with adequately skilled staff to meet expectations and add value to RRA.

### **3.2 Project Monitoring**

Over the past financial periods 1 January 2015 to 30 June 2018, expenditure incurred on capital projects by the RRA totalled some Rs 2.4 billion. Works were not properly supervised and monitored resulting in accumulated delays in the completion of several projects. Delays were also due to failure to mobilise adequate resources by a few Contractors who had been awarded more than one contract concurrently. Instances were noted where the Contract Period was extended on several occasions and Extension of Time (EOT) was not justified. There were also cases where the EOT granted to Contractors was not substantiated and Liquidated Damages were not applied.

Performance Securities and Insurance Policies were not always renewed to cover the Contract and Defect Liability Periods. Some Contractors failed to submit Updated Programme of Works and did not comply with Notices to Correct to complete outstanding works and rectify defects. Although there were fundamental breaches of contract, the RRA did not resort to termination procedures and no action was taken for the disqualification of the defaulting Contractor, as a potential bidder on grounds of repeated failure to comply with the terms of the contract or material breach of contract, in the performance of one or more contracts, as provided in the Public Procurement (Disqualification) Regulations. Further, a performance review for continuous assessment of Contractors' performance was not done.

Consultants did not fully comply with their Terms of Reference. These included certification of variations without obtaining prior approval of the Commission, Certificates of Completion issued although works were not completed and release of Retention Money without issue of Defect Liability Certificates.

Several projects involving substantial investments were completed and handed over to the respective Commission but were not operational and the buildings were not yet put to use. These included a Slaughter House constructed at a cost of Rs 59 million in 2014. Some Rs 99 million were disbursed for the installation of four Desalination Plant but the contract was terminated in February 2015 due to the non-performance of the Contractor. In 2017, Rs 61.3 million were disbursed by the RRA for the acquisition of a hotel and a building for the setting up of a technopole and a proposed museum respectively but these two projects have not yet materialised. In the same year, a Lycée costing some Rs 18 million was built but was not yet operational. A Respite Care Centre, costing some Rs 30 million was not operational although some 20 months have elapsed since taking over of the Centre.



## **4 – CHIEF COMMISSIONER’S OFFICE**

### **4.1 Construction of La Ferme College at Pistaches – Rs 88.45 million**

At paragraph 4.3 of the Audit Report for the year ended 30 June 2017, I reported that delays were encountered in the construction of the Secondary School at Pistaches awarded on 24 August 2015 for the sum of Rs 88,451,739. Students had thus to be temporarily accommodated in another school. The school at Pistaches was operational as from the second term on 24 April 2017 as an Annex College and registered with the Private Secondary Education Authority on 18 December 2017.

#### ***4.1.1 Completion of Works and Taking Over***

Works for the two Phases were carried out concurrently. The revised completion dates for Phases 1 and 2 were 4 October 2016 and 4 January 2017 respectively. According to the Taking-Over Certificate (TOC), works for the two Phases were completed on 4 October 2016 and 9 January 2017 respectively. However, the works for both Phases were not completed on dates specified on the TOC as evidenced by a letter dated 30 March 2017 regarding outstanding works. The Contractor was requested to complete a minimum of two classrooms before the end of the first term school holidays.

#### ***4.1.2 Liquidated and Ascertained Damages***

The Particular Conditions of Contract provided for liquidated and ascertained damages (LD) at Rs 75,000 per day up to a maximum of 10 per cent of the final contract price when the completion date was later than the Intended Completion Date. LD totalling Rs 2.4 million for 32 days were deducted from payments made to the Contractor up to August 2017.

Out of the Rs 2.4 million, an amount of Rs 2 million was thereafter refunded to the Contractor. No further extension of time was granted after the revision of the contractual date for completion. Hence, the refund of LD was not justified as the works for both Phases were not completed on dates specified on the TOC.

#### ***4.1.3 Release of Retention Money and Defects Liability Certificate***

According to the General Conditions of Contract (GCC), half of the retention money was to be released upon issuing of the Certificate of Completion of Works by the Consultant and the remaining half on expiry of Defects Liability Period (DLP). The first half of the retention money was released on 8 September 2017. However, works were not practically completed and there were several outstanding items, as per snag list. These included electrical trunking for the whole building, piping works for the Physics Laboratory and provision of a permanent door for the transformer room.

The second half of the retention money was released on 8 October 2018. The Consultant did not issue a Defects Liability Certificate, certifying that all defects notified had been rectified at the end of the DLP. Hence, the release of retention money was not in line with the GCC.

#### ***4.1.4 Variations and Payment***

The prior approval of the Commission for payment of Rs 9,842,393 as variations works, was not sought. Further, variations totalling Rs 1,806,882 were included in a certificate dated 11 July 2018. These were approved by the Commission on 13 September 2018 and payment was made on 8 October 2018.

The final payment of Rs 8,093,971 was effected with a delay of 60 days instead of within the 28 days as specified in the GCC. As of 30 September 2018, payments to the Contractor amounted to Rs 94,670,122.

#### ***4.1.5 Site Visit***

A site visit effected on 10 October 2018, by my Officers showed that the construction of a separation wall in front of the toilet for staff and the closing of the empty space behind staircases were still outstanding. Equipment for the Chemistry, Physics and Biology Laboratories was not yet purchased and books were stacked in one of the laboratories. Several items like refrigerators, microwaves and an oven were stored in the Home Economics Laboratory and were not yet utilised. A Multi-Purpose Ground was not yet constructed although more than 18 months had elapsed since the opening of the College in April 2017.

#### ***Conclusion***

The objective of the construction of the additional College to relieve pressure on the existing colleges was not achieved on targeted dates, due to poor project monitoring resulting in inordinate delays in completion of the college. Laboratories were not yet equipped for practical based classes although some 18 months had elapsed since the opening of the college in April 2017.

#### ***Recommendations***

In the light of above shortcomings, it is recommended that:

- The RRA should set up a mechanism to ensure proper administration and supervision of projects by both the Consultant and the Commission for Public Infrastructure, and proper coordination between the different parties concerned;
- Independent checks on Contractor's claims and Consultant's certificates should be effected by both the Commissions for Education and for Public Infrastructure to ensure compliance with financial and contractual requirements;
- Prompt action should be taken to equip the laboratories for practical based classes.

#### ***RRA's Reply***

Interim deduction of liquidated damages was recommended by the Consultant during the contract period and accordingly deduction on interim payment due to the Contractor was made in the absence of consolidated claim for extension of time and justification for delays.

The Consultant has been instructed to seek written approval of the Commission for any variation works.

The laboratories and the Home Economics Room are being set up and will be operational during the first semester 2019.

The works for the design and preparation of a new football ground and gymnasium have been entrusted to the Consultant.

#### **4.2 Construction of Secondary School at Songes (Phase 1) – Rs 110.94 million**

The primary objectives for the construction of the Secondary School at Songes were to reduce the students' toll on existing schools and provide an additional college in the southern region of Rodrigues for the implementation of the nine-year schooling.

The project scheduled for implementation in three distinct phases was estimated to cost some Rs 191 million. The contract for Phase 1 was awarded on 31 May 2017 for the sum of Rs 110,945,529. The Contract was to be implemented in accordance with "Federation Internationale Des Ingenieurs-Conseils" (FIDIC) Conditions of Contract for the Construction of Buildings and Engineering Works. Works were supervised by the Consultant appointed under the Global Consultancy Services Contract for Selected Development Projects in Rodrigues.

##### **4.2.1 Delay in Start of Works**

The project was approved by the Project Plan Committee on 29 January 2016. The construction works which were due to start in October 2016, actually started on 16 August 2017, that is, after 10 months. The contractual completion date was scheduled for 16 August 2018.

##### **4.2.2 Structures on Site and Preliminary Works**

There were four existing structures on site at time of handing over on 9 August 2017. The Contractor was requested to demolish the structures except for the Community Centre and remit window, doors or any other useful materials to the Commission for Education. There was no evidence of any handing over of materials to the Commission.

There was no proper planning at the initial stage of project, as the site was partially occupied at time of handing over. The site for the construction of a gymnasium was not available as residents thereon were not yet relocated.

The Contractor had not yet submitted any Program of Works (POW) as of 7 September 2017. Demolition works were not completed and construction works were behind schedule by three weeks.

##### **4.2.3 Extension of Time**

On 21 February 2018, the Contractor was granted extension of time (EOT) of 30 days for additional works, comprising new track road, demolition of existing building and new retaining wall.

Two further EOTs submitted on 7 March 2018 were assessed after five months. The applications for EOT were untraceable. On 9 August 2018, EOT of 75 days was granted by the Consultant and the completion date was thus revised to 29 November 2018. The extension was approved by the Commission for Education on 16 August 2018.

#### **4.2.4 Project Status**

As of 5 September 2018, that is only 85 days of reaching the revised completion date, works were only about 49 per cent completed. According to the Contractor, all works would be completed by 25 December 2018.

The Consultant was required to agree on an up-to-date program and monitor progress of work in compliance with POW and specifications as well as identify and solve problems and report to the Commission as per Terms of Reference. However, an updated POW was not submitted.

#### **4.2.5 Notice to Correct**

Although the Contractor failed to comply with the Consultant's instruction to submit an updated POW, no Notice to Correct was issued. The Commission had the possibility to terminate the contract if the Contractor had failed to comply with the Notice.

#### **4.2.6 Payments and Variations**

As of 30 September 2018, payments to the Contractor amounted to Rs 54,122,176. This included variations totalling Rs 3,827,844. The following were noted:

- There was no documentary evidence that the variations of some Rs 3.8 million certified by the Consultant were independently checked by the Commission before authorising payment as required under Financial Instructions;
- Claims for the demolition of a kiosk and a concrete building were not entertained as there was no progress as per Consultant's Certificate. However, these buildings were already demolished during the site visit effected by my Officers on 10 October 2018;
- Claim for the demolition of an existing Community Centre was certified by the Consultant and payment effected by Commission without any physical inspection. The building was not yet pulled down as of 10 October 2018;
- On 5 September 2017, the Consultant recommended that the existing Community Centre at Songes be closed and demolished so that the Contractor could have full access on the site of works. On 22 August 2018, the Contractor informed that the external works related to the project was critical in view of the handing over of three blocks. However, the Centre was not yet handed over as of 10 October 2018, thus preventing the re-organisation of the site establishment.



#### **4.2.7 Opening of Songes College**

The new school was to be operational as from the beginning of the academic year 2019, for intake of students up to Grade 10. Students of Le Chou Annex at Citron Donis were to be transferred to Songes College. However, the school was not operational as of January 2019.

#### **Conclusion**

The objective of the project, that is to relieve the pressure on existing secondary colleges was not achieved, due to delays in project completion. This has resulted from poor project monitoring and non-compliance with the conditions of contract. The works at Songes College were far behind schedule and the College was not operational, by beginning of 2019 as planned.

#### **Recommendations**

In the light of the above shortcomings, it is recommended to:

- Review all unjustified extension of time granted or paid. Report major non-performance to the Procurement Policy Office and seek legal advice for remedial measures;
- Follow up on the submission of updated Program of Works and resort to remedies provided in the contract in case of non-compliance;
- Withhold or adjust payments for material errors in certificates, non-compliance with prescribed procedures and failure to fulfill contractual obligations.

#### **RRA's Reply**

The structures on site belong to the Songes Community Village and materials which are found on site will be handed to the latter.

The Consultant informed that particulars made available were inadequate for a proper assessment of the claim and the Contractor was instructed to submit further particulars and information. An agreement was reached with the Contractor on 27 July 2018, for issue of an interim determination pending the submission of further details.

The Commission has no technical expertise for examination of the certificates submitted by the Consultant, but will henceforth ensure that all payments are being effected according to Financial Regulations and all procurement rules.

The Consultant will be instructed to ensure that remedies provided in the contract are being strictly applied for all projects.



## **5 – DEPUTY CHIEF COMMISSIONER’S OFFICE**

### **5.1 Road Projects**

At paragraph 6.1 of the Audit Report for the 18-month period 1 January 2015 to 30 June 2016, I drew attention to shortcomings relating to the financing of road projects. These included expenditure exceeding the budgeted amount and Works Orders (WOs) issued in excess of the contract value.

The objective of the Commission for Public Infrastructure (CPI) as spelt out in the Estimates for the year 2017-18, was to increase access around the island, through the construction of roads, track roads and footpaths. The Road Section was headed by the Head, Public Infrastructure. Road projects were supervised by the Technical staff of the Commission under the responsibility of an Engineer/ Senior Engineer.

#### **5.1.1 Award of Contracts**

During the period 1 January 2015 to 30 June 2018, two rate contracts were awarded for the maintenance, upgrading, resurfacing and construction of roads for the sum of Rs 297,785,876 and Rs 379,499,885 to the same Contractor for a duration of two years as from 12 June 2015 and 24 October 2016, respectively that is, after the issue of the first WO.

#### **5.1.2 Expenditure**

Provision of Rs 75 million was made for the construction of roads and bridges for the financial year 2017-18. Expenditure amounted to Rs 136,406,794 thus, exceeding the budgeted amount by more than 80 per cent. Additional provisions were obtained through reallocation from other expenditure items.

As of 30 June 2018, payments under the two contracts, amounting to Rs 430,083,899, were effected in respect of 65 projects of a total WOs’ value of Rs 661,940,243. Disbursements exceeded the WOs’ values in respect of 14 projects, while there were unspent balances for 51 projects totalling Rs 237,668,461.

#### **5.1.3 Outstanding Commitments under Second Contract**

47 WOs for a total value of Rs 351,608,352 were issued as of 30 June 2018. Outstanding commitments amounted to Rs 193,148,024 and comprised 39 WOs which represented more than 50 per cent of the total WOs’ value.

#### **5.1.4 Capital Project Registers**

Relevant information essential for project monitoring, such as extension of time granted, revised completion date, practical completion and taking over dates, Defects Liability Period and final handing over, were not inserted in the Capital Project Registers.

#### **5.1.5 Accumulated Delays**

The two contracts were to be governed by the General Conditions of Contract (GCC) applicable to the works contracts as per Standard Bidding Documents issued by the Procurement Policy Office (PPO). A perusal of notes of meetings of Project Implementation

and Monitoring Committees, Project Monitoring Meetings and the Status Reports available at the CPI showed that there was no proper follow up thus resulting in accumulated delays for several projects. 20 projects were selected for examination. The following were noted:

- 15 projects were completed, of which the completion date for one project was not recorded;
- Delays in completion of six projects ranged from 35 to 300 days;
- Eight projects were on-going as of 25 September 2018, though contractual completion period had been exceeded with delays ranging from 87 to 424 days.

The delays were mainly attributed to the non-mobilisation of adequate resources on sites, delay in relocation of owners and demolition/reconstruction of buildings situated on sites identified for road projects.

The Contractor failed to take prompt action to expedite progress on site. As of 7 November 2017, there were 13 on-going projects which were behind schedule. These included one project for which works had not yet started, although more than five months had elapsed since the contractual commencement date.

#### ***5.1.6 Fundamental Breach of Contract***

Section 48 (a) of the Public Procurement Act (PPA) provides that a public body may terminate a procurement contract for its convenience at any time, upon a determination that because of changed circumstances, the continuation of the contract is not in the public interest.

Regulation 65 of the Public Procurement Regulations (PPR) stipulates that remedies such as liquidated damages for delay and termination of the contract are available in the event of breach of the procurement contract by the Contractor.

According to Clause 57 of the Contract, the Employer (CPI) may terminate the Contract if the Contractor causes a fundamental breach of the Contract. The delay in the completion of the works exceeding the number of days, for which the maximum amount of liquidated damages (LD) can be applied, constitute a fundamental breach of contract. The maximum LD for each WO should not exceed an amount, that would have accrued for 25 per cent of the Intended Completion Period (ICP).

The Commission did not resort to termination procedures as provided under the contract although, delays in several projects exceeded the number of days for which the maximum LD could be applied. These ranged from 87 to 424 days.

Besides accumulated delays, the Contractor also failed to fulfill other contractual obligations, relating to rectification of defects and finalisation of accounts.

### ***Recommendations***

- Set up of a mechanism at the level of the Commission to ensure proper administration and supervision of projects;
- Close monitoring of projects to ensure compliance with financial and procurement procedures, as well as contractual requirements;
- Submission of comprehensive updated status reports for follow up and regular monitoring meetings;
- Resort to provision of contract in case of failure to fulfil contractual obligations and report major non-performance to the PPO and seek legal advice for remedial measures.

### ***RRA's Reply***

All information mentioned was available in the respective Project File and will be recorded in the Capital Project Registers.

Liquidated damages are applied according to Conditions of Contract in respect of all delays attributable to the Contractor. The delays indicated are in respect of WOs issued under the main contract and the termination of the main contract on the ground of such delays was not considered as being in the interest of the Employer.



## **6 – COMMISSION FOR WOMEN’S AFFAIRS, FAMILY WELFARE, CHILD DEVELOPMENT, INDUSTRIAL DEVELOPMENT, INFORMATION AND COMMUNICATION TECHNOLOGY, VOCATIONAL TRAINING, COOPERATIVES, TRADE, COMMERCE AND LICENSING AND PRISONS AND REFORMS INSTITUTIONS**

### **6.1 Construction of Remand and Convict Block for Prison at Pointe La Gueule**

At paragraph 4.8 of the Audit Report for the financial year ended 30 June 2017, I reported that the contract for the Construction of Remand and Convict Block for Prison was awarded to a private Company for the negotiated price of Rs 33,223,367 on 25 July 2016. Works started on 19 September 2016 for a duration of 307 days and were due for completion on 23 July 2017. Extension of time totalling 67 days was granted for change in location and additional excavation due to the topography of the new site.

#### **6.1.1 Design and Drawings**

Drawings were not seen amended, in line with topography of the new site which resulted in excavation of 4,753 cubic metres (m<sup>3</sup>) costing some Rs 3 million. Essential requirements were not catered for in the drawings, such as relocation of dog compound and construction of wall, towers, generator rooms and access road. Additional corridor had to be provided to isolate convicts from remand prisoners.

As of 8 May 2017, the volume of excavation exceeded that of the original bill of quantities by 2,533 m<sup>3</sup>, for which there was no prior approval of the Commission. Furthermore, excavation of 1,720 m<sup>3</sup> was paid at the rate of Rs 550 instead of the original rate of Rs 425 and the additional cost was not approved by the Departmental Bid Committee (DBC). There was no prior approval of the Commission for additional embankment cut of 500 m<sup>3</sup>.

#### **6.1.2 Variations Exceeding Prescribed Limit**

As of December 2017, additional works already executed amounted to Rs 9,432,195 which represented 32.8 per cent of the contract value and were approved by the Consultant. This exceeded the authorised threshold of 30 per cent of the contract value as stipulated in the Public Procurement Act (PPA). There was an additional outstanding claim of Rs 1,245,181 and the total amount would thus exceed the threshold of Rs 10 million which required the approval of the Central Procurement Board.

#### **6.1.3 Extension of Time and Liquidated Damages**

Application of 321 days extension of time (EOT) submitted on 25 May 2018 was not finalised by the Consultant as of September 2018. The revised completion date was thus not determined within the 21 days period in line with the General Conditions of Contract (GCC). The number of days applied as EOT exceeded the project duration of 308 days. The Contractor submitted a claim of Rs 1,745,181 in respect of cost associated with EOT in respect of variation works due to additional requirements. The Consultant approved an amount of Rs 500,000 as paid on account to the Contractor. It was not known on what basis this associated cost was computed and payment effected, since EOT had not yet been worked out and approved.

As of September 2018, payments to the Contractor amounted to Rs 33,222,083 and liquidated damages were not applied.

#### ***6.1.4 Separate Contracts for Additional Works***

Several works were not included in the initial tender documents, indicating a lack of proper planning. On 11 July 2018, the DBC sought approval for funding the additional works for the construction of two towers, control and generator rooms, covered passage, dog compound, new access road and boundary walls which had to be awarded under separate contract to comply with PPA.

On 10 September 2018, the DBC decided to award the contract for construction of access road in asphalt, to link existing prison to the new remand and convict block for an amount of Rs 295,707 through direct procurement.

#### ***6.1.5 Site Visit***

The Contractor requested the Consultant to take over the site on 11 September 2018. However, during a site visit effected on 18 October 2018, it was noted that various works were still on-going. The security of the prison might be compromised as the land slope at the back of the compound of the new block was almost of the same height as the fencing wall.

#### ***Conclusion***

Site investigations had not been done before awarding the contract. Poor planning had resulted in additional works requiring extension of time and causing delays in the finalisation of the project.

Extension of time of 321 days for a project of duration of 307 days could not be justified. Liquidated damages have not been applied due to the non-determination of revised completion date. The Consultant did not ensure constant monitoring and cost control throughout the duration of the works, compliance with relevant legislation and of its terms of reference. More than two years after award of the contract, the new prison was not yet operational. The objective of extending the old prison building to cater for the segregation of remand and convict male prisoners has not yet been achieved.

#### ***RRA's Reply***

The handing over of keys for the new Prison Block was carried out on 20 November 2018.

A team from the Mauritius Prison Service was on mission in Rodrigues from 3 to 10 February 2019 to advise the Commission as regards the security aspects and norms prior to the functioning of the new Remand and Convict Block.

Action will be initiated to elevate the height of the wall.



## **7 – COMMISSION FOR HEALTH, COMMUNITY DEVELOPMENT, FIRE SERVICES, METEOROLOGICAL SERVICES, JUDICIAL SERVICES AND CIVIL STATUS**

### **7.1 Conversion of Ex-Maternity Ward into New Paediatric Ward at QEH**

The contract for the Conversion of Ex-Maternity Ward into New Paediatric Ward at Queen Elisabeth Hospital was awarded to a private Company on 5 May 2016 for the sum of Rs 19,179,824. Works were to be completed within 182 calendar days. Works started on 21 July 2016 and were scheduled to be completed on 19 January 2017.

#### **7.1.1 Extension of Time and Undue Delay**

On 9 December 2016, the Consultant recommended an overall extension of time of 42 days and the completion date was rescheduled for 2 March 2017. As of 14 July 2017, works were completed at 95 per cent. An additional 20 days was required to complete the works. Additional time approved amounted to 147 days. The Conditions of Contract specifies the maximum liquidated damages (LD) applicable is 10 per cent of contract which is equivalent to 128 days.

The maximum LD amounting to Rs 1,599,370 were applied. The Consultant informed the Commission that the contract may be terminated in accordance with Conditions of Contract. On 26 July 2017, the Departmental Bid Committee decided not to terminate the contract as the Ward was urgently needed to cater for paediatric patients. A performance review for continuous assessment of the Contractor's performance in accordance with Directive of the Procurement Policy Office (PPO) was not done.

As of September 2018, the payment certificate of September 2017 amounting to Rs 1,249,742 was not yet certified.

#### **7.1.2 Practical Completion of Works and Outstanding Works**

The Consultant certified that the works had been substantially completed on 18 August 2017 although, the flashing on the ridge of the roof at four locations was not laid.

False ceiling tiles have been damaged due to water ingress following heavy rain in January 2018. The leakage points were not detected. On 17 January 2018, the Contractor was informed about the degradation of works and flashing on the ridge of the roof which had still not been laid. During a site visit carried out by my Officers on 12 October 2018, it was noted that these works were left unattended by the Contractor. No assessment of cost was made by the Consultant for deduction from future payments to the Contractor. Although, the new Paediatric Ward was fully operational since October 2017, the main causes of water ingress in the Ward, were not determined, hence, putting at risk the safety of patients under treatment.

The Defects Liability Period (DLP) ended on 18 August 2018. The Performance Security of Rs 1,917,982 which expired on 26 June 2018 was not renewed up to end of DLP.

### ***Conclusion***

As of 18 September 2018, an amount of Rs 13,907,573 was paid to the Contractor. The works have not been properly done as water ingress was still not attended. The environment was non-conducive to paediatric patients.

### ***Recommendations***

The Contractor should be sanctioned for poor performance in line with Directive of PPO. The Commission should ensure that the Performance Security is valid up to 28 days after DLP. The security and safety of patients should not be undermined.

### ***RRA's Reply***

Delay in certification of claim was attributed to significant demolition and reconstruction works.

The DBC decided that termination of contract would not be time and cost worthy due to implications before re-launching of tenders.

The issue concerning flashing on the ridge of the roof was being addressed and water ingress has stopped.

The Performance Security will be extended to 28 March 2019.

## **8 – COMMISSION FOR SOCIAL SECURITY, HOUSING, LABOUR AND INDUSTRIAL RELATIONS, EMPLOYMENT AND CONSUMER PROTECTION**

### **8.1 Respite Care Centre for Elderly Persons**

A Respite Care Centre, which could cater for up to ten elderly or disabled persons, was constructed at Piton at a cost of some Rs 30 million. Works were completed and the site was handed over on 27 February 2017. The objective of the Centre was to ensure that disabled/elderly persons receive a constant care in an environment conducive to their well-being. The Centre would provide recreational activities and hence promote welfare of elderly and disabled persons and give a break to family of caregivers, thus reducing conflict and stress. Furniture and equipment costing more than Rs 2 million were procured for the Centre and four Carers were trained in Mauritius in April 2017.

#### **8.1.1 Defects**

In August 2017, that is five months after handing over of Centre, leakage in the roof was noted and water was seeping to the inner part of the building and had damaged all wooden doors which had become mouldy. The Contractor was requested to undertake remedial action and to replace the damaged furniture.

#### **8.1.2 Centre not yet Operational**

In September 2017, Expression of Interest was invited for proposal of the management of the Centre from interested organisations. No response was received.

Non-Governmental Organisations, firms and service providers with appropriate experience and resources were invited in January 2018 to submit their proposals for the management and day-to-day running of the Centre. Again, no response was received.

#### **8.1.3 Additional Works**

Modifications in the kitchen and store were recommended by a Consultant to be in line with Hazard Analysis and Critical Control Point (HACCP) standards and ensure preventive food safety system. In November 2017, additional items for the kitchen and food store were procured.

Additional works, such as fixing of grab bars and sink, landscaping and embellishment works were contracted out for the inauguration of the Centre in June 2018. However, there was no evidence of any inauguration having taken place.

#### **8.1.4 Site Visit**

A site visit was carried out on 19 September 2018 by my Officers. The roof was still leaking at some places and particularly along the corridor leading to the dormitories. However, the Defects Liability Period had already expired on 26 February 2018.

## ***Conclusion***

A social survey on the cultural aspect of the project was not undertaken prior to initiation. Despite two Expressions of Interest for managing the Centre, no bids were received. As of October 2018, that is some 20 months after handing and taking over of the site, the Respite Care Centre was still not operational.

## ***Recommendations***

The Commission would need to:

- Carry out proper study prior to invest in any project;
- Investigate the reasons of unwillingness of interested organisations/firms/Service Providers to manage the Centre ;
- Ensure the operation of the Centre, in line with objectives set out by the Commission.

## ***RRA's Reply***

Necessary actions are being taken to remedy the defects and the centre will be operational once the licence from the Residential Care Home Board is received.

## **8.2 Employment Relief Programme and “Plan de Prestation Transitoire”**

Unemployment is one of the serious problems faced by young people and women aged between 18 to 29 years in Rodrigues. There were 2,782 registered unemployed persons in 2003 as compared to 3,681 in 2013. The number of registered persons with the Employment Service of the Commission for Social Security was thus increasing. As of 20 July 2015, some 30 per cent of these unemployed persons had been registered since more than five years.

During the period 1 January 2015 to 30 June 2018, payments of Social Aid including Unemployment Hardship Relief (UHR) totalled some Rs 275 million.

### ***8.2.1 Objectives and Eligibility***

The Employment Relief Programme (ERP) which was set up in 2015, aims to empower beneficiaries of UHR and Social Aid to earn their livelihood independently and become more productive and to contribute to the socio-economic development of Rodrigues. It provides short term employment opportunities with the widest possible participation of those heads of families of the low income group, regardless of their academic and professional qualifications and skills. It thus helps in developing a positive attitude towards any sort of work to earn a living decently.

At the end of the ERP, the beneficiaries who have experience and competence in a particular field, and are willing to mount an enterprise and contribute for its implementation, are eligible for financial assistance of up to Rs 50,000 under the “Plan de Prestation Transitoire” (PPT). The beneficiaries of PPT should be aged between 18 to 50 years and registered as

unemployed with the Employment Service of the Commission. In March 2017, the ceiling was increased to Rs 125,000 as the project value of several beneficiaries exceeded Rs 50,000. An “Allocation a la Production” of Rs 3,000 monthly is also payable for one year after implementation of the project.

The expected outcomes and deliverables of the PPT are the reduction in the number of beneficiaries of UHR and Social Aid by transforming them as successful entrepreneurs. The programme would thus contribute to the socio-economic development of Rodrigues. The total number of beneficiaries of UHR and Social Aid which was 3,600 in 2013, increased to 3,978 during the financial year 2016-17.

### **8.2.2 Disbursement of Funds**

Expenditure incurred under the ERP during the period 1 January 2015 to 30 June 2018 totalled Rs 84.9 million. With respect to PPT, only Rs 2.2 million representing some 42 per cent of the budgeted amount were disbursed during financial year 2017-18. Total expenditure incurred over the period 1 January 2015 to 30 June 2018 amounted to Rs 6.9 million.

During the first years of implementation of the PPT, cheques totalling Rs 1,820,367 were issued to 37 beneficiaries for the purchase of equipment and materials. However, receipts for a total amount of Rs 183,872 were not produced by seven beneficiaries.

The beneficiaries of the third batch of ex-ERP encountered difficulties to submit quotations from three different suppliers regarding the financing of materials/equipment for the setting up of their activity. Quotations from potential suppliers were received from only 14 out of the 48 beneficiaries. Contracts for a total amount of Rs 725,047 were awarded for the supply of materials and equipment.

### **8.2.3 Project Implementation**

#### *Employment Relief Programme*

The ERP which is an on-going programme of the Rodrigues Regional Assembly consists essentially of:

- Technical skills/on the job training programme through job placement;
- Theoretical training on life skills covering the major spheres of life.

The programme is run over a period of one year and each beneficiary is paid a monthly stipend of Rs 6,000 and travelling expenses. The beneficiaries are not entitled to UHR or Social Aid during the period of training

The first batch of trainees was recruited for placement under the ERP on 2 February 2015. Three other batches were recruited on 2 February 2016, 8 March 2017 and 2 April 2018 respectively.

The trainees were posted in a Commission (Agriculture, Forestry Services, Environment and Tourism, and Public Infrastructure). Periodical reports on attendance and performance of

the trainees were not seen. Instances were noted where trainees were leaving their site of work without authorisation or absent without any explanation.

Reports in respect of the first three batches that had already completed training under the ERP at the different Commissions, were not seen.

#### *Plan De Prestation Transitoire*

Each year, 300 registered unemployed persons benefit from training under ERP. The trainees are evaluated by a Technical Evaluation Committee (TEC) to benefit from financial assistance under PPT. The Committee included representatives of the Commission for Social Security and Employment, and that for Industrial Development.

According to information available at the Commission, for the period ended 30 June 2018, five batches of ex-ERP trainees were recruited under the PPT as shown in Table 11.

*Table 11 Beneficiaries of PPT under ERP 2015 to 2016*

<b>ERP</b>	<b>PPT</b>	<b>No. of</b>	<b>No. of</b>	<b>No. of</b>	<b>No. of</b>	<b>Financial</b>
<b>(Year)</b>	<b>Batch</b>	<b>applications</b>	<b>project brief</b>	<b>projects recommended</b>	<b>beneficiaries</b>	<b>Assistance</b>
						<b>(Rs)</b>
2015	1 <sup>st</sup>	173	84	15	15	756,574
	2 <sup>nd</sup>	55	39	22	22	1,063,793
	3 <sup>rd</sup>	67	X	48	14	725,047
2016	1 <sup>st</sup>	X	X	X	20	1,033,600
	2 <sup>nd</sup>	X	72	68	15	542,179
<b>Total</b>					<b>86</b>	<b>4,121,193</b>

*Note: x – Information not available*

The following were observed:

- 86 trainees who followed training under ERP 2015 and 2016 were granted financial assistance under PPT for a total amount of some Rs 4.1 million;
- 173 of the 300 ERP trainees who followed the first training course in 2015 submitted their applications for PPT. However, only 84 submitted project briefs. 17 of these projects were incomplete and were therefore rejected. 15 projects , that is, 18 per cent were selected, and financial assistance totalling Rs 756,574 were granted to the beneficiaries;
- 22 out of the 39 projects submitted for the second batch of ERP 2015 trainees were recommended. Financial assistance amounted to Rs 1,063,793;

- For the third batch of PPT (ERP 2015), out of 67 applications, 48 projects were recommended. Contracts for the supply of materials and equipment were awarded for a total amount of Rs 725,047 in favour of only 14 beneficiaries;
- Financial assistance under PPT was granted to 55 additional beneficiaries of the ERP of the year 2015 as approved by the Executive Council on 21 October 2016. Information regarding the amount of funds disbursed was not available;
- A first evaluation of ERP trainees of the year 2017 for selection under PPT was carried out on 7 June 2018. The final report was not seen so that the number of beneficiaries could not be ascertained.

#### ***8.2.4 Financing Assistance from Other Schemes***

Several trainees under PPT benefited from financial assistance under schemes managed by the other Commissions of the RRA. Payments were made under the vote of the respective Commission.

##### *Small Chilli Farm Scheme*

18 ex-trainees of the ERP and five of the PPT benefited from the Small Chilli Farm Scheme which was managed by the Commission for Agriculture. The amount of fund disbursed under the scheme was however, not available. Problems regarding land issues were encountered by the beneficiaries. An appropriate policy concerning the ownerships on abandoned/bare agricultural land has so far not been adopted by the RRA.

According to reports, some of the land were not properly taken care of, the soil and chilli plants were dry and the irrigation system was not yet installed. An updated status report was not available.

##### *Agricultural Scheme*

166 trainees proposed to start an income generating activity after their placement under ERP 2015. On 21 October 2016, the Executive Council approved 30 additional beneficiaries of the ERP 2015 for the Agricultural Scheme for a total amount of Rs 1,625,948. 23 beneficiaries were referred to the Commission for Agriculture for an agricultural permit/lease.

Due to lack of documentation, it was difficult to ascertain whether proper follow up was carried out regarding beneficiaries of the Agricultural Scheme and who had thereafter started their own enterprises.

##### *Pig and Sheep Production*

##### *ERP 2015*

In April 2016, the Commission for Agriculture notified the Commission for Social Security that 40 white piglets were allocated to 40 ex-ERP trainees who had opted for livestock production. On 19 and 25 May 2016, the TEC recommended that:

- Pigs and animal feed/veterinary product amounting to Rs 252,916 be provided to six beneficiaries; and
- Financial assistance under PPT in the form of materials for the expansion of the existing infrastructure be made available to nine beneficiaries who had know-how in pig production but did not have sufficient space.

In the absence of adequate documentation, the amount of funds disbursed, as well as the total number of pigs distributed was not known.

### ERP 2017-18

In June 2018, the Commission for Social Security agreed that the pig farms be allocated to five beneficiaries under the PPT. The farms were to be considered as model farms which could be replicated on future similar ones. Materials were delivered for the construction of their respective sheds which were due to be completed by the end of July 2018. In addition, 50 pigs were to be distributed to the beneficiaries, in two batches by mid-August and mid-December 2018.

According to reports on site visits carried out in June 2018, some of the existing farms were in bad conditions, domestic water distribution was irregular, there was no drainage to evacuate and dispose of dung waste or the site identified was too far from the residence of the beneficiaries. The Commission decided to stop delivery and distribution of construction materials, to review the existing farm infrastructure land and to equip the farms with water storage and waste disposal facilities. However, the status of the project could not be ascertained in the absence of an updated report.

In October 2018, the Employment Service reported that it was unable to state whether proper sheds were available in respect of 11 sheep production projects which had been recommended by the TEC on 25 August 2017. Further, the report of the TEC concerning 13 persons who opted for pig production and three for sheep production was still being awaited.

### *Technology and Modernisation Scheme*

On 13 October 2016, 13 beneficiaries of ERP 2015 were recommended by the Executive Council for the grant of financial assistance under the Technology and Modernisation Scheme (TMS) for the sum of Rs 673,050. This included an amount of Rs 130,000 in favour of a beneficiary in respect of a masonry project for the acquisition of the concrete mixer costing some Rs 125,000. The documents relating to the conditions of payment were not seen while the contribution made by the beneficiary to the project which was one of the conditions to be eligible for financial assistance, could not be ascertained.

On 21 October 2016, the Executive Council approved financial assistance to five beneficiaries of the ERP of the year 2015 under the TMS for a total amount of Rs 276,140. The project status was not known as an updated report was not available.



## *Services Sector*

In May 2016, the TEC recommended the grant of financial assistance to 23 beneficiaries of ERP 2015 in the Services Sector. Three beneficiaries, whose projects were approved for funding under PPT, were unable to start their projects due to unavailability of essential licences/permits. As of 15 October 2018, due to inadequate documentation, it could not be ascertained whether there has been proper follow up with regard to the issue of the commercial leases and licences/certificates to the beneficiaries.

### **8.2.5 Project Monitoring**

Proper project monitoring is essential for the successful implementation of projects. This includes the establishment of an appropriate procurement structure, sound contract administration and financial management.

#### *Steering Committee and Programme Evaluation*

A Steering Committee chaired by the Departmental Head of the Commission was set up to study each case regarding the first PPT programme. The first meeting of the Committee was held on 20 July 2015. The frequency of meetings to be held was however not defined and the number of meetings held to date was not known.

According to the Steering Committee of 20 July 2015, the first PPT programme was successful as at least 60 per cent of the beneficiaries had been able to derive an income from their projects. However, reports on the evaluation of subsequent PPT programmes were not available so that it was not possible to assess to what extent the programmes were successful.

#### *Visits to Beneficiaries and Monitoring of Activities*

According to reports on site visits carried out in April 2017 by the two Interns of Service To Mauritius posted at the Commission, several beneficiaries stated that the projects were functioning well but were not sufficient to sustain a living. It was also mentioned that pigs and the materials required for the construction of sheds, were not yet received.

Visits to model farms and other PPT beneficiaries were carried out in October 2017 and May 2018 respectively. In absence of adequate documentation, it could not be ascertained whether there was proper follow up and whether periodical visits were subsequently carried out.

### **Conclusion**

There was no proper monitoring of the training provided to the beneficiaries under the ERP and PPT and other schemes managed by other Commissions, to ensure that they acquire the necessary experience and competence to start their own enterprise.

Since performance indicators were not defined for expected outputs, it was not possible to assess to what extent the ERP and PPT have so far contributed to the reduction in the number of beneficiaries of UHR and Social Aid.

### ***Recommendations***

A mechanism should be put in place for the submission of periodical reports on the attendance and performance of the trainees placed at the different Commissions of the RRA under ERP. Evaluation should be carried out at the end of each programme.

The Commission should ensure that the ERP and PPT are properly monitored through regular visits to the beneficiaries, periodical progress reports and coordination between the different Commissions.

Performance indicators should be set to evaluate the efficiency and effectiveness of the programmes implemented by the Commission.

### ***RRA's Reply***

The project monitoring could not be made methodically and on a regular basis because of a serious shortage of human resources.

A Project Coordinator will be recruited and he will be supported by other Officers for monitoring of projects under PPT.

## **9 – COMMISSION FOR AGRICULTURE, ENVIRONMENT, FISHERIES, MARINE PARKS AND FORESTRY**

### **9.1 Construction of Lycée Agri-Business at Saint Gabriel**

Bids were invited on 22 June 2016 through Open National Bidding Method of procurement. The contract for the construction of Lycée Agri-Business at Saint Gabriel was awarded in November 2016 to the lowest responsive bidder for the sum of Rs 16,412,926.

#### ***9.1.1 Variations and Extension of Time***

The site was handed over on 25 November 2016 and works were due to start on 2 December 2016 and scheduled for completion on 30 April 2017. Extension of time was granted by the Consultant and the intended completion date was revised to 28 July 2017, due to unfavourable weather condition and additional works.

Variation works amounting to Rs 1,665,700 were approved, thus bringing the revised contract value to Rs 18,078,626. This represented more than 10 per cent increase.

#### ***9.1.2 Undue Delay in Completion of Works***

The construction was however, completed on 27 November 2017, which was four months beyond the revised contractual date. The site was handed over to Commission on 12 December 2017.

The delays have exceeded the number of days for which maximum liquidated damages (LD) could be applied. This constituted a fundamental breach of contract as per the General Conditions of Contract (GCC), which could result in contract termination. However, the Commission did not abide by this clause and maximum liquidated damages of 10 per cent of original contract value amounting to Rs 1,641,292 were applied.

#### ***9.1.3 Building still unoccupied***

On 4 April 2018, that is more than four months after completion, the Commission for Agriculture decided to initiate action for the vesting of the building to the Commission for Education and thereafter, to be handed over to the Rodrigues Educational Development Company Ltd upon signature of a Memorandum of Understanding. The Lycée would thus be used to conduct courses in collaboration with Lycée Agricole of Reunion Island.

However as of 25 September 2018, some nine months after taking over of the building, the Lycée was still not operational.

#### ***RRA's Reply***

The works were closed to completion and termination of contract would have caused further delays due to launching of a new tendering exercise and cost overruns.

The building has already been vested in the Commission for Education and the Lycée is now administratively operational following the recruitment of teaching and non-teaching personnel.

## **9.2 Construction of Watch Tower**

The objective for the construction of a Watch Tower for the Fisheries Protection Services is to provide round the clock surveillance, control over fishing activities and mitigate illegal activities at sea.

The contract for the construction of the Watch Tower was awarded on 10 August 2015 to a private Company for the sum of Rs 3,381,000. The works were due to start on 2 October 2015 for a duration of 100 days, with contractual completion date of 10 January 2016.

### **9.2.1 Project Implementation**

Proper contract management is crucial to ensure efficient and effective completion of works. The following specifications of the bidding documents were not complied with:

*Key Personnel:* Qualifications and experience of key personnel deployed on site could not be ascertained, in the absence of profiles and curriculum vitae of the Site Agent and Foreman.

*Poor Supervision of Works:* There was no indication of regular supervision over the works by the Commission for Public Infrastructure. Only two site meetings were held during the construction period.

*Absence of Records:* The records of excavation, as required under the Statement of Requirements describing among others the location of excavation, groundwater, elevation and thickness of all strata encountered were not submitted by the Contractor.

*Approval of Engineer:* The approval of the Engineer regarding hollow concrete blocks, and specifications of materials prior to procurement was not seen. The compliance certificates for materials were submitted in May 2016 although works were completed on 30 January 2016.

There was also no evidence that the prior written approval or instruction of Engineer was obtained for test on samples recovered from pits, foundation and excavation works.

*Undue delay in Determination of Extension of Time:* A request for an extension of time of 82 days was made in September 2016. However, an extension of time of only one day was approved in October 2017, that is, after more than one year and thus exceeding the period of 21 days as stipulated at Clause 26.1 of the General Conditions of Contract for approval of extension.

*Insurance:* The Insurance Policy was valid for the period 1 September 2015 to 31 January 2016 and covered 12 months for Defects Liability Period (DLP) as from 1 February 2016. However, the insurance was not renewed to cover the DLP which ended on 1 April 2017.

*Performance Security:* The Commission did not withhold earlier payment in compliance with Directive No. 9 issued by the Procurement Policy Office which 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'.

*Retention Money:* The DLP ended on 1 April 2017. However, the whole amount of retention money of Rs 265,664 was released in May 2016. As of September 2018, an amount of Rs 3,048,832 was paid to the Contractor.

### ***9.2.2 Undue Delay in Completion of Works***

The completion of the works was re-scheduled for 11 January 2016. Hence, the contractual completion period had been exceeded by 79 days, as the works were completed on 1 April 2016 as per Practical Completion Certificate.

The delays have exceeded the number of days for which maximum liquidated damages (LD) could be applied. This constituted a fundamental breach of contract as per the General Conditions of Contract. However, the Commission did not apply this clause. The maximum amount of LD to the tune of Rs 265,664 was retained in June 2016.

### ***9.2.3 Settlement of Watch Tower***

The Fisheries Protection Services reported on 19 April 2017, that there were several cracks on the wall, floor and kitchen table at the Watch Tower.

During a site visit effected by the Contractor on 4 May 2017, it was observed that the building was settled from grid line C/1-3.

As of November 2017, further problems regarding slopes of sewer pipes, concrete table on ground floor and tiles were noted. A drainage system around the building was envisaged to reduce the risk of further settlement of the Watch Tower.

The Watch Tower showed a slight inclination on the left side and there was risk that this might increase further. This might be construed that the building had structural defects and its construction had not been done on duly approved foundation.

### ***Conclusion***

The construction of the Watch Tower was a laudable initiative undertaken by the Commission to provide a proper surveillance of fishing activities and to mitigate illegal fishing. However, the Watch Tower was not functional since its completion. The objectives set are not likely to be met due to defects in its construction. Corrective actions to stabilise the building were not yet taken.

### ***Recommendations***

There is an urgent need to take prompt measures to prevent further settlement and ensure stability of the Watch Tower.

Close site supervision by Commission for Public Infrastructure should be effected to ensure that contract requirements are met and the project is implemented as per design and specifications. Henceforth, projects should be administered properly to safeguard the interests of the Rodrigues Regional Assembly.



## **10 - COMMISSION FOR YOUTH AND SPORTS, ARTS AND CULTURE, LIBRARY SERVICES, MUSEUM, ARCHIVES, AND HISTORICAL SITES AND BUILDINGS**

### **10.1 Stadium at Roche Bon Dieu -Rs 44.3 million**

Bids were invited on 20 February 2017 through the Open National Bidding Method. On 5 July 2017, the contract was awarded for Rs 44,289,342. The works of a duration of 180 days were scheduled to start on 30 August 2017 and be completed on 25 February 2018.

#### ***10.1.1 Land Issues***

Land issues were not resolved prior to award of contract although the Consultant had since March 2017, advised the demolition of houses found on site and the relocation of lessees prior to possession of site, to avoid contractual implications, such as delay in implementation of project and thus involving additional cost. However, part of the site was still occupied by some lessees. The Commission encountered difficulties to relocate the lessees and the market value of existing buildings had to be assessed by the Valuation Department of the Ministry of Finance and Economic Development. As of July 2018, a counter assessment was not yet carried out in respect of two lessees who rejected the compensations on the ground that these were inadequate for their buildings and other losses. As of September 2018, problems regarding compensations of lessees were not yet resolved.

The Contractor was thus not given possession of all parts of the site allocated for the proposed stadium. According to the Commission, the Contractor did not require upfront access of the site at the initial stage of the project.

#### ***10.1.2 Absence of Key Personnel and Employer's Claim for Lack of Superintendence***

As of 23 March 2018, the Contractor failed to provide key personnel such as Project Manager, Site Agent, Site Engineer and Foreman and no site meetings could be held. A Notice for Claim was served on the Contractor for non-compliance with Sub Clauses regarding Contractor's superintendence and personnel for the period 31 August to 30 November 2017. The Commission requested the Consultant to make a determination of Rs 757,500. It is to be noted that the lowest bid received was considered non-responsive as it had not proposed a Project Manager/Civil Engineer as per Registration of Consultants Regulations made under the Construction Industry Development Board Act. The employer's claim of Rs 757,500 by the Commission, for breach of a fundamental qualification criteria in the Bidding Documents was thus considered inadequate.

#### ***10.1.3 Extension of Time and Delay Damages***

The Contractor applied for extension of time (EOT) of 213 days and associated cost of Rs 15,154,842 excluding VAT. However, request for EOT due to right of access and possession of all parts of site, was not determined by the Consultant. The number of days applied as EOT exceeded the awarded contract period of 180 days. Delay damages were not retained, on claims certified by the Consultant, despite the fact that the project was beyond the initial completion date of 25 February 2018.

#### ***10.1.4 Progress of Works***

According to the Consultant, there was an absence of mobilisation on site and progress was not visible. As of 22 November 2017, limited resources were deployed. As of 21 December 2017, site office and other structures were not erected. Site meetings were thus held in the Community Centre and no employees were reported to be on site. The progress of works was not regularly assessed by the Consultant, but was done some three months after contractual completion date. This was not in conformity with the Terms of Reference of the Consultant, as his main duties were to regularly organise site meetings, monitor and review progress of works and take remedial measures. According to the Consultant, the overall progress as at 11 June 2018, that is some three and a half months after initial completion date of 25 February 2018, was only 12 per cent.

#### ***10.1.5 Breaches of Contract and Termination***

No prompt action was taken by the Commission in respect of the various breaches of contract. This would have avoided further payments to the Contractor. The Commission did not report delays accumulated on the project, and initiate actions against the Contractor for termination of contract as decided during a meeting held with the Island Chief Executive, on 6 March 2018 although, the Consultant reported that only site establishment and bulk extraction had progressed and there was no visible progress for the last two months as of that date.

On 22 June 2018, the Contractor issued a Notice of Termination of Contract with immediate effect, on the ground of failure to grant permission to proceed with the whole works. On 26 June 2018, the Contractor stated that its resources were being demobilised and requested the Commission to take appropriate measures to secure the site of works as from 1 July 2018 and release the Performance Security (PS). The Contractor cancelled the Insurance Policy with effect from 1 July 2018.

On 6 August 2018, the Commission issued a Without Prejudice Letter to the Contractor, wherein it was stated that the portion of site provided for works was adequate and although the project was due for completion since 26 February 2018, progress of works as of 3 May 2018 was only 10 per cent. The termination of contract by the Contractor was a material breach of obligation to execute the works according to the Commission.

According to the Consultant and the Legal Adviser of the Commission, the termination of the contract by the Contractor was not valid. On 24 August 2018, the Commission notified the Contractor of termination of the contract for breaches of contract by abandoning the works and plainly demonstrating the intention not to continue performance of its obligations under the contract in terms of Sub Clause 15.2 (b). No further action was taken by the Commission.

#### ***10.1.6 Performance Security and Advance Payment***

The Performance Security (PS) of Rs 4,428,937 meant to protect the Commission against possible losses would expire on 1 November 2019. The Commission was advised by Consultant since 27 June 2018 to seek legal advice regarding the PS. As of 15 October 2018, the PS was not forfeited, despite a Notice of Termination was issued and losses incurred.



The Advance Payment Guarantee expired on 1 November 2018 and the advance payment of Rs 4,275,754 was not fully recovered as of date of termination of the contract.

#### ***10.1.7 Final Claim and Amicable Settlement***

As of September 2018, a total amount of Rs 6,909,321 was paid to the Contractor upon certification by the Consultant. On 27 July 2018, the Contractor estimated the value of works to be Rs 4,785,060 excluding VAT. On 16 August 2018, the Contractor submitted a final claim of Rs 16,171,969 for value of works, materials on site, loss of profit and cost associated with extended stay. This represented more than 35 per cent of the contract value. The dispute was to be settled amicably but the RRA viewed the basis of the Contractor's claim as grossly exaggerated and that any amicable settlement could only be considered if the Contractor reviewed its claim concerning the value of works and materials on site. The outcome of this amicable settlement was not known.

#### ***10.1.8 Poor Performance***

Contracts in respect of five projects for a total value of Rs 272 million were awarded to the above Contractor during one-month period in July/August 2017. The contract for one project was terminated, while the four projects exceeded the contractual completion date and were still on-going as of September 2018. A performance review for continuous assessment of the Contractor's performance was however not done in accordance with Directive of the Procurement Policy Office (PPO). No action was taken by the Commission for the disqualification of the Contractor on grounds of repeated failure, in the performance of one or more contract as provided under the Public Procurement Act (PPA).

#### ***Conclusion***

The project was poorly monitored resulting in parts of the site for the stadium being still occupied as at date of termination of contract. The Commission did not apply Directive issued by the PPO and comply with the provision of PPA to sanction the Contractor for poor performance. Contrary to its Terms of Reference, the Consultant did not regularly assess the progress of works. The Consultant assessed the overall progress as at 11 June 2018, some three months after the scheduled completion date and was only 12 per cent. Hence, the interests of both the Commission and the RRA were not safeguarded.

#### ***Recommendations***

Land issues should be cleared with relevant authorities at initial stage of project and the financial and technical capabilities of bidders should be duly assessed before award of contract, in particular if several contracts are allocated concurrently to the same Contractor.

The project should be properly monitored to ensure that adequate resources are mobilised on site and the works are completed on time.

The Commission should abide by the procurement procedures and have the defaulting Contractor suspended or debarred for poor performance in various projects.

## ***RRA's Reply***

The three Agricultural Occupants are not State Land Lessees. The Executive Council approved the grant of agricultural permits and compensation as appropriate to them. Counter assessment by the Valuation Department has been carried out in December 2018 in respect of the two Lessees. The report is being awaited.

The application for injunction made by the Contractor, was withdrawn and the Advance Payment Security amounting to Rs 4,275,754 was credited to the Deposit Accounts of RRA on 5 November 2018.

The Consultant was requested to re-work the bidding documents for re-launching of bids. The new tender will include the access road. Contract will be awarded only after procedures for relocation of Lessees are completed.

Following the meeting with the Consultant and the Legal Representative of the Contractor, a negotiated amount of Rs 6,423,590 excluding VAT was worked out by the Quantity Surveyor of Contractor and Consultant.

## **10.2 Upgrading of Camp du Roi Stadium**

### ***10.2.1 Project Background***

Tenders were launched on 9 December 2016 through the Open Advertised Bidding Method of procurement, for the Upgrading of Camp du Roi Stadium. The estimated cost of the project was Rs 34,701,566. The contract was awarded on 12 July 2017 to a private Company for Rs 33,331,624. The contract was signed on 21 August 2017. The contractual period was 180 days and the intended completion date was scheduled for 25 February 2018.

The Works Contract was to be implemented in accordance with “Federation Internationale Des Ingenieurs-Conseils” (FIDIC) Conditions of Contract for the Construction for Buildings and Engineering Works. Works were supervised by the Consultant appointed under the Global Consultancy Services Contract for Selected Development Projects in Rodrigues.

### ***10.2.2 Slow Mobilisation***

As per site meeting dated 3 October 2017, that is more than one month after commencement date, the Contractor had not yet fully mobilised and site establishment was only 60 per cent. The Contractor was notified by the Consultant that mobilisation of labour and plant was insignificant and was ‘tantamount to the Contractor abandoning the works’.

### ***10.2.3 Contractor's Superintendence and Personnel***

The absence of key personnel, for proper and timely execution of the contract was constantly highlighted by the Consultant. The proposed personnel was taken up on other projects. The Contract Manager dedicated to the project was working on five projects concurrently and was in Rodrigues for two days per week only. Several meetings could not be held due to absence of key personnel on site. The Commission drew the attention of the Contractor that it reserved the right for deduction in payments. However, no such deduction was effected.

#### ***10.2.4 Program of Works***

The Conditions of Contract stipulates that the Contractor has to submit within 28 days after receiving the notice of commencement of works a detailed time program. The Program of Works (POW) was submitted on 9 November 2017, that is, 78 days after the commencement date. Submission of POW was thus well beyond the prescribed time limit. A revised POW was not submitted and as of June 2018, the initial POW was being used to follow up progress of works.

#### ***10.2.5 Procurement Schedule***

The procurement schedule was submitted only in April 2018 while further updates submitted in June 2018 were incomplete. Sample of materials was submitted for approval as from March 2018, after receipt of a Notice to Correct.

#### ***10.2.6 Extension of Time***

The Consultant was required to respond within 42 days after receiving a claim. Application for extension of time (EOT) dated 22 November 2017 was determined only on 22 February 2018. The Contractor was given EOT by the Consultant on two events totalling 27 days thus bringing the completion date to 24 March 2018. However, the prior approval of the Commission was not sought. On 5 September 2018, the Departmental Bid Committee exceptionally approved the extension of time.

#### ***10.2.7 Works Progress and Notice to Correct***

The rate of progress of works was so slow that the Contractor was requested to ensure timely completion of project. As of 24 August 2018, that is five months after revised completion date, progress of works was estimated at only 20 per cent. 10 Notices to Correct were issued by the Consultant.

#### ***10.2.8 Delay Damages***

As of October 2018, Rs 8,575,019 were paid to the Contractor. However, delay damages were not retained on claims certified by the Consultant although the intended completion date had already been exceeded.

The Contractor informed the Commission, that it would claim associated cost of Rs 11,838,189 excluding VAT, for extended stay as at 8 August 2018.

#### ***RRA's Reply***

On 23 January 2019, the Contractor was notified that delay damages will be claimed.

#### ***Conclusion***

Despite the various breaches of contract, no action was initiated by the Commission within the prescribed time limits set by FIDIC. Prompt actions would have avoided further disbursements.

The Contractor was working on five projects concurrently and has failed to mobilise adequate resources and key personnel on site. Hence, seven months after contractual completion date the project was still in progress.

### ***Recommendation***

The Commission would need to exercise better control on management of projects instead of relying solely on the Consultant and to initiate prompt action in case of non-compliance with terms and conditions of contract.

## **10.3 Re-opening of Swimming Pool at Marechal**

### ***10.3.1 Project Background***

In the Audit Reports for the 18-month period ended 30 June 2016 and the financial year ended 30 June 2017, I mentioned that the swimming pool had not been optimally used due to inadequate water supply, although it was built in accordance with Olympic norms in 2005.

I reported that contract was awarded on 16 January 2017 for Rs 15,714,816 exclusive of VAT for the upgrading of infrastructural works and the mechanical and electrical installation of the swimming pool equipment. I also drew attention that mechanical equipment were already installed but could not be tested and commissioned as the pool was not filled with water.

### ***10.3.2 Absence of Planning for Water Supply***

The volume of water required for the pool was 2,000 cubic metres for filling of pool and 25 to 30 cubic metres for daily top-up. Works were practically completed in August 2017, according to the Contractor. However, testing and commissioning of equipment forming part of the scope of works could not be performed due to unavailability of water to fill the pool. The responsibility for supply of water for testing and commissioning was not clarified in the bidding documents.

The Contractor had continuously stressed upon the need to ensure a ‘reliable source of clean water for the pool daily make-up’. The Commission was, however, relying on the ‘providence of rain water as the only source of water’ for the smooth operation of the pool. In March 2018, the pool was completely filled during heavy rainfall.

### ***10.3.3 Problems Due to Unavailability of Water***

Mechanical equipment was installed since 5 August 2017 and the Consultant was waiting for the pool to be filled with water for testing and commissioning. Meanwhile, the pool was exposed to the elements, which according to the Contractor, might be detrimental to the repair works undertaken.

The Contractor was granted extension of time of 245 days with cost from 16 August 2017 to 12 April 2018 due to non-availability of water. The associated cost claimed by Contractor as of 31 July 2018 amounted to Rs 899,596 of which Rs 365,000 were paid. The basis of computation of the associated cost was not seen in file.

#### ***10.3.4 Defects Noted on Commissioning***

Testing and commissioning were performed on 11 and 12 April 2018, as the pool was filled during heavy rainfall. The underground pipe from the pump room to the kids' pool was leaking and leakage along the expansion joint in the ceiling of the pump room was noted. Further, leakage in the pool was noticed by the Consultant on 8 May 2018. The source of the leakages was not identified, although tests were performed by the Contractor.

Moreover, the Competition Timing Equipment, which included touch pad, speaker and bar pad in one corridor was not functioning. The Colorado timing and electronic display could thus not be commissioned.

As of October 2018, the leakages still persisted and the defects were not yet remedied. The taking over of site was thus delayed.

#### ***10.3.5 Delay Damages***

As of September 2018, a total amount of Rs 14,515,281 was paid to the Contractor. Delay damages were not applied, although the completion date of 5 August 2017 had been exceeded.

#### ***10.3.6 Performance Security Not Renewed***

The Performance Security was to be valid and enforceable until the Contractor had executed and completed the Works and remedied any defects. However, as of 10 October 2018, the Performance Security which expired on 16 September 2018 was not renewed.

#### ***10.3.7 Pool Recirculation***

The Contractor had continuously stressed upon the need to ensure a reliable source of water for the pool daily make-up. Water in a swimming pool had to be continuously disinfected and maintained free from visible pollution. The Commission was, however, using the bottom drain for pool circulation and this prevented the filtration of surface water. The filtration system thus required excessive sanitising to compensate for the unfiltered water.

#### ***10.3.8 Swimming Pool not Operating***

The pool which had cost the Rodrigues Regional Assembly some Rs 95 million, excluding recurrent direct cost (Security, cleaning, utilities) and overheads had as of 10 October 2018 not yet been reopened to athletes and general public. The pool had rarely been used and was mostly not functional.

#### ***10.3.9 Training***

13 Coaches were trained in Rodrigues. Pending the availability of the pool, young athletes were trained in swimming techniques at sea in 2017.

### ***Conclusion***

The failure to specify the responsibility for supply water in the bidding documents impacted negatively on the completion of testing and commissioning. The swimming pool could not be used for training purposes.

### ***Recommendation***

The Commission for Youth and Sports should do needful to ensure that the pool has a regular supply of water. Benefits should be derived from the significant investment made for the construction and re-opening of the swimming pool.

### ***RRA's Reply***

The site was handed over to the Commission on 23 November 2018. A Memorandum of Understanding is being finalised with the Mauritius Sports Council for the operation of the swimming pool.



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