

REPORT

OF THE

DIRECTOR OF AUDIT

ON THE ACCOUNTS OF THE REPUBLIC OF MAURITIUS

FOR THE YEAR ENDED 31 DECEMBER 2013

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THE NATIONAL AUDIT OFFICE

Office of the Director of Audit

The National Audit Office (NAO) constitutes the Supreme Audit Institution of Mauritius and is headed by the Director of Audit. The Office of the Director of Audit is established by the Constitution of Mauritius.

To develop an independent and objective assessment of the process of governance and to enhance legislative oversight on Government operations, the Constitution of Mauritius provides for the appointment, authority and specific conditions of service of the Director of Audit as well as his independence and security of tenure.

Section 110 of the Constitution provides that, in the exercise of his functions, the Director of Audit shall not be subjected to the direction and control of any person or authority.

Section 93 of the Constitution provides that the Director of Audit cannot be removed from office before the legal retirement age in the case of an established officer or, in the case of an officer on contract, before the completion of a contract period, except for misconduct or inability to discharge the function of the office and even that only by the President acting on the recommendation of a Tribunal of at least three persons who are holding or have held office as a judge of the Supreme Court.

Role of the Director of Audit in the Accountability Process

With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a greater need for the accountability process to be in place and operating effectively.

As per the Constitution of Mauritius, the only authority for the expenditure of public funds is that which is given by Parliament (National Assembly). The National Assembly decides on policy matters and allocates funds for the implementation of these policies. It is the responsibility of the Accounting Officers of Ministries/Departments, namely, Senior Chief Executives, Permanent Secretaries and Administrative Heads, to efficiently and effectively manage these funds and the delivery of services. They are therefore accountable to Parliament. The accountability mechanisms put in place include periodic financial and performance reporting.

The role of the Director of Audit, in the accountability process, is to examine in detail Government expenditure and provide a report on the information presented by Government executives. The NAO's report gives an independent assurance to the National Assembly that agencies are operating and accounting for their performance in accordance with Parliament's purpose and is the first step in the process of oversight.

The mechanisms after the audit report is tabled are equally important to ensure proper accountability. The Public Accounts Committee (PAC) is a parliamentary committee mandated to hold Government officials accountable for the spending of public funds and stewardship over public resources. Representing parliament, PAC is the main stakeholder of the NAO's report.

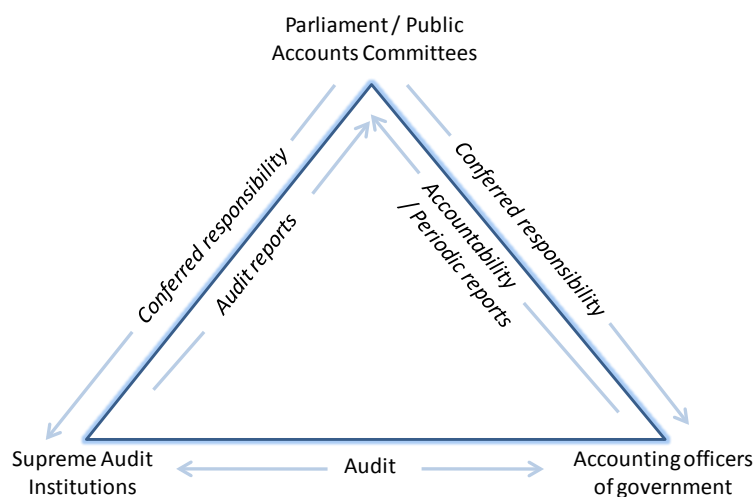


Figure 1.1

Figure 1.1 demonstrates the accountability process and the relationship between key stakeholders, namely, Parliament/PAC, the NAO and the Government executives (Accounting Officers).

Audit Mandate

The primary mandate of the Director of Audit is set out in the Constitution of Mauritius. Section 110 of the Constitution gives the authority to the Director of Audit to audit and report on the public accounts of Mauritius and on all courts of law and all authorities and officers of the Government.

The Director of Audit is also empowered, through various legislations, to audit the Rodrigues Regional Assembly, all Local Authorities, most Statutory Bodies, several Special Funds and several donor-funded projects.

As per provisions of the Finance and Audit Act (Section 16), the Director of Audit has to satisfy himself that:

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

- satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively.

Performance Audit.

The Finance and Audit Act, 1973 was amended in 2008 to include Performance Audit in the mandate of NAO, in line with the “Lima Declaration” (IXth Congress of INTOSAI). The Director of Audit is therefore required to carry out performance audit and report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

Powers of Director of Audit

Section 110 of the Constitution gives the authority for the Director of Audit or any other officer authorized by him to have access to all books, records, reports and other documents relating to accounts to be audited by him.

Also, the Finance and Audit Act provides that in the exercise of his duties under this Act, the Director of Audit may

- call upon any public officer for any explanations and information which he may require in order to enable him to discharge his duties;
- with the concurrence of the head of any Ministry or Department, authorise an officer of that Ministry or Department to conduct on his behalf any inquiry, examination or audit and such officer shall report thereon to the Director of Audit
- without payment of any fee, cause searches to be made in, and extracts to be taken from, any document in the custody of any public officer;
- lay before the Attorney-General a case in writing as to any question regarding the interpretation of any enactment concerning the powers of the Director of Audit or the discharge of his duties and the Attorney-General shall give a written opinion on such case.

Immunity from Legal Proceedings

Amendments made to the Finance and Audit Act in year 2008 provides immunity to the Director of Audit and his staff against legal proceedings. Section 17 stipulates that, in addition to and not in derogation of the Public Officers’ Protection Act, no action shall lie against the Office of the Director of Audit, the Director of Audit or any officer of his staff, in respect of any act done or omitted to be done by the Office of the Director of Audit and by the Director of Audit or any officer of his staff during or after his appointment, in the execution of his functions.

Public Sector Audits

In order to provide assurance to Parliament on the accounting and use of public funds and to fulfil its mandate effectively, two main types of audits are undertaken by the NAO, namely, Financial/ Regularity Audits and Performance Audits. The main objectives and outcomes of these audits are given below.

Audits of Government Ministries and Departments

Financial/ Regularity Audit

Performance Audit

↓
Objectives

Examine and inquire into the accounts of all Ministries/Departments/offices of the Government of Mauritius in order to report thereon

Review all or part of an entity's operations to assess its efficiency and/or administrative effectiveness

Examine with the Treasury books the Financial statements which the Accountant General is required to prepare and submit to the Director of Audit

To identify areas where improvements can be made to aspects of public management

Examine the accounts and statements of the Government Financial Report and prepare a report

To make specific recommendations to help public sector entities improve their programme management

Review of internal controls

To contribute to improvements in the public management by identifying and promoting better practice

Review of compliance with rules and regulations

To further professional and public sector development

↓
Outcomes

To provide assurance on fair presentation of the Government financial statements, the adequacy of internal controls and compliance with rules and regulations

To improve the economy, efficiency and effectiveness of Government programmes, activities and operations

Scope of this Report

This report contains detailed comments, as far as Government accounts are concerned, qualifying my Certificate of the Accountant General's Statements for the year ended 31 December 2013 and any other matters of importance that have come to my notice since the date of the Audit Report 2012. Brief comments on other public accounts are also included.

Audit Methodology

The Audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). ISSAIs require that the auditor exercises professional judgment and maintain professional skepticism throughout the audit and, among other things, to:

- Identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal control.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements and any additional objectives on which reporting is mandatory based on conclusions drawn from the audit evidence obtained.

Audit Reports

The Constitution (Section 110) provides that the Director of Audit shall submit his reports to the Minister responsible for the subject of Finance, who shall cause them to be laid before the National Assembly.

The Finance and Audit Act requires the Accountant-General to sign and submit to the Director of Audit, within six months of the close of every fiscal year, statements showing fully the financial position of Mauritius on the last day of such fiscal year. The Director of Audit is to send, within eight months of the close of every fiscal year, copies of the statements submitted together with a certificate of audit and a report upon his examination and audit of these accounts to the Minister responsible for the subject of Finance. On receipt of the statements and reports, the latter is required as soon as possible to lay these documents before the National Assembly.

Where the Minister fails, within a reasonable time, to lay any report before the National Assembly, the Director of Audit shall send such report to the Speaker of the National Assembly to be by him presented to the National Assembly.

Also, the Director of Audit may, if it appears to him to be desirable, send a special report on any matter incidental to his powers and duties under the Finance and Audit Act to the Speaker of the Assembly to be by him presented to the Assembly.

Audit Reporting Process

At the conclusion of an audit, the management of the audited organization is given the opportunity to respond to audit queries through discussions at an exit meeting before it is escalated into a management letter, which is a formal, detailed report. Some queries may get cleared or resolved as a result of the management's comments/responses.

Audit findings deemed to be of significance and of a nature to be brought to the attention of the National Assembly are then communicated to the Accounting officer through "Reference Sheets". The latter is given the opportunity to comment on the "true and fair" view of these audit findings before their inclusion in the Annual Audit Report with, as far as possible, a summary of the comments of the management of the audited entity.

The Figure 1.2 depicts the process audit issues go through before inclusion in the Annual Audit Report.

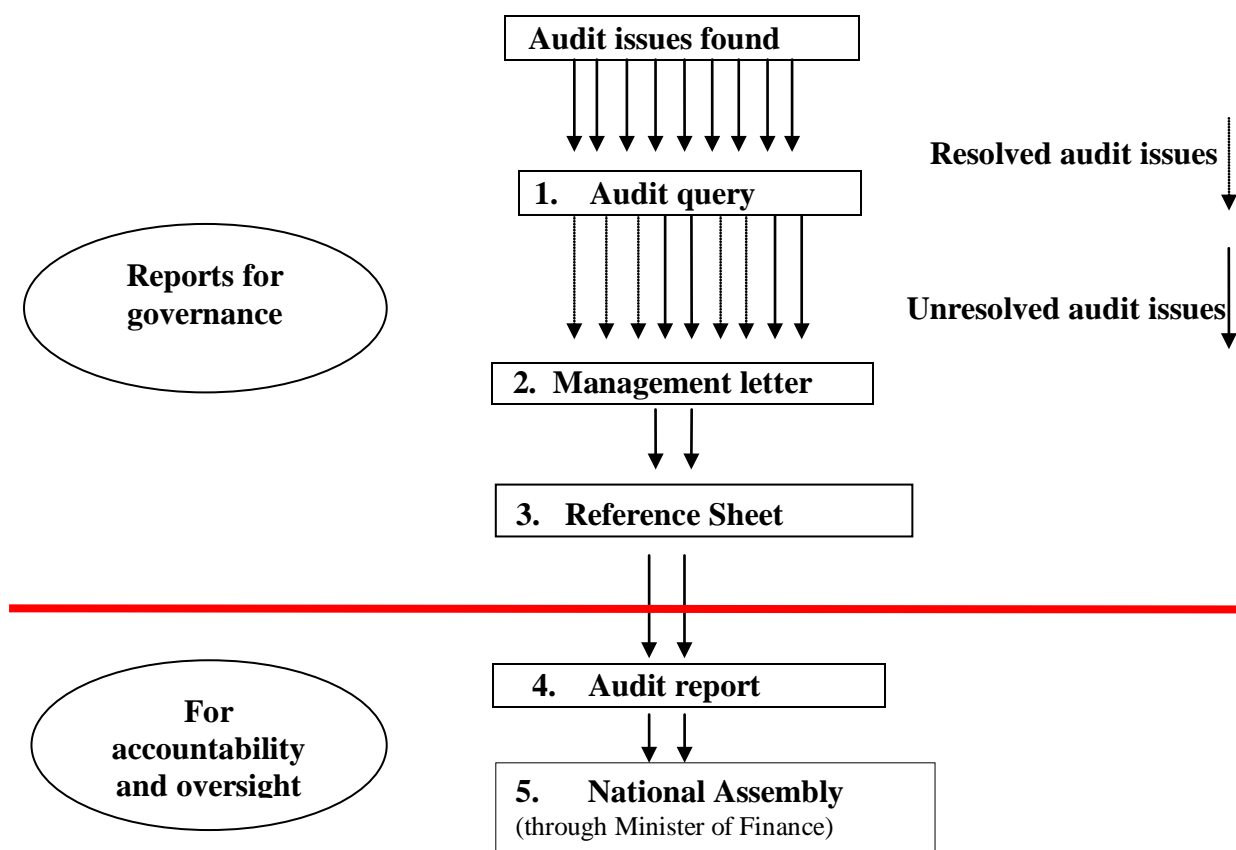


Figure 1.2

Public Accounts Committee

The Standing Orders of the National Assembly provide for the appointment of a Select Committee, called the Public Accounts Committee (PAC), consisting of a Chairman appointed by the Speaker and not more than nine members to be nominated by the Committee of Selection.

The function of the PAC is to examine the accounts of the Government of Mauritius for each fiscal year together with the report of the Director of Audit on them and such other accounts laid before the Assembly as the Assembly may refer to the Committee. The Committee has to satisfy itself

- 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;
- That the expenditure conformed to the authority which governed it;
- That every re-appropriation has been made in accordance with the provisions made in this behalf under appropriate rules; and
- That cases involving negative expenditure and financial irregularities wherever they have occurred in the fiscal year under study, having regard to the financial report and the estimates as approved by the House, are subjected to scrutiny.

Acknowledgement

I wish to take this opportunity to thank the Heads of Divisions and all the staff of the NAO for their constant support and commitment, without which the submission of this report would not have been possible. They have collectively performed their duties with professional dedication and goodwill, which is highly appreciated. I would also like to acknowledge the cooperation and collaboration of the Secretary to the Cabinet and Head of the Civil Service, the Financial Secretary, all the Senior Chief Executives, Permanent Secretaries and other Accounting Officers, the Accountant General, the Government Printer and all their staff.

Kwee Chow TSE YUET CHEONG (Mrs)
Director of Audit
Head of SAI Mauritius

28 July 2014

2 - ANNUAL FINANCIAL STATEMENTS

2.1 Statement of Assets and Liabilities

The Finance and Audit Act requires the Accountant General to sign and submit to the Director of Audit, within six months of the close of every fiscal year, financial statements showing fully the financial position of the Republic of Mauritius.

The Accounts of the Republic of Mauritius for fiscal year ended 31 December 2013 comprise a Statement of Assets and Liabilities and a set of other Financial Statements showing the financial position of the Government. The main statement is the Statement of Assets and Liabilities.

2.1.1 Five Years Summary of Assets and Liabilities

Assets and liabilities for the five years to 31 December 2013 are shown in Table 2-1.

Table 2-1 Five Years Summary of Assets and Liabilities (Rs million)

| | Year ended 31 December | | | | |
|---|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Assets | | | | | |
| Cash and Bank Balances | 4,752.3 | 3,142.8 | 4,014.3 | 3,850.1 | 2,498.7 |
| Investments | 8,884.0 | 7,424.6 | 20,030.4 | 22,120.2 | 26,363.8 |
| Advances | 1,440.9 | 1,430.9 | 1,372.6 | 1,346.5 | 2,424.7 |
| Total Assets | 15,077.2 | 11,998.3 | 25,417.3 | 27,316.8 | 31,287.2 |
| Liabilities | | | | | |
| Accounts Payable | 3,845.1 | 4,063.4 | 4,072.3 | 4,165.1 | 4,406.9 |
| Short Term Borrowings | 38,305.6 | 33,055.2 | 32,248.7 | 28,855.1 | 25,751.9 |
| Treasury Notes | 41,057.1 | 43,183.3 | 41,969.2 | 39,757.9 | 42,931.1 |
| Deposits | 904.9 | 985.1 | 1,181.3 | 1,403.9 | 1,408.2 |
| Special Funds | 7,727.9 | 6,256.1 | 9,890.4 | 9,248.3 | 10,963.8 |
| Total Liabilities | 91,840.6 | 87,543.1 | 89,361.9 | 83,430.3 | 85,461.9 |
| Net Liabilities | (76,763.4) | (75,544.8) | (63,944.6) | (56,113.5) | (54,174.7) |
| Represented by: | | | | | |
| Accumulated deficit in the Consolidated Fund | (76,763.4) | (75,544.8) | (63,944.6) | (56,113.5) | (54,174.7) |

Investments comprise shares in quoted and unquoted companies, units, equity participation, bank deposits of Special Funds and foreign investments.

Advances are made under the authority of Warrants issued under Section 6(1) of the Finance and Audit Act. They comprise mainly motor cars and motor cycles advances in favour of Government officers and officers of Statutory and Other Bodies, as stated in Statement G – Detailed Statement of Advances.

Accounts Payable consists of interests due as of 31 December 2013 in respect of Central Government Debt, which comprise Government Bonds, Mauritius Development Loan Stock, Treasury Bills, Treasury Notes and External Loans.

Short Term Borrowings comprise mainly Treasury Bills raised and issued by Bank of Mauritius on behalf of Government under Sections 5 and 15 of the Public Debt Management Act and totalled Rs 25,751.9 million as of 31 December 2013.

Treasury Notes represent Two-Year, Three-Year and Four-Year Treasury Notes issued in accordance with Sections 5 and 15 of the Public Debt Management Act and totalled Rs 42,931.1 million as of 31 December 2013.

Both Short Term Borrowings and Treasury Notes figures, stated in the Statement of Assets and Liabilities, are part of Public Sector Debt figure of Rs 219.87 billion as of 31 December 2013. The Public Sector Debt is stated separately in Statement J - Statement of Public Sector Debt.

Deposits are monies deposited with the Government by individuals and organizations under Section 8 of the Finance and Audit Act.

Special Funds comprise monies deposited with the Government by the various Funds set up under the Finance and Audit Act.

2.2 Account of Revenue and Expenditure of the Consolidated Fund

The Consolidated Fund was established by Section 103 of the Constitution of the Republic of Mauritius.

In accordance with Section 3 of the Finance and Audit Act, the Consolidated Fund is credited with all revenues collected on behalf of Government and charged with expenses incurred on the authority of Warrant issued by the Minister of Finance. The revenue and expenditure of the Consolidated Fund are classified according to Economic Classification and Programme Codes respectively.

As of 31 December 2013, the accumulated deficit figure of the Consolidated Fund was Rs 54.17 billion.

As shown in Table 2-2, the result for the fiscal year 2013 showed a surplus of revenue over expenditure of Rs 2.1 billion.

Table 2-2 Recurrent Revenue and Expenditure of the past four fiscal years

| Fiscal Year | Revenue Rs | Expenditure Rs | Surplus/(Deficit) Rs |
|--------------------|-----------------------|---------------------------|---------------------------------|
| 2010 | 81,313,164,042 | 79,894,063,594 | 1,419,100,448 |
| 2011 | 87,653,059,839 | 87,816,218,502 | (163,158,663) |
| 2012 | 95,680,475,892 | 89,101,477,784 | 6,578,998,108 |
| 2013 | 105,033,770,981 | 102,924,073,475 | 2,109,697,506 |

2.3 Statement of Investments

Details of all investments made by Government are stated in the Statement of Investments – Statement F. The investments comprise Shares in Quoted and Unquoted Companies, Units, Equity Participation, Bank Deposits and Other Investments. As of 31 December 2013, the total investments (*at cost*) were Rs 26,363,872,508 and as shown in Table 2-3.

Table 2-3 Investments as of 31 December 2013

| Details | Cost | |
|----------------------|-----------------------|-----------------------|
| | 2013 Rs | 2012 Rs |
| Quoted Shares | 144,852,015 | 144,852,015 |
| Units | 75,789,771 | 75,789,771 |
| Unquoted Shares | 8,535,406,237 | 8,713,827,622 |
| Equity Participation | 3,971,685,060 | 3,971,685,060 |
| Sub Total | 12,727,733,083 | 12,906,154,468 |
| Bank Deposits | 8,176,396,595 | 9,213,999,786 |
| Other Investments * | 5,459,742,830 | - |
| Grand Total | 26,363,872,508 | 22,120,154,254 |

*Other Investments – Rs 5,459,742,830

Government invested Rs 5,459,742,830 overseas during the fiscal year 2013, comprising EUR 35 million and USD 92 million invested in Fixed Rate Step-up Note and USD 40 million in Single Fixed Rate Coupon respectively. The investment of USD 92 million was in respect of National Resilience Fund.

2.3.1 New Investments in Unquoted Shares

Government invested in the shares of four State Owned Entities. Details of the investments are shown in Table 2-4.

Table 2-4 New Investments in Unquoted Shares during 2013

| | Investments 31 December 2012 Rs | Investments during 2013 Rs | Investments 31 December 2013 Rs |
|--|--|---|--|
| Unquoted Shares | | | |
| Airports of Mauritius Ltd | 1,307,774,970 | 300,000,000 | 1,607,774,970 |
| New Development Bank of Mauritius (DBM) Ltd | - | 200,000,000 | 200,000,000 |
| Cargo Handling Corporation Ltd | 600,000 | 200,000,000 | 200,600,000 |
| Knowledge Parks Ltd | - | 25,000 | 25,000 |
| | 1,308,374,970 | 700,025,000 | 2,008,399,970 |

On a total investment of Rs 1,607,774,970 in Airports of Mauritius Ltd, the Company has issued share certificates of an investment amount of Rs 132,774,970 only.

2.3.2 Return on Investments

The budgeted and actual dividends received during the past four fiscal years are shown in Table 2-5.

Table 2-5 Dividend received during the past Four Fiscal Years

| Fiscal Year | Budgeted Rs | Actual Rs |
|--------------------|------------------------|----------------------|
| 2010 | 2,592,800,000 | 1,787,259,799 |
| 2011 | 338,000,000 | 704,044,748 |
| 2012 | 2,477,000,000 | 1,039,755,819 |
| 2013 | 2,633,000,000 | 1,478,778,376 |

Government received a total of Rs 1,478,778,376 in terms of dividends during fiscal year 2013 compared to Rs 1,039,755,820 previous year, that is an increase of Rs 439,022,557.

Details of dividends received for the two fiscal years 2012 and 2013 are shown in Table 2-6.

Table 2-6 Dividends received during the Fiscal Years 2012 and 2013

| Details | Investment at cost 31.12.2013 Rs | Dividend Received 2013 Rs | Dividend Received 2012 Rs |
|--------------------------------------|---|--|--|
| Quoted Shares | | | |
| State Bank of Mauritius Ltd | 41,058,573 | 59,810,460 | 52,334,152 |
| National Investment Trust | 4,604,412 | 882,635 | 735,529 |
| Alteo Ltd | 840 | 338 | 25 |
| The MDIT Trust Co Ltd | 2 | 6 | 7 |
| Units | | | |
| NMF General Fund | 4,002,000 | 604,489 | 586,274 |
| NMF Property Trust | 15,000,000 | 597,255 | 683,135 |
| Unquoted Shares | | | |
| Mauritius Telecom | 63,625,174 | 750,777,053 | 391,931,072 |
| Airports of Mauritius Co Ltd | 1,607,774,970 | 544,111,073 | - |
| State Informatics Ltd | 32,800,000 | 2,972,012 | - |
| Mauritius Housing Company Ltd | 59,161,634 | 36,499,815 | 31,156,813 |
| Sugar Investment Trust | 19,999,980 | 4,873,911 | 728,263 |
| Port Louis Fund | 55,979,090 | 4,478,327 | 3,358,745 |
| PTA Reinsurance Company (ZEP-RE) | 3,783,716 | 507,498 | 379,263 |
| FIDEL | 16 | 32 | 222 |
| AFREXIM Bank | 10,776,420 | 3,081,122 | 1,234,164 |
| African Reinsurance Corporation | 27,518,488 | - | 956,588 |
| United Investments | 48 | - | 77 |
| Overseas Telecommunications Services | 28,858 | 9,235,200 | - |
| Alma Investments Co ltd | 160 | 89 | 90 |
| Equity Participation | | | |
| Bank of Mauritius | 2,000,000,000 | 60,347,061 | 555,671,400 |
| Total | | 1,478,778,376 | 1,039,755,819 |

2.3.3 Investments not yielding any Return

Investments(*at cost*) totalling some Rs 6.4 billion and representing approximately 24.3 per cent of total investments, did not yield any return at all, since they have been acquired, while Rs 2.0 billion of the total investments did not yield any return during fiscal year 2013. Details are shown in Table 2-7.

Table 2-7 Other Investments yielding no Returns

| | Year of Investments | Cost Price |
|---|---------------------|---------------|
| <i>Investment not yielding any return since acquisition</i> | | |
| Unquoted Shares | | Rs |
| African Development Bank | 1992-1993 | 558,795,664 |
| Airports of Rodrigues | 2000-2008 | 538,310,200 |
| Business Parks of Mauritius Ltd | 2001-2009 | 1,105,552,722 |
| Cargo Handling Corporation Ltd | 1983-1996 | 600,000 |
| Discover Mauritius Ltd | 2006-2007 | 500,000 |
| Eastern and Southern African Trade & Development Bank Ltd | 1990-1991 | 157,868,426 |
| Editions De L'Océan Indien Ltee | 2000-2001 | 1,140,000 |
| Enterprise Mauritius | 2004-2005 | 79,782,747 |
| Events Mauritius Ltd | 2006-2007 | 1,800,000 |
| Mauritius Educational Development Company Ltd | 2000-2001 | 16,000,000 |
| Multi Carrier Ltd | 2001-2004 | 134,000,000 |
| Mauritius Post and Cooperative Bank Ltd | 2001-2005 | 137,166,400 |
| National Housing Development Company Ltd | 2007-2008 | 200,000,000 |
| SME Partnership Fund | 2005-2006 | 50,000,000 |
| State Land Development Company Ltd | 2001-2007 | 385,024,900 |
| State Property Development Company Ltd | 2001-2004 | 663,000,000 |

| | Year of Investments | Cost Price |
|------------------------------|----------------------------|-------------------|
| The Mauritius Post Ltd | 2001-2005 | 371,111,200 |
| Tourist Villages Company Ltd | 2007-2009 | 170,000,000 |

Equity Participation

| | | |
|--|----------------|-------------|
| Mauritius Cooperative Livestock Marketing Federation | 1992-1993 | 450,000 |
| Mauritius Cane Industry Authority (ex-Mauritius Sugar Authority) | 1984-1985 | 975,000 |
| Rodrigues Educational Development | 2001-2002 | 80,000 |
| Rose Belle Sugar Estate | 1987-1996 | 98,844,218 |
| Central Electricity Board | 1992-1993 | 670,856,197 |
| Central Water Authority | 1993-2012 | 962,250,913 |
| National Transport Corporation | Prior 01.07.01 | 50,000,000 |
| State Trading Corporation | Prior 01.07.01 | 400,000 |

Units

| | | |
|-------------------------------|----------|------------|
| NIT Local Equity Fund | 03.03.08 | 38,370,116 |
| NIT Global Opportunities Fund | 03.03.08 | 18,417,655 |

Sub- total **6,411,296,358**

Other Investments yielding no returns during 2013

| | | |
|--------------------------------|----------------------------|-------------|
| Air Mauritius Ltd | Prior 2001 and 2008 | 99,178,348 |
| Air Mauritius Holdings Ltd | Prior 2001 and 2008 | 87,354,608 |
| COVIFRA Ltee | Prior 2001 | 2,052,356 |
| Development Bank of Mauritius | Prior 2001 and 2005 - 2009 | 216,250,000 |
| Mauritius Shipping Corporation | Prior 2001 and 2011 | 135,493,000 |
| The State Informatics Ltd | Prior 2001 | 32,800,000 |
| State Investment Corporation | 2001 and 2012 | 85,000,000 |

| | Year of Investments | Cost Price |
|---|--------------------------------|----------------------|
| National Real Estate Ltd | 30.06.09 | 500,000,000 |
| Les Pailles International Conference Centre | 2006 - 2009 | 652,688,656 |
| Mauritius Cane Industry Authority(ex-Mauritius Sugar Terminal Corporation) | Prior 2001 | 172,828,732 |
| <i>Sub – Total</i> | | 1,983,645,700 |
| Total | | 8,394,942,058 |

2.4 Special Funds

Section 9 of the Finance and Audit Act provides for the creation of Special Funds. Special Funds as its denomination shows, mean money which are not raised or received for public purposes, but deposited with the Government for specific purposes.

There are two common types of Special Funds:

- Trust Funds
- Ordinary Funds

Trust Funds are funds which have been built up by donations and legacies - for example, De Chazal Maternity Home Fund.

Ordinary Funds are funds which are built up in two ways:

- By money transferred from expenditure (Grants). Expenditure out of such funds is governed by the regulations providing for the administration of such funds.
- Monies which are required to be shown separately for the purpose of control of the investment policy of Government.

The characteristics of the Special Funds are that:

- they do not form part of the Consolidated Fund,
- they are administered in the manner provided by a law or instrument creating them, with a Board of Trustees for each Fund,
- in the absence of any such law or instrument, the Minister of Finance, may by regulations provide for the administration of such Special Fund, or for the better administration of such Special Fund, as the case may be,
- money standing to the credit of Special Funds may be invested and any interest or dividend received is be credited to the accounts of that Special Fund and becomes in all respects part of that Special Fund.

Thus all Special Funds are either regulated by an Act or a Regulation made under the Finance and Audit Act. Actually there are 31 Special Funds and are differently regulated. Though all of them are audited by the Director of Audit, some are required to submit accounts not later than three months after the end of each financial year while for others no mention is made.

All of them are required to prepare

- annual statements of the receipts and payments for a financial year; and
- a balance sheet made up to the end of that financial year showing the assets and liabilities of the Fund.

With the change in accounting system for Statutory Bodies it is suggested that the accounting system for Special Funds be standardised to reflect current practice and similar conditions for the preparation of Annual Reports and their submissions before the National Assembly be spelt out.

A total of 16 financial statements in respect of eight Special Funds have not yet been submitted for audit purposes. [Appendix IA](#) refers.

33 financial statements in respect of 17 Special Funds were already certified but not yet laid before the National Assembly as shown in [Appendix IB](#)

2.5 Statement of Public Sector Debt

The Public Sector Debt (PSD) comprised debts of the Central Government raised both internally and externally, debts of Public Bodies guaranteed by Government and debts of Public Bodies not guaranteed by Government. All these debts are detailed in a separate Treasury Statement of Public Sector Debt.

Domestic Debt is made up of obligations, which include proceeds from issues of Treasury Bills, Treasury Notes, Government Bonds, Mauritius Development Loan Stocks (MDLS), and Advances from Special Funds while external debt refers to foreign loans.

As of 31 December 2013, PSD amounted to Rs 219.87 billion, as compared to Rs 194.49 billion for the fiscal year ending 31 December 2012. Details are given in the Table 2-8.

Table 2-8 Public Sector Debt as of 31 December 2012 and 31 December 2013

| Debt Category | 2013 | 2012 |
|-------------------------------------|------------------------|------------------------|
| | Rs | Rs |
| Government Debt | | |
| Domestic | 149,959,430,000 | 141,029,540,000 |
| External* | 47,092,645,001 | 31,153,196,095 |
| | 197,052,075,001 | 172,182,736,095 |
| Guaranteed by Government | | |
| Agencies Extra Budgetary Units | 23,851,050 | 104,711,050 |
| Public Enterprises | 12,766,319,659 | 13,602,165,203 |
| | 12,790,170,709 | 13,706,876,253 |
| Not Guaranteed by Government | | |
| Agencies Extra Budgetary Units | 291,397 | 291,397 |
| Local Government | - | 1,500,000 |
| Public Enterprises | 10,024,731,134 | 8,595,529,685 |
| | 10,025,022,531 | 8,597,321,082 |
| Total | 219,867,268,241 | 194,486,933,430 |

* The 2012 figure for Government External Debt excludes International Monetary Fund (IMF) Special Drawing Rights (SDR) allocations amounting to Rs 4.5 billion, whilst that of 2013 includes the IMF SDR allocations following advice from the IMF.

2.5.1 Maturity Structure of Domestic Debt

Domestic Debt comprises Government of Mauritius Bonds of Rs 70.38 billion, MDLS of Rs 8.83 billion, Treasury Bills of Rs 25.97 billion, Treasury Notes of Rs 43.25 billion and Advance from Special Fund of Rs 1.53 billion.

The maturity profile of the Domestic Debt indicates that 34.4 per cent of total debt would mature within one year and 36.2 per cent within the next three years.

Some 50 per cent of the outstanding debts would fall due by 31 December 2015. An indication of the years of maturity is given in Table 2-9.

Table 2-9 Maturity Structure of Domestic Debt

| Years of Maturity | Treasury Bills | Treasury Notes | MDLS | Bonds | Total | Per cent |
|--------------------------|-----------------------|-----------------------|----------------|-----------------|------------------|-----------------|
| | Rs m | Rs m | Rs m | Rs m | Rs m | |
| 2014 | 25,971.1 | 14,785.3 | 1,292.8 | 9,017.5 | 51,066.7 | 34.40 |
| 2015 | | 13,855.5 | 1,688.1 | 7,660.1 | 23,203.7 | 15.63 |
| 2016 | | 14,610.0 | 2,740.7 | 5,913.6 | 23,264.3 | 15.67 |
| 2017 | | | 31.00 | 7,175.0 | 7,206.0 | 4.86 |
| 2018 and Onwards | | | 3,077.1 | 40,615.7 | 43,692.8 | 29.44 |
| Total | 25,971.1 | 43,250.8 | 8,829.7 | 70,381.9 | 148,433.5 | 100.00 |

2.5.2 Public Sector Debt Figures of Five Past Years

The Public Sector Debt figures for the five fiscal years ending to 31 December 2013 are given in Table 2-10.

Table 2-10 Public Sector Debt for Fiscal Years 2009 to 2013

| Fiscal Year | Public Sector Debt | Increase over the previous year | Increase over the previous year |
|--------------------|---------------------------|--|--|
| | Rs | Rs | % |
| 2009 | 168,553,667,188 | 7,651,160,870 | 4.75 |
| 2010 | 172,814,286,623 | 4,260,619,435 | 2.52 |
| 2011 | 185,187,034,366 | 12,372,747,743 | 7.15 |
| 2012 | 194,486,933,430 | 9,299,899,064 | 5.02 |
| 2013 | *219,867,268,241 | 25,380,334,811 | 10.50 |

**The figures for prior years 2009 to 2012 of Public Sector Debt excludes IMF SDR allocations amounting to Rs 4.5 billion, whilst that of 2013 includes the IMF SDR allocations following advice from the IMF.*

The figure for 2013 has increased by Rs 46.74 billion when compared to Rs 173.13 billion (inclusive of IMF SDR allocation) of fiscal year 2009. This represented an increase of 27 per cent over the past five years.

2.5.3 Public Sector Debt and Gross Domestic Product

PSD as a percentage of Gross Domestic Product (GDP) for each of the three fiscal years ending 31 December 2011, 2012 and 2013 are given in Table 2-11.

Table 2-11 Public Sector Debt and Gross Domestic Product

| | PSD | GDP | PSD as Percentage |
|------------------|-------------------|-------------------|--------------------------|
| | Rs billion | Rs billion | of GDP |
| 31 December 2011 | *189.6 | *323.0 | 58.7 |
| 31 December 2012 | *199.0 | *343.8 | 57.9 |
| 31 December 2013 | 219.8 | 366.5 | 60.0 |

Source: Statistics Mauritius & MOFED

**For more meaningful comparison, MOFED has adjusted the time series data for PSD with updated figures for IMF SDR allocations and has also adjusted the GDP figures as released by Statistics Mauritius.*

PSD continued to be on the upward trend. The PSD as a percentage of GDP has increased to 60 per cent as of 31 December 2013 compared to 57.9 per cent a year before. In terms of the definition of the Public Debt Management Act, the PSD as a percentage of GDP has increased to 55.1 per cent of GDP at end December 2013 compared to 53.2 per cent a year before.

Recommendation

Given that the global economy has still not fully recovered from the crisis, it is crucial to put the country's debt on a declining path. Further, short and long term strategies are to be planned ahead to ensure that the targeted ceiling of 50 per cent of GDP by the end of December 2018 would be achieved as per the amended Public Debt Management Act (PDMA).

Ministry's Reply

Although debt to GDP has a tendency to increase, borrowings have been restricted to the financing of capital projects. This is in line with the Golden Rule that provides that borrowing be limited to finance investment projects only. Such investment contributes to future growth and generates the ability to repay the debt.

The medium term debt strategy to bring down public debt as per the targeted ceiling is reflected in the PBB Estimates 2014 and Indicative Estimates 2015-2016 submitted to Parliament in November 2013.

2.5.4 Cost of Servicing Public Debt

(i) The cost of servicing Public Debt comprised capital repayments, interest payments on Domestic and External Debts and management service charges.

Total Debts servicing during the past four fiscal years are shown in Table 2-12.

Table 2-12 Servicing of Debts For The Past Four Fiscal Years

| Particulars | Year 2010 Rs million | Year 2011 Rs million | Year 2012 Rs million | Year 2013 Rs million |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Interests | | | | |
| External Debt | 363.3 | 436.5 | 502.1 | 540.6 |
| Domestic Debt | 9,898.6 | 9,192.7 | 9,627.2 | 9,088.9 |
| Management Service Charges | 24.6 | 14.9 | 35.1 | 25.6 |
| Sub Total | 10,286.5 | 9,644.1 | 10,164.40 | 9,655.10 |
| Capital repayments External Debt | 834.4 | 768.2 | 888.0 | 1,089.6 |
| Capital Repayments on Long Term Domestic Debt | 3,170.2 | 3,794.8 | 6,068.6 | 4,386.4 |
| Total | 14,291.1 | 14,207.1 | 17,121.0 | 15,131.1 |

Interest payments on Public Debt have slightly decreased over the past four years, from Rs 10.29 billion in 2010 to Rs 9.65 billion in 2013. Servicing of Public Debt has increased from Rs 14.29 billion in 2010 to Rs 15.13 billion in 2013.

(ii) The cost of servicing Public Debt as a percentage of total Government expenditure for the past four fiscal years 2010 to 2013 is shown in Table 2-13.

Table 2-13 Cost of Servicing Public Debt as a Percentage of Total Government Expenditure

| Fiscal Year | Cost of Servicing Rs million | Total Expenditure Rs million | Cost of Servicing as a % of Total Expenditure |
|--------------------|---|---|--|
| 2010 | 14,291.1 | 79,894.1 | 17.9 |
| 2011 | 14,207.1 | 87,816.2 | 16.2 |
| 2012 | 17,121.0 | 89,101.5 | 19.2 |
| 2013 | 15,131.1 | 102,924.1 | 14.7 |

Additionally, Rs 43.7 billion and Rs 17.1 billion have been spent on redemption of Treasury Bills and Treasury Notes respectively in 2013. New issues of these instruments amounted to Rs 40.2 billion and Rs 14.6 billion respectively. It is the Treasury policy not to include these figures in the Statement of Expenditure or Revenue, but the net outstanding balances were disclosed in the Statement Public Sector Debt and Statement of Assets and Liabilities.

2.5.5 Management of Loans

In previous years' Audit Reports, mention was made that commitment fees were being paid when funds were withdrawn after the scheduled date specified in the loan agreements. As of 31 December 2013, commitment fees paid on undrawn balances in respect of four loans totalled some Rs 22.1 million.

The cumulative amount of commitment fees on these loans since signature of loan agreements was Rs 75.7 million. Table 2-14 shows a breakdown of commitment fees paid on these loans.

Table 2-14 Commitment Fees paid on Loans

| Funding Agency – Loan Description (Amount) – Period of Withdrawal | Disbursement up to 31.12.13 (%) | Commitment Fees Paid up to 31 December | | | |
|--|---------------------------------|--|--------------------|--------------------|---------------------|
| | | 2011 Rs million | 2012 Rs million | 2013 Rs million | Total Rs million |
| Exim Bank of China - P Wilhems Sewerage Project, Lot 2 (480 m CNY) - 25 Feb 2009 | 439,484,256 (91%) | 30.6 | 5.5 | 3.5 | 39.6 |
| Japan International Coop Agency - Grand Bay Sewerage Project(7,012 m JPY)- 05 Nov 2010 | 18,966,170 (0.27%) | 1.7 | 2.6 | 2.2 | 6.5 |
| Exim Bank of India- Offshore Patrol Vessel (48.5 m USD)- 30 Mar 2011 | 35,000,000 (72%) | 0.9 | 12.3 | 3.8 | 17.0 |
| Exim Bank of China- Bagatelle Dam (580 m CNY)- 30 Apr 2012 | 279,220,674 (48 %) | | | 12.6 | 12.6 |
| Total | | 33.2 | 20.4 | 22.1 | 75.7 |

Disbursements were not effected as scheduled, due to delay in implementing these four projects:

- *Plaines Wilhems Sewerage Project Stage 1 Lot 2-* The length of street sewer to be laid down has been modified and there have been increases in the number of household connections together with more and deeper excavations to be done, which require an extension of time.

- *Grand Bay Sewerage Project.* The first procurement process had to be cancelled as it was not in line with Public Procurement Act. Thus, there was considerable delay in recruiting Consultants and further delay in the procurement process.
- *Offshore Patrol Vessel.* There was a delay to finalise the agreement due to a change in specifications and needs requirements.
- *Bagatelle Dam.* The construction works started in December 2011. During construction works, a number of issues relating to spillway structure and grouting method cropped up requiring major changes in the construction of spillway and the foundations and causing a partial disruption on site of work.

It is possible to maintain commitment fees to a minimum amount, in that, prior to the signature of the loan agreement, assurance must be obtained that the projects would be implemented within a reasonable time and also a Schedule of Disbursements must be agreed with the loan provider.

Ministry's Reply

MOFED is only the fiscal agent of Government and manages the whole loan portfolio of the State, whilst implementation of projects is the responsibility of line Ministries.

The commitment fees have been due to delays in implementation of projects by line Ministries. The following proposals are put forward to minimize commitment charges viz:

- Loan agreement is signed once the project is ready for implementation;
- The loan agreement must include a schedule of disbursements of the proceeds of the loan based on the timeframe in implementing the project. Accordingly, if there is any delay in project implementation, not all the undrawn balance of the loan would be subject to payment of commitment charges.

2.6 Statement of Outstanding Loans

Government advanced loans from revenue to Statutory Bodies, Private Individuals, State Owned Entities and Other Bodies mainly for capital projects. The Accountant General's Department prepared a Statement of Outstanding Loans Financed from Revenue regarding such loans and as of 31 December 2013, total loans outstanding due to Government by all these Bodies amounted to Rs 12,719,382,250. Details are shown in Table 2-15.

Table 2-15 Outstanding Loans due to Government as of 31 December 2013

| Name of Borrowers | Original Loan Rs | Outstanding Loan Rs |
|---|-----------------------|---------------------------|
| Statutory Bodies | | |
| Central Electricity Board | 3,498,269,017 | 3,196,030,659 |
| Central Water Authority | 2,676,236,100 | 1,511,702,286 |
| Sugar Planters Mechanical Pool Corporation | 20,408,214 | 24,247,418 |
| Mauritius Meat Authority | 5,717,943 | 5,669,085 |
| Irrigation Authority | 278,370,422 | 288,115,256 |
| Agricultural Marketing Board | 40,210,830 | 28,039,860 |
| National Transport Corporation | 196,022,528 | 170,071,448 |
| Industrial and Vocational Training Board | 88,534,225 | 98,587,808 |
| Rose Belle S.E. | 92,977,646 | 95,540,427 |
| Mauritius Broadcasting Corporation | 381,631,437 | 425,426,950 |
| Wastewater Management Authority | 920,992,616 | 920,992,616 |
| Mauritius Sugar Industry Research Institute | 2,631,395 | 875,992 |
| Subtotal | 8,202,002,373 | 6,765,299,803 |
| Other Bodies | | |
| Build Mauritius Fund | 4,300,000,000 | 4,300,000,000 |
| Mauritius Shipping Corporation | 107,200,000 | 107,200,000 |
| Pamplemousses/Riviere du Rempart District Council | 42,000,000 | 38,850,000 |
| Airports of Mauritius Ltd | 513,372,400 | 568,316,600 |
| Mauritius Post and Co-operative Bank Ltd | 8,000,000 | 8,000,000 |
| Rodrigues Regional Assembly | 14,847,000 | 14,847,000 |
| Development Bank of Mauritius Ltd | 510,815,876 | 339,535,441 |
| Mauritius Housing Company Ltd | 62,644,315 | 18,799,091 |
| Bus Companies | 25,555,614 | 4,460,006 |
| Ex Mauritius Cooperative Central Bank | 81,880,000 | 81,308,000 |
| National Housing Development Co Ltd | 338,870,507 | 148,437,440 |
| Business Parks of Mauritius Ltd | 481,506,283 | 186,742,042 |
| BPML Freeport Services Ltd | 145,446,340 | 136,261,660 |
| Subtotal | 6,632,138,335 | 5,952,757,280 |
| Private Individuals | | |
| Repatriation Expenses | 2,827,070 | 1,162,091 |
| Small Scale Industries | 546,277 | 163,073 |
| Sub Total | 3,373,347 | 1,325,164 |
| Total | 14,837,514,055 | 12,719,382,250 |

Central Electricity Board and Central Water Authority owed loan amounts of Rs 3.2 billion and Rs 1.5 billion respectively being capital instalments and accrued interests as of 31 December 2013. These two outstanding loan balances represented some 37 per cent of the total of Rs 12.7 billion.

2.6.1 Loan Instalments in Arrears

Ten Statutory Bodies and six Other Bodies have not been paying the loan instalments as well the accrued interests and they owed a total of Rs 2,223,487,989 comprising capital and interest of Rs 1,229,952,520 and Rs 993,535,469 respectively as of 31 December 2013. Details are shown in Table 2-16.

Table 2-16 Arrears of Capital and Interests due as of 31 December 2013

| | Capital Rs | Interest Rs | Period due | Remarks |
|---|---------------|----------------|------------|---|
| Statutory Bodies | | | | |
| Central Electricity Board | 991,987 | 598,522 | 2013 | Insufficient repayment |
| Central Water Authority (<i>Note 1</i>) | 496,119,680 | 215,130,667 | 1999-2013 | Insufficient repayment |
| Mauritius Institute of Training and Development (ex-IVTB) (<i>Note 2</i>) | 98,587,808 | 39,808,347 | 2005-2013 | No repayment since Nov.2004 |
| Irrigation Authority (<i>Note 3</i>) | 239,479,545 | 158,721,856 | 1983-2013 | No repayment since August 1996 |
| National Transport Corporation (<i>Note 4</i>) | 154,071,448 | 254,326,360 | 1988-2013 | Monthly repayment of Rs 10,000 since Jan 2000 |
| Mauritius Meat Authority | 5,669,085 | - | 1986-1990 | No repayment since 1979 -80 |
| Mauritius Broadcasting Corporation | 34,208,281 | 11,971,053 | 2010-2013 | Outstanding since 2011 |
| Mauritius Shipping Corporation | 14,800,000 | 9,166,096 | 2011-2013 | Outstanding since 2011 |
| Rose Belle Sugar Estate | 71,109,216 | 83,632,755 | 1982-2013 | Insufficient repayment |
| Rodrigues Regional Assembly | - | 1,500,971 | 2011-2013 | Insufficient repayment |

| | Capital Rs | Interest Rs | Period due | Remarks |
|---|----------------------|--------------------|------------|-----------------------------------|
| Private Bodies | | | | |
| BPML Freeport Services Ltd (<i>Note 5</i>) | 16,989,227 | 65,691,698 | 1999-2013 | Loan rescheduled in 2012 |
| National Housing Development Corporation | 2,857,330 | - | 2013 | Outstanding for 2013 |
| Small Scale Industries (<i>Note 6</i>) | 163,073 | 878,817 | 1985-2013 | No repayment since June 1992 |
| Business Parks of Mauritius Ltd (<i>Note 7</i>) | 9,137,833 | 93,868,392 | 2003-2013 | Loan rescheduled in 2012 |
| Ex.MCCB Ltd (<i>Note 8</i>) | 81,308,000 | 58,239,936 | 1997-2013 | No repayment made since June 1996 |
| Bus Companies (<i>Note 9</i>) | 4,460,006 | - | 1979 | No repayment since 1995 |
| Total | 1,229,952,520 | 993,535,469 | | |

Government instructed management of the Public Bodies in September 2010 to take a number of corrective measures to redress the situation and to prepare a Plan to repay all loan instalments in arrears by end of December 2012.

However, as of 31 December 2013, those Bodies were still unable to repay the arrears of loan.

Note 1: Central Water Authority (CWA) – CWA contracted a number of other loans from Government during 2013, in spite of the fact that it did not have the capacity to repay the existing loans instalments.

Moreover, Government set off Rs 200 million against the arrears amount of Rs 103.8 million and Rs 91.2 million being principal and interest amounts due, following the repeal of Central Water Authority (Production of Drinks) Fees and Other Charges Regulations, wherein a subsidy of Rs 200 million was budgeted in the Programme Based Budget Estimates 2013.

Note 2: Mauritius Institute of Training and Development (MITD) ex -IVTB

In April 2013, MITD Board made a request, through its parent Ministry to the Ministry of Finance and Economic Development, to write off the loan liability as well as arrears of instalments and accrued interest on the unpaid loan balances.

Note 3: Irrigation Authority (IA) – IA has been making huge losses during the past five years and could not repay the arrears in respect of loan instalments.

Note 4: National Transport Corporation (NTC) - During the past five years, NTC made surpluses of income only during the two fiscal years 2011 and 2012 and has been repaying their loans at a monthly instalment of Rs 10,000, considered insufficient.

Note 5: BPML Freeport Services Ltd - The existing loan was rescheduled.

Note 6: Loans to Small Scale Industries of Rs 1.1 million advanced to six private individuals have remained unpaid since year 1992.

Note 7: Business Parks of Mauritius Ltd (BPML) - BPML is a profitable company with an average annual profit of some Rs 68 million and yet it has failed to repay the loan instalments due.

Note 8: Ex Mauritius Cooperative Central Bank Ltd – MCCB is already wound up. No amount had been received from the Liquidator of the Bank. The whole loan outstanding amount of Rs 139,547,936 may be considered irrecoverable.

Note 9: Bus Companies – The Bus Companies still owed a sum of Rs 4.4 million on a loan amount of Rs 25 million disbursed in 1978 to effect payments of end of year bonus and extra remuneration to their employees. The companies have not effected any repayment since 1995.

2.6.2 New loans disbursed during fiscal year 2013

In spite of the fact that Public Bodies were not able to repay the existing loans, Government still made available new loans amounting to Rs 69.8 million to the CWA and the Mauritius Shipping Corporation during 2013.

Government also advanced loans to the following new Bodies during the fiscal year.

Loan to Wastewater Management Authority (WMA) - Rs 920,992,616

An amount of Rs 920,992,616 was disbursed during 2013 to allow WMA to carry out seven projects that were approved under the Programme Based Budget Estimates 2013. A loan agreement was signed on 6 May 2014 between the Ministry of Finance and Economic Development (MOFED) and WMA.

The first capital instalment is due for repayment in fiscal year 2018 and interest is payable from the date the loan was disbursed.

As of 31 May 2014, WMA was unable to pay the interest accrued on loan for the period to 31 December 2013 due to cash flow problem.

WMA has informed the Ministry of Energy and Public Utilities that without an increase in wastewater tariff it would be impossible to repay the loan granted for the implementation of the wastewater projects as the actual revenue from the waste water tariff was only sufficient to pay its annual operational expenditure.

Loan to Build Mauritius Fund - Rs 4.3 billion

Government set up a Build Mauritius Fund to contribute to the financing of projects or related development schemes under the Build Mauritius Plan. On 31 December 2013, an amount of Rs 4.3 billion was disbursed under 'Loans financed from Revenue' to the Build Mauritius Fund.

2.7 Statement of Arrears of Revenue

Arrears of revenue totalling Rs 8,386,240,505 was due to Government as of 31 December 2013. The Accountant General compiles the figures from returns submitted by all Government Ministries and Departments. Regulations require that officers responsible for the collection of revenue should furnish to the Accountant General a Statement showing the arrears as at 30 June and 31 December of the fiscal year.

Arrears of revenue for the past five fiscal years are given in the Table 2-17.

Table 2-17 Arrears of Revenue

| Fiscal Year | Arrears of Revenue Rs |
|--------------------|----------------------------------|
| 2009 | 6,652,073,883 |
| 2010 | 6,505,963,033 |
| 2011 | 6,558,064,757 |
| 2012 | 6,927,931,061 |
| 2013 | 8,386,240,505 |

Annual increases have been noted in the arrears of revenue figure. There was a significant increase of Rs 1,734,166,622 in a five – year period.

57.4 per cent of the arrears figure of Rs 8,386,240,505 relate to the Mauritius Revenue Authority, that is Rs 4,820,177,542.

The arrears of revenue included many long outstanding amounts that are already time barred and thus irrecoverable.

2.7.1 Age List of Debtors

Table 2-18 shows an aged list of debtors amounting to Rs 8,386,240,505 as of 31 December 2013. The aged list has been compiled from the Returns submitted by Ministries and Departments to the Accountant-General.

A sum of Rs 4,570,639,953 was outstanding for period prior to year 2012. This represented 54 per cent of the total arrears figure.

Table 2-18 Aged List of Debtors as of 31 December 2013

| Ministries/ Departments | Prior to 2012 | 2012 | 2013 | Unallocated | Total Debtors as of 31.12.13 |
|---|---------------|-------------|-------------------------|-------------|------------------------------------|
| | Rs | Rs | Rs | Rs | Rs |
| <i>Mauritius Revenue Authority</i> | | | | | |
| Income Tax (Including Large Taxpayer) | 988,083,598 | 355,064,154 | 743,663,193 | | 2,086,810,945 |
| Value Added Tax | 1,037,299,111 | 398,786,217 | 762,727,097 | | 2,198,812,425 |
| Customs and Excise | 14,483,671 | 4,239,148 | 6,074,538 | | 24,797,357 |
| Betting and Gaming | 83,059,596 | 3,926,711 | 67,973,060 | | 154,959,367 |
| Sales Tax | 2,007,014 | | | | 2,007,014 |
| Hotel Tax | 51,358,841 | | | | 51,358,841 |
| Environment Protection Fee | 6,901,795 | 14,182,130 | 16,690,639 | | 37,774,564 |
| Pay As You Earn Tax Deduction Scheme | 40,327,788 | 22,781,075 | 59,596,072 | | 122,704,935 |
| | 35,127,898 | 21,979,530 | 39,190,786 | | 96,298,214 |
| Others | 734,996 | 12,273,443 | 31,645,441 | | 44,653,880 |
| | | | <i>Sub-Total</i> | | <i>4,820,177,542</i> |
| <i>Other Ministries and Departments</i> | | | | | |
| Civil Aviation | 29,583,498 | | 8,128,224 | | 37,711,722 |
| Industry (Commerce Division) | 39,900 | | 98,927 | | 138,827 |
| Public Infrastructure (Land Transport Division.) | 21,230 | | | | 21,230 |
| Fire Services | 211,709 | | | | 211,709 |
| The Treasury (Amounts due by Public Bodies) | 1,653,861,796 | 361,925,824 | 217,273,812 | | 2,233,061,431 |
| Registrar- General | 213,163,336 | 77,162,137 | 40,740,505 | | 331,065,978 |
| Housing and Lands | 17,534,772 | 51,810,163 | 340,461,351 | | 409,806,286 |
| Companies Division | 151,936,435 | 29,464,869 | 52,489,359 | | 233,890,663 |
| Education and Human Resources | 134,799,250 | 2,114,190 | | | 136,913,440 |
| Social Security, NS and RI | 1,387,560 | 806,754 | 1,475,338 | | 3,669,652 |
| Agro Industry and Food Security | 1,833,489 | 3,922,120 | 4,262,467 | | 10,018,076 |
| Tourism and Leisure | 265,000 | | 806,090 | | 1,071,090 |
| Public Infrastructure | 616,007 | 153,654 | 307,308 | | 1,076,969 |

| Ministries/ Departments | Prior to 2012 | 2012 | 2013 | Unallocated | Total Debtors as of 31.12.13 |
|---|----------------------|----------------------|----------------------|--------------------|---|
| | Rs | Rs | Rs | Rs | Rs |
| (Public Infrastructure Division) | | | | | |
| Renewable Energy and Public Utilities | 6,923,836 | | | | 6,923,836 |
| Health and Quality of Life | 7,179,549 | 1,139,665 | 1,360,467 | | 9,679,681 |
| Police Force | | | 1,993,022 | 939,894 | 2,932,916 |
| Local Govt. and Outer Islands | 235,620 | | 24,000 | | 259,620 |
| Ministry of Public Infrastructure (Shipping Division) | 296,683 | 35,796 | 197,367 | | 529,846 |
| National Transport Authority | 30,734,000 | | 3,739,000 | | 34,473,000 |
| National Audit Office | | | 2,212,500 | | 2,212,500 |
| Attorney General's Office | 183,440 | 252,335 | 151,815 | | 587,590 |
| Ministry of Labour, IR Empl. (Employment Division) | | 490,500 | | | 490,500 |
| Ministry of Arts and Culture | | | 1,210,000 | | 1,210,000 |
| Industrial Court | 131,550 | 45,400 | 277,300 | | 454,250 |
| Intermediate Criminal Court | 12,774,239 | 2,886,853 | 23,008,891 | | 38,669,983 |
| Judicial Courts | 47,542,746 | 3,813,550 | 17,625,872 | | 68,982,168 |
| Sub-total | | | | | 3,566,062,963 |
| Grand Total | 4,570,639,953 | 1,369,256,218 | 2,445,404,441 | 939,894 | 8,386,240,505 |

The Treasury – Rs 2,233,061,431

Arrears in the books of The Treasury as of 31 December 2013 comprised mainly three items, shown in Table 2-19.

Table 2-19 Treasury Arrears of Revenue as of 31 December 2013

| | Rs |
|---------------------|----------------------|
| Accident and Claims | 8,283,222 |
| Shooting Rights | 1,290,220 |
| Loan | 2,223,487,989 |
| Total | 2,233,061,431 |

The arrears of loan consisted of Rs 1,229,952,520 as capital repayment due and Rs 993,535,469 as interest due by ten Statutory Bodies and six Private Bodies and reported separately under 'Outstanding Loans Financed from Revenue'.

As for item Accident and Claims, an arrears amount of Rs 830,202 was written off during fiscal year 2013.

Of the outstanding balance of Rs 8,283,222, there were claims of Rs 3,137,141 relating to accidents that occurred during the years 1979 and 2003 and considered time barred and irrecoverable. Action was being taken for the write off of long outstanding cases.

3 - JUDICIARY

3.1 Arrears of Revenue - Rs 108,054,726

At paragraph 6.1 of the Audit Report for the year ended 31 December 2011, I mentioned that the management of arrears of revenue of the Judiciary had not improved. As of 31 December 2013, arrears amounted to Rs 108 million against Rs 115.6 million for the year 2012, that is a decrease of about 6.6 per cent.

Arrears of revenue comprised mainly Court fees and fines. The decrease in arrears of revenue to Rs 108,054,726 was due to irrecoverable arrears of Rs 19,220,669 that were written off. Arrears of revenue had in fact increased by Rs 11.6 million as compared to arrears as at end of 2012. Management of arrears of revenue as of 31 December 2013 was still unsatisfactory as the outstanding amount was considered to be on the high side

The age analysis of the debts is shown in Table 3-1.

Table 3-1 Age Analysis of Debts

| Years | Amount Rs | % of Total Arrears |
|--------------|----------------------|---------------------------|
| < 1 year | 41,173,313 | 38 |
| 1 – 2 years | 5,458,188 | 5 |
| 3 – 5 years | 28,074,865 | 26 |
| 6 – 10 years | 33,348,360 | 31 |
| Total | 108,054,726 | |

Of these debts, it was estimated that Rs 27,350,121 representing 25 per cent of total debts which related to period prior to 2010, were not recoverable.

The returns of arrears of revenue were not consistently prepared by all Courts. Arrears recovered were not supported by a list of collections per debtor, and in some cases, the balance from the detailed list of arrears submitted did not agree with the amount in the returns. Therefore, the accuracy, completeness, consistency and reliability of the arrears of revenue figures could not be ascertained. No control mechanism has yet been put in place to monitor the arrears of revenue.

The risk of omission or misstatement exists as data have not been counter-checked prior to submission to the Finance Section for onward transmission to the Accountant General's Department.

Recommendation

A proper control mechanism should be put in place to ensure the accuracy, completeness, reliability and consistency of the arrears of revenue. Moreover, the arrears of revenue management system should also be reviewed.

Judiciary's Reply

A mechanism will be put in place for greater synergy by involving all parties concerned, that is, the Judiciary, Police and Ministry of Finance and Economic Development (MOFED) in the recovery of arrears of revenue.

A new exercise is being carried out to deal with cases where the person concerned has passed away and also for long outstanding arrears.

3.2 E-Judiciary Project – Rs 90 million

At paragraph 8.1 of the Audit Report for the year ended 31 December 2010, I mentioned that contrary to Section 15 (b) of the Public Procurement Act, the Judiciary had awarded the contract for the development and implementation of the first phase of the E-Judiciary project to a private Consultant on 3 March 2010 for the sum of USD 3 million.

The objectives of the E-Judiciary Project, a two-phased one, were to provide an electronic platform for the filing and management of cases and to replace the paper based system by adopting a new and modern technology more attuned to the present day requirements. It would ultimately improve efficiency of Court administration and give more effective and timely deliverables. The overall cost of the E-Judiciary Project was estimated to be around USD 10 million (Rs 300 million).

Phase I of the Project provided for electronic filing and management of Chambers and Court cases lodged before the Supreme Court, including Commercial Division. Phase II provided for a rollover of the system to lower jurisdiction of the Judiciary, and would also cover the activities of the specialised Divisions of the Supreme Court.

A grant of 75 per cent of the total costs was obtained for Phase I in January 2010, from a Foreign Agency, with the proviso that the system be set up and running within 18 months. The overall project cost of Phase I was USD 3.6 million (Rs 108 million), of which the Foreign Agency would contribute 75 per cent and Government 25 per cent. An agreement was signed between the Foreign Agency and Government on 3 February 2010 and the Judiciary on 29 January 2010. As per the agreement, the Foreign Agency agreed to provide financial support up to USD 2.7 million as a grant and Government financing would amount to USD 0.9 million.

The scope of the project includes consultancy, professional services, system design, development of the infrastructure set up, including hardware and software, marketing and communication.

A contract was signed on 31 March 2010 with a Mauritian based Company, to prepare the

site and to set up the system platform and also to provide and install the application software. According to the contract, the development of the software would be done by the foreign partner of the Mauritian based Company. The project started on 14 April 2010 with the expected completion date being 15 August 2011.

The software was delivered in January 2012 for pilot testing. However, several shortcomings were highlighted at that stage. Numerous suggestions were made through working sessions held with the foreign partner to make the system more user-friendly to the legal community. It was in April 2013, that the system went live for pilot testing.

Observations

The implementation of the project, which was expected to be completed within 18 months, by 15 August 2011, was still in progress as of 31 May 2014. There was a delay of some two and a half years. The benefits that were expected to be derived from the full implementation of the new E-Judiciary system would be delayed.

As of 31 March 2014, disbursements by the Foreign Agency and Government amounted to USD 2,788,444. Payments to the Contractor totalled USD 1,869,864 as of 31 December 2013, which represented some 50 per cent of the total project cost. The remaining amount of USD 918,580 out of the USD 2,788,444 received had not yet been released by the Judiciary to the Contractor. Payments could not be made, as some bugs and errors were identified, and which contributed to the delay in implementation of the project.

Moreover, the Revised Implementation Schedule and the Steering Committee approval for extension of time were not made available. The liquidated damage clause was not applied for this delay.

In accordance with the contract agreement, a performance security of an amount equivalent to 10 per cent of the contract price shall be provided, the validity of which shall expire on 30 September 2011, that is 18 months following signature of the contract agreement. In case of delay in completion of the project, the performance security should be renewed or a new one should be issued. Same was not made available.

As per requirements of the agreement with the Foreign Agency, the Judiciary has to monitor implementation of the project against progress on a regular basis. MOFED will conduct internal audit on half yearly basis. Performance variances have to be presented to the Steering Committee for action. The reports of the half yearly internal audit should be sent to the Foreign Agency. However, internal audit for the period ended 31 December 2010 only was carried out.

Recommendation

The implementation of the project should be properly monitored. Necessary action should be taken to ensure that the system is delivered to the satisfaction of all stakeholders.

Judiciary's Reply

It is a fact that the implementation of the project has sustained certain delay for the following reasons:

- The Contractor had, at the outset, difficulty in translating the manual processes of court procedure into a smooth electronic flow within the system, which resulted in re-design and re-development of certain modules of the application that were already submitted, which took some time.
- The system went live on a three-month pilot basis as from April 2013. However, the Contractor took time to fix a number of bugs and errors and this resulted in extensions of the pilot phase. Penalty clauses with liquidated damages were not resorted to, as the Contractor had brought about certain material changes without any additional charges.
- The system has now reached an acceptable degree of perfection. The Judiciary proposes to issue an acceptance certificate and proceed to the commissioning of the project.

4 - PRIME MINISTER'S OFFICE

Civil Status Office

4.1 Payment of Fees

The Civil Status Act provides for the payment of a fee for each “certificate” of an entry applied for. A fee of Rs 25 was chargeable since January 1995 and was levied by means of stamps, which were affixed on the certificates issued by the Civil Status Division (CSD).

At paragraph 11.3 of the Audit Report for the year ended 30 June 2008, I mentioned, that with the coming into operation of the Post Office (Transfer of Undertaking) Act, the value of the stamps sold by the Mauritius Post Ltd and affixed on the certificates for the period 2003 to 2008 was not refunded to Government and also no Memorandum of Understanding between the Mauritius Post Ltd and the Government for the refund of the value of stamps was available.

Further, an amendment to the Civil Status Act was made in July 2004 providing for the payment of a fee of Rs 50 to the Registrar of Civil Status or any District Court Cash Office for a “certificate” other than the first certificate delivered. At time of audit in March 2014, more than nine years later, this amendment to the Act has still not been proclaimed. Stamps were still being affixed on the duplicate documents and were subsequently embossed by the CSD.

The delay, in requesting proclamation of the amendment to the Civil Status Act regarding the levy of a higher fee for issue of duplicate copies of Civil Status documents was due to delay in the implementation of the Cashier Module System. As of 31 March 2014, the System was still not operational.

On 29 January 2010, a Memorandum of Understanding was signed between the Mauritius Post Ltd and the Registrar of Civil Status, whereby it was agreed that for every stamp of Rs 25 used, an amount of Rs 15 would be credited to Government revenue and the remaining Rs 10 would be considered as income for the Mauritius Post Ltd.

For the period 1 January 2010 to 31 December 2013, a total amount of Rs 26,298,142 was collected as fees for the issue of duplicate copies of Civil Status documents. Out of this sum, Rs 15,778,885 were remitted to Government and Rs 10,519,257 to the Mauritius Post Ltd, which represented 40 per cent of total revenue collected.

Government had been sharing revenue generated from the sale of stamps to be affixed on Civil Status documents on a 60:40 ratio with the Mauritius Post Ltd since 2010. A total amount of Rs 10.5 million as revenue generated for the past four years up to 31 December 2013, which was remitted to the Mauritius Post Ltd is considered to be on the high side.

Recommendations

The services of the Mauritius Post Ltd could still be retained for the collection of the fees when applying for duplicate copies of Civil Status documents, upon payment of a reasonable management fee, like to what is actually being charged by some Statutory Bodies for similar

types of services rendered.

The CSD could consider revising the agreement with the Mauritius Post Ltd. Consequently, the management fees paid would be lower than the revenue shared in terms of sale of stamps until a decision is reached for the revision of the fee, and subsequently the proclamation of the amendment to the Act.

Division's Reply

The Division will negotiate with the Mauritius Post Ltd on the quantum of fees to be paid as the present agreement is unfavourable to the Division.

Concerning the implementation of the Cashier Module System, the cost to operate same would be higher than the total revenue collected for that purpose.

Police Department

4.2 Offshore Patrol Vessel CGS Vigilant

CGS Vigilant was purchased in June 1996 for a sum of Rs 322 million for use by the National Coast Guard (NCG).

It was performing offshore patrol in the Exclusive Economic Zone of Mauritius to Agalega, St Brandon, Rodrigues and was used for other search and rescue mission.

The vessel has not been operational since 2006 because of defective shaft. At that time, decision was taken to dispose of the vessel. A Board of Survey was appointed in 2007, and it recommended that the vessel be sold through an international broker specialized in the sale of navy vessels. The minimum selling price was estimated at USD 2.5 million.

As of 30 April 2014, the vessel has not yet been sold.

4.2.1 Operating Expenditure

Since 2006, some Rs 6.2 million have been spent annually for its upkeep, comprising salaries of personnel manning the vessel and other miscellaneous expenses, including cost of utilities. Hence, from 2006 to date, total operating expenditure amounted to some Rs 43 million. Presently, there are 18 Police Officers posted on the vessel for routine maintenance.

4.2.2 State of the Vessel

No budget was allocated for the regular cyclic maintenance of the vessel in view of its intended disposal.

In October 2011, the NCG was of opinion that the vessel might not withstand furthermore with the present underwater hull state and recommended that it should be dry-docked to undertake minimum repairs so as to ensure basic float capability and avoid any risk of fire or flooding. As of 30 April 2014, no repairs have been carried out.

4.2.3 Tender Procedures for Disposal of the Vessel

First Tender Exercise

A tender exercise was carried out in July 2010. An offer of USD 1.5 million was received. The offer was however conditional on receipt and acceptance of the current hull ultrasound plate measurement. The NCG stated that measurement of the hull plate would cost some Rs 2 million on items such as dry-docking of the vessel, defueling and ultrasound thickness measurement.

In April 2011, the Ministry of Finance and Economic Development advised for a new procurement exercise.

Second Tender Exercise

An offer of USD 4.1 million was received. A letter of acceptance was sent in August 2011. On 6 March 2012, the bidder made a counter offer of USD 3 million due to the current condition of CGS Vigilant and the resulting repair cost.

As per the terms of the new contract signed in March 2012, the buyer had to make a deposit of USD 200,000. Since no payment was made, the contract was considered null and void and was cancelled.

A new offer of USD 1.75 million from the same bidder, was declined.

Third Tender exercise

New tendering procedures were undertaken in December 2013, with closing date for submission of bids scheduled for 12 February 2014. According to the Mauritius Police Force, only one prospective buyer submitted a proposal and this was turned down.

Conclusion

The decision to sell CGS Vigilant was taken in 2007. After some seven years, the vessel has still not been disposed of. The implications are twofold: A yearly operational cost of Rs 6.2 million and at the same time, a constant deterioration in the physical condition of the vessel.

The NCG should consider new advertising possibilities, targeting a large number of potential buyers from different countries. Advertisement should be made in international journals/magazines or relevant websites.

It is advisable that the Mauritius Police Force disposes of the vessel at the earliest, as this will not only save Government money in impending refit/repairs, but will also give way for utilisation of the available berth and crew of the vessel for the new ship “Barracuda”.

Department’s Reply

The matter was taken up with the Prime Minister’s Office and after consultation with the Ministry of Finance and Economic Development, the latter has agreed to the Mauritius Police Force to proceed with the disposal of the CGS Vigilant by selling part-by-part equipment through open tender.

A Technical Committee has been set up at level of Police Headquarters to plan the way forward and implement the above decision.

4.3 Assets Management

During the past three years, the Mauritius Police Force acquired assets under vote item 'Acquisition of non-financial assets' as in Table 4-1.

Table 4-1 Acquisition of non Financial Asset

| Year | Amount Budgeted Rs | Amount Spent Rs |
|-------------|-------------------------------|----------------------------|
| 2011 | 925,450,000 | 904,005,053 |
| 2012 | 1,424,800,000 | 360,507,053 |
| 2013 | 1,321,700,000 | 1,147,802,432 |

To exercise control over assets, Financial Regulations require some basic records, such as Equipment Registers and Inventory Sheets to be maintained. The contents of these records are also stated. There are also requirements for physical surveys to be carried out at frequent intervals.

Assets management at the Mauritius Police Force needs improvement as shown below.

4.3.1 Records of Assets

The Mauritius Police Force did not have a Master Inventory or Assets Register showing a complete list of all assets it owns, distributed to the Police Headquarters, District Headquarters, Police Stations and other locations.

The records on assets maintained at the Police Headquarters (Line Barracks) were inadequate. No proper control could be exercised on the existence of the assets. For instance, the Combined Indent, Issue Note and Receipt Voucher (Store Form No.5) does not indicate the exact location where asset has been issued, but gives information in terms of Station and Division.

The Register of Permanent Stores is maintained on a manual basis as from 2002, but does not include the necessary information for identification of assets.

As from 2013, the Computerised Inventory System was set live, and manual records were no longer kept. This System did not provide information necessary for identification of assets and their location, and only included acquisitions made in 2012 and 2013. Due to these problems, it was decided, in January 2014, to update the manual records for 2013.

4.3.2 Physical Surveys

A physical survey was carried out by my Officers in January and February 2014 at the Police Headquarters (Line Barracks), Central/Western/Eastern District Headquarters and some 12 Police Stations.

Physical surveys were carried out on a sample of acquisitions made during 2012 and 2013. The following were noted:

- (a) Some assets recorded in the Inventory Sheets could not be located physically at time of survey. There were also no records of movements.
- (b) There were cases where assets were not recorded in the Inventory Sheets.
- (c) In several other cases, Inventory Sheets included only the description of assets and the quantities. Essential information such as date received, voucher number and make, model, serial number or other means for identification were not recorded.
- (d) In respect of one District Headquarter, 22 out of 29 Inventory Sheets were not signed by the Issuing officer.

4.3.3 Internal Check

To comply with Financial Regulations, internal circulars were issued requiring Area and Branch Officers to have the inventories checked by a responsible officer at least once a year and a report be submitted to Headquarters for control purposes.

However, there was no evidence of such review, and no report was submitted to Headquarters.

4.3.4 Police Assets Office

The Police Assets Office was set up in 2008. The objectives of the Office are, among others, to ensure that the Register of Assets is kept properly and updated on a regular basis, and to carry out regular visits of Divisional Headquarters, Police Stations and other Police buildings with a view to ascertaining that inventories are up-to-date.

Based on the observations made during the physical surveys, the objectives of the Police Assets Office may not have been achieved.

Conclusion

A substantial sum of Rs 2.4 billion has been spent on non financial assets during the past three years. The above findings related to site visits at some 12 Police Stations and three District Headquarters. This does not preclude existence of same problems in other cases.

Financial Regulations should be complied with. A Master Inventory/Assets Register of all the assets owned by the Mauritius Police Force should be maintained. The Computerised System should be modified and should include all the necessary information.

At the level of Police Stations and District Headquarters, Inventory Sheets should always be kept updated. Movement of assets should be properly recorded, and physical surveys should be carried out on a regular basis to ascertain existence of assets.

Department's Reply

The matter was taken up with the State Informatics Limited and it is proposed to upgrade the existing software with a view to generating a Master Inventory Register of all assets acquired by the Police which will include all relevant information, such as serial number, date of receipt and location of the assets until their disposal.

A circular was issued by the Police Assets Office on 8 January 2014 instructing Divisional Commanders and Branch Officers to update their Inventory Sheets.

Inventory Sheets of the Divisional Headquarters and all the Police Stations have been signed by the respective Responsible Officers and the Issuing Officer.

Assets not recorded have been physically checked by personnel of Internal Audit Squad and these have been recorded in their respective Inventory Sheets.

4.4 Procurement

Over the past three years, the comments of the National Audit Office on the Procurement Process at the Mauritius Police Force included among others, excessive number of cancelled tenders, a long time gap between launching of tenders to delivery of items, inappropriate specifications, lack of response from potential suppliers, cost estimates not properly calculated and an incomplete database of potential suppliers.

A review of the procurement system during 2013 for a sample of tenders relating to uniforms was carried out. Most of the above mentioned findings were again noted.

4.4.1 Cost Estimates

Preparation of cost estimates is of prime importance in the procurement process. It provides a yardstick against which actual quoted prices are compared with.

In the cases in Table 4-2, there were significant variances between the cost estimate and the bid amount.

Table 4-2 Cost Estimates

| Item/Quotation | Estimates Rs | Bid Amount Rs |
|------------------------------------|-------------------------|--------------------------|
| Supply of Overalls/ 104/12 | 836,800 | 1,633,621 |
| Supply of Training Shoes/ 98/12 | 3,300,000 | 4,571,250 |
| Supply of Combat Boots/ 30/13 | 1,920,000 | 1,104,000 |
| Supply of Ceremonial Gloves /68/13 | 700,000 | 425,000 |
| Supply of Training Shoes/ 194/13 | 4,250,000 | 2,480,000 |

The costs estimates may not have been properly calculated. Lump sum figures were prepared. Breakdown or workings supporting estimates were not available.

The variance in the cost estimates arose mainly because the Mauritius Police Force based itself on prices of the previous years.

4.4.2 Specifications

Preparation of technical specification is another important element of procurement. In the following tender exercises, several issues on specifications were noted ranging from inappropriate specifications to suppliers not complying with specifications requirements.

- (a) Quotations for the supply of Blankets were initially invited in May 2011. According to specifications, wool content should be 50 per cent. Under a second exercise, the wool content was amended to 25 per cent. The third exercise, in May 2012, required tenderers to submit to Mauritius Standard Bureau (MSB) certificate confirming quantity of wool.
- (b) Quotations for the supply of 300 Crash Helmets were initially invited in February 2012. Three tender exercises had to be cancelled as the bids did not comply with specifications for crash helmet with detachable aerodynamic peak.

As of 30 April 2014, the tender had still not been finalized, and some 58 helmets had to be acquired under emergency purchase agreement. Only after the cancellations of these tenders that it was known that crash helmet with detachable aerodynamic peak was no longer manufactured.

- (c) Quotations for supply of Ready-made Uniforms for 2013 were invited in August 2012. In respect of the item 'shirt blue for male police constables (short sleeves)', 25,000 units had to be supplied for a contract sum of Rs 6,037,000.

Some 15,000 units were supplied in November 2013. A sample was tested and the weight which should have been in the range 160-180 g/m² was 185.9 g/m². Upon request, the Procurement Policy Office (PPO) advised that with a view to averting a critical situation, the shirts proposed by the selected bidder may be exceptionally accepted. However, the PPO further advised that in future the supplier should strictly adhere to the tender requirements, or otherwise would be subject to disqualification.

In December 2013, 5,000 units were delivered and this time the weight was 187.3 g/m². The approval of PPO was not sought and the Police Tender Committee decided to exceptionally accept the supply in view of operational urgency.

Long Time gap between Invitations for Quotations to Delivery of Items

In respect of the above mentioned procurement items, a long time gap was noted as in Table 4-3

Table 4-3 Gap between Invitations for Quotations and Delivery

| Item/Quotation | Date Quotation Initially Invited | Date of Delivery | Remarks |
|-----------------------------|---|-------------------------|---------------------------|
| Supply of Blankets/ 103/11 | May 2011 | February 2013 | Two cancelled exercises |
| Crash Helmet/ 10/12 | February 2012 | Not yet awarded | Three cancelled exercises |
| Ready-made Uniforms/ 213/12 | August 2012 | November 2013 | - |

4.4.3 Testing

In respect of procurement of shoes, tests for anti-slippery and rubber could not be carried out by MSB and could only be carried out abroad. This was considered expensive and time consuming. Thus, the Mauritius Police Force could not ensure that these specifications were complied with.

For testing purpose, only one item per batch in respect of procurement items received are normally submitted to MSB. The test result might not be representative of the whole batch.

Recommendations

The following are suggested to improve the procurement process:

(a) Specifications

Over the years, procurement is made of commonly used items. Therefore, the correct or most appropriate specifications have already been prepared. Approved specifications for tenders of previous years were not readily available as these were kept in several quotation files thus rendering audit trail difficult. It is suggested that a register or an approved specifications file be maintained as reference for future procurement purposes.

For the preparation of specifications, assistance can be sought from other specialised bodies, such as Fashion and Design Institute, University of Mauritius or MSB.

The User Guide on Public Procurement recommends holding of pre-bid conference, whereby the public body may organize a conference for the purpose of briefing bidders,

and taking their questions on the bidding documents, including technical specifications and other requirements. Thus, the bidders can take into account the information they obtain at the conference in preparing their bids.

With a pre bid conference, in the case of quotation for crash helmets, it would have been known from the outset that crash helmet with detachable aerodynamic peak was no longer manufactured, instead of, after cancellation of several tender exercises.

(b) Preparation of Cost Estimates.

For the preparation of cost estimates, along with prices of previous years, current market prices and price data available through market research should be considered.

Cost estimates are prepared on a lump sum basis. Breakdown or workings for estimate should be kept, as well as the bids received for previous exercises, the time when they were effected, and other relevant information.

Where appropriate, cost estimates should be revised in cases of cancellation of tenders and subsequent re-tendering, and after finalization of bid documents and before launching of tenders.

(c) Capacity Building

One of the objectives of the PPO is to prepare and conduct training programmes for public officials, contractors and suppliers concerning procurement. The Mauritius Police Force may seek the assistance of the PPO to train its officers on the preparation of specifications, estimates and other areas of procurement.

(d) Cancelled Tenders

The Tender Register includes information only on the successful tender exercise. Information on previously cancelled bids in respect of a procurement item was not readily available, and was kept in several quotation files, thus rendering audit trail difficult.

All previously cancelled bids should be included in the Tender Register, together with reasons for cancellations. Periodic reports should be made to Management of all tenders launched and not yet finalised. This will help to prevent and reduce number of cancelled tenders.

(e) Database of Suppliers

According to User Guide on procurement issued by PPO, a public body should have a database or a list of potential suppliers wherever the restricted bidding method is used.

The Mauritius Police Force has a database of potential suppliers which was updated as and when new ones came to be known. It was only in April 2014 that a formal registration exercise was carried out. The last time a formal registration exercise was carried out could not be ascertained.

The registration exercise should be carried out after a planned set period of time, and the database should be properly maintained.

(f) *Testing*

For testing purpose, where appropriate, the Mauritius Police Force may consider submission of more than one unit per batch received to have more representative results.

In case of tests for anti-slippery and rubber, Management replied that the suppliers would be required to submit a test certificate confirming same.

Mauritius Prisons Services

4.5 Internal Control

4.5.1 Departmental Check

In June 2013, I drew the attention of the Commissioner of Prisons that there was only one Officer of the Internal Control Cadre responsible for departmental checks at the Mauritius Prisons Service (MPS). It was practically impossible for him to cover the different Units and Sections of the MPS even over a period of time. Several records and Units have thus not been subject to departmental checks for several years.

A request for additional staff from the Internal Control Cadre has not been acceded to. Hence, at time of audit, in March 2014, there was still only one Officer of the Internal Control Cadre posted at the MPS.

I have recommended that the Director, Internal Control be again requested to have additional staff posted at the MPS as the value and volume of transactions through the Cashier and Stores, and the amount of funds being spent on Staff Costs and Goods and Services, in addition to management of funds of detainees and earnings are considerable.

4.5.2 Collections - Embezzlement of Funds

In 2013, following my recommendation, one additional Internal Controller was posted at Petit Verger Prison for a specific assignment.

It was thus noted that the officer responsible for the management of earnings, Private Cash, Imprest, collection of fines and costs had embezzled Rs 1,244,880 from 2010 to June 2013. This was the direct consequence of absence of checks due to limited Internal Control staff.

The Officer was interdicted and the matter referred to the Police. An Advance Account was opened in the name of the Officer for the above sum in September 2013.

The MPS has now implemented strict measures of control. However, the above situation could have been avoided.

MPS's Reply

A request for additional staff from the Internal Control Cadre has again been made in May 2014.

4.6 Consultancy Services - CCTV Cameras

At paragraph 6.4 of the Audit Report for the year ended 31 December 2012, I had mentioned that there were delays in the implementation of the project for the installation of CCTV system at the various Prisons. As of end of April 2014, the installation of the systems at Beau Bassin Women Prisons and at Petit Verger Prisons had been completed and was fully operational.

In July 2013, decision was taken to transfer all detainees from Phoenix Prisons to Eastern High Security Prison, so that installation of a new system at Phoenix Prisons would not be required. The existing system at Phoenix would be transferred to another small prison.

As for the other Prisons, the Consultant has submitted the design and final bidding documents, but as no funds have been obtained in the Programme-Based Budget Estimates 2014, the projects were being deferred until the following year.

4.7 e-Prison Project

At paragraph 6.6 of the Audit Report for the year ended 31 December 2012, mention was made that the e-Prison Project, which included the customisation of a Prison Software used in an Indian Cell, was behind schedule. It was subsequently decided to re-develop the software from scratch.

The installation of the LAN System to interlink the different blocks at Beau Bassin Prison was completed in 2013. The contract for the WAN to connect all outstations to the System was awarded in May 2014. The main server, Personal Computers and other hardware had been purchased, installed and commissioned in 2013.

The software development was completed and tested over several months. Amendments were brought to address all bugs and the software developer had even provided more than 10 enhancements at no extra costs.

Data were migrated in May 2014, and parallel running was underway. It is expected that the System will go live before the end of 2014.

MPS's Reply

It was decided to redevelop part of the software from scratch, while the other modules would be customised to meet the requirements of MPS.

4.8 Gate Lodge and Watch Tower at Women Prison

The contract for the Construction of a Gate Lodge and Watch Tower at Women Prison was completed on 8 June 2013. The Defects Liability Period was to end on 8 June 2014. The total amount paid at end of September 2013 was Rs 14,863,949, with Retention Money of Rs 652,870 still due. Immediately after handing over, problems had started to crop up.

- On 23 September 2013, it was reported that the Main Gate got loose and was difficult to operate. The Contractor was informed, and repairs were apparently made. However, the two metal gates were again found to be loose and difficult to operate. According to the MPS, in the long run, “metal doors could detach from the concrete and could be fatal to persons near”.
- On 8 November 2013, fissures on all wooden doors of the office of the Officer in Charge, Record Office, Search Rooms and all toilets at new Gate Lodge had appeared. It was considered that at any moment, the doors could be forced and tampered with.
- On 13 December 2013, the Contractor was informed that it was leaking abundantly in the new Gate Lodge.

The Contractor was informed each time a new defect was noted, and was reminded several times to carry out remedial works. The Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping (MPI) once again wrote to the Contractor on 20 December 2013, emphasizing that the gate was loose and difficult to operate, and it represented a hazard due to its weight. In January 2014, site visits with MPI and the Contractor were also carried out, but no remedial action was taken by the latter despite assurance given by him.

The Contractor has not taken the matter seriously although the gate represented a hazard. He had not attended to any of the problems reported.

4.8.1 Main Gate

As reported by the MPI itself, the gate was loose and difficult to operate, and it represented a hazard due to its weight.

The gate, which was made of two flaps of about 2,300 mm wide and 4,500 mm high each, with a wicket gate of 750 mm wide and 1,700 mm high incorporated in one flap, was heavy. According to drawings, each flap would hold on six metal hinges. The part of each hinge on the concrete columns consisted of a galvanised steel plate. The plate was to be fixed to the column by four Galvanised Rawl Bolts.

The gate had not been fixed as per drawings. Normally, drawings should reflect what Engineers have worked out to fit the purpose, and that no departure from drawings should have been allowed.

Moreover, it was noted that supervision on the manufacture and fixing of such a heavy gate has been lacking on the part of the MPI. Such a gate is a work of high precision, and both the manufacture and fixing to specifications are crucial. The gate should not have been accepted by the MPI.

The following were also noted:

- Some of the metal plates were bent and have detached from the reinforced concrete column when the gate was opened. Either poor quality of material was used, or plates not properly fixed, or weight of gate too much for the hinge.

- All the fixation plates were not tightly bolted to the reinforced concrete columns with space which was non negligible in between certain plates and the concrete clearly visible.
- Rawl bolts appeared to be loose in the reinforced concrete column at some places when these should have been tight.
- One leaf of the gate had sagged slightly so that the gate was almost scraping the tarred surface when opened.

Recommendations

- MPI should not have allowed the matter to drag for such a long time (more than nine months) without any remedial action taken by the Contractor despite several reminders sent by the MPS and the MPI, the more so, that these were not minor defects, with the gate starting to fail right from the start. Tougher action should be envisaged against the Contractor.
- MPS should request the MPI to carry out a site visit and to advise as to what should be done to secure the gate.

MPS's Reply

- All defects noted were being monitored by the MPI and the Contractor was taking remedial actions.
- As for the Main Gate, a correspondence has been addressed to the MPI for effecting a site visit to ensure that necessary remedial actions are taken by the Contractor.

Rodrigues Regional Assembly

Annual Financial Statements

4.9 Introduction

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 fiscal year, annual financial statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

The accounts of the Rodrigues Regional Assembly (RRA) for the fiscal year ended 31 December 2013 were closed on 29 March 2014. The approved financial statements were submitted to the National Audit Office (NAO) on the same day.

The annual financial statements of RRA are prepared on a cash basis and in line with the requirements of the Programme Based Budgeting (PBB) system. They comprise a Statement of Assets and Liabilities, and other statements as required under Section 19(6) of the Finance and Audit Act.

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

- ensuring that public funds are used only to the extent and for the purpose intended by the National Assembly and the Regional Assembly,
- that value for money is obtained in the use of resources, and
- the safe custody of assets and stores.

The Programme Based Budget Estimates 2013 of Mauritius were approved by the National Assembly on 11 December 2012, providing current grant of Rs 1,326 million and capital grant of Rs 390 million under Programme 311 - Rodrigues Development of the Prime Minister's Office. Total actual contribution disbursed to the RRA amounted to Rs 1,972,229,044, including additional contribution of Rs 256,230,000.

4.10 Programme Based Budgeting

RRA prepared its annual financial statements in line with the Programme Based Budgeting for the first time for the fiscal year ended 31 December 2010. However, no provision has so far been made in the Finance and Audit Act requiring RRA to prepare and present a statement showing a progress report on performance in respect of outcomes achieved and outputs delivered, as stated in the Annual Report of the Accountant General on the Accounts of the Republic of Mauritius.

I drew the attention of RRA in both the 2011 and 2012 Audit Reports, of the need to submit a report on performance by the different Commissions, to be included in its Financial Report. However, such report has still not been prepared. In that connection, to make it mandatory for the RRA to prepare such report, Section 19(6) of the Finance and Audit Act needs to be amended to include the submission of a progress report on performance as a statement in the Financial Report of the RRA.

RRA's Reply

A Legal Consultant is working on the revitalisation of the RRA Act and the need to submit a progress report on performance will be included in the amended version.

4.11 Statement of Assets and Liabilities of the Rodrigues Regional Assembly

A comparative Statement of Assets and Liabilities as of 31 December for the past three fiscal years is shown in Table 4-4.

Table 4-4 Assets and Liabilities as of 31 December

| | 2013 Rs | 2012 Rs | 2011 Rs |
|------------------------------|--------------------|--------------------|--------------------|
| Assets | | | |
| Cash and Bank balances | 100,800,095 | 69,439,712 | 57,072,539 |
| Advances | 54,868,870 | 35,101,442 | 35,196,436 |
| Total | 155,668,965 | 104,541,154 | 92,268,975 |
| Liabilities | | | |
| Rodrigues Consolidated Fund | 43,166,517 | 14,805,181 | 13,940,916 |
| Deposits | 59,759,671 | 53,401,718 | 42,484,297 |
| Loan from Govt. of Mauritius | 52,742,777 | 36,334,255 | 35,843,762 |
| Total | 155,668,965 | 104,541,154 | 92,268,975 |

The accounts of the RRA were prepared on a cash basis. Current assets, such as arrears of revenue amounting to Rs 25,430,841 as of 31 December 2013, and liabilities, such as pension liabilities, passage benefits, the monetary value of accumulated sick leaves and vacation leaves were therefore not disclosed in the Statement of Assets and Liabilities.

RRA's Reply

The accounts of the RRA are prepared on a cash basis in line with the current policy of Central Government. The RRA will follow suit when the main land will shift to accrual accounting whereby prepayments and accruals will be disclosed in the Final Accounts.

4.11.1 Advances – Rs 54,868,870

This amount represents total advances outstanding on motor-car, motor-cycle and other loans as of 31 December 2013, as detailed in the Table 4-5.

Table 4-5 Advances as of 31 December 2013

| Details | 2013 Rs | 2012 Rs |
|---|--------------------|--------------------|
| Advances to Members of the Regional Assembly | 4,827,800 | 2,396,246 |
| Motorcar loan to RRA Officers | 21,631,781 | 11,163,684 |
| Motorcycle loan to RRA Officers | 10,851,519 | 6,624,799 |
| Advances – Cooperative Societies i.r.o. Fibre Glass Boats | 14,847,000 | 14,827,913 |
| Advance Account – Personal | 88,800 | 88,800 |
| Advance RTMC | 2,621,970 | - |
| Total | 54,868,870 | 35,101,442 |

Advances to Members of the Regional Assembly – Rs 4,827,800

In September 2011, an amount of Rs 1.6 million was advanced to a member of the Regional Assembly who ceased to be a member with effect from 6 February 2012. The outstanding capital and interest accrued thereon amounted to Rs 1,493,333. Legal action was initiated for the non-payment of the advance and the vehicle was seized. It was found damaged and was sent to Mauritius for repairs at a cost of Rs 102,989, which was later brought down to Rs 25,028. In November 2012, the vehicle was auctioned at a bid of Rs 1.5 million. After deduction of customs duty and other costs associated with the sale totalling Rs 667,243, the net proceeds of Rs 832,757 were remitted to RRA. An outstanding balance of Rs 743,976 has still to be recovered. In April 2013, the Attorney of the RRA was requested to initiate legal action to recover the outstanding amount from the former member of the Regional Assembly.

- On 20 September 2013, the Attorney of RRA informed the Acting Island Chief Executive that he had put in appearance in the Supreme Court on 12 September 2013.
- As of 28 February 2014, the former member still owed an amount of Rs 829,376 that comprised outstanding capital amount of Rs 743,976 and accrued interest of Rs 85,400.

RRA's Reply

The matter was called on 29 May 2014 before the Supreme Court for the plaintiff's stand on the plea *in limine* filed by the defendant and is still outstanding.

Advance – Fibre Glass Boats – Rs 14,847,000

Loans totalling Rs 14,585,000 made in December 2011 to five Co-operative Societies for the acquisition of five fibre-glass boats under the “Promotion of Outer Lagoon Fishing Development Scheme” were reviewed. Loan agreements with the Cooperative Societies were signed for Rs 13,207,750, that is Rs 2,641,550 for each Society. Agreements in respect of the difference of Rs 1,377,250 were still not signed.

In 2012, additional expenditure totalling Rs 262,000, that is Rs 52,400 for each Cooperative Society were incurred by the RRA for the purchase of satellite phones/hooks and accessories which were issued to the societies. Despite the RRA’s reply to paragraph 6.9.1 of the Audit Report 2012 to the effect that the Commission for Fisheries is taking steps for signing the agreement in relation to the additional loans of Rs 1,639,250, these were still not signed as of 31 March 2014. Total advance made to each Society as of 31 December 2013 amounted to Rs 2,969,400.

These observations were also noted:

- Monthly interest amounting to Rs 11,006 is payable as from January 2012 by each Society on the loan of Rs 2,641,550 as per loan agreement signed in December 2011. While principal repayment was due after a moratorium of one year, that is, in January 2013, none of the Societies has so far made any repayment as of 26 March 2014. Furthermore, the modalities of reimbursement by each Society in respect of the loan for the fishing equipment amounting to Rs 327,850 have yet to be defined.
- Inscription of a lien in favour of RRA on the boats has still not been done to safeguard the interest of both parties. The boats are registered with the Commission of Fisheries.
- The Accountant General has requested RRA to settle an amount of Rs 1,130,812, being interest at five per cent per annum payable at 30 June 2013, on the loan of Rs 14,847,000. As of 31 December 2013, the interest amounting to Rs 1,505,038 has not yet been paid.

RRA’s Reply

A new management plan is being implemented which is expected to sort out the recovery of the advance of the five Co-operative Societies.

Advance to Rodrigues Trading and Marketing Company Limited (RTMC) – Rs 2,621,970

On 18 November 2013, an agreement to advance an amount of Rs 2,621,970 was signed between RTMC and the RRA. RTMC has to repay the advance in one instalment within a period of three months as from the date of the agreement, that is 18 February 2014. The company agreed to use the advanced money solely as working capital to meet costs relating to the purchase of onions from local planters and the marketing of the onions.

Despite the fact that the company had accumulated losses of Rs 3.2 million, together with an outstanding loan of Rs 4 million as of 31 December 2012, RRA still made the advance of Rs 2,621,970. As of 30 April 2014, two months after due date, the company has not yet reimbursed the amount due.

Contrary to the agreement which makes provision for the registration of a lien in the form of a fixed charge on the company's assets and a general floating charge on the company, no such lien has been inscribed in favour of RRA. Hence, the interest of RRA has not been safeguarded.

RRA's Reply

The RTMC is working on a business plan geared towards the strengthening of its financial bases to salvage it from the current precarious situation.

4.12 Rodrigues Consolidated Fund – Rs 43,166,517

The Rodrigues Consolidated Fund was established under Section 75D (b) of the Constitution. Section 42 of the RRA Act mentions the revenue that is to be credited to the Fund, namely money appropriated by the National Assembly and all revenue of the RRA.

During 2012, an amount of Rs 12,436,833 was transferred from the Rodrigues Consolidated Fund to two deposit accounts, namely, "Temporary Closing of Octopus Fishing" (Rs 9,407,500) and "Winding up of Rodrigues Water Company Ltd" (Rs 3,029,333), to meet expenditure not provided for in the Estimates. Over the years, the surplus standing to the credit of the Fund has reached a balance of Rs 14,805,180 as of 1 January 2013.

- On 20 November 2013, an advance of Rs 2,621,970 was made to the RTMC Ltd, a private company where the RRA is the majority shareholder, to meet its working capital. No provision has been made in either the Constitution or the RRA Act that advances can be made from the Rodrigues Consolidated Fund. Such advances are normally granted, under the Finance and Audit Act, from the Consolidated Fund and not from the Rodrigues Consolidated Fund.
- An amount of Rs 16,836 was transferred from the Rodrigues Consolidated Fund to a deposit account "Winding up of the Rodrigues Water Company". There is no legal framework to transfer fund from the Rodrigues Consolidated Fund to any deposit account.

4.12.1 Abstract Account of Revenue and Expenditure of the Rodrigues Consolidated Fund

Revenue

Revenue collected in Rodrigues during 2013 amounting to Rs 30,142,250, was credited to Rodrigues Consolidated Fund.

The revenue figures of the past three fiscal years are stated in Table 4-6.

Table 4-6 Revenue collected by RRA during the past three fiscal years

| Item | 2013 Rs | 2012 Rs | 2011 Rs |
|-----------------------------|--------------------|--------------------|--------------------|
| Taxes (licences, fees etc) | 2,237,875 | 2,263,250 | 2,542,419 |
| Other social contributions | 618,705 | 181,869 | 537,497 |
| Other revenue | 27,285,670 | 24,653,891 | 22,473,915 |
| Total | 30,142,250 | 27,099,010 | 25,553,831 |

Other Revenue – Rs 27,285,670

Overpayments made in Previous Years: Rs 473,297. The amount of Rs 473,297 represents overpayment made to Officers prior to 2012 and recouped during 2013. The overpayments were due to inadequate control over payment of salaries and travelling.

Fishing Vessel Licence Fees: Rs 16,035. The fishing vessel licence fees are collected under the Rodrigues Boat Tax Regulation of 1921 at the rate of Rs 5 per boat. As of 31 December 2013, some 1,932 fishing boats were registered with the Fisheries Protection Service, of which 1,687 boats were still in arrears with their licence fees. Yet, they were operating without valid licences.

Water Rates: Rs 75,411. The amount collected is insignificant compared to huge investment made in the water sector. The rate which is presently Rs 22 per year has never been revised.

RRA's Reply

A Senior Internal Control Officer has now been posted to the RRA from Mauritius and he has been requested to review the internal check system with a view to avoid overpayment of salaries and travelling allowances in the future.

The Legal Adviser is drafting new regulations which will include a revision of the water rates.

Expenditure

An annual increase is noted in total expenditure of RRA. The figures of the past three fiscal years are given in Table 4-7.

Table 4-7 Total expenditure for the past three fiscal years

| Fiscal Year | Total Expenditure Rs | % Increase |
|------------------------|---------------------------------|-----------------------|
| 2013 | 1,973,993,122 | 9.5 |
| 2012 | 1,802,757,146 | 6.7 |
| 2011 | 1,688,520,107 | - |

For 2013, total expenditure amounting to Rs 1,973,993,122 has exceeded the actual amount received of Rs 1,715,999,044 by Rs 257,994,078. The additional expenditure was financed from funds received from the Prime Minister's Office amounting to Rs 256,230,000 and revenue collected in Rodrigues amounting to Rs 30,142,251.

The amount standing to the credit of the Rodrigues Consolidated Fund as of 31 December 2013 was Rs 28,378,173.

4.13 Statement of Investments

The total amount of Rs 42,639,590 was invested as equity in seven private companies set up by the RRA. The position as of 31 December 2013 is shown in Table 4-8.

Table 4-8 Investments of RRA in Private Companies as of 31 December 2013

| | Date of Incorporation | Total Investment as of 31 December 2013 Rs | Winding up in process since |
|--|----------------------------------|---|--|
| Rodrigues Educational Development Company Ltd. (REDCO) | 30 December 1988 | 51,000 | |
| Rodrigues Trading and Marketing Company Ltd | 30 June 2006 | 4,000,000 | |
| Discovery Rodrigues Company Ltd | 15 November 2006 | 2,000,000 | |
| Rodrigues General Fishing Company Ltd | 8 June 2007 | 6,400,000 | April 2012 |
| Rod Clean Company Ltd | 19 September 2007 | 10,188,590 | |
| Rodrigues Water Company Ltd | 29 October 2007 | 17,000,000 | August 2012 |
| Rodrigues Housing & Property Development Company Ltd | 12 January 2010 | 3,000,000 | March 2012 |
| Total | | 42,639,590 | |

Five of the seven companies are fully owned by RRA, being the sole shareholder. RRA and State Trading Corporation are shareholders in the Rodrigues Trading and Marketing Company Ltd in the proportion of 60:40, whilst RRA, Government of Mauritius and State Investment Corporation Company Ltd are shareholders in REDCO in the proportion of 51:29:20.

4.13.1 Winding up of Companies

Three companies, namely Rodrigues General Fishing Company Ltd, Rodrigues Water Company Ltd and Rodrigues Housing and Property Development Company (RHPDC) Ltd were in the process of winding up since 2012. RRA has invested Rs 26,400,000 in shares and contributed Rs 41,171,568 as grant to meet the operating cost of these companies as of 31 December 2013.

As of 30 April 2014, the three companies have still not been wound up.

4.13.2 Return on Investment

The RRA has so far not received any dividend from investments made in these companies.

4.14 Statement of Arrears of Revenue – Rs 25,430,841

The arrears of revenue for the past three fiscal years are listed in Table 4-9.

Table 4-9 Arrears of Revenue for the past three fiscal years

| Division/Unit | 2013 | 2012 | 2011 |
|--------------------------------|-------------------|-------------------|-------------------|
| | Rs | Rs | Rs |
| Fisheries | 78,526 | 68,476 | 62,661 |
| Judicial | 153,600 | 1,103,927 | 926,827 |
| Rental of Government Property | 20,118,769 | 23,392,403 | 12,247,832 |
| State Land - Old leases | 1,469,834 | 1,469,834 | 1,469,834 |
| Water Unit | 2,021,972 | 1,893,287 | 1,772,091 |
| Health and Sanitary | 81,025 | 720 | 1,170 |
| Rental of Snacks/Market Stalls | 594,203 | 627,203 | 594,203 |
| NHDC Houses | 881,025 | 745,670 | 545,260 |
| Rental kiosk | 19,000 | 63,750 | - |
| Sand Removal | 12,887 | 12,686 | - |
| Total | 25,430,841 | 29,377,956 | 17,619,878 |

The following were noted:

➤ *Rental of Government Property: Rs 20,118,769*

Details of this figure as of 31 December 2013 are shown in Table 4-10.

Table 4-10 Arrears of Revenue in respect of leases

| Lease Categories | 2013 Rs | 2012 Rs | Percentage change |
|-------------------------|--------------------|--------------------|------------------------------|
| State Land-Residential | 11,914,940 | 10,962,920 | 8.6 |
| State Land-Commercial | 1,292,742 | 346,982 | 272 |
| State Land-Industrial | 6,513,552 | 11,735,518 | (44.5) |
| State Land-Agricultural | 397,535 | 346,983 | 14.5 |
| Total | 20,118,769 | 23,392,403 | |

Increases in the arrears of rental figure have been noted in three of the four categories of leases of State Land and in particular, for “State Land-Commercial” the arrears figure for 2013 is highest at 272 per cent over the previous year.

The existing debt management system is poor and has not been reviewed to recover the debts promptly. Follow up action is necessary. Debtors are to be chased to settle the amounts due. RRA may contemplate other appropriate measures to recover the arrears of rental.

Arrears were long overdue in the case of State Land-Residential, in some cases for more than 20 years. If the arrears are not collected on time, there is a risk that they become time-barred and therefore a loss of revenue to RRA. Moreover, the Revenue Management System did not include an ‘Ageing Analysis’ for debtors.

➤ *NHDC Houses: Rs 881,025*

Measures and enforcement mechanisms put in place by RRA were inadequate and ineffective. The arrears have increased from Rs 545,260 in 2011 to Rs 881,025 in 2013, that is an increase of 61.5 per cent.

At paragraph 6.12 of the Audit Report for the year ended 31 December 2012, I reported on the following cases of arrears for which no remedial action had been taken:

➤ *State Land - Old Leases: Rs 1,469,834*

The amount of Rs 1,469,834 due by the lessees has been written off on 19 April 2013. However, the accounts in the Lease Management System have not been updated.

➤ *State Land Industrial: Rs 6,513,552*

In April 2004, a 20-year industrial lease was granted to a hotel promoter which was subsequently cancelled in December 2007. In January 2012, a plaint with summons was lodged against the promoter claiming the sum of Rs 1,160,300 for unpaid rent for the period July 2006 to December 2007. As of April 2014, the unpaid rent has not been recovered and no follow up in this respect was seen. In the meantime, RRA has allocated the site to a new promoter.

➤ *Water Unit Arrears: Rs 2,021,972*

The RRA did not have recourse to legal action for the recovery of arrears for water rates amounting to Rs 2,021,972, as advised by its Legal Adviser since February 2009. Section 12 of the Rodrigues Water Rates Regulations (1928) was also not being enforced for the recovery of debts.

According to Financial Instructions No. 1 of 2013 issued by the Ministry of Finance and Economic Development, Accounting Officer should ensure, among others, that a proper management information system is maintained to generate information on arrears of revenue and a timely follow-up of enforcement action is made. There is no evidence that the instructions have been complied with.

RRA's Reply

The default cases will be referred to Legal Advisor for appropriate action.

Chief Commissioner's Office

4.15 Investment in Private Companies

At paragraph 6.13 of the Audit Report for the years ended 31 December 2011 and 2012, I reported on a number of shortcomings relating to six private companies set up by RRA since 2006. Among the weaknesses noted were the non-compliance with the RRA (Investment Management) Regulations and requirements of the Ministry of Finance and Economic Development (MOFED). A lack of accountability by the private companies was also noted.

Since the incorporation of the six companies up to 31 December 2013, the RRA had disbursed a total amount of Rs 149.1 million to enable them to meet their operating costs. Investments as equity totalled Rs 42.6 million.

The Executive Council approved the winding up of three of the companies, namely the Rodrigues Housing and Property Development Company (RHPDC) Ltd, the Rodrigues General Fishing Company (RGFC) Ltd and the Rodrigues Water Company (RWC) Ltd as from March, April and August 2012 respectively. Procedures for the removal of the three companies from the Register of Companies were initiated as stipulated in Section 309(2) of the Companies Act. As of 30 April 2014, the companies were not yet wound up.

4.16 Disbursements

During 2013, RRA disbursed a further amount of Rs 24,659,387 to meet the operating costs of three companies, namely Discovery Rodrigues Company Ltd, Rod Clean Company Ltd and RWC Ltd, the latter being in the process of winding up.

Appropriation of funds in the PBB Estimates of RRA is made on the basis of programmes/sub-programmes appearing in the Estimates approved by the National Assembly. Funds for extra budgetary units are provided under the Sub-Head "Grants" of the respective Commission.

For 2013, grants to the above companies were not approved by the National Assembly indicating that it was not in the intention of the Assembly to allocate any amount from the RRA budget to those companies. Nevertheless, funds were disbursed to the three companies from Items of different Programmes appearing in the PBB Estimates of the Commission of Environment, Forestry, Tourism, Marine Parks and Fisheries, and a deposit account, as shown in Table 4-11.

Table 4-11 Funds granted to Companies during fiscal year 2013

| Company | Amount Rs | Programme/Account |
|-----------------------------|----------------------|--|
| Discovery Rodrigues Co. Ltd | 4,665,255 | Tourism Development |
| Rod Clean Co. Ltd | 19,964,510 | Environment Protection and Conservation |
| Rodrigues Water Company Ltd | 29,622 | Deposit account |
| Total | 24,659,387 | |

4.17 Audited Accounts and Annual Reports

Contrary to Section 19 of the RRA Investment Management Regulations, the accounts of four companies, including two of the three companies in process of winding up, have not yet been audited as of 6 April 2014. The remaining two of the six companies have submitted their audited accounts for the years ended 31 March 2012 and 31 December 2012 respectively. The Annual Reports of all the six companies were not seen to have been laid at the Regional Assembly as required by Section 20 of the Regulations.

4.18 Review of Projects in the Education Sector

At paragraph 6.18 of the Audit Report for the year ended 31 December 2012, I adversely commented on the implementation of projects by the Commission for Education. Conditions of contracts were not strictly followed and were thus not in the interest of RRA.

A review of Projects 1 to 4, as shown in Table 4-12, was carried out in April 2014. Provisions of the Public Procurement Act (PPA) have not been followed. Conditions of contracts were again not complied with, while projects were not properly supervised, resulting in delays in completion and liquidated damages not applied.

Table 4-12 Details for Projects 1 to 4

| Project No | Projects | Contract Value | Date of award | Contractual Completion date | Practical completion date (as per Notes of Meeting) | Amount paid as of March 2014 |
|------------|---|----------------|---------------|-----------------------------|---|------------------------------|
| | | Rs | | | | Rs |
| 1 | Two classrooms at Montagne Charlot Government School (GS) | 2,691,000 | 24.06.13 | 06.11.13 | 10.12.13 | 2,129,685 |
| 2 | Four classrooms at Roche Bon Dieu GS | 5,502,229 | 22.05.13 | 08.11.13 | 17.04.14 | 3,489,305 |
| 3 | Two classrooms at Terre Rouge GS | 2,711,000 | 14.09.12 | 11.12.12 | 04.02.13 | 2,445,603 |
| 4 | Six additional classrooms at Terre Rouge Secondary School | 9,287,127 | 18.09.12 | 20.03.13 | 07.03.13 | 7,847,838 |

4.18.1 Non-compliance with Public Procurement Act

As a public body, RRA is legally required to comply with provisions of PPA, the accompanying Regulations and related Instructions/Directives/Circulars issued under the Act. However, these were not always complied with.

Notification of Award of Procurement Contracts to Unsuccessful Bidders

For Projects 1, 3 and 4, contrary to the PPA and Directive of the Procurement Policy Office (PPO), unsuccessful bidders were not notified about the name and address of the successful bidder and the contract amount.

Bid Evaluation

Regarding Project 4, PPO had, on 10 September 2012, recommended a re-bidding exercise due to substantial price difference between the two lowest bidders amounting to some Rs 2.66 million. However, in view of the urgency to have the classrooms ready by the school resumption date in January 2013, RRA approved the second lowest bid, in complete

disregard of the advice of PPO. The project was, however, practically completed on 7 March 2013 according to Notes of Meeting.

RRA's Reply

Regarding project 4, in view of the urgency to have the construction of the six classrooms ready to cater for admission in January 2013, the RRA approved the second lowest bid. Three out of the six classrooms were handed over in 15 February 2013.

4.18.2 Non-compliance with Terms and Conditions of Contract

No Formal Handing Over/Liquidated Damages

Handing over of Projects 1 to 4 to the Commission for Education were not supported by formal Handing Over Certificates as provided in General Conditions of Contract (GCC). Hence, the correctness of liquidated damages amounting to Rs 75,000 charged for late completion of Project 1 could not be verified. Regarding Project 3, no liquidated damages have been charged for late completion of works.

Performance Bond and Insurance Policy

For Projects 1 and 2, no steps have been taken to renew the Performance Security to cover the Defects Liability Period. For Projects 2 and 4, the insurance policies did not cover the Defects Liability Period.

“As Built Drawing” and Operating and Maintenance Manual

For Project 4, “As Built Drawing” and Operating and Maintenance Manual were not provided by the Contractor at time of handing over. The amount of Rs 100,000 was not withheld from payments for failure to submit the above, as required by GCC.

Updated Programme of Works

For Project 3, an amount of two per cent of each Interim Certificate as required by the GCC, was not withheld from payments made to the Contractor for failure to submit an updated programme of works.

Submission of Guarantee Certificate

For Project 1, an amount of Rs 350,000 was spent for covering of roof. However, a 10-year Warranty Certificate to the effect that the roof structure could withstand the worst cyclonic conditions, as required in bidding documents, was not given by the Contractor.

For Project 2, the Contractor did not submit an irrecoverable 10-year Guarantee Certificate with terms and conditions as approved by the Project Manager for roof waterproofing works and for aluminium windows, costing Rs 99,964 and Rs 377,600 respectively.

RRA's Reply

For Project 1, the Contractor will be requested to extend performance security and for Project 2, the Contractor will be required to extend insurance policy and performance bond to cover the defect liability period. For both Projects, Contractors will be requested to submit compliance certificate.

4.19 Consultancy Fees

At paragraph 6.21 of the Audit Report for the year ended 31 December 2012, I reported that fees of Rs 990,000 were overpaid to the Consultant responsible for the construction of the Terre Rouge Secondary School. Payments were wrongly calculated on the original project value of Rs 100 million instead of the actual contract value of Rs 42.6 million. During 2013, an additional amount of Rs 862,500 was paid on 17 December 2013, bringing total payments to Rs 4,312,500 as of 31 December 2013.

Despite the fact that Rs 990,000 were overpaid, only an amount of Rs 618,119 has been recouped as per Payment Certificate dated 22 April 2014.

Recommendation

Overpayment should be recouped as soon as possible. The Commission for Public Infrastructure should exercise due care and diligence before approving release of payments.

RRA's Reply

The remaining balance of consultancy fees will be recouped on the next certificate.

4.20 Construction of Terre Rouge Secondary School (Phase II) and Montagne Goyaves Community School

Bids for both the construction of Terre Rouge Secondary School (Phase II) and Montagne Goyaves Community School were invited through the open advertised bidding method on 13 June 2013. Opening of bids was carried out on 18 July 2013 at the Central Procurement Board (CPB). However, on 27 September 2013, the latter recommended the cancellation of the exercise due to alleged cases of conflict of interest as provided in the PPA.

On 7 October 2013, CPB advised RRA to carry out an enquiry with a view to establishing whether there had been any breach of the PPA.

Observations

- Relevant files and documents for the two projects could not be examined as these were in the custody of the Independent Commission Against Corruption since 31 October 2013.
- As of 11 April 2014, no enquiry as requested by the CPB has been carried out.

Recommendation

Adequate control measures are to be put in place to ensure that officers having access to confidential information with regards to capital projects are not involved in any form of conflict of interest.

4.21 Grant to REDCO Ltd – Rs 1 million

RRA is the majority shareholder of Rodrigues Educational Development Company (REDCO) Ltd, a private company responsible for the management of Secondary Colleges in Rodrigues.

On 22 October 2013, RRA provided a grant amounting to Rs 1 million to REDCO Ltd for the procurement of furniture, other equipment and for upgrading works at Citron Donis College. On 6 November 2013, the Commission for Education requested REDCO Ltd to submit a detailed report on expenditure incurred.

Observations

- Grant of 1 million to REDCO Ltd is not an Item appearing in the PBB Estimates but was disbursed from Item “Construction/Extension of Secondary Schools, Equipment and Furniture”.
- An Expenditure Report and invoices supporting the different purchases and upgrading works were not available for audit purposes.

Recommendation

Expenditure should be made strictly in accordance with Programmes in the PBB Estimates as approved by the National Assembly.

4.22 Underutilisation of Assets

4.22.1 Tractors – Rs 4.53 million

In October 2011, three tractors costing some Rs 4.53 million were purchased by the Commission (Agriculture) for mechanisation purposes. Since their acquisitions, the three tractors have been encountering problems in their brake and hydraulic systems, and gear box.

During the period December 2011 to March 2014, each of these three tractors was unavailable for use for an average period of 300 days. As of March 2014, the three tractors were still not in operation due to mechanical problems. These were being addressed by the supplier with long delays even though the vehicles were under their warranty period of two years.

- Two of the three tractors were sent to workshop only one month after their receipts. In November 2012, the supplier reported that the wheel cylinder should be renewed on the two tractors. These were renewed in July 2013, that is some six months later.
- In August 2013, the supplier was notified of the repairs of brake discs and brake plates of the three tractors. The repairs were only effected in February 2014, that is more than five months later. An amount of Rs 193,925 had to be paid by the Commission since repairs were effected outside the warranty period.

The Commission could not take corrective action since a bank guarantee, representing five per cent of the final contract price was not submitted, contrary to the special condition of contract. Hence, the interest of the RRA has not been safeguarded.

4.22.2 Honey Processing and Bottling Unit – Rs 1.6 million

In December 2009, several items of equipment costing some Rs 1.6 million were purchased by the Commission (Agriculture) for the setting up of a Honey Processing and Bottling Unit. As of March 2014, that is more than four years later, the Unit was still not yet set up. All the items of equipment were lying idle in a mini laboratory since their receipt.

According to the special condition of contract, the warranty period of some of these equipment would expire in December 2014. By the time the Unit would be set up and equipment put to use, the warranty period might have lapsed.

The Commission has not yet derived any economic benefits from the assets purchased.

Recommendations

The Commission should ensure that, in future, all clauses of contract are strictly adhered to by the supplier. Appropriate action should be taken against the supplier for cases of non-compliance.

The Commission should consider the setting up of the Honey Processing and Bottling Unit as soon as possible so as not to further delay the utilisation of the equipment purchased.

4.23 Food Security Fund

At paragraph 6.23 of the Audit Report for the year ended 31 December 2012, mention was made of various shortcomings and discrepancies noted in the implementation and monitoring of the projects which were financed by the Food Security Fund (Mauritius).

4.23.1 Projects Financing

A sum of Rs 14,660,000 was received from the Food Security Fund (Mauritius) in 2013, bringing the total contribution to Rs 81,009,458. The amount spent in 2013 was Rs 26,722,479, bringing the total expenditure for Food Security Fund projects to Rs 94,711,023. An amount of Rs 16,180,764 was financed by RRA for the project “Construction of Slaughter House”.

Two on-going and two new projects have been reviewed as follows:

4.23.2 Increase in Meat Production

Construction of Slaughter House

At paragraph 6.23.2 of the Audit Report for the year ended 31 December 2012, mention was made that in December 2011, contract for the construction of a Slaughter House - Phase I was awarded to a private company for an amount of Rs 56,212,886 (inclusive of VAT). Works started on 14 January 2012 and was scheduled to be completed on 13 January 2013. At the initial stage, it was decided that there would be a Phase II, comprising the construction of a Cattle Slaughter House which would cost an additional Rs 15 million. However, in April 2012, it was decided to re-organise the space of Phase I to cater for the Cattle Slaughter House with a view to reducing cost of the whole project.

In June 2013, the RRA has informed that an extension of time of 134 days starting 14 January 2013 was approved and that liquidated and ascertained damages would be applied according to the conditions of the contract.

Detailed examination of this project was hampered by the fact that the Independent Commission Against Corruption has, on 20 March 2014, secured nine files relating to the construction and consultancy services of the Slaughter House, and the supply of equipment. According to notes of site meetings available at the Commission for Public Infrastructure, the completion dates have been extended several times due to slow execution of works. Further, extension of time was under consideration as of 31 March 2014. It could not be ascertained whether any liquidated damages were payable.

According to records available, total payments made to the Contractor and for consultancy services amounted to Rs 44,169,585 and Rs 1,955,575 respectively as of 31 December 2013.

Food Security Fund (Mauritius) was reluctant to release the necessary funds. Subsequently, re-allocation had to be made to Programme/Item “*Improvement to Livestock and Local Poultry*” of the Chief Commissioner’s Office (Agriculture) to be able to effect payments of Rs 6,342,023 and Rs 9,838,741 to the Contractor on 6 and 20 November 2013 respectively.

On 18 December 2013, an amount of Rs 14,660,000 was finally released by the Ministry of Agro-Industry and Food Security to RRA to meet commitments.

4.23.3 Emphasising on Capacity Building to enhance the Agro Industry Sector

Setting up of Mini Laboratories in Rodrigues – Project Value Rs 5 million

At paragraph 6.23.3 of the Audit Report for the year ended 31 December 2012, I reported that the ex-Environment Building at Citronelle was found convenient to house the three mini laboratories, namely laboratory for testing soil, water, plants, pests and diseases, laboratory for testing of animal feed, fodder and silage, and laboratory for testing of agro processed products. In April 2012, laboratory equipment was delivered and commissioned at a revised cost of Rs 710,707. There were not enough qualified personnel to operate the three laboratories.

The following were noted:

- Since the setting up of the laboratories, only some basic tests were carried out. Although the laboratories were equipped to test finished products, same were not carried out.
- Staffing problem as regards to the performance of tests was a major issue, although several Officers have received training to gain insight and exposure on the operation of the laboratories.
- Consumables for the three laboratories totalling some Rs 115,000 were purchased in February 2013. These consumables were not taken on charge in Store Ledgers. As of 28 March 2014, almost all the consumables were found in their original state in the laboratories.
- ‘Modus Operandi’ for the functioning of the laboratories has not yet been formulated.

4.23.4 Derocking and Provision of Drains and Terraces

Breaking of Stones at Montagne Goyaves

Request for Quotation (RFQ) was made to seven potential Contractors in June 2013 for the contract “Breaking of boulders into 250 to 300 mm diameter/size, transport and deposit the broken stone along contour line and terraces at Mt. Goyaves/Baladirou”. On 20 August 2013, the contract was awarded for the sum of Rs 920,000. The site was handed over to the Contractor on 12 September 2013 and works were due to start soon after. However, due to mechanical problems, the Contractor did not start works until 14 November 2013, after the grant of 30 working days of extension of time.

- In the Request for Quotation, no mention was made of the quantity of boulders that would be required for land terracing but the Departmental Tender Committee reported that it was estimated to be 2,000 cubic metres.
- Some 1,400 cubic metres of boulders were reported to have been distributed to planters and that some 600 cubic metres have been left lying at the places where the breaking of

stones was carried out. However, during a site visit effected at Mt. Goyaves and Baladirou on 8 April 2014, it was observed that no land terracing had been done although there were stacks of broken stones.

On 13 December 2013, a claim for an amount of Rs 920,000, representing the full amount of the contract, was received from the Contractor. As of 8 April 2014, the claim was not yet settled.

4.23.5 Harvesting of Rainwater for Irrigation

Harvesting of Rainwater at Roche Bon Dieu

On 9 October 2013, a contract was awarded for the construction of a pond for rainwater harvesting, supply and fixing of approved geo-membrane layer, construction of inlet, outlet and overflow structure with pre-treatment facilities, and construction of perimeter boundary wall with provision of a 5-metre wide gate for an amount of Rs 7,327,720 (inclusive of VAT).

The site was handed over to the Contractor on 12 November 2013 and works were due to start within seven days from the date of handing over of site, with completion date of 24 March 2014. Works actually started on 2 December 2013.

During a site meeting held on 9 January 2014, the attention of the Contractor was drawn to the fact that one month delay was noted in excavation works and the Contractor was requested to catch up with delays. As of 8 April 2014, the geo-membrane layer had still not been installed. Total payments made to the Contractor amounted to Rs 2,025,187.

Commission for Public Infrastructure, Water Resources, Housing and Land Transport

4.24 Construction of Roads, Track Roads and other Civil Works

A contract for the “Construction and Maintenance of Roads” was awarded on 28 March 2013 for the sum of Rs 94 million. 15 Works Orders were issued in respect of this contract for the sum of Rs 117 million.

An amount of Rs 46 million was provided for 2013 in respect of another road project from Brulé to Pointe Coton and actual payments were some Rs 96 million.

The contract for the Construction of Track Roads and Minor Civil Works was awarded on 26 March 2012 for a total sum of some Rs 24.5 million. Three Works Orders were issued during 2013 for the total sum of Rs 16 million.

Total payments during 2013 in respect of the above projects amounted to some Rs 198.1 million.

A review of the contract and a sample of Works Orders was carried out and the following were noted:

4.24.1 Lack of Competitive Bids

During the past four years, successive annual rate contracts for a total amount of some Rs 431 million were awarded to the same Contractor for the construction, maintenance and upgrading of Roads in Rodrigues. This Contractor was the only bidder who responded in each of these four tender exercises. In the absence of competitive bids, it is not possible to ascertain whether a competitive price has been obtained.

Already, in June 2013, the Commission reported to the Central Procurement Board (CPB) that yearly tender brings limited competition because of the difficulty for a bidder to invest heavily in an asphalt plant and be able to cover costs over one year only and recommended for a three-year contract to attract more bidders.

4.24.2 Works not Related to Roads Contracts

Certain works entrusted to the Contractor were found to fall outside the scope of road works as defined in the bidding documents. The rates retained in the Roads contract were related to road works and bids were invited from Contractors meeting qualification and experience with respect to road works. However, four Works Orders issued during 2013 and valued at Rs 7,381,631 were not related to the Road contracts. These works comprised, among others, the fencing of football ground, basket ball ground, handrail and pedestrian security.

In the absence of competitive bids, a fair price might not have been obtained for these Works Orders.

4.24.3 Defects Liability Period

Irrespective of the value of Work Orders, Defects Liability Period has generally been specified at six months from date of issue of Practical Completion Certificate.

The Defects Liability Period should not be the same for all Works Orders. Where appropriate, depending on contract value, it should be extended for a period of 12 months, as usually, most defects in road works arise during the first year due to different climatic conditions.

4.24.4 Liquidated Damages

According to General Conditions of Contract, the rate of liquidated damages are set between 0.05 to 0.1 per cent of contract price per day, and the total amount should not exceed between five per cent to 10 per cent of contract price.

The rate of liquidated damages in respect of Works Orders was specified at Rs 12,000 per day up to a maximum amount of 10 per cent of each final Works Order value. Thus, the condition of contract as stipulated in the Standard Bidding Documents of works was not being complied with.

4.24.5 Delay in Completion of Works

Only two out of 15 Works Orders issued in 2013 were completed within the contractual completion dates, while in nine cases, works were completed with a delay ranging from 20 to 160 days. Four Works Orders which were due to be completed in 2013 were ongoing as of 31 March 2014.

4.24.6 As-Built Drawings

According to Bidding Documents for road works, “as-built drawings” should be submitted by the Contractor within 25 days from the issue of Practical Completion Certificate for each Works Order. It is also stated that the amount to be withheld for failing to produce ‘as built drawings’ is two per cent for each specific final Works Order value.

In respect of the two Works Orders that were completed during 2013, no deduction was made for failing to submit “as-built drawings”.

4.24.7 Site Survey at Planning and Design Stage

In some road works, site surveys at design stage were inadequate as shown below:

- The Works Order for the Construction of Road from Citronelle to Terre Rouge was issued on 14 June 2013 for an amount of Rs 59.8 million. Works started on 17 June and were to be completed on 17 August 2013. As of 31 May 2014, the project had not yet been completed due to land acquisition issue and the Contractor was denied access to part of the site.

This issue should have been dealt with at design stage of the project, and not after award of contract. As of 31 March 2014, total payment amounted to Rs 46,524,243.

- The Commission awarded the contract for the Construction of Track Roads and Minor Civil Works on 26 March 2012 for a sum of some Rs 24.5 million.

No proper site surveys were carried out before awarding two of the three Works Orders issued during 2013 as shown below:

- A Works Order CTR 4/12 was due to be completed on 31 May 2013, but was practically completed on 16 July 2013 due to inaccurate survey regarding ownership of land. In May 2013, the RRA gave one month notice to a lessee to vacate his plot of land because of the alignment of track road.
- On 1 August 2013, some two weeks after the date of award of another Works Order, the Commission requested the Cadastre Section to enquire on the encroachment on private land or residential leased land.

The effects of inadequate site surveys are delays in completion of works, and in some cases, increase in costs of Works Order.

4.24.8 Project Implementation

Planning of the works to be effected during the year under review, and the budgeted amount required were inadequate.

A contract for the “Construction and Maintenance of Roads” was awarded on 28 March 2013 for the sum of Rs 94 million. 15 Works Orders were issued in respect of this contract for the sum of Rs 117 million.

An amount of Rs 46 million was provided in respect of another road project from Brulé to Pointe Coton, and actual payments amounted to Rs 96 million.

Projects costs should as far as possible be contained within budgets.

4.24.9 Non-Compliance with Contract Conditions

Handing over of Sites to Contractor

In the absence of notes of site meetings, it could not be ascertained whether joint site visits were effected, and when the sites of works were handed over to the Contractor.

Non-Submission of Programme of Works

The Contractor failed to submit updated programme of works as required by Works Orders, and an amount of two per cent of each interim certificate was not withheld.

Laboratory Tests

In one of the Clauses of a Contract, it is provided that “tests shall be carried out in an independent laboratory as approved by the employer”. However, tests were carried out at the Contractor’s laboratory to determine whether the works were up to required specifications and there was no approval of the Commission.

4.24.10 Construction of Brulé to Pointe Coton Road

Detailed examination of this project was hampered by the fact that the Independent Commission Against Corruption (ICAC) has secured contract files since September 2013. As a result, the following could not be ascertained among others: approval for extension of time, whether any liquidated damages were payable, the validity of the performance bond and insurance policy.

According to terms stipulated in the Works Order, written authorisation of the Commission should be obtained prior to execution of variation works. There was no approval for works amounting to Rs 14,846,911.

Recommendations

- Projects should be properly administered, contract terms and conditions must be strictly complied with and the RRA should ensure that projects are completed on time.
- The RRA should consider whether a longer term contract for road works would be more appropriate than one-year contract to attract more bidders.
- Sufficient time should be devoted to planning of works. Proper site surveys should be carried out at design stage of projects.

RRA’s Reply

- The Rodrigues Regional Assembly and the Central Procurement Board have agreed that future procurement exercise will be on a two-year basis in order to attract more potential bidders.
- The Contractor has been notified that submission of “as-built drawings” is pre-requisite to finalise pending applications for payments. As per condition of contract, 2 per cent of final works order will be deducted for non-submission of the requested As-Built drawings.

4.25 Revetement Wall

With reference to paragraph 6.24.4 of the Audit Report for the year ended 31 December 2012, regarding the construction of a “Revetement wall” at Oyster Bay for containing the dredged materials arising from the desilting works at Oyster Bay and Pointe Monier which would be undertaken by the Mauritius Port Authority, I reported that dredging materials were

not deposited within the wall structure and the contract was executed without any feasibility study having been carried out.

The wall was completed on 30 June 2008 and payments amounting to Rs 26,325,949 were made to the Contractor. Follow up of the project has not been possible as the files and all the related documents were still in the custody of the ICAC for enquiry.

Commission for Health and Sports

4.26 New Maternity Block - Rs 39 million

A new Maternity Block of an area of 2,500 square metres was constructed in the compound of the Queen Elizabeth Hospital in 2007 at a contract amount of Rs 39,045,950. It comprised an Operating Theatre, an Intensive Care Unit (ICU), various Wards and Units.

Some six years after its construction, the Maternity Block was not fully operational. The ICU, which has a capacity of accommodating six patients at a time, and the Operating Theatre which were equipped with all the necessary amenities, were not being used.

A contract was awarded for the purchase, installation and commissioning of medical apparatus and equipment for the Maternity Block at a cost of some Rs 5.8 million in April 2009. As it was not fully operational, most of the equipment was transferred to other Units and Area Health Centres. During a physical survey carried out on 9 April 2014 at the Operating Theatre, a scialytic lamp purchased at Rs 374,000 was found lying in its original package and still unused.

The Maternity Block was not being fully utilised for the purposes intended for and hence, maximum benefits were not being obtained for the huge investment.

Recommendation

Necessary measures should be taken to make maximum use of the available space, facilities and the equipment.

RRA's Reply

Operating Theatre will be operational as from 2015. All measures are being taken in 2015 budget for same.

New Maternity Block is being reorganised to optimise use of space as from 2015.

4.27 Stores Management

The Pharmacy Section of the Queen Elizabeth Hospital is responsible for the distribution of drugs in the Hospital, two Area Health Centres, nine Dispensaries, six Community Health Centres, and the Prison Service. Drugs and surgical stores amounting to some Rs 30 million were purchased during 2013.

Financial Regulations provide for some basic principles of stores management. In respect of physical conditions of stores and store accounting, it is stated, among others, that store rooms and areas should be kept clean and tidy, properly ventilated and weatherproof, fluids contained in tins should, whenever possible, be stored off the ground and all Store Ledgers should be self-balancing, with a new balance being recorded after the entry of each receipt

and issue. During a physical survey of stores at the Queen Elizabeth Hospital on 10 March 2014, the following were noted:

4.27.1 Surgical Store

Surgical consumables were stored in two staff quarters, where boxes of items were stacked from the floor up to the ceiling. There was no easy access to the rooms, and there was no emergency exit door in both quarters.

Inflammable gases were stored in another building where risk of fire is high due to lack of ventilation.

4.27.2 Main Store of the Pharmacy Section

At the Pharmacy Main Store, drugs were stored from the floor to the ceiling. Cold items were stored in domestic refrigerators instead of biomedical refrigerators.

Electrolytes were stored in a building which was previously used as a mortuary, and where the room temperature was not appropriate for such items.

Store Ledgers were not always kept updated. For instance, as of 6 March 2014, receipts were posted up to 30 September 2013.

Recommendation

Appropriate measures should be taken for proper storage of the medical items.

RRA's Reply

Provision is being made in 2015 budget for proper storage shelves and facilities in Surgical and Main Store of Pharmacy.

Commission for Environment, Forestry, Tourism, Marine Parks and Fisheries

4.28 Assistance to Professional Fishermen - Rs 44,098,967

Bad Weather Allowance (BWA) is paid to all registered professional fishermen on days which are declared as bad weather by the Meteorological Services. In June 2006, Government decided to change the criteria for payment of the allowance and the Island of Rodrigues was divided into four zones for the purpose of assessment of state of sea in the lagoon. As regards the off-lagoon, the state of the sea was to be the same everywhere.

During 2013, a total amount of Rs 44,098,967, including arrears of Rs 15,706,562 was paid to fishermen.

4.28.1 Arrears of BWA- Rs 15,706,562

The allowance is paid according to rates established under Social Aid Regulations, as subsequently amended. Amendments brought in the Regulations have been overlooked for payments between January 2008 to August 2013. As a result, fishermen had been underpaid a total amount of Rs 15,706,562.

In December 2013, the fishermen were refunded the sum of Rs 15,706,562. However, a scrutiny of the payment vouchers revealed that they were neither verified nor certified by the responsible officers prior to payment. Also, no mention was made whether the fishermen were registered as off-lagoon, lagoon/off-lagoon, lagoon or closed season and of their respective fishing zones.

On 7 January 2014, the Ministry of Finance and Economic Development advised that an enquiry be carried out, given that the arrears related to a period covering more than five years. By the time the Ministry recommended for an enquiry, payments had already been effected.

4.28.2 Recovery of Overpayments - Rs 15,394,731

Arrears of Rs 15,706,562 had been refunded to the fishermen without giving due consideration to the overpayments of Rs 15,394,731 made in 2006-07. In that financial year, various payments were not in line with the Social Aid Regulations and criteria established by Government. This resulted in the overpayments.

As of 31 March 2014, the amount overpaid was not yet recovered.

Recommendations

- The Commission must recover the overpayments made during 2006-07 from the BWA payable for 2014.
- The allowance should always be paid in line with Regulations.

RRA's Reply

An enquiry will be conducted to determine the course of action.

4.29 Projects in Fisheries Sector

The projects in the Fisheries Sector as mentioned at paragraph 6.26 of the Audit Report for the year ended 31 December 2012 relating to the acquisition and management of five fibre glass fishing boats and six outer-lagoon fishing boats costing Rs 52,831,000 and Rs 15,639,425 respectively by the Commission were reviewed in April 2014.

4.29.1 Procurement of Five Fibre Glass Fishing Boats – Rs 52,831,000

The fishing boats were purchased by RRA in December 2011 at a cost of some Rs 52 million financed by a loan of Rs 13,207,750, and a grant of Rs 39,623,250 from International Fund for Agricultural Development in support to Rodriguan fishermen for demersal fishing and were handed over to five Cooperative Societies.

Loan Agreements

Loan agreements were signed between RRA and the Cooperative Societies in December 2011, for the sum of Rs 13,207,750, that is Rs 2,641,550 by each Society. During 2011 and 2012, RRA also incurred expenditure totalling Rs 1,639,250 for the purchase of fishing equipment for the five Societies for which loan agreements were not yet signed as of 30 April 2014. Therefore, modalities of repayment were not known.

Loan Repayment

The total loan amounted to Rs 14,847,000, that is, Rs 2,969,400 for each Society. The loan agreement provides that interest of Rs 11,006 is payable monthly as from January 2012. The capital repayment was due after a moratorium of one year, that is, in January 2013.

Capital and interest due as of 31 December 2013 amounted to Rs 3,059,000 and Rs 1,251,280 respectively, that is, a sum of Rs 862,068 for each Society. As of 31 December 2013, none of these Societies have made their monthly repayments.

Recommendations

In view of the fact that Cooperative Societies could not repay their loans, a re-assessment of the viability of the project of providing fibre glass fishing boats to support fishermen for demersal fishing should be made. Alternatively, the Commission should look out for means of recouping the loan.

RRA's Reply

A new management plan, approved by the Executive Council is being implemented for more effective utilization of the boats and to ensure that repayment of loans are done regularly after each fishing outing.

4.29.2 Procurement of Six Outer Lagoon Fishing Boats - Rs 15,639,425

As of 31 March 2012, the six outer lagoon fishing boats were under the responsibility of the Rodrigues General Fishing Company (RGFC) Ltd. Subsequently, in May 2012, the Executive Council approved the winding up of the RGFC Ltd, and hence the operation of the fishing boats had ceased. These boats were moored at Pointe Monier boatyard without any maintenance and protection.

The boats were taken over by the Fisheries Research and Training Unit (FRTU) on 16 September 2013. According to an independent Surveyor's report in November 2013, the boats were left idle for a long time, and this had led to the deterioration of the engine and equipment. The estimated cost of repairs may be substantial, as the warranty period of the boats had already expired in June 2011.

As of 30 April 2014, all these boats were seen grounded at Pointe Monier boatyard.

Recommendation

The six outer lagoon boats should be repaired and made seaworthy.

RRA's Reply

The Commission has initiated necessary action to repair the boats and make them seaworthy again. A contract has been awarded for the repairs and rehabilitation of the six fishing boats.

4.29.3 Francois Leguat Fishing Vessel

An agreement was signed on 23 October 2012 between the RRA and a Cooperative Society whereby the Francois Leguat Fishing Vessel with estimated market value of Rs 800,000 was allocated to that Society for outer lagoon fishing activities. The duration of the contract was for a period of one year in consideration of one per cent of its monthly revenue from fishing activities.

- A review of performance of the Society in relation with fishing activities revealed that there was gross underutilization of the fishing vessel which has a fish hold volume of 2.3 cubic metre. 27 outings were undertaken during the contractual period, and only an amount of Rs 1,312 was remitted to the Commission in November 2013.
- The financial sustainability of the Society has not been assessed by the Commission prior to signing the contract. The financial statements of the Society for the year ended June 2013 showed a loss of Rs 556, and its expenses of Rs 330,568 were financed from donation.

- As of April 2014, the vessel was seen idle, moored at Pointe Monier boatyard.

Recommendation

The vessel should not remain idle in an abandoned state. New modalities should be worked out to make maximum use of it.

RRA's Reply

The Executive Council has approved that Expression of Interest be launched to invite Cooperative Societies to submit their proposals for the utilisation of the boat. It will be provided to the Society which is most responsive to the criteria set out in the Expression of Interest.

5 - MINISTRY OF ENERGY AND PUBLIC UTILITIES

5.1 Acquisition of Financial Assets - Loan to non-financial Public Corporation. Loan to Wastewater Management Authority for Construction of Wastewater Infrastructure

5.1.1 *Financing of WMA Projects*

Prior to year 2013, all sewerage projects undertaken by Wastewater Management Authority (WMA) were funded by Government through grants under Budget Item 'Acquisition of Non-Financial Asset' of the Ministry of Energy and Public Utilities (MEPU).

However, as from 2013, funds for the implementation of WMA capital projects were provided through loan to WMA under the Budget Item 'Acquisition of Financial Assets – Loan to non-financial Public Corporation' of MEPU.

5.1.2 *Loan Agreement*

On 6 May 2014, a Loan Agreement for an amount of Rs 920.9 million was signed between the Ministry of Finance and Economic Development (MOFED) and WMA. This represented an advance of Rs 628.5 million to WMA and direct payments of Rs 292.4 million made by a Foreign Bank to the Contractor during 2013, and this sum was converted into loans to WMA.

During 2013, while awaiting the finalization of the loan agreement, advances were made on a monthly basis as per forecast of payments submitted by WMA for the sum of Rs 628.5 million and they were then offset against the loan.

The duration of the loan is 15 years inclusive of a grace period of five years. The first capital instalment is due for repayment in 2018.

It is understood that a loan agreement will be signed on an annual basis for financing each fiscal year's projects.

Impact

➤ *Monitoring of Projects*

Prior to 2013, under the Grant formula, payments for sewerage projects had to be approved by MEPU. Prior to approval, these projects were scrutinised in terms of progress of works, variation works and costs of projects. Besides, MEPU had a Project Monitoring Committee to monitor these projects. Quarterly progress reports had to be submitted to MEPU.

With the Loan formula, monitoring, supervision of projects and approval of payments rest entirely with WMA.

➤ *Reporting*

Prior to 2013, audit observations on WMA sewerage projects were reported in Audit Report under MEPU.

In 2013, both the loan and expenses relating to the sewerage projects are accounted for in the financial statements of WMA. Henceforth, observations relating to these projects will be made in the Audit Report on the financial statements of WMA.

➤ *Repayment Capacity of WMA.*

In May 2014, WMA informed MEPU that, no increase in wastewater tariff has been approved to cater for the repayment of the loan granted to WMA for the implementation of wastewater projects. It was explained that the actual revenue derived from wastewater charges just covered the operational expenditure of WMA. As such, it would inevitably default in the repayment of loan instalments.

Interest was accrued as from the date the loan was disbursed by WMA. Already, a sum of Rs 12.8 million for the year ended 31 December 2013 has not yet been paid by WMA.

Ministry's Reply

By virtue of the Convention de Maitrise D'Ouvrage Déléguée between the Ministry and WMA, Government has an obligation to finance the implementation of the wastewater projects. This arrangement was maintained up to the end of 2012, when MOFED decided to provide loans directly to WMA.

However, the loan agreement was signed only at the end of December 2013 though disbursements were made earlier. Accordingly, project monitoring is now conducted at the level of WMA and by the Project Implementation Unit of this Ministry.

Repayment capacity and increase in tariff are intrinsically linked. However, the decision to increase tariff or otherwise rests with the Government.

5.2 The Bagatelle Dam Project

The objective of the Bagatelle Dam Project is to meet the water demand of the Port Louis and Lower Mare aux Vacoas up to the year 2050 as well as to increase water availability for irrigation to the maximum extent possible.

The project is being monitored by the Water Resources Unit (WRU) falling under the aegis of the Ministry. A sum of Rs 2.2 billion, was spent under the project as of 31 December 2013 of which Rs 131.8 million and Rs 1,921.8 million related to Consultancy Engineering Services and Construction Works respectively.

5.2.1 Feasibility Study

The feasibility study was carried out in two phases during the period August 2001 to September 2005:

Phase I - Identification of the most suitable scheme for water supply, including comparative studies of the different features for the proposed Bagatelle Dam candidate sites and their economic assessment.

Phase II - Full scale feasibility study of the identified scheme under Phase I, including in-depth hydrological and geotechnical investigations, cost estimate and Environment Impact Assessment for the recommended/retained dam site.

A Technical Committee was set up to look into the different dam options. A final feasibility study report was submitted in September 2005 on Dam Site B across Terre Rouge river and diverting flows from Cascade river. Government approved its implementation in February 2006.

5.2.2 Contract for Consultancy Services for Detailed Design and Construction Supervision

In January 2009, the Ministry awarded the contract for the provision of “Consultancy Engineering Services for the Detailed Design and Construction Supervision of the Bagatelle Dam” to a Consultancy Engineering Firm for the total sum of Rs 169.4 million, inclusive of VAT, that is Rs 55.6 million for Lot I (Detailed Design) and Rs 113.8 million for Lot II (Construction Supervision). Total payments under Lot I and Lot II as of 31 December 2013 were Rs 56.9 million and Rs 74.9 million respectively.

Observations

- No professional indemnity insurance of the Consultancy Firm was made available contrary to Clause 3.6(c) of the Conditions of Contract which requires that professional liability insurance, with a maximum coverage amount not exceeding Euro 3.0 million per claim per year.

- The Ministry terminated the contract with the Consultant in February 2014 for having failed to perform the detailed design of the Bagatelle Dam with the standard of care and diligence expected from a Consultant of international repute.

5.2.3 Financing of Construction Works

In order to finance a major part of the cost of construction of the dam, Government entered into a loan agreement, in March 2012, with a foreign bank for 580 million Renminbi(RMB), that is some Rs 2.6 billion, with interest payable in March and September annually at two per cent per annum. The balance of Rs 0.7 billion was to be financed by the Government.

5.2.4 Award of Contract for Construction Works

In September 2010, Government was informed that a foreign firm had been designated to proceed with bid negotiation with the Mauritian side. The contract for the construction works was awarded to the firm in July 2011 for the sum of Rs 3.3 billion, following the invitation of bid from that firm only. The works were scheduled for completion in December 2014.

The Ministry was advised by the Public Procurement Office to be guided by Section 3(3) of the Public Procurement Act which provides that “where any provision of this Act conflicts with the procurement rules of a donor organisation, the application of which is mandatory pursuant to an obligation entered into by Mauritius under any treaty or other form of agreement, those rules shall prevail”.

It was noted that one bid only was invited instead of competitive bids from other Contractors who build dams.

Ministry’s Reply

One of the conditions of the Foreign Loan agreement is that the works should be undertaken by Contractors of that foreign country. Accordingly, its Embassy was requested to submit to the Ministry of Finance and Economic Development the names of at least three Contractors that would be invited to submit bids for the construction works. However, the Embassy informed the Government of Mauritius that the International Contractors Association of that country has designated a specific firm to proceed with bid negotiations with the Mauritian side for implementation of the Bagatelle Dam Project.

5.2.5 Independent Expert

Due to weak soil layers encountered in the dam foundation, major changes in spillway and in foundation treatment of the embankment and grouting depth were brought about by the then Consultant in the course of the execution of construction works. As a result of these major changes, in November 2012, the Ministry appointed an Independent Expert for the sum of Euro 27,600 in order to provide an independent opinion on:

- adequacy of investigations carried out during the detailed design stage;

- adequacy of the changed spillway design;
- method of dam foundation treatment adopted.

In his report dated 20 December 2012, the Independent Expert concluded that the geological conditions of the foundation in the dam alignment were known at all the design phases from the geological investigations and recommended “suspending immediately all foundation treatment works and to investigate the possibility to change present foundation treatment design to a concrete cut-off wall design”.

Based on the findings of the Independent Expert, in March 2013, the Ministry informed the then Consultant that it had failed to ascertain the soundness of the design and water tightness of the dam.

5.2.6 Procurement of Cut-off Wall Works

Following the recommendation of the Independent Expert for the implementation of a Cut-off Wall (COW), bids were invited in April 2013 from three foreign firms proposed by the then Consultant. The scope of works required the construction of the COW over a total length of 2,400 metres, with maximum depth of 35 metres and a thickness of 0.8 metre.

The bids were received and opened by WRU on 20 May 2013 and subsequently evaluated by a Bid Evaluation Committee set up by the Ministry. In July 2013, the latter annulled the bidding exercise and requested the Main Contractor to enter into a direct negotiation with either of the two lowest bidders and submit a value for money proposal for the construction of the COW. Subsequently, the Main Contractor submitted its offer to the Ministry for an amount of Rs 1.7 billion.

In December 2013, the then Consultant accordingly issued a Variation Order to the Main Contractor for the quoted price of Rs 1.7 billion, inclusive of all overheads and mark up based on the revised completion date of December 2016. The variation works for COW were then entrusted to the Main Contractor who nominated a Sub Contractor.

Observations

- No cost estimate for the COW of the then Consultant was available prior to the opening of the bids.
- The award of the works for COW by way of a Variation Order for the value of Rs 1.7 billion represents some 58 per cent of the initial construction contract value of Rs 3.3 billion.
- Due to the two major changes mentioned above in the dam design, Government has suffered significant direct loss and damages. The project construction cost, which was Rs 3.3 billion at the time of award of the initial construction contract, would increase to some Rs 5.4 billion that is by 63.6 per cent. The completion date and impounding of the reservoir have been extended from December 2014 to December 2016.

Ministry's Reply

- On 19 June 2013, the then Consultant had submitted a cost estimate for the COW to the tune of Rs 1,650 million exclusive of VAT. This was revised from Rs 1,350 million.
- The Bid Evaluation Committee (BEC) had recommended, in July 2013, the annulment of the bidding exercise and for the Main Contractor to be requested to submit proposals for the construction of the COW.
- The decision to have recourse to a Variation Order for the construction of the Cut-off Wall was taken to avoid risks of shared liability regarding possession of site and use of materials/equipment that would have arisen had the Ministry appointed a Sub-Contractor for the construction of the Cut-off Wall. This decision was taken in the best interest of the project.
- The recommendation of the BEC was approved by the Ministry on 19 July 2013 and the Main Contractor was requested to submit proposals for the construction of the Cut-off Wall as a variation under the main contract. Negotiations with the Main Contractor started on the actualised cost estimate of Rs 1,045 million for the Cut-off Wall submitted by the BEC.

After negotiations with the Main Contractor, the variation Order was issued by the Consultant in December 2013.

- The main contract is outside the purview of the Public Procurement Act.

6 - MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Mauritius Revenue Authority

Customs

6.1 Freight Stations-Seaport

Background

With the growing volume of international trade, the need for expeditious clearance of goods at the port within the minimum possible time has been gaining importance. Hence a Freight Station acts as a port facility for the handling and temporary storage of containers under Customs control. Duties and taxes collected for goods transited through Freight Stations totalled some Rs 1.8 billion during year 2013.

6.1.1 Control Over Movement of Containers

Less Container Load (LCL) containers are transferred from Cargo Handling Corporation Ltd (CHCL) to Freight stations where they are unstuffed and goods are delivered to consignees after payment of appropriate duties. There are eight Freight Stations, and all of them, except one, are located in the Freezone area and are within some 15 minutes reach from CHCL.

It is of paramount importance to establish proper control over movement of these containers so as to minimize risks of:

- Containers not entering the Freight Stations.
- Goods removed from containers before entering the Freight Stations.
- Unstuffed goods being delivered to consignees without customs clearance.

Customs has put in place several procedures to exercise such control, namely:

- Checking of agent seal and affixing Customs seal on containers at CHCL, as well as recording the seal numbers and time of departure (time out) of containers from CHCL in the Customs Management System (CMS).
- Container Movement Register at Freight Stations to record seals, time in and out and time reaching Freight Station amongst others. A maximum of 15 minutes was set as standard time for a container to reach Freight Station and case to be reported for examination of container in case of abnormal variance.
- Unstuffing of goods in the presence of the Freight Agent and Customs Officer and recording of details of the exercise in the unstuffing register.

- Goods undelivered within two months would be transferred for auction sale.

In my 2007-08 Audit Report, I drew the attention of the Authority on several weaknesses in the controls being implemented. However, those shortcomings being reported, together with a number of other observations are elaborated below.

6.1.2 Audit visits at Freight Stations

Audit visits and examination of records at the different Freight Stations revealed the following weaknesses:

Customs seal

Records of Customs seals were not properly kept and their distribution was not effected in chronological order. At Freight Stations, there was no evidence that Customs and agent seals had been verified in respect of several containers as their seals numbers were not recorded in the Container Movement Register.

Management's Reply

A proper stock book in compliance with accounting principles has been introduced at the Port Operations Unit to record the issue of Customs seals. A specific form has been introduced to facilitate use of seals in sequential order. In the long term, these forms as well as records of Customs seals will be automated.

Time taken to reach Freight Stations

- More than 6,000 containers were transferred from CHCL to the Freight Stations during year 2013. However, there was no evidence of co-ordination between Freight Stations and CHCL to ensure that all containers which have left the latter premises have actually entered the Freight Stations.
- The transfer of containers from CHCL to Freight Station exceeded 30 minutes in some cases while there was a time lag of five hours in one case. There was no evidence that these cases have been reported to management for further investigation.
- The Container Movement Register was incomplete, in that relevant information such as time out and time in of several containers were not recorded.

Management's Reply

Customs gives assurance that all containers meant for Freight Stations have reached the appropriate destination. Appropriate steps have been introduced through the CCS Gate Management interface which provides details of movement of LCL Containers and a team at Seaport constantly monitors abnormal delays where appropriate action is taken accordingly.

Further, all freight stations have been instructed to input timely records in the CCS to ensure completeness of the container movement register. In the medium term, CMS will be enhanced to incorporate container movement and unstuffing details in a single screen.

Unstuffing exercise

- There was no evidence that all containers were unstuffed in the presence of Customs Officers.
- During site visits at two Freight Stations, containers were being left unattended during the unstuffing exercise.
- Details of the unstuffing exercise were not always recorded in the Container Movement/ Unstuffing Register and CMS. In two cases, remarks of the exercise inserted in the CMS and Unstuffing Register differed.

Management's Reply

- A container is always unstuffed in the presence of a Customs Officer but due to volume of LCL containers and as a trade facilitation measure, one officer may supervise a general cargo and a vehicle container at the same time.
- Appropriate measures have been taken to ensure the constant presence of Customs Officer during unstuffing.
- A single officer has to do multiple tasks. Customs (Standard Operating Procedure) SOP requires unstuffing officer to ensure accuracy of unstuffing records to be inserted in both CMS and unstuffing register. Instructions have been given to insert unstuffing remarks in priority in the CMS and registers at the end of the unstuffing exercise.

Delivery of goods from Freight Stations

In several cases, the delivery of goods was not effected within a period of two months as per Customs Regulations. Goods were being delivered without the presence of Customs Officer at one Freight Station.

Management's Reply

- Customs may still deliver goods to importer if they have not yet been sold by auction.
- The Customs Officer performs multiple tasks and cannot supervise delivery of goods.

Physical Verification of goods

- No independent physical verification of goods is being done by the Customs Officer posted at the Freight Station, at least on a test check basis, when these are being delivered to consignees.
- A physical stock take was also not being carried out for even a sample of goods in the Freight Station. A survey carried out by my Officers had revealed that a sample of items not delivered as per Unstuffing Register, was found missing.

Management's Reply

- No physical verification of goods is being undertaken by Customs due to lack of staff. Checks will henceforth be carried out by the Port Surveillance and Enforcement Unit.
- Customs gives assurance that all these missing goods have been delivered but corresponding entries were not inserted in the Register.

Overlying goods

- According to the list of overlying goods at Freight Stations as of 30 November 2013, there were various items dated as far back as year 2003. This implied that those goods had not been transferred for auction in line with Section 61 of the Customs Act.
- At two Freight Stations, several goods which had been overlying since long were not included in the list while, at another Freight Station one car on the list was already sold

Management's Reply

A team has been established for the transfer of overlying goods and a time frame of three months will be set to clear backlog.

Other unsatisfactory features

- In accordance with Section 118 of the Customs Act, a Freight Forwarding Agent shall execute a bond in the amount of not less than Rs 1 million. However, the security bond of two freight agents was not produced for audit.
- Criteria for the setting up of a Freight Station were not always adhered to. These included the location of the Customs office and storage of goods, amongst others.

Management's Reply

Customs management confirms that these two security bonds are in order, although not produced for audit. The position of Customs Offices is being reviewed. Appropriate control will be effected in respect of storage of goods.

Recommendations

The following corrective measures may be considered to enhance control over the various operations of the Freight Stations:

- (a) The distribution and recording of Customs seals should be properly effected. Both agents and Customs seals should be duly checked prior to the opening of containers and recorded in the container register.
- (b) Strict control must be exercised over the movement of containers from CHCL to the Freight Stations.
- (c) Records should be properly kept and details of all containers leaving CHCL and entering Freight Stations should be timely and accurately recorded in the CMS / manual ledgers.
- (d) Timely action should be taken for the transfer of overlying goods to auction sale to maximize revenue.
- (e) Inventory exercises should be carried out by Customs at least on a test check basis to ensure that goods not delivered are still in the custody of the Freight Stations.
- (f) The procedures laid down in the Customs (Standard Operating Procedures) SOPs manual and requirements of the Freight Stations should be complied with.

Management's Reply

Recommendations have been noted and management has already proposed to implement some of them.

SOPs have already been amended where necessary to implement recommendations and action will be initiated for non-compliance.

6.2 MRA - Customs Return of Arrears of Revenue - Rs 545,181,447

The Return of Arrears of Revenue for (MRA) Customs comprises duties and taxes payable in respect of goods already delivered and includes offences detected in breach of any Customs Legislations. As from 2010, the arrears have been classified into collectible and non-collectible debts. Collectible debts are debts where debtors agree to settle the amount due whereas non-collectible debts refer to debts not agreed upon by offenders, whereby legal action is initiated for recovery of duties/taxes.

According to the Return of Arrears of Revenue submitted to the Accountant General, arrears as of 31 December 2013 totalled Rs 545,181,447. The sum of Rs 24.8 million accounted in the Treasury Statement of Arrears represented collectible debts. Details are shown in the Table 6-1.

Table 6-1 Arrears of Revenue as of 31 December 2013

| Year | Total No of cases | Customs Offence Report (COR) | | Claim | | Total Amount Rs |
|-----------------|-------------------------|---------------------------------|----------------------|------------------|----------------------|---------------------------|
| | | Collectible | Non - Collectible | Collectible | Non - Collectible | |
| | | Rs | Rs | Rs | Rs | |
| Prior Year 2011 | 97 | 14,162,947 | 133,989,045 | | | 148,151,992 |
| Year 2011 | 376 | 320,725 | 7,101,864 | 0 | 166,043,684 | 173,466,273 |
| Year 2012 | 84 | 39,425 | 131,898,058 | 4,199,723 | 7,636,953 | 143,774,159 |
| Year 2013 | 154 | 850,000 | 45,266,597 | 5,224,538 | 28,447,888 | 79,789,023 |
| Total | 711 | 15,373,097 | 318,255,564 | 9,424,261 | 202,128,525 | 545,181,447 |

Findings

The arrears of revenue figure of Rs 545,181,447 has been materially misstated due to the following shortcomings illustrated below:

- (a) Included in the Rs 24.8 million are two cases totaling Rs 10.8 million owed by one company which has already ceased business, and the assets disposed of since 2008, that is, some five years back.

Management's Reply

This amount has been classified as bad debts and earmarked for write off.

There is no provision for the write off of bad debts in current legislations. However, Section 17 of the MRA Act 2004 makes provision for the write off of duty and taxes, and based on that provision, procedures are being established to facilitate write offs.

- (b) Section 8(2) of the Customs Act 1988 states that payment of duty and taxes in respect of petroleum products imported by the State Trading Corporation (STC) shall be effected within a period of 30 days of the date of importation. Further, the Bill of Entry is validated in Customs Management System (CMS) upon collection of duties and taxes.

- Duties and taxes on imports of Rs 683.5 million for December 2013 and paid in January 2014 were not included in the return of arrears of revenue, despite being a credit facility given to STC.
- It is not understood why Bill of Entry in respect of petroleum products is validated at time of collection of duties and taxes given that a declarant has 21 days to proceed with the validated bill in accordance with Section 9(A) of Customs Act.

Management's Reply

The Law provides for deferred payment under section 8(2) of the Customs Act 1988, where the State Trading Corporation is allowed to effect payment for petroleum products to be effected within a period of 30 days. Therefore the sum of Rs 683.5 million is considered as a deferred payment. It is only after the due date that a debt arises.

- (c) *Uncleared Bills of Entry.* A declarant is liable to fine in case he does not proceed with a Bill of Entry within 21 days in line with Section 9(A) of the Customs Act. As per CMS, there were 6,561 uncleared Bills of Entry relating to period 2009 to 2013 for which CORs were not raised and fine not applied accordingly although these were not cancelled.

Management's Reply

A high level committee has been set up to monitor the un-cleared bills and is advising management on the requisite action to be taken in accordance with Section 9A of the Customs Act 1988.

- (d) According to Section 14(1A) of the Customs Act, amount underpaid shall be recovered together with penalty of 50 per cent and interest at the rate of one per cent per month. However, the interest of one per cent has not been accrued in respect of duties and taxes underpaid in the Return of Arrears of Revenue.

Management's Reply

There is no specific provision for the inclusion of interest in the template provided by the Accountant General. Guidance has been sought from the Accountant General as to whether the one per cent should be included in the Treasury Return and a reply is being awaited.

- (e) A penalty of five per cent was not being charged for dishonoured cheques by Customs although penalty was being applied at the other departments falling under MRA.

Management's Reply

There are no specific provisions in the Customs Law to impose five per cent penalty on dishonoured cheques. As such, only interest one per cent is being applied. Legal amendments are being prepared to redress this anomaly.

- (f) The arrears of revenue figure of Rs 545,181,447 was arrived at after reducing debts totaling Rs 107 million. Included in the figure of Rs 107 million was an amount of Rs 80.1 million in respect of 11 cases, where the MRA Legal Adviser recommended no further action. However, the approval of the MRA Board was not seen prior to reducing these debts.

Management's Reply

MRA Board approval was not required to reduce these debts. The reduction has been carried out following administrative decisions and the decisions of Courts, ARC, etc. However, a committee is being put in place to review all the recommendations of reduction prior to finalization of the statement of arrears of revenue.

Conclusion

In view of the above findings, the reliability and accuracy of the Return of Arrears of Revenue could not be ascertained.

6.2.1 Time barred cases

As per Section 148(1) of the Customs Act 1988, proceedings for recovery of duty and taxes shall be commenced within a period of five years from date of offence. At time of audit in May 2014, 148 cases totaling Rs 62.8 million have not been referred for legal action within the prescribed delay.

Management Reply

- These 148 cases were still pending at Customs awaiting the outcome of a particular time barred case.
- Amendment to the law will be proposed to safeguard duty, excise duty and taxes.

Recommendations

- The Return of Arrears of Revenue should be amended to show a true and fair view.
- Customs should liaise with MRA Headquarters regarding penalty for dishonoured cheques and this should be disclosed in the Return.

- The approval of the MRA Board should be sought prior to reducing of debts.
- There should be proper co-ordination between the Debt Management Unit and various Sections to ensure that all CORs and claims are included in the Return.
- Timely action should be undertaken to avoid debts being time barred in order to maximize revenue.

Registrar of Companies Corporate and Business

6.3 Arrears of Revenue

At paragraph 8.3 of the Audit Report for the year ended 31 December 2012, I reported on a number of shortcomings relating to arrears of revenue, including lack of follow up on amounts owed by Companies and Commercial Partnerships.

As of 31 December 2013, the Return of Arrears of Revenue of the Corporate and Business Registration Department (CBRD) showed an arrears figure of Rs 233.8 million in respect of registration/licences fees and fines. Arrears for the past four fiscal years are shown in Table 6-2.

Table 6-2 Arrears of Revenue for past four fiscal years

| Fiscal Year | Arrears Rs million | Increase/Decrease Rs million |
|--------------------|-------------------------------|---|
| 2010 | 310.8 | - |
| 2011 | 323.3 | 12.5 |
| 2012 | 363.7 | 40.4 |
| 2013 | 233.8 | (129.9) |

- The decrease in the arrears at 31 December 2013 compared to previous year arose due to write off of debts amounting to Rs 163.9 million for some 17,199 defunct Companies which had been deregistered for non-compliance with provisions of the Companies Act.
- Arrears of Rs 233.8 million at 31 December 2013 included fees and fines amounting to Rs 160.1 million and Rs 73.7 million respectively. According to the debtors age analysis, Rs 133 million of the total debts, that is 56.8 per cent, were outstanding for more than five years.
- Out of the total arrears, an amount of Rs 34.6 million was due by Commercial Partnerships. The agreements for 130 Commercial Partnerships owing some Rs 14.2 million had already expired, some of which for more than 20 years back.
- No legal action has been taken to recover debts amounting to Rs 20.4 million from Commercial Partnerships whose agreements have not yet expired at 31 December 2013 since Commercial Partnerships, presently governed by “*Code Civile Mauricien*” and “*Code de Commerce*”, do not make provision for the CBRD to recover debts or to deregister the Partnerships.

Recommendations

- The CBRD should review its debt collection mechanism in order to recover debts promptly. All avenues should be explored for the recoupment of arrears.

- There is the need to set up a Monitoring Committee to identify the reasons for non-payment of licence fees and fines, and to take remedial actions so as to avoid write-off of substantial amounts.
- The generation of annual registration/licence fees and fines for Commercial Partnerships whose agreements have expired, should be discontinued so as to avoid inflating the arrears of revenue figure.

Department's Reply

The Corporate and Business Registration Department has already set up a Monitoring Committee to ensure that fees due are collected and action such as “compounding of offences”, is taken for non-payment.

Commercial Partnerships whose agreements have expired have been identified and it will be ensured that no fee is generated so as to avoid inflating the arrears of revenue figure.

Registrar General's Department

6.4 Arrears of Revenue

General

The arrears of revenue of the Registrar General's Department totalled some Rs 331 million as of 31 December 2013. A breakdown of the arrears figures for the past five fiscal periods is given in the Table 6-3.

Table 6-3 Arrears of Revenue

| Duty/Tax | Jul - Dec 09 Rs m | 2010 Rs m | 2011 Rs m | 2012 Rs m | 2013 Rs m |
|--------------------------|------------------------------|----------------------|----------------------|----------------------|----------------------|
| Registration Fees | 82 | 84 | 86 | 96 | 109 |
| Land Transfer Tax | 44 | 54 | 65 | 113 | 125 |
| Capital Gains Tax | 15 | 15 | 14 | 14 | 14 |
| Leasehold Rights Tax | 3 | 4 | 8 | 12 | 29 |
| Campement Tax & Site Tax | 13 | 17 | 19 | 19 | 19 |
| Short on Deeds | 15 | 14 | 14 | 29 | 29 |
| Incorrect Declaration | 9 | 8 | 7 | 7 | 6 |
| Total | 181 | 196 | 213 | 290 | 331 |

Source: Return of Arrears of Revenue

The arrears continued to be on the increasing side. As of 31 December 2013, the arrears of Rs 331 million represented an increase of 14.1 per cent of the arrears of Rs 290 million as of 31 December 2012. As for Leasehold Rights Tax, the increase from some Rs 12 million to Rs 29 million represented about 142 per cent.

6.4.1 Reassessment of Value of Property

The arrears of revenue have considerably increased due to claims of some Rs 91.3 million that have remained unsettled as of 31 December 2013. These claims for additional fees/taxes, following reassessment of value of property, dated as far back as year 1982. Due to the problem of input to the computerized system, they had not been accounted for as arrears at that particular time.

6.4.2 Adjustment of Rs 32.3 million

As of 31 December 2013, the arrears of revenue figure had also been adjusted by an amount of some Rs 32.3 million, representing mainly remissions in penalty. This adjustment has arisen due to amendment to Section 35 of the Land (Duties and Taxes) Act on 16 July 2011 whereby a lighter penalty (other than the previous 100 per cent penalty) is being imposed on the difference between the open market value and the value specified in the deed. Further, following legal advice received from the Attorney General's Office (AGO), the revision should be inclusive of the 100 per cent penalty imposed in all outstanding cases from August 2006 to July 2011.

6.4.3 Debt Recovery System

In previous years' Audit Reports, I had constantly drawn attention to the poor system put in place to recover the arrears.

Although the measures for the recovery of arrears taken so far were inadequate and ineffective, no other means for prompt recovery of the debts have yet been initiated. During 2013, only Rs 18.3 million had been recovered from the arrears of Rs 290.3 million as of 31 December 2012.

Age List of Debtors

An analysis of the arrears of Rs 331 million as of end of 31 December 2013 is given in Table 6-4.

Table 6-4 Analysis of Arrears of Revenue

| Fiscal Period ended | Amount Rs million |
|--------------------------------|------------------------------|
| Up to 31 December 2008 | 121.4 |
| 31 December 2009 | 18.3 |
| 31 December 2010 | 12.9 |
| 31 December 2011 | 17.8 |
| 31 December 2012 | 69.3 |
| 31 December 2013 | 91.3 |
| Total | 331.0 |

Source: Return of Arrears of Revenue

As of 31 December 2013, recovery of debts up to 31 December 2008 totalling some Rs 121.4 million and representing about 37 per cent of the total outstanding debts seemed remote and

may become time barred. Hence, the measures to recover the sums due from the debtors should be strengthened and enforced.

Irrecoverable Arrears

At paragraph 8.4.2 of the Audit Report for the year ended 31 December 2012, mention was made that authority was being sought from the Ministry of Finance and Economic Development for the write off of some Rs 58 million being irrecoverable arrears of revenue.

As of February 2014, the Director of Internal Control has not yet made any recommendation for the write off. However, on 5 March 2014, the Department sought advice from the AGO for the write off of some Rs 243 million representing outstanding arrears of cases relating to period from 1977 to December 2008. The Department also mentioned in the letter that it had not taken any action to recover the amount due by legal means and the debts have now become irrecoverable.

In previous years' Audit Reports, I have continuously highlighted that forceful measures be put in place and every possible avenue be explored for prompt recovery of the arrears. Despite that, the Department has not taken any action prior to the debts becoming time barred. In the event that the write off is being approved, this would result in loss of revenue of Rs 243 million to Government.

6.4.4 Untraceable Debtors

The Department has still not initiated any action to improve the method of delivery of notices. The undelivered notices were still being referred to the Commissioner of Police for further investigation. In most of the cases, the whereabouts of the debtors could not be traced even by the Police Department, as mentioned in the Audit Report for the year ended 31 December 2012.

As of 31 December 2013, additional fees/taxes due totalling some Rs 7 million could not be claimed as the notices sent were returned undelivered as the respective debtors were untraceable.

Recommendations

- It is again emphasized that the measures and enforcement mechanisms need to be urgently reviewed, establishing appropriate procedures for the timely follow-up, recovery and enforcement of outstanding amounts so as to ensure prompt recovery of the sums due from the debtors. All possible avenues to recover the debts should be explored prior to the debts becoming time barred and before seeking authority for the write-off.
- As previously suggested, the Department should seriously consider implementing proactive measures to either fix the value of property or duty and taxes prior to registration in order to counteract the effects of having to raise claims for additional fees/taxes.

Department's Reply

- The Department has set up a dedicated Enforcement Unit as from September 2013.
- Upon request from the Director of Internal Control, legal advice has been sought as regard to the time limit after which a claim becomes time barred as per Section 44 of the Land (Duties & Taxes) Act and is being awaited.

An arrears payment scheme has been introduced in 2014 (ending on September 2014) whereby penalty is being waived provided payment of the debt is effected by 30 September 2014.

- As regards to fixing of Value of Property, it does not encompass the responsibility of the Registrar-General and a policy decision is required.

7- MINISTRY OF PUBLIC INFRASTRUCTURE, NATIONAL DEVELOPMENT UNIT, LAND TRANSPORT AND SHIPPING

National Development Unit

General

The National Development Unit (NDU) operates to contribute towards the enhancement of the quality of life through three main activities:

- Provision of community-based infrastructure and amenities.
- Implementation of land drainage programme.
- Provision of information, advice and related services to empower citizens.

The above activities are financed under the Programme “Community Based Infrastructure and Public Empowerment” which has, as priority objectives, to improve the safety of inhabitants in flood prone areas and enhance community welfare. One of the major services is to provide an effective drainage system in flood prone areas, through the Land Drainage and Watershed Management Programme.

To achieve its objectives, the NDU has divided the island in four zones. Rate contracts for the construction and upgrading of roads and drains were awarded on a zonewise basis through Open Advertising Bidding (OAB). As regards emergency projects, they were awarded to the existing Zonal Contractors and other Contractors through the emergency procurement method. A time frame of about six months was set for the implementation of the emergency projects.

7.1 Planning and Managing of Projects

For the year 2013, NDU has incurred total expenditure of some Rs 1.71 billion out of the revised budget of Rs 1.74 billion.

A sum of some Rs 1.16 billion was incurred for the Land Drainage Watershed Management Programme out of the above total expenditure of Rs 1.71 billion. The expenditure exceeded the approved budget of Rs 225 million under this Programme by more than 400 per cent. Part of the additional provision of Rs 951.5 million obtained through Virement and under the Supplementary Estimates was for implementation of emergency projects under the Emergency Rehabilitation Programme (ERP) following the torrential rain of 13 February and flash floods of 30 March 2013.

Observations

Over the past years, NDU has undertaken more projects that were initially planned in the budget but the financing requirements were not duly assessed. Following award of rate contracts and emergency projects, Works Orders were issued as and when projects were approved. The following were observed:

- Rs 1.16 billion comprised payments, among others, of Rs 586.7 million for emergency projects awarded under the ERP and by the Road Development Authority (RDA) and Rs 250 million for on-going projects awarded prior to 2013. As of 31 December 2013, there were still commitments totalling some Rs 1.165 billion outstanding under these projects as shown in Table 7-1.

Table 7-1 Payments and Outstanding Commitments as of 31 December 2013

| Projects | Commitments at 31.12.12 Rs million | Awarded in 2013 Rs million | Paid in 2013 Rs million | Commitments at 31.12.13 Rs million |
|---------------------------------------|---|---|--|---|
| Emergency Projects under ERP | | 1,313.5 | 563.6 | 749.9 |
| RDA Projects | | 62.9 | 23.1 | 39.8 |
| On-going projects prior to 2013 | 625.6 | | 250.0 | 375.6 |
| Total | 625.6 | 1,376.4 | 836.7 | 1,165.3 |

As regards emergency projects under ERP, this situation should not have arisen in view of the fact that all emergency projects awarded from February to May 2013 should have been completed within the time frame of six months.

- A prioritised list of projects, targeted for 2013 comprising on-going and new projects together with the estimated costs and implementing dates, had not been worked out. It was also noted that:
 - When preparing the budget for 2013, NDU did not take into account the previous years' outstanding commitments of Rs 625.6 million.
 - Of 166 drain projects proposed for 2013, only 15 projects for an estimated cost of Rs 75.2 million were awarded during the year 2013, out of which six were completed and nine were still outstanding as of 31 December 2013.

Recommendations

- A realistic budget should be prepared, based on proper planning of projects which should take into consideration all outstanding commitments from previous projects.
- Given that NDU spent significant funds in projects, it should urgently put into operation the Project Management System that has already been developed to exercise proper control and effective monitoring of projects and ensure their timely completion.
- NDU should monitor closely the issue of Works Orders under rate contracts so that the financial resources allocated are sufficient to meet all commitments. This would help NDU to minimize risks of not meeting its contractual obligations.

NDU's Reply

NDU has taken note of the need for proper planning for drain projects. With the assistance of the World Bank, a comprehensive study is being undertaken in flood prone areas to come up with an Integrated Drain Plan to prevent flooding.

7.2 Zonal Contracts

A rate contract is awarded following an OAB and approval of the Central Procurement Board (CPB) on the basis of approved rates to execute works as and when required. The quantities in the scope of works are estimates and of indicative nature. Payments are based on actual quantities of works measured jointly on site upon completion of works.

Four rate contracts for the construction and upgrading of roads and drains were awarded on a zonewise basis (Zonal Contractors) by the CPB through OAB for a period of 18 months in March 2012 and February 2013. Two of the four rate contracts, which expired in September and October 2013 respectively, were extended up to May 2014. A total of 143 Works Orders for a total amount of some Rs 504.2 million under the existing and extended contracts were issued for the four zones in 2013.

The four rate contracts for a total value of Rs 713.6 million awarded to three Contractors A, B and C are as shown in the Table 7-2.

Table 7-2 Zonal Contracts Awarded

| Zone | Date of Award | Contract Period | Contractors | Amount Rs million |
|--------------|---------------|------------------|-------------|----------------------|
| 1 | 6 Mar 12 | Mar 12 to Sep 13 | A | 180.8 |
| 2 | 4 Feb 13 | Feb 13 to Aug 14 | B | 172.8 |
| 3 | 4 Feb 13 | Mar 13 to Sep 14 | C | 203.8 |
| 4 | 6 Mar 12 | Mar 12 to Oct 13 | C | 156.2 |
| Total | | | | 713.6 |

Source: Project Files and NDU Database

Observations

Procurement proceedings for award of new contracts for Zones 1 and 4, which expired in September and October 2013 respectively, were initiated by NDU through CPB in July 2013. The estimated costs for Zones 1 and 4 were Rs 229 million and Rs 238.5 million respectively. The procurement exercise was subsequently cancelled on the ground that international bids had to be invited since the estimated contract cost per zone was more than Rs 200 million. It was only on 22 April 2014 that a fresh tender exercise was launched.

Pending the award of new contracts, the existing contracts were extended on three occasions to December 2013, March 2014 and May 2014. The amounts allocated to the two Contractors A and C under the extended contracts for Zones 1 and 4 were however not specified. As of 28 February 2014, Works Orders amounting to Rs 99.2 million and Rs 102.1 million respectively were already issued. These represented 55 and 65 per cent of the respective existing contracts awarded in March 2012. This is not in line with Section 25 (2) (d) of the Public Procurement Act (PPA) and Regulation 44(3) of the Public Procurement Regulations (PPR) which stipulate that “the limit where additional works, which were not included in the initial contract have, through unforeseeable circumstances, become necessary, shall be 30 per cent of the initial contract value”.

Recommendations

- Bidding procedures should be properly planned so that new contracts are awarded before the expiry of existing contracts. The estimated costs of the works, time required for bid preparation and bid exercise should be carefully analysed before choosing the procurement method and launching of bids.
- NDU should comply with the provisions of the PPA and PPR in particular, the prescribed limit for any additional works entrusted to existing Contractors.

7.3 Emergency Rehabilitation Programme and RDA Projects

Following the torrential rain of 13 February 2013, the approval of Government was obtained on 15 February 2013 for the urgent implementation of a number of projects in various localities in Port Louis and neighbouring regions and other places such as Baie du Tombeau, Bois Rouge, Pamplémousses, Fond du Sac, Cottage, l'Amitié and Gokhoola for dredging of canals, repair of bridges, embankments and putting up of drain systems under ERP. NDU awarded 47 projects for the sum of Rs 853 million from February to May 2013 under ERP I.

After the flash floods of 30 March 2013, giving rise to unprecedented flooding in Port Louis and neighbouring regions, NDU undertook urgent maintenance and rehabilitation of drain systems. NDU funded 19 projects of Rs 62.9 million, which were executed by the RDA. Further, in order to prevent recurrence of flooding, 17 projects were awarded under ERP II for Rs 460.5 million during the period March to May 2013.

As of 31 December 2013, a sum of Rs 586.7 million was incurred on 83 emergency projects for a total contract value of some Rs 1,376 million are shown in the Table 7-3.

Table 7-3 ERP and RDA Projects

| Type of Projects | Projects Awarded | | Contract Value Rs million | Actual Expenditure Rs million |
|------------------|------------------|--------------|------------------------------|----------------------------------|
| | Number | Period | | |
| ERP I | 47 | Feb - May 13 | 853.0 | 377.7 |
| ERP II | 17 | Mar - May 13 | 460.5 | 185.9 |
| RDA | 19 | Feb - May 13 | 62.9 | 23.1 |
| Total | 83 | | 1,376.4 | 586.7 |

Source: Project files

7.3.1 Financing and Approval of Emergency Projects

Government's approval was needed for emergency projects as they were not budgeted. Further, prior financial clearance has to be obtained from Ministry of Finance and Economic Development (MOFED) on all requests made that would entail additional provision or commitment of funds.

Observations

- 11 projects under ERP I for a total value of some Rs 42 million were not found in the list of emergency projects approved by Government on 15 February 2013. On 5 April 2013, Government took note of progress in rehabilitation works following the flash floods of 30 March 2013. However, there was no approval of Government for the implementation of ERP II projects and those executed by RDA estimated at Rs 523.4 million.
- On 10 and 30 April 2013, MOFED approved additional provision of funds amounting to

Rs 472 million for the implementation of emergency projects following floods in February and March 2013. The funds were used not only for emergency projects related to 2013 but also to finance similar projects awarded in 2011 and 2012.

- There were six cases where Works Orders totalling some Rs 70.9 million were issued before financial clearance was obtained from MOFED. Further, in seven projects, Works Orders for some Rs 194.4 million issued from February to May 2013 exceeded the approved sum of Rs 69.8 million by Rs 124.6 million.

7.3.2 Allocation of Emergency Projects

Sections 21(1) and 21(2) of the PPA provide that “a public body may purchase goods, other services or works from a single supplier without competition in cases of extreme urgency” and that “the scope of the emergency procurement shall as far as possible be limited to the period of the emergency so that appropriate competitive procurement methods may be utilised at the conclusion of the emergency period” respectively. At NDU, a time frame of about six months was set for the implementation of the emergency projects.

Following advice on emergency procurement sought by NDU in June 2013, the Attorney General’s Office (AGO) stated that:

- with a view to ensuring transparency and in line with good practices although NDU may resort to emergency procurement, nothing prevents an informal bidding exercise to be carried out from amongst Contractors who have proven experience in carrying out such works.
- most of the proposed emergency projects were within a specific zone and awarding the projects to zonal contractors might raise concerns as to their capacity to carry out such works within a short time frame.

Observations

All the contracts under ERP I and II for 2013 were awarded under Emergency Procurement. In 2011, emergency contracts were awarded through restricted bidding as provided in Section 19.1 of the PPA.

For Zone 2, projects of total contract value of Rs 742.5 million were awarded to Contractor B as of 31 December 2013. This figure comprised projects of Rs 172.8 million awarded under the zonal contract in February 2013 and 17 emergency projects totalling some Rs 569.7 million were awarded without competition during the period February to May 2013. The latter amount represented about 41 per cent of total contracts of Rs 1.376 billion under ERP. Neither restricted bidding was resorted to nor were informal quotations sought from other Contractors to ensure reasonableness of prices quoted by Contractor B before allocating emergency projects.

Moreover, projects awarded to Contractor B were not completed within the contract period as detailed below:

- Of the above mentioned 17 emergency projects awarded in 2013, eight of them

amounting to Rs 307 million were still not completed as of 31 December 2013. The emergency period ranged from four to six months and was therefore exceeded by one to four months.

- Six emergency projects of total contract value of Rs 48.3 million due for completion during the period July 2011 to March 2013 were still not yet completed as of 31 December 2013. Delay in completion of works ranged from nine to 29 months.

Recommendations

- Financial clearance and Government's approval should be sought before embarking into emergency projects. Moreover, the value of Works Orders should not exceed the limits approved by MOFED.
- NDU should ensure that projects awarded as emergency ones strictly fulfill the requirements of the PPA. As such, the performance of Contractors should be monitored closely so that all emergency projects are executed within the agreed emergency period.
- To ensure transparency in the process and in line with good procurement practices, NDU should consider resorting to informal bidding exercises for emergency contracts as advised by the AGO. A cost comparison exercise should be done taking into consideration the reasonableness of prices quoted before award of contracts.

NDU's Reply

- On 9 September 2013, clearance of MOFED was obtained for an additional amount of Rs 87 million and on 13 December 2013, approval was obtained to provide additional funds of the order of Rs 1,315 million.
- In view of the Government decision to give priority to projects under the ERP, it was decided to implement drains projects under the normal programme at a later stage.
- Setbacks were experienced for the implementation of emergency projects in terms of difficulties to obtain wayleave, need for acquisition of land, relocation of services; consequently, there was revision in the completion of projects.

7.4 Non Compliance with Conditions of Contract

Out of 49 projects, a sample of 17 of a total contract value of Rs 284.8 million was examined. Instances of non compliance with conditions of the contract are shown below:

Performance Security

According to General Conditions of Contract (GCC), the Contractor is required to provide a performance security of 10 to 15 per cent of the Contract Price, which shall be from a local commercial bank approved by the public body and shall be valid up to the issue of the

Defects Liability Certificate for the works.

- The performance securities for two projects were not adjusted to reflect increase in contract value due to additional works entrusted to the Contractors.
- In three cases, the performance securities were not extended to cover the Defects Liability Period in respect of works, which were not completed within the contractual period.
- For six projects, the NDU accepted performance securities issued from an insurance company instead of a local commercial bank.

Programme of Works

According to GCC, the Contractor shall submit for approval a Programme of Works within seven days from the date of the Works Order. For four projects, the Programme of Works was submitted from four to 11 months after the issue of the Works Order; and in four cases, these were not submitted at all.

Extension of Time

According to GCC, the Contractor shall at latest, within a period of seven days after completion of works request the Project Manager to extend the Intended Completion Date. If the Contractor fails to give early warning of a delay, same shall not be considered in assessing the new Intended Completion Date. In three projects, no early warning was given by the Contractor. Nevertheless, extension of time was approved by the Project Manager. Further, the additional time granted was not supported by documentary evidence, such as weather report.

Practical Completion

According to GCC, the Contractor shall request the Project Manager to issue a Certificate of Completion of works, within 28 days from the date on which the works were actually completed on site. Certificates of completion of works were issued four and six months after the completion of two projects instead of 28 days. For another six projects that were completed, no practical completion certificates were issued.

Liquidated Damages

According to the Particular Conditions of Contract, the Contractor shall pay liquidated damages to the Employer at the rate of Rs 5,000 per calendar day for each day that the completion date is later than the Intended Completion Date. Liquidated damages were not claimed for three projects although there were delays in the completion of works.

Test Results

According to the internal circulars of NDU issued in February 2013, all test results should be submitted by the Contractor at the appropriate time period when the item of work is being performed. Further, as per Contract for road works, standard tests shall be carried out by the Contractor.

For one project, the sample sizes for “in-situ density tests for areas under vehicular traffic loading and asphalt wearing course” and for “the diameter and thickness of coring of asphaltic wearing course” should have been 25 instead of 17, and 17 instead of eight respectively. No instruction was seen for a lesser sample. Further, no test reports were attached to the payment certificates for two other projects.

Recommendations

All terms and conditions of the contracts and internal circulars should be strictly complied with. NDU should ensure that liquidated damages should be claimed where there are delays in completion of contracts and that test results reports are submitted prior to payments.

NDU's Reply

- It will be ensured that no contracts or work order would be issued without submission of performance security. In case of non submission of performance security, it is contemplated to withhold a specific amount of money from subsequent payment to constitute the amount required for performance security.
- Necessary measures will be taken to ensure that Contractors comply with the conditions of contract.

8 - MINISTRY OF HOUSING AND LANDS

8.1 Arrears of revenue – Rs 409,806,285

The arrears of revenue at 31 December 2013 totalled Rs 409,806,285 and comprised the following:

| Item | Type of lease | Rs | Rs |
|-----------|-------------------------|-------------------|---------------------------|
| 141-5-002 | Campement site leases | | |
| | - Rent for Campement | 14,528,774 | |
| | - Premium for Campement | <u>32,893,856</u> | |
| | | | 47,422,630 |
| 141-5-003 | Other Land Leases | | 327,999,403 |
| 141-5-003 | Ex CHA | | <u>34,384,252</u> |
| | Total | | <u>409,806,285</u> |

Observations

- The above figure does not include the interest rate of eight per cent on late payment of rent;
- There have been annual increases in the arrears figures of the past fiscal years as shown below:

| Fiscal year ending | Arrears Rs |
|--------------------|---------------|
| 31.12.2011 | 355,828,173 |
| 31.12.2012 | 386,003,828 |
| 31.12.2013 | 409,806,285 |

- For 2013, only six cases of arrears were referred to the Attorney General's Office (AGO) for prosecution. For 2011 and 2012, the Ministry referred some 48 and 69 cases of arrears. The outcome of legal action is still not known.
- A Senior Financial Operations Officer who is responsible for the revenue item is also the Officer who selects the cases to be referred to AGO for prosecution. An element of internal check is thus lacking.

Recommendations

- Follow up action is necessary. Debtors are to be chased promptly. More reminders should be sent to them. The Ministry may contemplate other appropriate measures to recover the arrears.

- The accrued interest is to be stated in the Return of Arrears of Revenue.
- A Senior Officer is to be responsible for the prompt collection of revenue.

Ministry's Reply

- For the financial year 2013, total arrears amounted to Rs 23,802,457 whereas total amount collected for the same period in 2013 was Rs 1,27 billion.
- Appropriate remedial measures are being taken as follows:-
 - More reminders to be issued to debtors;
 - Interest accrued to be stated in the statement as far as practicable; and
 - A Senior Officer is now responsible for the prompt collection of revenue.

8.2 Deposits - Rs 81,111,057

The above amount represents deposits received from potential investors, companies and individuals in respect of reservation of State Lands for the construction of industrial and commercial enterprises.

The procedure is that an application for State Land must be addressed to the Ministry of Housing and Lands. Once the request is approved, a reservation letter is issued to the promoter.

The Ministry will issue a Letter of Intent to the applicant upon satisfying all the conditions stated in the Letter of Reservation. A lease agreement is then signed between the two parties.

One of the conditions of the lease agreement is that the lessee should complete the construction of the industrial building and commercial enterprises and the installation of its plant and machinery within a period of 36 months, as from the date the lease is signed.

Observations

- There are a number of cases where the Ministry has already received deposits from potential investors relating to reservation of State Lands and no construction works have yet started. The conditions stated in the Letter of Intent are not being complied with, and these are valid reasons for terminating the lease. However, the Ministry has not taken necessary action to cancel the reservations.
- When State Lands are not being developed, Government is foregoing substantial amount of revenue.

Ministry's Reply

Appropriate steps are being taken to cancel reservations where conditions are not complied with. However, in a number of cases, representations have been received from promoters and in all fairness, these representations have to be examined prior to cancellation being effected.

8.3 Compensation Payments Relating to Cancellation of Lease Agreement

8.3.1 Lease Agreement with Company A

In April 1992, Government decided to terminate the lease agreement entered with Company A, previously having been awarded a lease of state land. The Company sued Government for unlawful termination of the lease agreement.

On 15 September 2010, the Supreme Court ordered Government to indemnify the Company to the sum of Rs 170,554,631, for unlawful termination of lease agreement. As at 30 June 2013, the total sum, including the interest was Rs 211,021,779.

Negotiations were held with the Company for the payment of a reduced compensation.

The aggrieved party submitted a number of proposals that comprised a cash compensation of Rs 40 million, together with the allotment of a 60 year lease of another equivalent plot area at Les Salines, Black River, for touristic related development at a nominal rent of Rs 150 per arpent, and other exemptions and facilities.

Observation

Government has been summoned to pay a significant compensation amount for breach of the lease agreement. The matter is not yet settled.

Ministry's Reply

The matter is still sub-judice as the State has appealed against the judgement delivered by the Supreme Court. It is therefore premature to say that it has been costly to Government.

8.3.2 Lease Agreement with Company B

A lease of 30 acres of State Land situated at La Cambuse was granted to Company B for the construction of a hotel and was reserved for a period of six months with effect from 25 May 2005.

Government cancelled the reservation and the Ministry refunded the deposit of Rs 3 million to the company on 14 July 2005.

On 8 August 2005, the Company served a "mise en demeure" on the Ministry and made a claim of Rs 8,437,500, being costs incurred on architectural design and drawings of the hotel project already submitted to the Ministry.

The Company also lodged a plaint for damages on 16 September 2005 in the Supreme Court against the Ministry.

The AGO has advised that the Ministry should negotiate a settlement and following the advice of the Ministry of Public Infrastructure and National Development Unit, Land Transport and Shipping , it was considered fair and reasonable to compensate the company at Rs 6.5 million. This amount was also approved by the Ministry of Finance and Economic Development.

The same plot of State Land was reserved for another company that had already paid a reservation fee of Rs 4.5 million on 4 May 2009.

Observation

The decision to terminate the lease of State Land has again been costly to Government.

9 - MINISTRY OF SOCIAL SECURITY, NATIONAL SOLIDARITY AND REFORMS INSTITUTIONS

9.1 Information Technology Audit

General

The Ministry is responsible for the promotion of national solidarity and for the payment of pensions and various types of social aid. During 2013, some Rs 12 billion were disbursed by the Ministry in terms of pensions and social aid. These represented 12 per cent of the Government Budget.

Over the years, my Office has been reporting on the need to tighten control over the disbursements of benefits. Various recommendations have subsequently been endorsed by the Public Accounts Committee in its report to the National Assembly.

Investment in the Information Technology (IT) infrastructure which consisted of a Networking of some 800 Terminals connected to the four Servers hosting the Database Systems, amounted to Rs 160 million. The IT systems were developed by a State Owned Company (SOE) as from 1991 and implemented in collaboration with the Ministry of Information and Communication Technology (MICT).

The Ministry has two major systems namely, Contribution and Benefits/Social Aid. The whole process of determination and payments of pensions and social aid (from receipt of applications by claimants, processing and authorisation to payment) rested on the use of IT.

The expected way forward, according to the Ministry, was to comply with the e-Government Master Plan for the delivering of Government Services, exchange of information and communication transactions, integration of various stand-alone systems and services as well as back office processes and interactions within the entire Government e-framework. The Plan was submitted to the Ministry in June 2013. However, there was no indication as to whether shortcomings reported in previous Audit Reports have been taken into consideration in the e-Government Master Plan.

Audit Objective

The objective was to review the extent of reliability of the Ministry's Information Systems in conjunction with the efficient and effective use of IT to manage the determination and payments of benefits.

Audit Scope

The scope of the audit included an examination of the effectiveness of controls over the IT Systems to:

- Determine whether policies and procedures were effective to ensure information, especially sensitive one, was appropriately secured.

- Determine whether continuous monitoring of security controls was effectively implemented and met the required standards.
- Assess the adequacy of the General and Application Controls to ensure confidentiality, integrity and availability of data.

9.1.1 IT Steering Committee

A Steering Committee ensures broad oversight of the IT Systems and involves top management level. The role of the Committee is to determine the prioritisation of IT resources in line with the Ministry's needs. The Committee also helps to track the status of projects, identify emerging risks and resolve conflicts, as well as monitoring of service levels and service improvements within the Ministry.

Observation

Prior to October 2007, a Steering Committee overseeing the whole Ministry's IT issues was operational. Thereafter, different Committees were set up in respect of certain projects or to deal with specific IT issues. This would not allow for oversight of the whole IT operations within the Ministry.

Risk

The Ministry's strategy and objectives might not be achieved as intended. IT Governance could thus not be ensured to mitigate the occurrence of errors and overpayments of benefits.

Recommendation

The IT Steering Committee needs to be revived with properly spelt out terms of reference to ensure the efficient and effective IT development and to monitor the overall coordination and achievement of the Ministry's objectives.

9.1.2 IT Policy

An IT Policy is a high level document comprising a set of policies designed and approved by management. It sets out the policies of the Ministry, defines roles and responsibilities of Users, as well as references to approved procedures, standards and guidelines.

Observation

A comprehensive IT Policy was not available though such a template was submitted by the Information Technology Security Unit of the MICT (ITSU) in July 2012 for customisation and implementation by the Ministry.

Risk

The absence of clear establishment of Users' responsibilities might lead to Users not being able to follow standard procedures to maintain sound and secure IT Systems. It might deprive the Ministry of the appropriate measure for enforcement in case of default.

Recommendation

An IT Policy document needs to be developed, approved and disseminated to all employees/Users of the Ministry and kept updated.

9.1.3 IT Security

An IT Security Audit was carried out by a Private Firm, at the request of ITSU of the MICT. The Report which was submitted in June 2012, highlighted 310 shortcomings. These included 26 critical, 83 high, 152 medium and 49 low shortcomings in terms of security. 240 shortcomings were to be attended by the SOE and the remaining 70 by the Ministry.

Observations

- Critical issues which were to be addressed immediately were still not attended to, after two years.
- Actual status of the implementation, of the recommendations mentioned in the report was not available.

Risk

Security flaws might be exploited. This will put confidentiality, integrity and availability of data at stake.

Recommendation

Remedial action needs to be taken to ensure the security of the Systems and reliability of data.

9.1.4 Physical Controls

Physical controls are designed to protect the IT equipment from damage, theft and unauthorised access and manipulations.

Observations

Inadequate physical controls included:

- Water leakage from window frames at both Rose- Hill and Port Louis Server Rooms.
- Inadequate capacity of some breakers which feed power to the network equipment at Rose- Hill Server Room.

Risk

The Ministry would be exposed to risk of loss of computing facilities and data which might disrupt availability of services with resulting social consequences.

Recommendation

Action needs to be initiated to secure the IT equipment in the Server Rooms. The power supply needs to be reviewed.

9.1.5 Logical Access Controls

Management of Access Rights ensures that appropriate access to the IT System has been granted to authorised Users only. Password management prevents an unauthorised person to access the System and as such, secure the integrity of the database.

Observations

Access Rights

- (a) Roles to be assigned to Users were not properly defined in the Request Forms for Access Rights.
- (b) Request Forms were kept chronologically. Only those for the past two years were readily available. Requests granted prior to this were archived even for active Users. This would render difficult the matching of Users with relevant authority for access.
- (c) 871 and 878 persons were registered as active Users accessing the Contributions System and Benefits/Social Aid System respectively. This exceeded the total number of Officers servicing these Units by 341 and 348 respectively.
- (d) In both Systems, certain Users had access with two different login ID.
- (e) Users could not be identified as they were not clearly defined. The User's name was not always properly inserted:

- 269 and 263 of the active Users were registered with only login ID and without User name in the Contribution System and Benefits/Social Aid System respectively
- 122 and 97 Users were registered with only first or last name or even with only their initial in the Contribution System and Benefits/Social Aid System respectively.

(f) Access Rights were not removed in respect of Officers whose roles had changed.

(g) Common login ID was being used by Officers.

Password Management

- The Systems did not prompt Users to change the initial Password assigned to them.
- Change of Passwords by Users at regular intervals for security measure was not done.

Risks

- Access Rights might not have been granted to authorised Users only, and with appropriate roles.
- Double Access Rights might lead to authorisation to process transaction, from registration to approval of benefits, thus defeating sound internal check.
- The Ministry might not be able to establish responsibility in case of:
 - Changes/modifications in the data in the IT Systems, resulting from unauthorised login.
 - Non compliance with the Data Protection Act, due to leakage of personal data by Officers using common login ID.
- Users were not logged off automatically after a period of inactivity, so as to deny access to unauthorised persons on the Systems.
- Exception reports (in respect of segregation of duties) might be misleading as same User might access the System with different login ID at various stages of transaction.

Recommendation

The whole procedures for management of Access Rights and Password management need to be reviewed.

9.1.6 Service Level Agreement

Service Level Agreement (SLA) with collaborators defines the roles, responsibilities, accountability of each and ensure good governance over the IT Systems. Pension and Social aid management are dependent on the efficient and effective performance of the IT systems. It is therefore essential that SLA is well defined, entered into and monitored.

Presently, nine main collaborators of the Ministry could be identified, five providing services pertaining to the IT Systems development, enhancement and four providing services relating to identification of entitled and non-entitled persons to Pensions and Social Aid.

Observations

- Regarding services provided by four collaborators to allow the Ministry to identify entitled and non-entitled persons to Pensions and Social Aid, there were no SLAs.
- In respect of collaborators providing services for IT System, development, controls and enhancement:
 - SLAs were not entered into, with three Government Bodies.
 - In the case of a private firm, the SLA was not renewed.
 - The SLA in respect of a SOE was renewed almost one year after its expiry.
 - The agreement with the SOE did not include a penalty clause for non delivery of service. A request by the Ministry in 2011 for an addition to the Systems has still not been attended to.

Risks

The absence/late and non-renewal of SLAs did not ensure control over services provided by stakeholders.

The non inclusion of a penalty clause will not provide the Ministry with any means to enforce compliance.

Absence of SLAs with relevant collaborators did not allow control over correctness of the database relating to identification of non-entitled persons.

Recommendation

Well defined SLAs need to be entered into in all cases, prior to provision of services and timely renewed.

9.1.7 Software Source Codes

The keeping of software source codes is meant to ensure continued maintenance in case the software developer goes out of business. If as per the agreement with the software developer, the codes belong to the Ministry, the latter needs to have a copy in its custody. Otherwise, the Ministry has to ensure that a copy of the codes is deposited with a third party through an escrow agreement.

Observations

No evidence could be produced:

- Of the ownership of the source codes,
- As to whether the Ministry was keeping a copy of the codes and
- As to whether an escrow agreement was entered into with a third party.

Risk

In case of winding up of the Software Developer's Company, the Ministry would not be able to ensure maintenance and enhancement of its IT System.

Recommendation

The Ministry needs to ensure that the software source codes will always be available.

9.1.8 IT Contingency Plan

A Contingency Plan ensures that the business process and IT Infrastructure of an organisation are able to support mission needs after a service disruption or disaster. The Ministry has many critical processes which if disrupted, will impact on both financial and reputational aspect. The urgency for a Contingency Plan cannot therefore be over emphasised.

Observation

A Firm outsourced to perform a security audit, submitted a Contingency Plan's template for customisation in July 2012. This customisation was not done by the Ministry. An IT Contingency Plan (ITCP) thus was not available.

Risk

In case of disruption, procedures to be followed to ensure continuity of operation would not be available, and hence, might delay recovery of service.

Recommendation

A Contingency Plan needs to be prepared.

Conclusion

Addressing the shortcomings highlighted will enable the Ministry to ensure that it is operating in an environment free of IT related frauds and irregularities, for the payment of pensions and benefits and that its IT Systems are resilient to threats pertaining to natural calamities or malicious attacks.

This would require among others, setting up of a Steering Committee, adoption of approved IT policies, ensuring the adequacy of physical and logical access controls, addressing the security flaws, well defined SLAs and ensuring continuity of the service through the adoption of an approved Contingency Plan.

Ministry's Reply

- (a) The Ministry has Terms of Reference for the IT Steering Committee.
- (b) Action has been initiated to implement the IT Security Audit Report and to resolve matters concerning physical control.
- (c) Access to the server room has been physically secured through special security equipment.
- (d) The Ministry assisted by the ITSU is embarking on a major programme to train and sensitise officers on security issues.
- (e) The software source codes are available.
- (f) The development of the Contingency Plan has been included in the proposed e-Social Security Enterprise System.

9.2 Social Safety Net - Rs 1.25 billion

Of the Rs1.6 billion provided for Social Protection, Rs 1.25 billion related to the Social Safety Net under the Social Protection Programme of the Ministry. The primary objective of the Social Safety Net was to provide social aid and assistance to the vulnerable groups.

Shortcomings Still Prevailing

- Separate files were maintained in respect of beneficiaries drawing both Basic Pensions and Social Aid. This practice was not conducive to proper control.
- Control over payment of IPs was inadequate.

- Regulations for payments of new rates for the various types of Social Aids to be applied as from January 2013 and January 2014 were not made as of April 2014. Until Regulations are made, the amount paid as Social Aid on the basis of new rates since January 2013 would not thus be in conformity with legislations.

Ministry's Reply

- The keeping of separate files will be resolved, with the implementation of the IT Plan.
- The issue of IPs was done in cases of late payments or urgencies encountered outside the normal schedule of payment.
- Measures were being taken to carry out reconciliation of e-copies of IPs returned by Mauritius Post Ltd.
- The draft legislation is being finalised with the State Law Office. The measures are given legal sanction when the legislations are made on a retrospective basis.

9.3 Social Register of Mauritius

A Social Register of Mauritius (SRM) to target poor and other vulnerable people and manage social programmes in an integrated manner and harmonise the criteria for the different social programmes run by different Ministries was set up. The Ministry was responsible for income support and child allowance.

Observations

- The SRM was not yet linked with other database. Household declarations could not therefore be cross checked to confirm their correctness.
- The eligibility test was not yet incorporated on the SRM System.
- Regulations pertaining to payment of Child Allowance and Income Support were not yet made. The above payment might therefore not be in conformity to legislations.

Ministry's Reply

The draft legislation is being finalised with the State Law Office. Payments were effected, so as not to cause hardship to eligible beneficiaries. Measures are given sanction when the legislations are made on a retrospective basis.

9.4 Scheme for Payment of School Certificate (SC) and Higher School Certificate (HSC) examination fees

A sum of Rs137.3 million was contributed by Government in 2013 towards examination fees. This excluded some Rs 6.3 million disbursed for students in Rodrigues and Rs 561,093 disbursed by the National Solidarity Fund (NSF). The Scheme necessitated payment of some Rs 5.6 million for overtime and Rs 906,000 for stationery and press notices. Costs of processing during normal working hours and other associated/overhead costs, as well as impact on Ministry's effectiveness on its other areas of operations were not worked out.

As reported at paragraph 11.2 of the Audit Report for the year ended 31 December 2012, this Scheme continued to benefit a high proportion of the student's population, that is, some 69 per cent and 56 per cent of SC and HSC student's populations respectively in 2013.

The granting of similar assistance by the NSF against the overall eligibility criteria set up by Government might defeat Government's overall policy regarding financial or other assistance.

The Ministry had submitted six alternative proposals for the Scheme to the Ministry of Finance and Economic Development. However, the formula and eligibility criteria for 2012 were again used in 2013 and 2014.

Given the high implementation costs of the Scheme, the need for the review of the formula for the Scheme as recommended in previous Audit Reports and by the Public Accounts Committee still remained paramount.

Ministry's Reply

The Ministry was awaiting the reply, from the Ministry of Finance and Economic Development to review the formula. Until there is a change in Government Policy, the Ministry will continue to provide help to those eligible.

9.5 Integration of Persons with Disabilities and Strengthening of the NGOs – Rs 88.5 million

A System for the management of benefits in respect of disabled persons was launched in January 2012, for the effective planning and improvement of the Ministry's services. The relevant Computerised System was not fully operational two years after its launching due to:

- lack of trained Officers regarding input in the database;
- bugs in the System though it had been tested;
- problems with generation of reports, uploading of data and rejection of entries.

Ministry's Reply

An agreement has been signed with a Consultant to train Officers of the Disability Unit, to debug the System and provide enhanced features to enable uploading of data and generation of reports.

9.6 Charitable Institutions - Rs 71 Million

Rs 71 million were disbursed to Charitable Institutions and in respect of Inmate Allowance. The following were noted:

- Duly authorised controlled forms for input into Computer System, of the variation in initial data were not yet introduced.
- Register of visits of officers of the Ministry to all Charitable Institutions and certified monthly updated list of inmates were not available. Correctness of payments of capitation grants could not be verified. Death Certificates of inmates were not made available to the Ministry.
- Preparation and certification of Pay Sheets for capitation grant were not done by different Officers.
- Inmates were not acknowledging receipts of cash on the Pay Sheets, when they were paid the cash allowance.
- A monthly certified list of inmates eligible for the cash allowance was not attached to the Pay Sheets. The completeness of the list of inmates eligible for allowance could not be assessed.

Ministry's Reply

- Officers visiting the Charitable Institutions sign in the Attendance Register of the Institutions. Henceforth, a plan of visit will be submitted at the beginning of each month to the Board of the Residential Care Homes and the latter will effect surprise checks.
- Inmates are now acknowledging receipt of cash on Pay Sheets.
- The names of all inmates eligible for cash allowance are available in the form of Pay Sheets.
- Officers will be requested to take monthly presence of inmates during site visits.

A Committee is working on the Computerisation project of the Unit and segregation of duties will be dealt with.

9.7 Vaccination Programme for the Elderly and Disabled - Rs 8,265,000

The Ministry has been providing free vaccination to beneficiaries of Basic Retirement Pension. This exercise was reiterated for 2013.

The following were however, noted regarding procurement of vaccines that led to delay in start of the vaccination campaign and additional cost to Government.

Procurement of 75,000 anti-influenza vaccines for 2013 could not be made, despite launching of tenders for that purpose on four occasions due to wrong specifications, non-compliance with a major criteria (shelf life), with World Health Organisation (WHO) and other technical specifications.

The Ministry had recourse to emergency procurement. The Ministry of Health and Quality of Life (MOH) was subsequently consulted to secure the vaccines from the MOH's successful bidder at the same price quoted by that bidder.

75,000 doses were purchased by the Ministry from that bidder for an amount of Rs 7,875,000 in May 2013. The Vaccination Programme which was scheduled for March 2013 was thus delayed till procurement of the vaccines in May 2013. For a sound prevention and effective protection of vulnerable groups, the vaccines had to be administered well before the winter season.

A further quantity of 5,000 doses was requisitioned by the Ministry from the MOH on 18 June 2013. Following request from the MOH later on, 3,000 doses were purchased by the Ministry in July 2013 and refunded to the MOH. An increase in price of Rs 25 per dose was paid by the Ministry.

Ministry's Reply

- The Ministry paid the first batch of vaccines at a lower cost than the MOH. The price of the second batch of vaccines was higher due to smaller consignment and scarcity of the product on the international market.
- The Vaccination Campaign started on 13 May 2013 and was completed by mid-June 2013.

9.8 National Pension Management - Rs 11.2 billion

Expenditure to the tune of Rs 11.2 billion was incurred during 2013, in respect of National Pension Management. 501 cases of overpayment totalling Rs 26.5 million were uncovered by the Ministry in 2013 and partly recovered. As of 31 December 2013, cumulative overpayment to be recovered totalled some Rs 67.6 million.

At paragraph 11.5 of the Audit Report for 2012 and in previous Audit Reports, I stated that overpayment of basic pensions continued to arise due to undetected death of beneficiaries, remarriage of widows, prolonged absence of beneficiaries from Mauritius, as well as due to errors in the system or in processing.

Observations

- More than 50 per cent of the total overpayments was due to prolonged absence of the beneficiaries. Death of beneficiaries arising abroad still remained undetected. Cases of prolonged absences of beneficiaries, especially those having double nationality travelling with their foreign passport could not be easily detected.
- 10 cases totalling Rs 3 million were lodged for prosecution.
- Authority for write-off in respect of 1,482 cases totalling Rs 7.6 million was sought by the Ministry.

Recommendations

There was need for:

- Memorandum of Understanding with other parties;
- Continuous re-assessment of eligibility for pension; and
- Submission of a Life Certificate on a yearly basis by beneficiaries.

These recommendations have yet to be implemented by the Ministry.

Ministry's Reply

- The death cases arising abroad remained difficult to detect. Overpayment due to uncovered death cases related to period prior to set up of control procedures.
- The yearly submission of Life Certificate might cause additional hardship to elderly and disabled beneficiaries. Due to the interfacing with the Central Population Database, the need for Life Certificate will not arise.
- Relevant information regarding beneficiaries having double nationality is now being received.
- The PIO has already initiated for modification of their IT system to provide relevant information to the Ministry.
- It is expected that overpayment will reach a peak in the coming year with the cleansing of the database as old cases involving huge sums will be detected.

9.9 Probation Home, Probation Hostel and Rehabilitation Youth Centres

Minor delinquents may be referred to the Probation Home or Hostel as per the Probation of Offenders Act, and minor delinquents or offenders to the Correctional Youth Centre (CYC) or a Rehabilitation Youth Centre (RYC) as per the Reform Institutions Act. Decisions to refer a minor to an institution depend on the report of the Probation Officer (PO) and the Principal Probation Officer (PPO) of Probation Home or Probation Hostel.

During the past years, the number of minors at the Probation Home and Hostels were around two to five, while at the Rehabilitation Centres, the number ranged from 10 to 12 for boys and 25 to 30 for girls. 50 to 70 offenders are remanded for short periods to the RYCs annually.

The Probation Home and Probation Hostel, established under the Probation of Offenders Act, are managed by a Managing Committee of 13 members each, while the overall responsibility for the day to day running rests with the Commissioner of Probation and Aftercare. The Home and the Hostel are each under the responsibility of one PPO, one Senior Probation Officer (SPO) and one PO, and their running expenses are met from grants from the Ministry.

RYCs, formerly under the Prisons Department, are now under the aegis of the Ministry of Social Security, National Solidarity and Reforms Institutions, and are managed by officers of the grade of Officer/ Senior/ Principal and Chief Officer, Rehabilitation Youth Centres. The staff strength at time of audit in September 2013 was 25 and 17 at the Male and Female Sections respectively.

The main objectives of referring young delinquents to the Home/Hostels or to RYC were to empower them and prepare them to integrate the mainstream, to rehabilitate them and to reduce juvenile delinquency.

The following were noted:

- (a) The annual cost per inmate at the Home and the Hostel ranged from Rs 425,000 to Rs 1,255,000 and at the RYC from Rs 400,000 to Rs 565,000 for the past three years as in Table 9-1

Table 9-1 Annual Costs per Inmate at the Home and the Hostel

| Year | Institution | Grant Rs | Staff Cost/Actual Expenditure (approx)*** Rs | Number of Inmates | Average Cost per Inmate Rs |
|-------------|-------------------------|---------------------|---|----------------------------------|--|
| 2011 | Probation Home-Girls | 1,200,000 | 1,125,000 | 5 | 425,000** |
| | Probation Hostel-Boys | 1,000,000 | 1,125,000 | 5 | 425,000 |
| | RYC (Boys and Girls) | | 16,583,000 | Boys - 10 Girls - 28 | 400,000 approx* |
| 2012 | Probation Home - Girls | 1,300,000 | 1,115,000 | 5 | 443,000** |
| | Probation Hostel - Boys | 1,100,000 | 1,250,000 | 3 | 783,333 |
| | RYC (Boys and Girls) | | 17,105,000 | Boys - 10 Girls - 23 | 500,000* |
| 2013 | Probation Home-Girls | 1,260,000 | 1,235,000 | 3 | 765,000** |
| | Probation Hostel-Boys | 1,260,000 | 1,250,000 | 2 | 1,255,000 |
| | RYC (Boys and Girls) | | 19,794,000 | Boys - 10 Girls - 24 | 565,000 approx* |

Note - For 2011 and 2012, number of inmates at Home and Hostel and at RYCs is average during the respective year, and for 2013, it is the actual number of inmates at the three institutions in September 2013

** - There is an average of 10 inmates remanded monthly at both RYCs for short period – The cost is not evenly distributed as staff strength at RYC Girls was much less than at RYC Boys*

*** - Average cost per inmate has been calculated on Grant and Staff Cost and excluding annual rental paid amounting to some Rs 200,000*

****- Paid by Ministry*

- (b) The accounts of the Probation Home and Probation Hostel were to be audited by private Auditors. However, the Financial Statements of both institutions for the past three years (2010 to 2012) (except for the year 2010 for Probation Hostel for Boys) have not been subject to audit.

- (c) The buildings housing the Home, the Hostel and the RYCs were not being used efficiently.
- The Probation Home is housed in a rented, one-storey and spacious building at Eau Coulée which can accommodate a maximum of 10 girls. Three to five girls were residing at the Home during the past years.
 - The Probation Hostel at Curepipe is a Government owned one-storey building, with separate accommodation for a maximum of 20 boys, and quarters for the house parents. The average number of boys referred to the Institution during the past years was three. There is also a one-storey block at the back. Over 60 per cent of the block was unoccupied.
 - The RYC Boys and RYC Girls each comprises a three-storey building of 44 individual rooms for the inmates, kitchen, dining room, recreational hall, offices for staff, toilets and WC facilities in a spacious compound at Beau Bassin. The other buildings in the compound include a Medical Unit/ Dispensary, a Linen Store, a mess room and a class room. There were also three abandoned buildings in the compound.
- (d) As stated above, the number of cases referred to the Home/Hostel during the past years was quite low, thus resulting in high management costs per inmate.
- (e) The inmates were allowed to attend school or other training courses (whenever required and under supervision at the RYCs). Common activities, such as cleaning and domestic duties, gardening, schooling, educational and vocational training, music classes, indoor games, watching TV/News, and talks by Psychologist and ONG were held at all the Institutions.

However, during two visits carried out at the RYCs by my Officers, the inmates were watching TV.

- (f) The conditions prevailing at the RYCs were not conducive for “rehabilitation of the children” or for preparing them to reintegrate the main stream:
- Inmates of all age groups were mixed.
 - The buildings were dull and not properly maintained and also leaked at some places.
 - Training/schooling provided were not examination oriented. The inmates were thus not required to put up effort for learning.
 - It was stated that basic computer programs courses were being held. However, all the computers available in “Computer Classes” were out of order.
 - Vocational training and activities were not being provided by suitable officers.
- (g) In view of the common objectives of the Probation Home and Probation Hostels and the RYCs, the high cost involved in the management of the Home and Hostel and other shortcomings, Government’s approval was sought and obtained in September 2010 to restructure the Reforms Institutions with the objectives of improving efficiency and

effectiveness of the institutional care unit for juvenile offenders and enabling the officers of the Probation Unit to better focus on their core objective.

In November 2010, the Attorney General's Office (AGO) was requested to submit a draft bill to incorporate the necessary changes to be brought to existing legislations for the implementation of the restructuring of the Reforms Institutions Division.

A new post of Head, Institutional Care Division has been created and a draft Juvenile Justice Bill has been submitted by the AGO in 2013. However, as of end of October 2013, three years after Government approval, the Reforms Institutions were not yet restructured, the Home and Hostels were still being run at high costs, and the institutions were not meeting their primary objectives.

Recommendations

- In view of the high cost involved in the management of Probation Home and Probation Hostel, there is urgent need for the restructuring of the Reform Institutions.
- Inmates of different age groups should not be mixed. Partitioning may be provided to group inmates of same age. Children beyond control should be kept separate from the others.
- Schooling/training should be provided by trained/skilled officers and should be examination oriented to enable the children to reintegrate the main stream when leaving the Institutions.

Ministry's Reply

Restructuring of the Reform Institutions will only be possible after amendment to legislations as the Home and Hostel and the RYCs are governed by different legislations. Initial discussion on restructuration has been initiated.

Henceforth, the accounts of the Probation Home and Probation Hostel will be audited.

The institutions are working with various authorities for the review of conditions and additional activities related to rehabilitation.

10 - MINISTRY OF EDUCATION AND HUMAN RESOURCES

10.1 Enhancement Programme – Rs 51.8 million

The Enhancement Programme (EP) was launched in February 2010 as an alternative to private tuition at Standard IV in primary schools. This innovative Programme uses an alternative pedagogy and a diversity of strategies to suit the learning needs of pupils with varied levels of ability, covers extra-curricular activities and aims primarily at the reinforcement of work in the five core subjects. As from 2011, the Programme was extended to Standard III. Asian and Arabic Languages were also introduced in the Programme for both Standards.

Since its inception, this innovative Programme has not obtained widespread parental support and acceptance.

10.1.1 Expenditure

Total expenditure incurred on this Programme has been increasing year by year, as shown in Table 10-1. Due to the extension of the Programme to Standard III in year 2011, the expenditure had increased by 71.3 per cent. For the four academic years 2010 to 2013, some Rs 161.7 million had been disbursed by the Ministry on this Programme.

Table 10-1 Expenditure on EP for Academic Years 2010 to 2013

| Year | Amount Rs | % Increase compared to previous year |
|--------------|----------------------|---|
| 2010 | 24,462,130 | - |
| 2011 | 41,904,517 | 71.3 |
| 2012 | 43,546,053 | 3.9 |
| 2013 | 51,833,913 | 19.0 |
| Total | 161,746,613 | |

10.1.2 Pupils Not Opting to Follow EP Classes

Each year, at the beginning of the Programme in February, not all pupils opted to follow EP classes. Based on statistics available at the Education Directorates, for academic year 2012, an average of 28 and 32 per cent of pupils in Standard III and IV respectively have not opted to follow the EP, while for academic year 2013 the corresponding figures have increased to

32 and 37 per cent respectively. This already gives an indication of the lack of interest of both parents and pupils in the Programme.

10.1.3 Pupils Attending EP Classes

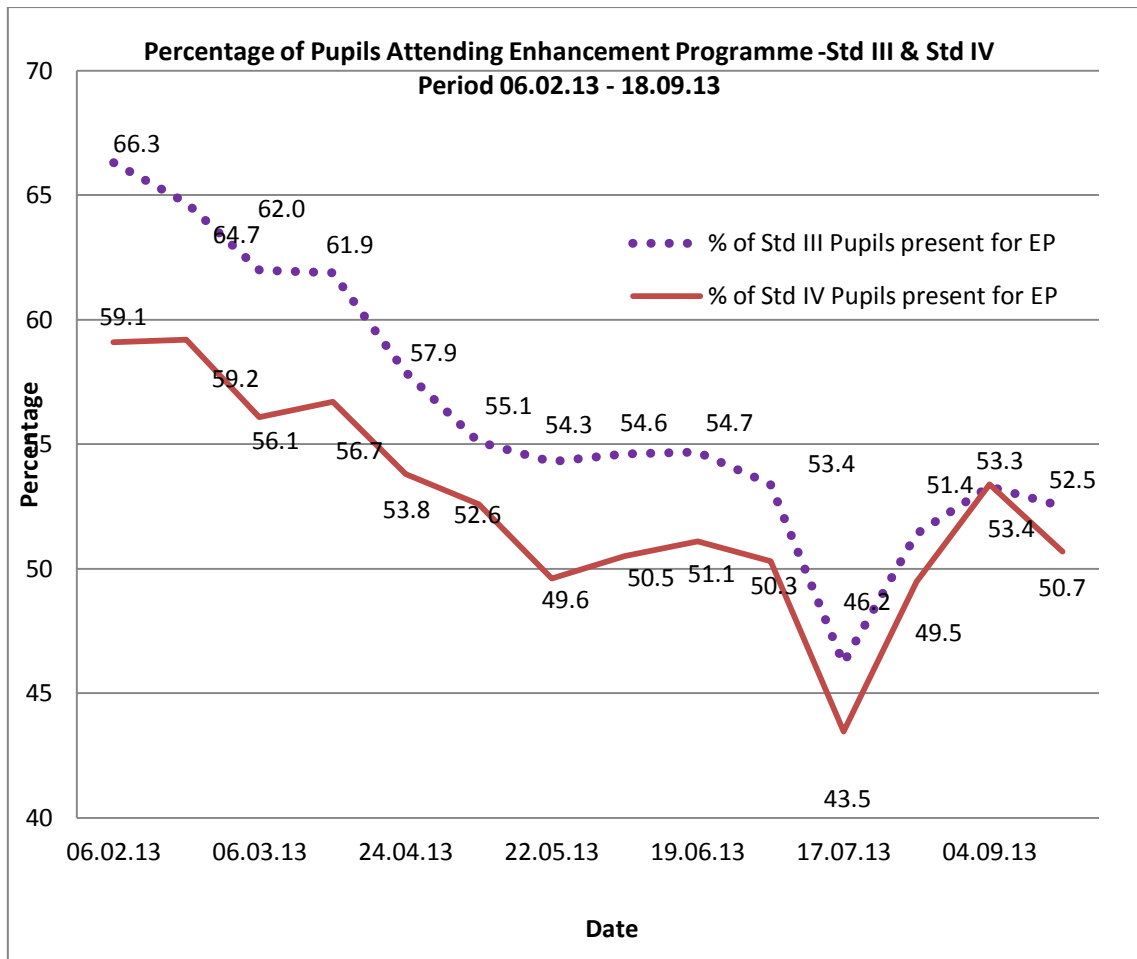
Since the implementation of the EP in 2010, there has been a gradual decline in participation rate of pupils from February to September, as shown in Table 10-2.

Table 10-2 Percentage of Pupils Present in EP Classes during Period February to September

| | 2010 | 2011 | 2012 | 2013 |
|----------------|-------------|-------------|-------------|-------------|
| | % | % | % | % |
| Std III | - | 78.8 – 56.8 | 71.7 – 53.8 | 66.3 – 52.5 |
| Std IV | 81.5 – 70.5 | 81.2 – 57.5 | 66.4 – 51.4 | 59.1 – 50.7 |

During academic years 2010 to 2013, a comparison of pupils' attendance for both Standards III and IV in February and September showed high drop-outs from the Programme.

For academic year 2013, the weekly presence of pupils in Standard III has decreased from 66.3 to 52.5 per cent, whilst for Standard IV, the decrease was from 59.1 to 50.7 per cent, as shown in Figure 10.1.



Source: Statistics Unit (MOE)

Figure 10.1

Some of the reasons obtained from schools for the declining trend of attendance of pupils in EP classes were, among others, “parents not consented, transport problems, pupils could not stay till late at schools, upon request of parents, pupils tired on returning home late after EP class, religious classes and parents’ assistance/guidance at home”.

Ministry’s Reply

With regard to the participation rate at EP classes, same has to reflect the number of pupils attending the EP classes out of the number of pupils who have opted for the EP, and not out of the total roll of the Standard IV classes.

NAO Comments

The participation rates of pupils attending EP classes are official figures obtained from the Statistics Unit of the Ministry.

10.1.4 Resource Persons/Use of IT Tools

- Resource persons in the field of slam, drama and music were relatively scarce. Hence, these activities have not been extended to many schools, with the result that a majority of pupils participating in the EP classes was deprived of these activities.
- There was no evidence that Educators in EP classes were encouraged to use IT tools such as laptops, projectors and computers to enhance teaching and learning methods or whether they were still using the traditional way of teaching.

Ministry's Reply

The rate of allowance recommended by the PRB is not adequate enough to attract such resources to offer their services during EP classes. Request has been made to the Ministry of Arts and Culture to assist in the provision of trainers/resource persons.

Due to some problems of electrical installation in some schools, teachers were not in a position to use the ICT tools.

10.1.5 Monitoring of the Programme

- The plans of visits to schools by the School Inspectors did not always bear the signature of the Director/Assistant Director of the Directorate, in which case, it could not be ascertained whether the plans had been vetted and approved before visits were effected.
- Attendance Registers of pupils for EP classes were not always properly kept by Educators and resource persons, in that overwritings on the attendance of pupils and use of correction fluid were seen.

Ministry's Reply

Monitoring mechanism has been reinforced. Directors/Assistant Directors now vet the plan of visit beforehand.

Instructions have been given to teachers to avoid overwritings and use of correction fluid in the Attendance Registers.

Recommendations

- The correlation between CPE results and participation in EP classes should be worked out by the Ministry. The impact of extracurricular activities on CPE results should also be assessed. These exercises would enable the Ministry to take decision on the effectiveness of the EP. Since substantial amounts are being disbursed annually on this Programme, there is a need to assess whether it is delivering the expected outcome.
- In order to make the EP a success, proper sensitisation campaign should be carried out, especially in those schools where there is a significant drop in attendance.

- Programme of visits should be pre-planned according to cluster of schools allocated to each Inspector/Senior Inspector and approved by the Education Directors. The School Inspectors should effect visits from a management perspective to ensure that Head Masters are implementing and managing the Programme, as determined by the Ministry.
- The problem of scarcity of resource persons should be addressed so that all pupils benefit from all the extracurricular activities proposed in the Programme.

Ministry's Reply

- The correlation between CPE results and participation in EP classes has been established during 2013 CPE examinations.
- The Ministry is pursuing its efforts to sensitise parents.
- It is considered that the programme of visit and the monitoring process has significantly improved lately. Regular meetings are being held at the Head Office to oversee same.
- The Ministry is devising ways and means to make accessible such skills to the pupils by seeking inter-agency cooperation as well as participation of secondary school Educators.

10.2 Cleaning Services for Premises in Schools/Institutions – Rs 67.9 million

The contracts for cleaning services were awarded by the Ministry to two Service Providers for a total amount of Rs 67,940,390 in May 2012 and September 2013. The contracts were for a period of three years, renewable each year, subject to satisfactory performance, as shown in Table 10-3.

Table 10-3 Contracts for Cleaning of Premises in Schools/Institutions

| Service Provider | Zone (Lot) | Date of Award | Total Contract Value Rs | Period | Amount paid as of December 2013 Rs |
|-------------------------|---|----------------------|------------------------------------|----------------------------|---|
| A | Zone 1 (Lot 1, 6, 7) Zone 3 (Lot 11 & 12) Zone 4 (Lot 15 & 16) | 10.05.12 | 26,718,845 | 18.06.12 to 17.06.15 | 10,695,970 |
| B | Zone 1 (Lot 2,3,4 &5) Zone 3 (Lot 8,9 & 10) Zone 4 (lot 13 &14) | 10.05.12 | 29,312,649 | 18.06.12 to 17.06.15 | 12,484,658 |
| B | Zone 2 (Lot 1,2,3 &4) | 19.09.13 | 11,908,896 | 04.11.13 to 03.11.16 | - |
| Total | | | 67,940,390 | | 23,180,628 |

10.2.1 Renewal/Award of Contracts for Directorate Zones

The performances of the two Service Providers were adversely reported by most Primary Government Schools (GS) and State Secondary Schools (SSS) to the Directorate Zones 1, 3 and 4. An analysis of complaints received from 23 School Authorities is in Table 10-4.

Table 10-4 Analysis of Complaints at Zones 1, 3 and 4

| Complaints | No. of schools |
|---|-----------------------|
| Mowing of grass not done | 15 |
| High water pressure cleaning not done | 9 |
| Unsatisfactory works done by cleaners | 5 |
| Insufficient/No cleaning materials provided | 4 |

Despite several complaints received on the poor level of performance of the Service Providers, the Ministry has, at the expiry of the first year of contract on 17 June 2013, renewed the contracts with Service Providers A and B for a further period of 12 months for

Zones 1, 3 and 4 on the same terms and conditions. Service Provider B has even been awarded contract in Directorate Zone 2 for an amount of Rs 11,908,896. The performances of both Service Providers have, so far, not improved in all the Directorate Zones.

Ministry's Reply

Prior to the end of the first year of Contract, the three relevant Directorate Zones had reported overall satisfaction with the performance of Service Provider B. Consequently, the Contract was renewed for one more year. Subsequent to a meeting with Zonal Directors, a '*modus operandi*' was agreed upon where one of the key features was the holding of regular management meetings between Directorate Zones and Contractors. It was within this context that the Contract was renewed for one additional year.

NAO Comments

After renewal of contracts, only one meeting was held in Directorate Zone 3 while in Directorate Zones 1 and 4, no meeting was held.

10.2.2 Outcome of Visits to Schools

Visits were made by my Officers to 13 Primary GS and seven SSS in April and May 2014 in all the four Directorate Zones. The following shortcomings have been noted:

- (a) Absence of supervision and monitoring of cleaners by Service Providers.
- (b) Insufficient cleaning materials were provided. Purchase of cleaning materials was financed from Parents Teachers' Association (PTA) funds.
- (c) Lack of manpower resources. Only one cleaner was posted in six Primary GS and one SSS. No replacement was made in case the cleaner was absent.
- (d) Service Provider has retained the service of the School Caretaker and General Worker in two GS for cleaning of premises.
- (e) High water pressure cleaning not done in 18 schools during school holidays.
- (f) Uprooting of undesired plants and truncating of trees not done in eight schools.
- (g) Monthly cleaning activities, such as cleaning of gutters/drains, external cleaning of window panes and mowing of lawns, including football playground not done in 16 schools. The tasks were financed from PTA's funds in two Secondary Schools.
- (h) The new block of one GS, operational since 2012, was not cleaned by the Service Provider. Cleaning services were financed from the School PTA fund.
- (i) One Secondary School was found in a deplorable state - grasses grown up to about three feet high in the endemic garden, football ground, near gymnasium and at the back of

classrooms and laboratories; garden debris not carted away; creepers found on wall of endemic garden and on fencing of football ground.

10.2.3 Remedies for Non-Performance

The General Conditions of Contract provide for “*Remedies for non-performance*” of the contracts.

- Cases were noted where expenditure have been incurred from the PTA funds. For example, the PTAs of six SSS and six Primary GS have disbursed a total of Rs 72,000 for mowing of grass and Rs 15,500 for truncating of trees and cleaning of gutters. However, the expenditure was not deducted from the Service Providers’ claims in accordance with terms of the contract.
- The quantum of liquidated damages to be applied for non-performance was not clearly defined in the General Conditions of Contract. Hence, no liquidated damages have been charged on the Service Providers for major works not done, such as trimming of grass, high water pressure, cleaning of gutters and drains, truncating of trees and external cleaning of window panes, contrary to terms of the contract.

Recommendations

- There should be regular monitoring and communication among representatives of the Ministry (Employer), Service Providers and School Authorities to ensure better results and better quality service.
- The quantum of liquidated damages to be applied for non-performance should be clearly defined in the General Conditions of Contract.
- The Ministry should consider terminating the contract and forfeiting the performance security in case the Service Provider does not improve its performance.
- The Ministry should liaise with the Procurement Policy Office with a view to modifying the bid documents so that in future, Service Providers will be invited to bid on a “task-wise basis” instead of several tasks lumped together. This would facilitate the Directorate Zones to deduct the amount relating to specific task not performed at time of payments.

Ministry’s Reply

The Ministry will hold meetings at least on a monthly basis at Zonal level and on a quarterly basis at Head Office level, to examine the performance of the Contractors and initiate appropriate action accordingly.

The Public Procurement Office (PPO) will be advised to include a clause in the Bidding Document/Contract, to the effect that, the Contractor will ensure that no Government employees should be employed by them.

The PPO will be advised to include a clear provision of the quantum of liquidated damages, to be applied for non-performance, in the General Conditions of the Contract.

10.3 Supplementary School Feeding Programme in Zones D'Education Prioritaires (ZEP) Schools

The Supplementary School Feeding Programme was implemented with effect from 21 August 2003 with the objective of providing each pupil attending a ZEP school with a balanced diet. It consisted of a daily issue of a meal comprising a “pain fourré” and a cup of yoghurt to each pupil attending a ZEP school. Due to cases of collective food poisoning in October 2003 and March 2004, the Programme was stopped and altered to provide the pupils with bread, butter, cheese, jam and a fruit.

10.3.1 Provision of Hot Meal (“Repas Chaud”) – Rs 54.48 million

In November 2012, Government decided to provide a daily hot meal, costing some Rs 75 to each child attending ZEP schools as from 14 January 2013. Funds totalling Rs 130 million were allocated for this purpose in the budget. The Hot Meal Programme was implemented by the Ministry despite the short timeframe. The school PTAs were delegated the authority to award contracts for the supply of hot meals to ZEP schools, with due regard to food safety guidelines and menus issued by the Ministry of Health and Quality of Life (MOHQL).

The delivery and quality of hot meal served to pupils were not closely monitored. On 7 February 2013, some four weeks after the implementation of the Hot Meal Programme, cases of collective food poisoning were reported in a ZEP school, and as from 18 February 2013, the Programme was suspended by the Ministry. Decision was taken to provide each child with an alternative meal comprising bread, butter, cheese, a fruit and water, at the cost of Rs 35 per pupil per day.

For year 2013, some Rs 54.48 million, representing 42 per cent of the allocated amount, have been disbursed on this Programme since the provision of daily hot meal was suspended and replaced by a meal at lesser cost.

10.3.2 Construction of Kitchens and Eating Corners

On 28 February 2013, the Ministry decided to construct kitchens and eating corners in four ZEP schools where food can be stored, heated and served to pupils. The aim is to provide all the ZEP schools, in a phased manner, with appropriate kitchens/eating corners in the future.

As of April 2014, that is more than a year following the decision to construct kitchens and eating corners, the project was still at a preliminary stage. Financial clearance was being sought from the Ministry of Finance and Economic Development for three schools, while for the remaining one school, the Ministry of Public Infrastructure was requested to submit cost estimates for approval.

Pending availability of the appropriate infrastructure, the Ministry, in consultation with the MOHQL, has decided to supplement the current meal during the third term of 2013 with any

one of the following items: biscuits, dried or fresh fruits, cheese, nuts and boiled or roasted pulses at a revised cost of Rs 40 per pupil per day.

Observations

- While the provision of a daily balanced meal is deemed to be a good step towards needy students, their health had often been threatened. The objective of providing a hot meal to each pupil attending a ZEP school has not been attained since the Programme has been altered to bread, butter, cheese and fruit, as previously served.
- There was no evidence from the MOHQL that samples of food delivered to ZEP schools were taken randomly by Health Inspectors for analysis purposes to ensure compliance with provisions of the Food Act.
- Investments totalling some Rs 210 million will have to be made by the Ministry for the construction of kitchens and eating corners in all ZEP schools to avoid food contamination. Resumption of the Hot Meal Programme in the four ZEP schools is therefore dependent on the time taken for the construction of appropriate infrastructure. The longer the construction phase, the longer will be the delay for the resumption of Hot Meal Programme in the four selected schools, and eventually to all ZEP schools.

For almost one year after the decision to stop the Hot Meal Programme, pupils of all ZEP schools have been served bread, butter, cheese and a fruit as lunch on a daily basis, and same are expected to be served until the kitchens become functional.

Recommendations

- On resumption of the Hot Meal Programme, the Ministry should adopt a centralised system for the procurement of daily meals instead of delegating this task to the School PTAs. Moreover, the Ministry would be in a better position to liaise with the MOHQL to ensure that hot meals served are in compliance with the health and safety guidelines, rather than the PTAs.
- All ZEP schools, as well as suppliers' premises, should be regularly visited by Health Inspectors of MOHQL to ensure that suppliers' are complying with sanitary and hygienic norms.
- Assistance from experienced and renowned Caterers should be sought in view of their expertise in the catering sector.

Ministry's Reply

During the implementation of the Hot Meals programme in 2013, a few problems were identified relating to the early preparation of the meals, its transportation and service among others. Hence, it was imperative to review the operationalisation of the project to avoid health risks to pupils.

Government was apprised of the problems relating to the implementation of the Hot Meal Programme in 2013 and agreed, among others, that HACCP certified Caterers be appointed to supply meals.

It was agreed to proceed with the construction of kitchen/eating places in all schools before resuming the Hot Meal Programme in order to avoid any health risks to pupils. No fund was, however, provided in Budget 2013 to put up the appropriate infrastructure.

10.4 Printing and Supply of School Textbooks – Academic Year 2013 (Rs 13.87 million) and Academic Year 2014 (Rs 27.57 million)

Printing and supply of 186 titles of school textbooks for the academic years 2013 and 2014 totalling some Rs 13.87 million and Rs 27.57 million respectively, were ordered from the Government Printing Department (GPD), as shown in Table 10-5.

Table 10-5 Printing Orders for Schools Textbooks

| Printing Order | Standard | No of Titles | Date of Order | Amount Rs |
|---------------------------|---|---------------------|-----------------------|-------------------|
| Academic Year 2013 | | | | |
| 1 | Standards I, II & III (Parts I & II) | 52 | 23.04.12 | 10,360,540 |
| 2 | Pre-vocational Form I and Form II (Part II) | 12 | 14.11.12 | 2,996,857 |
| 3 | Pre-vocational Form III (Part II) | 3 | 16.08.13 | 514,098 |
| Total | | | | 13,871,495 |
| Academic Year 2014 | | | | |
| 4 | Standards II, III (Parts I & II) | 42 | 9.05.13 | 12,690,210 |
| 5 | Standard IV (Parts I & II) | 27 | 9.07.13 | 9,332,435 |
| 6 | Foundation Year 1 | 6 | 15.01.14 and 20.02.14 | 730,315 |
| 7 | Pre-vocational Forms I to IV (Part I & II) | 44 | 13.12.13 to 27.02.14 | 4,820,144 |
| Total | | | | 27,573,104 |

10.4.1 Late Delivery of Textbooks

In four Printing Orders placed with the GPD, the textbooks were not delivered on time due to late delivery of pre-press materials by the Mauritius Institute of Education (MIE) and tight works schedules at the Department. The late delivery of textbooks would have an impact on the study programmes of students.

Printing Order 1

Deadline for delivery of textbooks for Standard I (Part II) was mid-January 2013. The GPD actually delivered 32,730 textbooks for two titles on 13 May 2013 and 6,470 textbooks for one title on 22 May 2013 to the Central Supplies Division, with a delay of 118 and 127 days respectively.

Printing Orders 4 and 5

The deadline for delivery of textbooks for Standards II, III and IV (Part II) was mid-February 2014. As of 7 March 2014, 92,735 textbooks for six titles were not yet delivered. The delay was attributed mainly to the printing of Pre-vocational textbooks and other titles during the months of December 2013 and January 2014 with tight delivery schedule.

Printing Order 6

Pre-press materials for printing of textbooks for Foundation Year 1 were submitted by the MIE to the Ministry on 20 February 2014 and order was placed with the GPD on the same date. Delivery was to be effected on a fast track basis by 28 February 2014. The delivery of 18,800 textbooks was not yet effected as of 6 March 2014.

10.4.2 Payments of Overtime to Officers of GPD – Rs 984,370

For Printing Orders 3 and 7, the Ministry had paid overtime amounting to Rs 984,370 to the Officers of GPD to ensure timely delivery of textbooks.

- On 16 August 2013, order for the printing of 6,000 textbooks for three titles of Pre-vocational Form III (Part II) was placed with GPD at the quoted price of Rs 514,098. However, the Ministry had to pay an additional amount of Rs 77,089 as overtime to Officers of GPD in order to deliver the textbooks by the due date of 26 August 2013.
- During period 13 December 2013 to 27 February 2014, textbooks for Pre-vocational Form I to IV (Parts I & II) and Foundation Year 1 were ordered from the GPD. Overtime was again paid to Officers of the Department due to time constraints arising from late submission of pre-press materials by MIE. An amount of Rs 907,281 was paid for overtime performed during period 11 January to 9 February 2014. Despite the payment of overtime, Printing Order 6, as mentioned above, was not delivered as of 6 March 2014.
- Payments of overtime were not verified at the Ministry before release of fund. Only the amount paid to different grades of Officers involved in the printing works was submitted to the Ministry. Details such as name of Officers, salaries drawn and overtime hours worked were not seen.

Ministry's Reply

The delay in the printing of textbooks for year 2013 was due to the lateness in the production of pre-press materials for Foundation Year 1 and Pre-vocational Education books and was

beyond this Ministry's control inspite of the fact that MIE had been requested on several occasions to meet set deadlines. The delay did not impact adversely upon the teaching and learning, during the first term, as the books of Standard I and Part II books of other Standards were not used during that term.

The Ministry has effected payment on the basis of certified claims from GPD.

Recommendations

- With the increasing volume of printing works entrusted to the GPD, there is a need for the Ministry to come to an agreement with the latter, defining clearly the terms and conditions for the printing and supply of schools textbooks, such as specifications of paper size and thickness, delivery dates and prices.
- The delivery of pre-press materials to GPD has a direct impact on the printing and supply of textbooks. Prior to placing orders, the Ministry should agree with the MIE on the due date for submission of pre-press materials so that textbooks are delivered on the scheduled date.
- The Textbook Monitoring Committee of the Ministry should monitor the different stages from submission of pre-press materials to GPD, printing of textbooks till delivery of same to pupils.

11- MINISTRY OF AGRO-INDUSTRY AND FOOD SECURITY

11.1 Food Technology Laboratory - Genetically Modified Organism (GMO) Unit

In the last three Audit Reports for the years ending 31 December 2010, 2011 and 2012, I reported that the GMO Unit was not fully operational. Since its set up in 2006 and up to 31 December 2013, the Ministry has disbursed some Rs 5,6 million on equipment, specifically purchased for the GMO Unit.

Observations

- The GMO Act was partially proclaimed in 2004. In June 2012, the Ministry stated that the National Biosafety Committee was mandated to look into the regulations and to recommend on the 'modus operandi' of the GMO Unit to make it operational.
- However, the National Biosafety Committee has not been functioning since 2008 and its last meeting was held in February 2008. It was only in May 2014 that a new Board of the National Biosafety Committee was reconstituted.
- Since its set up in 2006 and up to March 2014, no full time staff was posted at the GMO Unit, and most of the equipment had remained unused since their acquisition.
- Subsequent to issues raised in my previous Reports, the Ministry concurred that the GMO Unit should have a proper mandate, staffing, budget and organizational structure within a proper regulatory framework to be legally recognised in order to implement fully all related activities.

From the above, it can be concluded that any further delay as regard the finalisation of the regulations under the GMO Act, staffing and organisational structure, would consequently impede the operations of the GMO Unit.

Recommendation

For the GMO Unit to implement fully its activities, such as testing of imported products and surveillance at national level, a proper Legal Framework should be put in place. The Ministry should ensure regular follow up to avoid any further delay.

Ministry's Reply

- The National Biosafety Committee was reconstituted in May 2014 and the first meeting was held on 5 June 2014. Two meetings have been held in June 2014 to work out the Regulations under the GMO Act 2004. The Regulations are expected to be finalized by end of September 2014.
- As regards equipment which has been purchased for GMO testing, the National Biosafety Committee will work on the list of agricultural products on which tests could be carried out.

- As far as the GMO Unit is concerned, it has already been set up with appropriate staff and will operate under the Food Technology Laboratory.

11.2 Grant to Irrigation Authority

At paragraph 13.2 of the Audit Report for the year ended 31 December 2012, I adversely commented on the fact that although the Irrigation Authority (IA), a Statutory Body, had been granted funds of more than Rs 489 million during the period 1 July 2006 to 31 December 2012, it had not submitted duly audited Annual Report/Financial Statements to the Minister, to be laid before the National Assembly.

Observations

- During 2013, the Ministry remitted some Rs 103 million to the IA for the latter to meet its current and capital expenditure.
- As of 31 May 2014, the Ministry was not in presence of any Annual Reports and Financial Statements for the period 1 July 2006 to 31 December 2013. The last Annual Report received by the Ministry, in May 2011 from IA, covered the financial years 2001-02 to 2005-06.
- In February 2014, IA informed the Ministry that the preparation of the Financial Statements for the years 2006-07 to 2008-09, the six month period to 31 December 2009 and the fiscal year 2010 had already been completed while preparation of the Financial Statements for fiscal years 2011 to 2013 were in progress.
- IA also informed the Ministry that the audits of the Financial Statements for the financial years 2006-07 and 2007-08 were completed while examination of the 2008-09 Financial Statements was being carried out.

As of June 2014, funds totalling some Rs 592 million released by the Ministry during the period 1 July 2006 to 31 December 2013 have remained outside the framework of parliamentary accountability.

Recommendation

The Ministry should ensure that IA complies with statutory requirements regarding the timely submission of its Annual Report, together with the audited Financial Statements.

Ministry's Reply

- The Annual Reports and Audited Accounts for the IA have already been prepared for the financial years 2006-07 to 2008-09 and will be laid on the table of the National Assembly shortly.
- The Financial Statements for the period July-December 2009 and the financial years 2010 to 2013 are in the final stages of auditing presently.

11.3 Assets Management

Assets worth several million rupees are located in various Units/Divisions of the Ministry. They need to be correctly recorded, safeguarded and used for the purpose intended.

A Central Plant Register and a Central Office Equipment Register were not kept by the Ministry. Each Unit/Division of the Ministry maintains its own records, which in several instances were not complete and updated. Essential information, such as date plant/equipment was received, detailed specifications and location, was not always recorded. For example, in one Division, three fume hoods, purchased in December 2013, for an amount of Rs 1,129,965, together with six air conditioners purchased in July 2013 for some Rs 118,000 were not found on the records kept by that Division.

In the absence of a Central Register, and in view of the fact that the Ministry has many Units/Divisions found in several regions of Mauritius, it may be difficult for the Ministry to promptly identify the location and assess the condition of any particular asset purchased or received as donation. Should a survey also be carried out, assets physically present would be tallied with the records kept at the level of the Units/Divisions of the Ministry, which themselves are not complete and up-to-date. As such, any shortage of assets may not be thrashed out.

Further, cases were noted where assets purchased for Units/Divisions of the Ministry were either not being used or sparingly used, as shown hereunder. This is tantamount to capital being unnecessarily tied up, with the risk that these items of equipment could become obsolete.

11.3.1 Dani Master Gas Chromatograph with Autosampler

In December 2011, the Ministry acquired a 'Dani Master Gas Chromatograph with Autosampler' for an amount of Rs 1,368,298 for one of its Division in order to monitor the quality of pesticide put on sale on the market. The installation, commissioning and training on the use of the equipment was completed in August 2012.

The equipment had remained unused since its commissioning. Moreover, the warranty period of one year as from the date of commissioning had already expired in August 2013.

11.3.2 Haematology Analyser and Auto Bio Chemistry Analyser

Two items of equipment, namely, a Haematology Analyser and an Auto Bio Chemistry Analyser, together with a UPS and a CPU set, costing Rs 157,296 and Rs 444,050 respectively were purchased for another Division of the Ministry, to be used as a tool for diagnosis purpose. Same were delivered in January and in March 2009 respectively.

According to records kept at the Division, the Haematology Analyser had been used only on five occasions between September and October 2010, that is some 19 months after it was acquired. As regards the Auto Bio Chemistry Analyser, it had never been used since its acquisition in 2009. Moreover, their warranty period had lapsed since long.

11.3.3 Indented Cylinder Grader

In August 2007, an Indented Cylinder Grader was purchased at a price of Rs 1,038,000, for use at the Barkly Experimental Station for the grading and cleaning of seeds. As of 30 June 2014, nearly seven years later, the equipment was still not operational.

Recommendations

- For control purposes, a Central Register of Plant and Equipment needs to be maintained. Registers kept at the level of the various Units/Divisions of the Ministry should be complete, with all relevant information recorded therein, and up to date.
- The Ministry should ensure that a survey of all items of plant and equipment is carried out yearly. Non/under utilisation of assets would be identified during this exercise.

Ministry's Reply

- Henceforth, all the respective Units and Divisions of the Ministry will keep their separate Plant and Office Equipment Register. In this regard, a circular has been issued to the Heads of the three main divisions, namely Agricultural Services, National Parks and Conservation Service and Forestry Service whereby they were requested to keep a separate Plant and Office Equipment Register. The Heads of Divisions have also been requested to keep updated inventory sheets which will be checked against master records on an annual basis. Proper monitoring and updating will be done at their levels.
- Regarding the Gas Chromatograph, basic training had been provided on commissioning. Necessary arrangements have been made with the supplier for training of staff on the application of the determination of pesticide formulation to enable them to use the equipment fully for this activity.
- Necessary training will be provided to staff to operate the Haematology Analyser and the Auto Bio Chemistry Analyser.
- The Ministry decided, in 2006, to purchase a new Indented Cylinder Grader to cope with the large amount of seeds of around 12 to 13 tonnes being produced annually, and to use it as a spare one in case of breakdown of the existing machine. However, as from 2008, following the closure of two Agricultural Centres and part leasing of land in other outstations, the annual seed production significantly decreased to about 4 tonnes. Thus, the new machine could not be used at its designed capacity but it is being properly maintained and used as and when required. Moreover, with the coming into operation of the National Plant Varieties and Seeds Office, the equipment would be fully utilised.

11.4 Land Use Division

The Land Use Division (LUD) manages agricultural state land falling under the aegis of the Ministry of Agro Industry and Food Security. Whilst the allocation of an agricultural lease is dealt with by a Committee set up at the level of the Ministry, the LUD is responsible, amongst others, for the drafting of lease agreements, ensuring that terms of agreements are complied with, and collecting rents accruing therefrom.

The management of state agricultural land had been adversely commented by my Office over the past few years. I drew attention that poor management of land had resulted in misuse of natural/scarce resources, illegal occupation of land, illegal construction, and arrears of revenue which may not be totally recoverable. A review of the position is as follows:

11.4.1 Status of Agricultural State Land

As of 31 March 2014, the LUD was managing state agricultural land of a total extent of some 8,658 arpents. According to records of the LUD, the status of land is as in Table 11-1.

Table 11-1 Status of Agricultural State Land

| Lease Status | Acreage (Arpents) | | | Total |
|--------------------------------|-------------------|--------------|---------------|--------------|
| | Occupied | Abandoned | Not Available | |
| Lease: Valid | 6,115 | 817 | 353 | 7,285 |
| Lease: Expired and Not Renewed | 393 | 691 | 158 | 1,242 |
| Lease: Not Signed | 83 | 48 | - | 131 |
| Total | 6,591 | 1,556 | 511 | 8,658 |

Observations

- Of the 6,591 arpents of state land reported to be occupied, there were signed lease agreements for 6,115 arpents while the remaining 476 arpents were being occupied illegally. Although it is acknowledged that there had been a decrease in illegal occupation from 768 arpents in 2010 to 476 arpents as of March 2014, still the Ministry may be foregoing a minimum annual rental of Rs 476,000.
- The status of 511 arpents of land was not available in the database. As it is not known whether the land was occupied or not, the Ministry could also be foregoing a minimum annual rental of Rs 158,000 for the 158 arpents of land for which lease agreements had not been renewed upon expiry.
- Of the 1,556 arpents reported to be abandoned, there were signed lease agreements for some 817 arpents and of which, only 148 arpents had been recommended for retrieval.

Recommendation

The Ministry should ascertain that there is a duly signed lease agreement for all cases of occupied land, and also take prompt action to retrieve the land in respect of beneficiaries not adhering to the conditions of lease.

Ministry's Reply

Retrieval of land is a very sensitive issue and thus the Ministry must ensure that prior to retrieval/cancellation of a lease agreement, the land is really in an abandoned state. The Ministry carries out several site visits for a particular site prior to recommending its retrieval to ensure that it is really in an abandoned state.

11.4.2 Non Compliance with State Lands Act

According to the State Lands Act, a descriptive survey should be annexed to every deed of lease, and the Cadastral Survey Act requires that no lease or charge relating to any plot of land or unit shall be granted or created unless a Parcel Identification Number (PIN) has been assigned to that plot or unit.

The PIN was to be used on a 'where available' basis during a transition period of six months as from 5 March 2012 as per Cadastral Survey Regulation 2012. Therefore, as from October 2012, all new lease agreements should make reference to an individual descriptive survey and PIN.

As of 30 April 2014, a major part of the 4,310 lease files kept at the LUD still did not have an individual descriptive survey plan but had, instead, layout plans and site plans that dated back to 1980. PIN was assigned to only 46 plots. Details are as in Table 11-2.

Table 11-2 Survey Plans and Parcel Identification Number

| Section | No of Plots | Acreage (Arpents) | No of plots with Survey Plans | PIN |
|-------------------|--------------------|--------------------------|--|------------|
| Ex-Tea Lands | 3,248 | 6,083 | No Survey Plans but Layout Plans & Site Plans which dated back to 1980 | Nil |
| Land Settlements | 511 | 1,522 | | Nil |
| Other State Lands | 551 | 1,052 | 114 | 46 |

- In 2013, the number of plots surveyed and plans finalised by the Survey Office of the LUD was only 170. 68 of them were still awaiting approval of the LUD prior to application for PIN at the Ministry of Housing and Lands (MOHL).
- Between October 2012 and April 2014, some 95 lease agreements were renewed without an individual descriptive survey plan or a PIN, as required by law.

- 62 new beneficiaries, who have already signed their respective lease agreements between November 2013 and March 2014 and have paid the appropriate amount of rent, have still not been allocated their land for occupation as of May 2014. Their individual survey plans have not yet been finalised.
- Around 1,745 signed lease agreements would expire by the end of December 2014.

Recommendation

The Ministry should take prompt action to carry out the survey exercise at the earliest so that all new lease agreements drawn in respect of new tenants, renewal of lease and transfer of tenancy have an individual survey plan and PIN, as required by law.

Ministry's Reply

The LUD is being re-organised to make it more efficient. Action will be taken to enlist the services of Surveyors of the MOHL to carry out an extensive survey exercise on all lands currently under the purview of the Ministry. A Term of Reference will be worked out by the Ministry, which will comprise a program of work indicating the number of arpents to be surveyed, the time frame and the man days required.

11.4.3 Non enforcement of Legal and Regulatory Provisions

Letter of Intent

As of 28 February 2014, there were 55 beneficiaries who were occupying some 51 arpents of State Land with only letters of intent, which were issued between 1997 and 2005.

Recommendation

The Ministry should take prompt action to regularise their situation as payment is enforceable only if there is a duly signed lease agreement.

Ministry's Reply

The question of foregoing rent does not arise as the lease agreement will be renewed as from the date the previous lease agreement has expired. Thus, the Ministry will recover all outstanding dues.

Cancellation of Lease Agreement

According to Article 12 of the signed lease agreement, the latter can be cancelled ‘de plein droit’ and without payment of any compensation if:

- the lessee fails to start cultivation within six months from the date of signature of the lease.
- the rent has remained unpaid for more than three months after its falling due.

Generally, the LUD initiates retrieval action only after the third and final reminder has been sent to the lessee for failure to start cultivation or for non-payment of rent due.

Observations

- During 2011 and 2012, the LUD had forwarded several lists comprising a total of 432 plots for some 758 arpents to the Ministry for the latter to recommend retrieval thereof. On 3 July 2012, the Ministry conveyed its approval for 238 plots of nearly 432 arpents. Lessees were requested to settle arrears of rent failing which legal action would be initiated against them. As of April 2014, lessees had settled their arrears for 67 plots.
- Between January 2013 and April 2014, the Ministry has cancelled the lease agreement of only 31 lessees, and retrieved their plots for abandonment of land and non payment of rent. This was on the low side given that as of 31 December 2013, there were more than 1,500 lessees owing the Ministry some Rs 9.3 million and about 480 cases of abandoned plots.
- *Examination of Files*

A lease agreement was signed in March 1998 between the Ministry and a Cooperative Society for the lease of an extent of land of 86 arpents at La Brasserie for a period of 10 years against an annual rental of Rs 129,000.

In November 2005, the Ministry informed the lessee that, due to failure to comply with a number of clauses of the lease agreement, same would be cancelled with effect from 16 May 2006. However, the lease was not cancelled nor was it renewed upon its expiry in March 2008, although it was reported that the land had been continuously occupied. Reasons for the non-cancellation of the lease following the issue of the notice in May 2006 were not given.

Rent was paid up to March 2006. Only an amount of Rs 286,058 was included in the Statement of Arrears as of 31 December 2013, although the total amount due was Rs 726,876. It is to be noted that rent is not collectible after the expiry of the lease agreement in March 2008 and in the absence of a new signed lease agreement.

I was informed by the Ministry, in June 2014, that necessary action is now being taken to recover the rent due.

Recommendation

The Ministry should ensure that beneficiaries adhere to the terms and conditions of the lease and retrieval action should be taken promptly.

11.4.4 Illegal Construction on State Land Leased for Agricultural Purpose

At paragraph 13.1.4 of the Audit Report for the year ended 31 December 2012, I mentioned that 12 lessees had illegally constructed concrete buildings between 90 m² and 1140 m² on a total of 27.45 arpents of land leased at Petit Sable, Grand Sable, Pointe aux Feuilles, Elysee and Terre Rouge. The LUD had ceased to renew their lease agreements since 2002, except for that of Terre Rouge which will expire in 2029. I was also informed that the views of the MOHL were sought as to the course of action the Ministry would need to follow. As of April 2014, a reply was still being awaited.

Illegal Construction - Terre Rouge Land Settlement

During a visit carried out in May 2011 by Officers of the Ministry, it was found that a lessee, who was granted 4.75 arpents of land (Lot A) at Terre Rouge, had illegally constructed a building of approximately 600 m². That same lessee was granted an additional plot of land (Lot B), adjacent to Lot A of an extent of 3A75P in August 2011 for a period of seven years although the terms of the lease agreement for Lot A had not been respected. Moreover, during a site visit held on 14 April 2014 by Officers of the LUD at lot B, it was found that a concrete building was under construction and works for the casting of the roof slab were in progress.

Recommendation

The importance of frequent site visits is vital for the detection of any breach of terms and conditions set out in the lease agreement. Cases of illegal construction should be dealt with promptly.

Ministry's Reply

The Ministry has some 8,658 arpents of land under its purview and all cases of illegal construction are being tackled in a prompt manner.

Subletting at Plaine Sophie

Following reported cases of subletting and illegal occupation of land at Plaine Sophie, in May 2013, the Ministry had taken the following action:

- cancel lease agreements of beneficiaries who were subletting some 45 plots

- inform beneficiaries who were subletting some 22 plots that their letter of intent would be withdrawn.

According to the records of the LUD, the last visit carried out at Plaine Sophie was in April 2012. Following the cancellation of the lease agreements of those beneficiaries who were subletting leased lands in 2013, the LUD has not undertaken any other visit to confirm if the land was still being sublet or illegally occupied.

Recommendation

A site visit following the cancellation of a lease is important to ascertain that the previous lessee has indeed vacated the State Land. Cases of illegal occupation should be dealt without delay, and prompt action should be taken to regularise cases of those beneficiaries who hold only a letter of intent.

Ministry's Reply

Necessary action has been taken regarding the finalisation of genuine cases of lease.

11.4.5 State Land leased to Irrigation Authority

In June 2007, some 746 arpents of agricultural state land were leased to the Irrigation Authority (IA) at an annual rent of Rs 746,020 for a period of seven years up to 30 June 2014. The lease agreement stipulates that the land leased was specifically for Small Scale Irrigation Projects and that the IA was also authorised to sublet the land to Cooperative Societies or to individual planters for the sole purpose of cultivating food crops, and that no residential building is to be erected on the land.

Part of the 746 arpents of land had been excised and released to promoters for tourism and development project, contrary to the terms of the lease agreement. In a correspondence addressed to the Ministry, IA informed that land of an extent of 58.36 arpents had already been released to promoters for tourism development, and another 25.51 arpents had been reserved for other tourism projects. Approval in that respect was not seen.

As of 31 December 2013, IA owed Rs 2,709,402.

Recommendation

A copy of the approval from the MOHL regarding the excision of land to promoters of tourism and leisure should be kept by the Ministry and produced whenever required. A new lease agreement should also be drawn.

Ministry's Reply

The IA is effecting a monthly payment of Rs 300,000 from November 2013 up to May 2014. The remaining balance would be settled by end of June 2014.

11.4.6 Arrears of Revenue - Rs 9,307,085

During the year 2013, the LUD had collected some Rs 7,262,850 in respect of lease of agricultural state land. The annual rental per arpent is Rs 1,000 for 'non irrigation' land, Rs 1,500 for 'irrigation' land and Rs 3,500 for agro business industry.

Arrears of revenue had increased from Rs 7,740,073 as of December 2012 to Rs 9,307,085 for the year ending 31 December 2013, representing an increase of some 20 per cent. As an age analysis of arrears was still not available, it was difficult to establish since when these debts were due. Moreover, the genuineness and recoverability of these debts could also not be ascertained.

The issue concerning the 33 beneficiaries of Arsenal and Bois Marchand, who were still paying an annual rent of Rs 120 instead of the prescribed yearly rate of Rs 1,500 for irrigation land, was still pending as of April 2014.

Nine beneficiaries were still not being charged any additional rent although 4,700 m² of concrete buildings had been leased together with 141 arpents of state land. I was informed, in June 2012, that a policy decision was envisaged to claim them additional charges and amend their leases accordingly. The advice of the Valuation Office would also be sought to determine the value of the buildings. However, this matter was still pending as of April 2014.

Recommendations

- The Ministry should exercise more control, supervision and follow up over long overdue debts.
- The Ministry should deal promptly and take remedial action in respect of those beneficiaries who have not been charged any additional rent for concrete buildings leased together with state agricultural lands.

Ministry's Reply

- Procedures will be initiated for the write off of about 125 cases of arrears for which lease agreements have already been cancelled.
- Once the e-Agriculture Project is finalised and implemented, the question of age analysis will not arise.
- Proper coordination between the LUD and the Finance Section is being ensured and a sum of Rs 600,000 has been recovered. It is to be noted that some 80 per cent of lessees are sugar cane planters, and that 85 per cent of lessees owe an amount of Rs 4,000 - Rs 5,000 individually whereas 15 per cent owe an amount of Rs 12,000 - Rs 15,000.

12 - MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

12.1 Eco-Village Project

Background

The Eco-Village Project, which was approved by Government in November 2010, comprised the construction of nine eco-villages over a period of three years. The cost of each village was estimated at Rs 50 million, and three of these villages were to be implemented in year 2011. In November 2011, the Ministry awarded the contract for consultancy services to Consultant A for the sum of Rs 28,567,875 (VAT inclusive).

In the last Audit Report I highlighted on the lengthy process for the award of the consultancy contract and that the Eco-Village Concept had to be properly defined and approved.

Observations

- The tender exercise for the consultancy services had to be re-launched due to the variation in the term of payment from a percentage fee basis to a fixed sum basis and that the evaluation of the bids was time consuming.
- Budgetary provisions of Rs 35 million for the project in 2011 could not be utilised at all as the consultancy contract was awarded in late 2011. Further, in 2012, only Rs 1.2 million relating to consultancy payments were disbursed from a total provision of Rs 50 million.
- No fund was provided in the budget for the construction works in 2013, except an amount of Rs 5 million for consultancy services from which only a payment of Rs 192,194 was effected. No budgetary provision was made for the Eco-Village project in 2014.
- The Ministry of Finance informed the Ministry in August 2012 that the projects had skipped the process of Project Plan Committee (PPC). Approval of the PPC should have been obtained before the floating of the bid for consultancy for preliminary design.

Ministry's Reply

As Government had already approved the Eco Village Project in November 2010, the PPC had submitted that it was therefore not under its purview although appropriate clearances would need to be sought from other relevant authorities.

- Other pertinent issue raised by the Ministry of Finance was that the Ministry was not innovating in the Eco-Village Project but duplicating what other Ministries/Departments/ Local Authorities/agencies had under their respective mandates; examples being cycle track, street lightings and village hall rehabilitation.

12.1.1 Status of the Project

The Ministry has finally decided to implement the project in phases starting with two pilot Eco- Villages at Panchvati and Pointe aux Piments. No development was noted at time of audit in June 2014.

The Consultancy contract which was for a duration of three years will expire in October 2014, with negligible deliverables after effecting total payments of Rs 1,273,913.

Ministry's Reply

Projects at two villages, namely Panchvati and Pointe aux Piments, were being undertaken in line with the Eco-Village Concept. Unspent funds earmarked for the consultancy project would be used for other payments after receiving the relevant approval.

12.2 Bilateral Cooperation between a foreign country and Mauritius under the International Climate Protection Initiative (Chillers): Rs 48 million

Background

Under the International Climate Protection Initiative, the Government of a foreign country offered a grant of EUR 1.2 million (Rs 48 million) to the Government Mauritius for the replacement of five chillers using ammonia refrigerants as an alternative to highly climate-damaging fluorinated refrigerants. In this respect, an Implementation Agreement was signed in February 2009 between the Ministry of Environment and Sustainable Development and an implementation agency from the same foreign country (Agency A) for the project. Accordingly, Agency A selected an overseas firm (Firm A) for the supply of the chillers and the grant was to be disbursed directly to Firm A. Initially, two of the chillers were to be installed at the New Government Centre and the other three at the New Court House. Additional works such as piping, electrical, installation of cooling tower, had to be undertaken at both identified sites before the installation of the chillers and were to be borne by the Prime Minister's Office (PMO) and the Judiciary for the New Government Centre and the New Court House respectively.

12.2.1 Installation at the New Court House

The Judiciary thereafter informed of its decision not to proceed with the installation at the New Court House in view of unknown financial implications, uncertainties about value for money and concerns for both the long term maintenance of the system and the use of ammonia refrigerants in public buildings.

Hence, it was decided to proceed with the installation of only two chillers at the New Government Centre at the cost of EUR 418,557 (Rs 16.7 million) under the Agreement.

12.2.2 Installation at the New Government Centre

In respect of the additional works, two contracts were awarded in December 2009 by the PMO before the installation of the chillers as follows:

- Firm A for the sum of EUR 589,082 (Rs 23.5 million) for the replacement of existing cooling towers, pumps, electrical panels and associated equipment.
- A local contractor for the sum of Rs 13.1 million with regard to the replacement of the existing piping systems.

The total cost of supply and installation of the chillers, including the above additional works at the New Government Centre, was estimated at some Rs 53.3 million, excluding yearly maintenance costs of Rs 2.3 million. The two chillers were delivered in May 2010 and were put to use in December 2010.

12.2.3 Operational Issues/other issues of chillers

Several problems were encountered during the three years of operation of the chillers. One was not operational since February 2011 as its condenser had been damaged while the other one had frequent breakdowns, thereby affecting adversely the air conditioning system of the whole building.

A proper assessment was not carried out before proceeding with this costly project. Further, this project was to use a new technology, that is, using ammonia refrigerant which had never been used in Government buildings.

12.2.4 Energy Services Division (ESD)

Three Engineers from the ESD benefited from an overseas training course on ammonia chillers in July 2009 prior to their installation at the New Government Centre. At time of audit in June 2014, these officers had already left for other Departments/Organisations. Further training had been provided locally to the Engineers/Technicians of the ESD in May 2012.

The ESD was of the opinion that poor quality materials had been used for the chillers and that the design for the coupling of motor and compressor appeared to be inappropriate for such chillers. Further, the maintenance cost of the chillers appeared to be on the high side.

The ESD has proposed the replacement of the existing system at the earliest.

12.2.5 Status of the project

- The commissioning and handing over of the chillers had not yet been effected at time of audit in June 2014.

- My officers were informed that the other three chillers initially earmarked for the new Court House have already been manufactured and were still in the custody of the foreign Government.
- On the premise of the advice tendered by the ESD, the PMO has now embarked on the project to replace the air conditioning system by a new one in view of the various problems being encountered. Funds for this project had already been provided in the PMO's budget for 2014. Specifications were being worked out by the officers of the ESD.

Agency A was informed of the replacement of the existing chillers at the New Government Centre. However, it replied that as the handing over had not yet been effected, the chillers were still the property of the foreign Government and could not be simply dismantled. Hence, the installation of the new air conditioning system at the New Government Centre was likely to be delayed.

Ministry's Reply

The Ministry was implementing the policy of the Government for the phasing out of the ozone depleting refrigerants under the Montreal Protocol. All the stakeholders including the ESD and the PMO were agreeable to implement the project at the initial stage.

Recommendation

In order to comply with the Montreal Protocol, Government embarked on this project involving substantial funds, coupled with a new technology. However, the anticipated benefits were not derived from this project, despite being in operation for more than three years, while on the other hand, the chillers at the New Government Centre could not be dismantled.

A departmental investigation needs to be carried out to situate responsibilities and to ensure that experience gathered could be used for future similar projects.

13 - MINISTRY OF INFORMATION AND COMMUNICATION TECHNOLOGY

13.1 ICT Projects in Public Sector - Major Problems Identified

Over the years, Government has invested significantly in procuring and implementing over 100 ICT projects in the Public Service. Government investment in ICT projects and services was expected to be around some Rs 1.9 billion in 2013.

The Ministry of Information and Communication Technology (MICT) was created in 1997 and its role included amongst others:

- Formulation of appropriate policies and provision of the necessary legal framework for the development of ICT and its optimal use across all sectors.
- Facilitation, through the implementation of an E-Government programme, the provision of Government services electronically anytime anywhere for the greater convenience of the public.
- Promotion and facilitation of the development of the ICT sector.
- Encourage the adoption of new technologies and best practices in the ICT.
- Promotion and facilitation of IT Security within Government systems

The MICT provides ICT technical expertise and assistance to all Ministries and Departments through its various divisions/units, namely the Central Informatics Bureau (CIB), Central Information Systems Division (CISD) and IT Security Unit (ITSU). The services offered relate to ICT project management, acquisitions of ICT systems and IT products, data capture, database administration, IT security, ISMS Certification and post implementation audit assurances, systems operation and maintenance. Annual staff costs incurred by the MICT for 2013 amounted to some Rs 135 million.

In the past, Government allocated its entire computerisation budget to the MICT as the Central Agency responsible for the development of ICT systems. Since 2010, this autonomy was devolved to the respective line ministries and departments to implement their own ICT systems/projects with their own structures to oversee and manage their ICT projects.

It is worth noting that Ministries/Departments, as well as the MICT, have been successful to some large extent in developing and implementing computerisation projects for modernising Government services and improving business processes.

Previous Audit Reports

Over recent years, the National Audit Office had reported on several ICT projects. The main weaknesses identified related to project management issues, procurement of systems, delayed implementation, sub-optimal use of IT assets and systems.

Scope of Audit

This review is neither an IT audit nor an appraisal of ICT technical issues, but rather aims at highlighting major problems which hinder the optimal management of ICT projects in Government. The main areas which have been covered are:

- (a) Financial monitoring and oversight of ICT investment
- (b) Procurement of common ICT products/services in Government
- (c) ICT strategies, policies and project development
- (d) ICT function in the Civil Service - Roles and Responsibilities
- (e) IT Security and Risk Management
- (f) ICT Projects Operations, Usage and Level of User-Benefits derived

13.1.1 Financial Monitoring and Oversight of ICT Investment

With the devolvement of financial autonomy to each Ministry and Department, the financial control and monitoring of the ICT investment was found to be fragmented with no consolidation of financial information to produce dashboards of financial summaries for the ICT projects portfolio. The available financial reports were inadequate to support an optimal financial oversight over ICT expenditure

The actual cost of government investment in ICT projects was not known, as ICT expenditure was met from various items of expenditure under different budget codes. According to records of the Accountant General's Department, some Rs 1.4 billion was spent for the computerisation of Government Services in 2013.

13.1.2 Procurement of ICT Products/Services commonly used in Government

Government procured many standard IT products/services which were commonly used in the Civil Service namely operating systems, office software, database management systems, antivirus software, PCs, notebooks, printers, scanners etc. These IT products were being procured by respective public bodies at commercial rates and mostly through local suppliers and resellers.

Framework Agreement

The fragmented procurement strategy currently adopted by the Line Ministries and the MICT was not found to be cost effective and was contrary to Section 29A of the Public Procurement Act 2006, as amended by the Public Procurement (Framework Agreement) Regulations 2013, effective since 9 July 2013. This new procurement legislation makes provision for the appointment of a lead organisation to enter framework agreements on behalf of Government, and the involvement of the Central Procurement Board (CPB) and the Procurement Policy Office (PPO) for major contract. However, the MICT did not explore the possibility to

include ICT requirements for the whole Civil Service within distinct framework agreements, despite the fact that the procurement of IT products and services involved material amount of funds. The total expenditure incurred by Government for IT products/services was not known, as Ministries/Departments entered into many distinct contracts.

Oracle Products and Services

In 2013, the MICT entered into two main contracts, namely technical support services for Rs15.8 million and capacity building arrangement for Rs 12.6 million while Ministries/Departments were also awarding separate contracts for purchase of new Oracle licenses and other technical support services. Had a three year contract been made with Oracle for the whole Civil Service, Government would have obtained significant financial savings through negotiated packages from Oracle or its representatives. Also, such procurement would have qualified as major contract, thereby requiring the involvement of the PPO and CPB.

Microsoft Licenses

The MICT is currently examining a proposal of Rs 140 million from Microsoft for the supply of licenses valid for a period of 3.5 years up to June 2016. This proposal is being considered outside the framework agreement provisions.

13.1.3 ICT Strategies, Policies and Project Development

Major ICT projects did not always emanate from business plans with many ICT projects being developed without formal project appraisal. Project development was sometimes, according to ICT needs of the day and was subject to changing priorities of individual entities and dependent on varying funding arrangements.

Implementation of the National ICT Strategic Plan (NICTSP)

Since 1998, the Ministry has been formulating National Strategic Plan for the ICT sector. The National ICT Strategic Plans prepared in 2007 and 2011 were approved by Government but their implementation was not being monitored since March 2012.

Master Plan for Computerisation in the Public Service

ICT master plans were not always available for key Ministries. Examples were the Ministry of Finance and Economic Development and the Ministry of Housing and Lands which have initiated many major ICT projects without a proper formal planning document. The absence of an overall plan has led to piecemeal development with risks of lack of interoperability.

ICT project appraisal by the Projects Plan Committee (PPC)

The PPC was set up in February 2009 under the aegis of the Ministry of Public Infrastructure, Land Transport and Shipping to examine and recommend project proposals above Rs 25 million, including ICT projects, to be incorporated in the budget (PSIP). Project proposals exceeding Rs 100 million needed to be backed by formal feasibility studies while projects below Rs 100 million were required to have a Needs Analysis Report.

Compliance with the above provisions was not always ensured. A sample of 18 major ICT projects above Rs 25 million was examined, and 11 project proposals were found not to be formally appraised by the PPC. Results of needs analysis and feasibility studies were mostly not produced. It was also noted that no representative of the MICT was formally co-opted on the PPC to appraise ICT projects but was called in a few instances to give additional information unofficially.

ICT Regulatory Framework

ICT has penetrated the whole Civil Service but till now there is no specific ICT Regulatory Framework consolidating key ICT policies, regulations, guidelines and recommended practices to guide users of ICT systems and monitor compliance thereof:

- ICT Policies. Within the ICT function, there were many important IT issues that needed policy guidance but these were presently dispensed as advice on a case to case basis to user departments instead of being embodied in formal policy statements.
- ICT Manual of Procedures. An ICT Manual was first drafted in 2004 to provide guidelines to users on policy and operational matters but this has not been revised to date. Other guidance documents were prepared but not yet consolidated in a single manual.
- Circulars and Directives across the Civil Service. A complete repertory of circulars/directives issued by the MICT and its units was not readily available to ascertain their comprehensiveness and validity to date.

13.1.4 ICT function in the Civil Service - Roles and Responsibilities

Today most of the Ministries/Departments are operating computerised systems but without a formal ICT function in the Civil Service similar to the Finance, HR or Purchasing and Supply functions. The two administrative set-ups at the MICT and the Line Ministry/Department have sometimes resulted in sub-optimal use of resources, lack of control and ownership of the IT systems:

ICT Projects Ownership and Accountability Framework

Line ministries were managing their ICT projects individually through their Steering Committees despite the fact that the technical units of the MICT were the sole IT experts for Government. Ministries/Departments sought advice from the MICT but same was not always followed without need for justifications.

ICT Function at Ministry level

Some Ministries did not have an ICT Unit while others were staffed with IT knowledgeable personnel but were operating with varying levels of competence.

ICT Directorate at the MICT

There was a lack of coordination among the three units of the MICT namely the CIB, CISD and ITSU. An institutional review towards the consolidation of all units of the MICT was recommended in the NICTSP of 2007 and 2011 but this issue has not been addressed to date.

MICT staff allocation to Ministries

The staff of MICT, mostly CISD staff was deployed to Ministries on requests, but without a formalised Service Level Agreement between the client ministry and the MICT. No mechanism was in place at the MICT to ensure a balanced approach towards providing technical assistance to Ministries and exercising control. This has resulted in a lack of segregation of duties and oversight of the ICT processes.

ICT Project Oversight

Despite the significance of business risks such as business failure, financial losses, lack of data integrity and fraud in ICT projects, these were not always subject to an independent monitoring and oversight. No post- implementation review reports and IT audit reports were seen. Project closure reports were generally not produced. A consolidated report of project status was also not readily available at the MICT.

ICT Asset and Data Stewardship

The actual number of ICT assets owned by Government was not known at the MICT as available statistics at the CISD were inconsistent and incomplete. An integrated ICT equipment and Software Register was not kept at the Ministry to consolidate ICT assets records for all ICT Equipment and software purchased, transferred and disposed of by Government.

- Assets Replacement Policy. There was no formal asset replacement policy for renewal of IT assets. Some ministries were using their IT equipment till its failure while others replaced their equipment upon availability of funds.
- Disposal of ICT equipment and Data stored therein. Statistics and information on disposal of ICT equipment for the whole Civil Service was not known. Moreover, data on hard disks were not safely disposed by a degaussing process .This might open avenues for malpractices such as personal data held being misused, contrary to provisions of the Data Protection Act.

13.1.5 IT Security and Risk Management

The IT Security Unit (ITSU) of the MICT was operational since 2004 but till now the IT security issues for all key IT systems in Government were not dealt with comprehensively. The IT Security Posture of ICT Systems in Government was mostly not known due to the absence of baseline data in respect of IT security information and the limited application of a risk based strategy towards IT security audits.

Baseline IT security information.

No baseline information was available in respect of IT Security Incidents handling and log management systems review. Despite the issue of an IT Incident handling procedure in 2007, the MICT had no mechanism in place to ascertain the occurrence of all IT security incidents in Government.

Log Management Systems were developed to incorporate audit trails and logs modules to enhance IT security measures. However, there was no evidence that logs were reviewed by ITSU to detect unauthorized access.

IT Security Risk Management

The Ministry has not yet developed a formal risk policy to address IT security risks such as software bugs, unauthorised access and data loss. Security risk assessments were not carried out for most ICT systems. There was also no list of information systems that generated or stored data which need to be protected as per Data Protection Act. A list of systems operating without CISD staff, as well as those developed without CIB involvement, was not kept by ITSU.

Conducting Security Audits

The number of IT security audits carried out by ITSU as of April 2014 was limited compared to the total number of ICT systems in place in Government. Further, there was no proper follow up to ensure that corrective actions have been taken.

IT Security Standards Certification

Most of the Ministries/Departments running major and critical IT systems did not further their interest in ISO certification. The project started some ten years back with ten pilot units but only two bodies obtained and maintained their ISO certification to date.

13.1.6 ICT Projects Operations, Usage and Level of User-Benefits derived

A sample of nine ICT projects totaling Rs 2.2 billion was examined for their implementation status and the levels of benefits derived. These projects were aimed at revamping the

business processes and extending the application of ICT across the whole organisation. Main weaknesses identified in their implementation were:

Roll out of major ICT projects

Lengthy delays were noted in respect of two major projects in the Police Department (Crime Occurrence Tracking System-COTS) and one for the Judiciary (E-Judiciary). These projects which were implemented on a pilot basis could not be replicated throughout these departments due to varying reasons and circumstances. The anticipated benefits, namely improvement in timeliness of business transactions and availability of management information for decision making, were far from being achieved. In the meantime, manual systems continued to be used, an example being the lodging of cases in Courts.

Computerisation of Finance, HR and Procurement Activities

Four major ICT projects worth Rs 385 million were initiated in the Civil Service to computerise common areas such as, assets management, budgeting, procurement and human resource management in the whole civil service. As of end April 2014, all these four projects were still at pilot and testing stage.

Computerisation of the Health Services and E-Health Plan worth Rs 1.5 billion

After more than twenty years, the various systems of the Health Services were still semi computerised, fragmented and paper intensive. Hence expected benefits such as real time information for decision taking, process monitoring and control have not been obtained.

E-Payment gateway project - Rs 6 million

The e-Payment gateway project was designed for public to have access to e-payment facilities for selected services. Ten payment services were identified initially but only seven could be finalised. Since its coming into force in November 2013 till 21 March 2014, no user has accessed the e-facility for four out of the seven e-payment services.

Recommendations

- Government has to consider addressing the management of ICT projects in the public sector comprehensively from a strategic perspective through the following:
 - The MICT may consider carrying out an independent external appraisal of the whole computerisation programme for Government to reassess the effectiveness of ICT projects and the administrative structures in place to maximize returns from the ICT investment. Results of the appraisal may be used for the development of the new NICTSP.

- ICT activities require a full-fledged ICT function in all Ministries and Departments to drive ICT projects. A central monitoring mechanism/agency can be set up to issue IT Policies and oversee ICT projects to correlate the ICT investments with the actual ICT Project progress and achievements.
- Compliance with legal provisions should be ensured in respect of the procurement of IT products/ services and ICT Project appraisal:
- The MICT should envisage liaising with the PPO and CPB to redefine its procurement role and to enter framework agreements on behalf of Government for common ICT products/services in Government. Comprehensive Business cases should be drafted in order to obtain significant financial savings through negotiated packages directly from suppliers.
 - All major ICT project proposals have to be appraised as per the PPC mechanism according to the statutory procedures laid down in the Finance and Audit Act and detailed in the IPPM.
- The MICT needs to consider strengthening and integrating its set-up and control mechanisms to exercise effective vigilance over the development of ICT projects through the following:
- The MICT needs empowerment as the sole ICT directorate for the computerisation of Government services by integrating its existing technical units for better coordination, supervision and monitoring. The deployment of expert resources of the MICT to client ministries through a service level agreement would formalise the expected service levels. ITSU needs to devise risk based IT Security audit strategies to prevent business interruption and damage.
 - Relevant ICT laws, policies, regulations, circulars, factsheets and other recommended ICT practices have to be consolidated in an ICT Manual and disseminated to users to adopt practices aligned to IT standards.
 - The MICT has to establish reporting mechanisms/information systems related to risk based monitoring and assessment of ICT Projects through the generation of consolidated status reports, project closure reports, post implementation audit reports, internal control IT audits, baseline information in IT security matters.

14 - MINISTRY OF FISHERIES

14.1 Patrol Boats

Patrol boats, FPS I and FPS II, were acquired in 2002 for the sum of Rs 6.7 million, while FPS III was donated by a foreign Government in 2004.

FPS I and FPS II were not in running condition due to mechanical problems and they were left idle since January 2011 and October 2011 respectively. FPS III was on the other hand, in running condition.

FPS I and FPS II were insured for the sum of Rs 4,082,830, which covered the hull and materials, whereas FPS III was not insured since 2008. Insurance premium of Rs 123,013 was paid in April 2013 for FPS I and FPS II for the period 30 December 2012 to 29 December 2013.

On 2 January 2013, these three patrol boats were damaged following the passage of cyclone “Dumile”. On 19 March 2013, a claim for compensation from the Insurance Company was made for FPS I and FPS II. However, based on the findings of the Insurance Company’s Loss Assessor, the claim could not be entertained because the damage sustained could not be attributed to an accident, as the vessels were not in sailing condition for a long time, and they had been left exposed to heavy seas associated with the Cyclone.

On 14 February 2014, the Ministry sought advice from the Attorney General’s Office (AGO) as to the possibility of seeking compensation from the Insurance Company. However, as of 28 February 2014, according to the AGO, it was not certain whether a claim could indeed be lodged.

Conclusion

Due to inadequate preventive maintenance and failure on the part of the Ministry to properly safeguard and insure its assets, the Ministry had suffered complete loss of three patrol boats. The probability of obtaining compensation from the Insurance Company is remote and/or else it would be a long procedure.

Recommendation

The Ministry must put in place a proper mechanism to safeguard its assets.

Ministry’s Reply

The Ministry decided to maintain the Marine Hull Insurance as the hull of the Patrol boats FPS I and FPS II were in good condition. The problems detected on the boats were mechanical in nature and procedures for their repairs were initiated. However, the prices quoted were deemed to be high.

The insurance cover for FPS III expired in 2008 and was not renewed by inadvertence.

Consultations have been held with all Head of Units/Divisions and a protocol has been devised to ensure the proper maintenance, safeguard, repairs and insurance of the patrol boats of the Ministry.

14.2 Fish Auction Market

At paragraph 15.1 of the Audit Report for the year ended 31 December 2012, I drew attention, that two years after the completion of the construction of the Fish Auction Market (FAM), no potential investor had been found to operate it. Although, in May 2013, consultations were being undertaken with interested parties, the FAM was still not operational as of 31 May 2014.

The cost of the project was Rs 30 million of which an amount of Rs 6,113,421 was incurred on the installation and commissioning of cold room equipment and false ceilings at the FAM. Full payment was effected after completion of works in December 2011. However, in June 2012, it was observed that some of the false ceilings which were installed had fallen.

As of 31 January 2014, the Ministry was not satisfied with the re-fixing of the false ceilings by the Contractor as the building could not be used, and the site was declared a restricted area for security purposes.

The Ministry sought legal advice from the Attorney General's Office (AGO) on 26 April 2013 on the possible course of action that could be taken against the Contractor. On 28 May 2013, the AGO advised that the Ministry should determine the exact breaches of the Contractor, and the losses incurred, amongst others, were to be assessed.

It was also noted that the contractual agreement entered with the Contractor made no provision of liquidated damages clause. The AGO recommended that after obtaining the necessary required information, the Ministry could then consider seeking compensation from the Contractor through the issue of a 'Mise en Demeure', and subsequently, lodging a legal action.

Conclusion

As of 31 May 2014, the Ministry had not yet calculated the cost of repairs and the amount of damages suffered, and no decision had been taken on the way forward against the Contractor.

The building had remained idle for more than three years, and the return from this investment of Rs 30 million was further postponed as the Ministry had not yet found any really interested party to operate the FAM. The total rental fees paid to the Mauritius Ports Authority for the lease of land for the construction of the building from 2010 to 2013 amounted to Rs 925,000, and cost of security services since 2011 amounted to Rs 1.3 million.

Ministry's Reply

Operationalisation of the FAM

As per the report of the Technical Committee that was set up in May 2013, to work out the modalities and assess the financial implications for the operationalisation of FAM, the Mauritius Agricultural Marketing (Prices of Controlled Products) By-Catch Fish (Amendment) Regulation 2004 made under Section 14 of Mauritius Agricultural Marketing Board Act would need to be reviewed to make provision for the operationalisation of the FAM.

With a view to ensuring that the building and facilities of the FAM become operational, an invitation for Expression of Interest (EOI) was launched on 15 May 2014 inviting potential operators to take the building on lease on an 'as is where is' basis. As at 9 July 2014, I am informed that three prospective operators who have expressed their interest will be requested to submit a complete proposal, with technical and financial details.

15 - MINISTRY OF YOUTH AND SPORTS

15.1 Extension to St François Xavier Stadium at Port-Louis

At paragraph 16.4.1 of the Audit Report for the year ended 31 December 2012, mention was made that the project “Extension to St François Xavier Stadium at Port Louis”, consisting of the renovation and upgrading of the St Francois Xavier Stadium to conform to international standards, which was scheduled for completion in June 2012 was not yet completed as of March 2013.

15.1.1 Consultancy Services

The contract for the consultancy services, initially awarded for the sum of Rs 1,808,000 (exclusive of VAT) in October 2007 was subsequently revised to Rs 4,842,456 (including VAT) following a revision in the project cost and modifications in design in February 2012. As of April 2014, payments to the Consultant totalled Rs 4,396,703.

In December 2012, the Consultant submitted an additional claim of Rs 803,157 for additional services provided due to late instructions given by the Ministry during an extended period of 13 months in respect of additional works not stated in the original scope of works. During 2013, the Consultant submitted several claims to the Ministry for the outstanding amount due. The advice of the Ministry of Public Infrastructure (MPI) was sought on the claim.

More than one year later, the matter was still pending.

15.1.2 Renovation Works

In the Audit Report for the year ended 31 December 2012, I mentioned several shortcomings regarding this project, and these have been lengthily discussed at the Public Accounts Committee in March/ April 2014.

The works started in October 2010. The first scheduled completion date of 7 December 2011 was revised to 24 June 2012, after an extension of time of 182 days granted to the Contractor. However, the project was finally handed over on 17 December 2013, some 18 months after the revised completion date, with a snag list and a list of additional works totalling Rs 1,160,900 (exclusive of VAT).

Approval for extension of time beyond June 2012 was not documented. Responsibilities for delay were not established, and relevant Contract Clauses for delay (Liquidated Damages) were not applied.

The modified drawings and the final accounts have not been submitted to the Ministry.

Total payments to the Contractor as of 30 April 2014 amounted to Rs 56,390,439.

Ministry's Reply

- The Ministry did not have the full cooperation of the Consultant appointed for the project. This was mainly due to the fact that the Ministry was not agreeable to pay the Consultant an additional claim of Rs 803,157 for apparently additional services provided, being given that he was awarded a lump sum contract. Moreover, the successive Project Coordinators of the Ministry, who were overseeing the project, failed to monitor the implementation of the project properly.
- The delay in the completion of the project was due to late instructions from the Ministry, adverse weather conditions and delay in clearances from the Central Electricity Board, Central Water Authority and Wastewater Management Authority.

15.2 Repair Works to Mechanical and Electrical Installation at Le Pavillon Swimming Pool

15.2.1 Consultancy Service

At paragraph 16.3.2 of the Audit Report for the year ended 31 December 2012, mention was made of the award of a consultancy contract for leakage investigation at Le Pavillon Swimming Pool in November 2012 for the fixed sum of Rs 1.8 million (exclusive of VAT).

The Consultant submitted his report, together with the scope of works, and his cost estimates. The tender documents for the repair works were submitted thereafter.

95 per cent of the contract sum totalling Rs 1,966,500 was paid to the Consultant during 2013. The remaining five per cent amounting to Rs 103,500 would be released after submission and approval of the final report, which was still due.

The amount payable to the Consultant represented 36 per cent of the value of repair works certified as of August 2013.

Ministry's Reply

The services of the Consultant were hired after advice from the Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping (MPI) and the terms of reference of the Consultant were also drafted by that Ministry.

15.2.2 Remedial Works

After a tender exercise, the contract for the “Repairs Work to Mechanical and Electrical Installation at Le Pavillon Swimming Pool” was awarded to the second lowest compliant bidder for the sum of Rs 5,304,720 (inclusive of VAT) in March 2013.

Observations

- The site was handed over to the Contractor on 21 March, and works which started on 28 March were to be completed on 27 May 2013. The completion date was revised to 19 June 2013 due to adverse ground condition.

On 20 June 2013, the Consultant submitted a Cost Report with a list of variations works amounting to Rs 407,825. There was no approval of the Ministry in respect of these variations.

- Three pre filters for Rs 323,127 have been supplied in accordance with the contract. During site visit on 11 June 2014, it was stated that it would not be possible to replace the three old/existing filters with the new ones supplied. These were lying dormant at the pool.
- The Final Accounts in respect of the project have not yet been submitted.
- As of 31 August 2013, payments to the Contractor, including the above variations, totalled Rs 5,451,811.

Ministry's Reply

As regards the three pre filters, which were lying idle at the Pool, a departmental enquiry has been initiated with a view to determining responsibilities. Action, as appropriate, will be taken in the light of the outcome of the enquiry.

15.3 Bulldozing Works at Camp Le Vieux

In October 2010, a plot of land of an extent of 10A 00P situated at Camp Le Vieux was vested in the Ministry for the construction of a Recreation Complex/Velodrome. In June 2012, the Cycling Federation submitted the preliminary drawings for the Velodrome and informed the Ministry that financial assistance would be obtained from an International Organisation for the project. In October 2012, quotation procedures were initiated to clear the land which was covered with shrubs and trees.

After quotation procedures for bulldozing and clearing works of an area of approximately 10 acres at Camp Le Vieux, the Bid Evaluation Committee (BEC) recommended that the contract be awarded to the second lowest responsive bidder, a private Company, in the sum of Rs 1,050,000, inclusive of Contingency Sum of Rs 200,000. The recommendation of BEC was subsequently approved by the Departmental Tender Committee (DTC) on 6 November 2012, and the Letter of Award was issued to the successful bidder.

Observations

- The Letter of Award was issued on 7 November 2012, and the Contractor completed the works in December 2012.

Payments to the Contractor totalled Rs 1,050,000, after release of Retention Money in May 2013 and included the Contingency Sum of Rs 200,000. Contingency Sum is provided in contracts to cover costs for works that were unforeseen or unforeseeable at the time of preparing contract documents. Details of the contingencies works carried out were not available.

- The Ministry decided to clear the land in November 2012. A contract was awarded, and payment released after completion of works. However, at time of visit by my Officers in May 2014, the plot of land was in an abandoned state, covered with bushes, shrubs and vegetations.

Expenditure incurred totalling Rs 1,050,000 for the bulldozing works was on the high side as the project has not been undertaken, and the land would have to be cleared once again if ever the project materialised.

Ministry's Reply

- The 10 acres of land vested in the Ministry for the construction of a Recreational Complex/ Velodrome had to be cleared as the Ministry of Housing and Lands which was approached for the pegging exercise informed that the exercise could not be undertaken as the land was covered with shrubs and trees. The pegging exercise has been completed.
- Clearing of site was imperative as the Cycling Federation has informed the Ministry that it would implement the project at its own costs from assistance from an International Organisation.
- Subsequently, in June 2013, the Sports Federation has informed the Ministry that the International Organisation would only contribute EUR 2,000 and other sponsors are not responding favourably. The project has been kept in abeyance.

15.4 Upgrading of Anjalay Stadium

In mid 2012, the Ministry was informed that Government has decided to celebrate the 45th National Day of 12 March 2013 at Anjalay Stadium. Responsibility for renovation and upgrading works was entrusted to the Ministry.

The Ministry of Public Infrastructure (MPI) and the Energy Services Division (ESD) were assigned the responsibility for the preparation of the scope and estimates for the upgrading works to the stadium and electrical works respectively. A sum of Rs 35.5 million was provided in the Programme Based Budget Estimates 2013 for upgrading works at the Stadium.

A preliminary assessment of renovation/ upgrading works required was carried out in the first instance. Two contracts were awarded in November 2012, and 20 others for the upgrading works, ranging from Rs 12,500 to Rs 9.2 million, were awarded from January to February 2013, of which 16 from 4 to 28 February 2013.

Amount disbursed for upgrading and other works from January 2013 to March 2014 totalled some Rs 42 million. (A contract for further works for some Rs 2.5 million was awarded prior to the National Day Celebrations 2014). As observed during site visit in May 2014, standard of completed works on VIP Stand and in Press Room was inadequate.

The shortcomings noted in works carried out are detailed in the paragraphs below.

15.4.1 Renovation and Upgrading Works

Following an open tender exercise in September 2012, the contract was awarded to the lowest bidder, for the sum of Rs 6,350,300 (VAT inclusive), inclusive of a Contingency Sum of Rs 1,380,000 on 15 November 2012. The cost estimates as submitted by the MPI were Rs 10,433,000. The site was handed over to the Contractor on 7 December, and works which started on 14 December 2012 were to be completed within 80 days, that is on 4 March 2013

Contract Administration

The Contract Administrator for the project was the Architect Section of the MPI, but in January 2013, the Ministry designated its Project Coordinator (PC) for coordination of all the renovation works at Anjalay Stadium, and informed the MPI accordingly. MPI pointed out that this was not in line with normal practice, but requested that all proposed solutions from the PC be cleared with the MPI, and that instructions in respect of the project would be given solely by the MPI or the ESD.

However, the PC issued several site instructions for works totalling Rs 883,740 and certified payments thereof, and also an amount of Rs 1.6 million in respect of a Payment Certificate without informing the MPI. The site instructions were issued after site visits and verbal requests from senior officials from other Ministries, but notes of meeting following site visits were not available

Variation Works

Responsibility for provision of access for VVIP cars was assigned to the Ministry in July 2012. However, the urgent need for a temporary driveway for VVIP cars was decided in February 2013, one month before the event, and this was provided for Rs 2,313,264 under variation works

Variations to the main contract, including works carried out under instructions from the PC, totalled Rs 4,859,224 (including VAT) and represented some 77 per cent of the contract awarded. This exceeded the limit of 30 per cent authorized under Procurement Regulations.

A proper assessment of works required was not done at start, and due to the urgency of the works, proper procedures for variation works were not followed. Quotations and approval in respect of all additional works allocated after instructions from the PC were not documented.

Variation - Staircase

Due to the presence of electric cables underneath, it was decided to replace the concrete stairs provided for Rs 350,750 under the original scope of works with metal ones.

The Contractor quoted Rs 796,750 and the MPI approved Rs 792,318 for the works. However, amount included for the above works in a Payment Certificate was Rs 1,028,137.

Completion of Works

A site meeting was held on 14 March 2013 for the Practical Handing Over when the Contractor was requested to attend to 29 outstanding items. However, the Practical Completion Certificate was issued nine months later on 31 December 2013.

On 21 May 2013, the Contractor was informed that he had not yet attended to several outstanding works/ defects and he was requested to attend to a list of 23 defective and outstanding items.

Further meetings were held in 2013 where several defects were observed. The Pre-final Payment Certificate was submitted in December 2013, and in January 2014, the Contractor was requested to submit warranties and certificates in respect of three items. At a meeting held at the MPI on 17 February 2014, it was stated that defective works not attended to have been assessed, and the amount would be omitted in the Pre-final Payment Certificate, and it was decided to:

- Deduct an appropriate amount from sums due to the Contractor
- Issue a Defect Liability Certificate with mention of non completion of defects
- Report the Contractor to the Procurement Policy Office, and
- Entrust outstanding work to other contractors.

As of 31 May 2014, the warranties and certificates and the Final Payment Certificate/ Accounts were not yet submitted, and the Defect Liability Certificate was not issued. The matters were still pending and payments to the Contractor as of 31 December 2013 totalled Rs 7,890,625.

No action was taken against the Contractor. Instead, the MPI allocated further works on 18 February 2014 for Rs 2.5 million in the context of the National Day Celebrations 2014 to the same Contractor.

During a site visit by my Officers in May 2014, rusting was noted on an inox handrail provided on the VIP Stand for the sum of Rs 258,750 under one contract.

Ministry's Reply

- (a) There was need for major upgrading and renovation works as it was the first time that the National Day Celebrations were held at the Anjalay Stadium and the element of security was an aspect that had to be addressed.
- (b) Although there was an indication in mid 2012 that the National Day Celebrations might be held at Anjalay Stadium, it was only on 18 January 2013 that Government decided that the Stadium would be the venue for the celebrations. Funds to be incurred for the upgrading and renovation works were not available in the Programme Based Budget Estimates 2012, and provisions for that purpose were only made in the Estimates 2013.
- (c) The National Organising Committee insisted that all works had to be completed by the third week of February 2013 for simulation and rehearsal purposes. The PC was entrusted with the responsibility to oversee the repairs and upgrading works being carried out.
- (d) Most of the upgrading/ renovation works were identified during site visits effected without prior notice by Senior Officials from different Ministries who were involved in the National Day Celebrations. It has not been possible to keep records of site visits.
- (e) The driveway was an essential element for VVIP cars which could not drive on the turf.
- (f) In view of the urgency of the works and time constraint, fresh tenders could not be sought.
- (g) The Contractor has confirmed that the handrails were of inox, and the rust has been caused by vagaries of weather and he has agreed to repolish them at his own costs.

15.4.2 Painting Works

The contract was awarded to the lowest bidder, for Rs 6,037,500 inclusive of a Contingency Sum of Rs 862,500 on 8 January 2013. The estimated cost of the works as submitted by the PC on 23 November 2012 was Rs 4 million.

The contract price exceeded the estimated cost by 51 per cent, and no negotiation was carried out with the Contractor.

The scope of works as per the bidding documents was for a surface area of some 18,000 m². The locations where the works were to be carried out were not explicitly specified - for example Main Building (Office, toilets, VIP Section and hall), dormitories and boundary walls.

Payments to the Contractor totalled Rs 6,037,500 and included the full Contingency Sum of Rs 862,500 which was used for, among others, the supply and fixing of a massive oak wood door and an oak partitioning, making good existing upper beam, painting wall facing the stadium along the road inside and outside (boundary wall), all ticket booths and additional painting works. It was not possible to confirm whether the boundary wall and the ticket booths were included in the original scope of works. Moreover, no quotation was sought for the additional works.

During visit carried out, it was observed that the door and the partitioning were half glazed.

Contingency Sum is provided in contract to meet unforeseen or unforeseeable items at the time of preparation of tender documents. However, the items mentioned above and paid for under the Contingency Sum were all foreseeable, but were not included in the contract.

A further contract for the painting of fencing was awarded to the Director of the same company for Rs 175,000 on 28 February 2013. In this case also, location/ fencing that needed painting was not specified.

The Ministry also purchased several gallons of paints for Rs 339,327 for painting of seats and road marking.

In February 2014, Works Orders for Upgrading Works, which included painting of 15,093 m² were again issued. Amounts claimed for these painting works totalled Rs 2,295,342.

Amount disbursed for painting works from January 2013 to February 2014 totalled Rs 8,847,169.

Ministry's Reply

- Due to the time constraint, the Ministry had no alternative than to award the contract, as cancelling the tendering exercise and retendering on basis of revised cost estimates or revised specifications would have been a time consuming exercise.
- No quotation was sought for the additional works in view of the urgency of the works.
- There was need to repaint the VVIP Stand after one year, and painting of the walls of the public parking was not effected in 2013 and repainting of the entrance columns and the timber deck was carried out at the request of the Prime Minister's Office.

15.4.3 Contracts for Electrical/ Lighting Works

From January 2010 to January 2014, contracts for electrical installation and lighting works at Anjalay Stadium totalling some Rs 26 million were awarded as detailed in Table 15-1.

Table 15-1 Contracts for electrical installation and lighting works

| Date | Contract Amount (Rs) | Details |
|--------------|-----------------------------|--|
| 29.01.2010 | 12,410,800 | Refurbishment Works of Electrical Installation |
| 25.04.2011 | 2,143,000 | Lighting Facilities |
| 15.11.2012 | 5,818,500 | Supply, Installation, Testing and Commissioning of Electrical Works |
| 16.01.2013 | 3,283,537 | Supply, Fix and Commissioning of Flood Lights |
| 25.01.2014 | 2,178,675 | Removal of Burnt Lamps, Supply, Fix and Commission and Test New Metal Halide Lamps 2000W and Other Related Works |
| 25.01.2014 | 97,750 | Maintenance and Repairs of Main Panel |
| Total | 25,932,262 | |

Supply, Installation, Testing and Commissioning of Electrical Works

A contract for the supply, installation, testing and commissioning of Electrical Works was awarded to the lowest bidder for the sum of Rs 5,818,500, inclusive of VAT and a Contingency Sum of Rs 1 million on 15 November 2012 after a tender exercise. The works which started on 5 December 2012 were to be completed within 80 days, that is, on 21 February 2013.

The scope of works as described in the bidding documents included indoor and outdoor yard lighting and supply of air conditioners. However, air conditioners were not included in the Bill of Quantities (BOQ). A separate contract was awarded for the supply, installation, testing and commissioning of air conditioners for Rs 523,250.

Quotations were for lots and locations of the electrical installations and works were not specified. A schedule of rates was submitted during the tender exercise.

Detailed technical specifications in respect of several items including seven different types of flood lights were provided in the bidding documents. The unit rate quoted for the flood lights (as per the Schedule of Rates) ranged from Rs 2,000 to Rs 80,000 and amount claimed for the indoor and outdoor lighting as per BOQ totalled Rs 1,627,250. Details of types and quantities provided were not available.

A separate contract for the supply, fixing and commissioning of 45 flood lights was awarded for the sum of Rs 3,283,537 in February 2013.

The contract provided for indoor and outdoor lighting. However, during execution of works, quotations were sought for additional works “for which a contingency sum of Rs 1 million has been included in the contract”. These included

1. Perimeter Lighting around the ground
2. Public Parking – Lighting and Cabling
3. External Corridor Lighting - Ground Floor
4. External Corridor – First Floor
5. Ground Floor Corridor, and
6. Plant Room.

In the absence of details on quantities and locations in the BOQ, it was not possible to confirm whether the above items were included in the original scope of works.

A detailed quotation of Rs 1,089,625 was submitted for items 1 to 6 above, and the ESD approved Rs 835,475 for items 1 to 4. A further amount of Rs 136,750 was approved for additional works (mainly electrical installations for air conditioners) under this contract.

Value of works carried out as per last Payment Certificate totalled Rs 5,737,825 and amount claimed were for lots. A detailed BOQ for works carried out was not available. It was not possible to ascertain extent of work carried out (cabling, replacement of fittings, lightings, floodlights etc).

At time of audit in May 2014, payments to the Contractor totalled Rs 5,450,934. Retention Money (Rs 286,891) has not yet been released and Certificate for Handing Over of Works was not available in files.

Ministry's Reply

The ESD which was responsible for the preparation of scope of works and submission of cost estimates has stated that quotations were floated on the basis of lots, and no precise locations could be mentioned as the works were for refurbishment, and also in view of the urgency for the refurbishment exercise.

A separate tender exercise was undertaken in respect of the 45 floodlights upon advice of the ESD as the works involved were considered to be specialized works.

The ESD has confirmed that the additional works were not included in the original scope of works and these have to be undertaken as there was the need to reinforce the security measures on site.

Supply, Fix and Commissioning of Flood Lights

Following a site visit by officials of the Ministry on 16 January 2013, it was decided to replace 45 defective flood lights. Quotations were invited on 18 January, with closing date of 31 January 2013. After evaluation, the contract was awarded to a private Firm for the sum of

Rs 3,283,537 on 6 February 2013 (45 units at Rs 72,967 each). The items were to be delivered within three weeks as from the date of the Purchase Order.

- (a) Bidders were given 13 days to submit quotations.
- (b) Replacement of these floodlights was included in the contract awarded in 2010.
- (c) No report from a Technician/ Electrician on site confirming the number of defective lights was available.
- (d) The estimated cost of the procurement was Rs 1 million and the accepted offer was Rs 3,283,537, that is, 228 per cent above the cost estimates. The Ministry did not resort to negotiations.
- (e) A more competitive bid was not considered as the bidder failed to comply with one of the technical specifications (that had to be compulsorily complied with). This was not specified in the correct section of the Bidding Document.
- (f) The contract for electrical works mentioned above, included indoor and outdoor lighting and the specifications for different types of flood lights were detailed in the bidding documents. A Schedule of Rate for the items was provided at tender stage. In the absence of a detailed BOQ, it has not been possible to ascertain whether replacement of these flood lights was also included in that contract.

Ministry's Reply

- The number of floodlights that required repairs/ replacement was determined following a visit whereby the lights on all four poles were switched on, and it was observed that 45 floodlights were out of order.
- In view of the urgency of works to be carried out, it would not have been possible to cancel the bidding exercise.
- Floodlights were not included in the contract for electrical works.

16 - MINISTRY OF LOCAL GOVERNMENT AND OUTER ISLANDS

16.1 Grant in Aid to Local Authorities

Local Authorities comprising Municipal and District Councils, have the statutory responsibilities to provide basic community services for the welfare of its citizens. Over and above their own revenue-generating activities, Grant In Aid (GIA) from the Central Government is provided to contribute to the costs of the services provided by the Local Authorities.

The Ministry of Local Government and Outer Islands (MOLG) allocates the amount of GIA, approved by the Ministry of Finance and Economic Development, to each Local Authority.

The GIA which is presently being allocated to all Local Authorities is based on a formula which, according to information received from the MOLG, dated more than 20 years back. In the absence of any review of the formula in recent years, the amount of GIA allocated to Local Authorities annually had, since then, been adjusted incrementally.

For 2013, nearly Rs 2 billion had been disbursed as GIA by the MOLG to Local Authorities as in Table 16-1

Table 16-1 Grant in Aid Disbursed

| Local Authorities | GIA released during 2013 (Rs) |
|-------------------|----------------------------------|
| Port Louis | 406,636,000 |
| Curepipe | 168,489,000 |
| Vacoas/ Phoenix | 163,005,000 |
| BB/Rose Hill | 189,855,000 |
| QuatreBornes | 165,532,000 |
| Pamplemousses | 127,202,030 |
| Riv. du Rempart | 97,129,909 |
| Moka | 83,721,725 |
| Flacq | 137,668,321 |
| Grand Port | 114,198,668 |
| Savanne | 117,158,347 |
| Black River | 109,210,000 |
| Total | 1,879,806,000 |

16.1.1 Need for Revision of Grant In Aid Formula

The need to work out a new formula for the allocation of GIA arose following the Public Expenditure and Financial Accountability Performance Report issued by the International Monetary Fund (IMF) in June 2007. It was stated, therein, that the system of allocation towards Local Authorities might not be fair and needed an overhaul. In a subsequent report, it was also mentioned that the old formula was no longer representative, with the substantial change in the socio-economic structure of the Local Authorities. In this context, the MOLG had taken the following steps:

- A tender was launched in 2010 for the recruitment of a Consultant to devise a new GIA formula. The only responsive bidder quoted an amount of Rs 1.2 million (excluding VAT), which was considered by the Bid Evaluation Committee to be on the high side.
- A Committee was subsequently set up, at the level of the MOLG, to develop a framework for the determination and application of a formula to be used for calculating the amount of grant to be allocated to each Local Authority. This exercise was completed and a report was produced in July 2012.

Observation

The need to review the GIA formula dated as far back as 2007. The MOLG has not yet come up with a revised formula which would take into consideration present circumstances of each Local Authority.

Recommendation

The present formula of GIA being outdated, the MOLG needs to finalise and approve a new and more realistic formula.

Ministry's Reply

The Ministry has sought the collaboration of a team of Consultants from the IMF to work out a new GIA formula. Following working sessions held with them in October 2013 and April 2014, the team of Consultants has submitted a draft report for the proposal of a new GIA formula for the Local Authorities. The approval of the Government on the report and the implementation of the new formula will be sought shortly.

16.2 Interim Storage Facility for Hazardous Wastes

Background Information

Some 17,000 tonnes of hazardous wastes, comprising, among others, 4,940 tonnes of waste oil, 852 tonnes of lead from batteries, 7,600 tonnes of e-waste, 1,610 tonnes of wastewater treatment sludge and around 200 tonnes of medical wastes, are reported to have been

generated in 2011. Although opportunities exist locally for the disposal, recycling and treatment of part of these hazardous wastes, an appropriate infrastructure/facility needs to be set up for a proper management of the bulk of hazardous wastes. Moreover, the hazardous waste cells at Mare Chicose Landfill have a storage capacity of up to 80 tonnes only.

Initiation of Project

Consultant A, hired by Government in 2003, in the context of the Environmental Solid Waste Management Project in Mauritius, submitted its final Feasibility Report in March 2005. The Consultant recommended, amongst others, the establishment of an Interim Storage Facility, where hazardous waste would be received, tested, sorted, stored and made ready for further treatment or exportation.

This Interim Storage Facility would represent the first phase of a comprehensive hazardous waste treatment approach. The experience gathered through its first years of operation would then determine the way forward for a sound management of hazardous wastes.

According to the implementation plan proposed by Consultant A, the contract for the setting up of the hazardous waste interim storage was to be awarded in October 2005 and the start of commercial operation of the interim storage was scheduled for October 2006.

Observation

Action was taken by the MOLG for the identification of a site to construct the interim storage soon after the project was approved by Government in March 2005. However, land identification and acquisition being a lengthy process, it was only in 2008 that land of an extent of 14 arpents 62 at La Chaumiere was vested in the MOLG by the Ministry of Housing and Lands.

16.2.1 Financing of Project

The project for the construction of the interim storage has not materialized although approval was obtained from Government a decade ago. Target dates for the setting up and operation of the facility had been subject to revisions on several occasions.

Funds had been earmarked for the project since 2007-08 but had remained unutilized. It was only in 2013 that some Rs 3.6 million, out of the Rs 19 million budgeted for the year, had been used for the payment of consultancy services for the preparation of detailed design, tender documents and supervision of works.

In addition to the above, a loan agreement was signed in 2008 with a foreign Bank (Funding Agency) for an amount of USD 3.1 million to finance, amongst others, consultancy services for the preparation of detailed design and tender documents, civil works, supervision of construction and provision of furniture and equipment.

According to the loan agreement, the initial closing date for the withdrawal from the loan proceeds expired on 31 October 2010. On two occasions, the validity period of the loan was

extended by the Funding Agency upon request from the Ministry of Finance and Economic Development.

16.2.2 Consultancy Contract

Tenders for consultancy services for the preparation of detailed design, tender documents and supervision of works for an interim storage facility for hazardous wastes at La Chaumiere were launched in August 2008. Only one bid was received. Due to lack of competition, the Funding Agency, recommended that the tender be floated again. New tenders were, thus, launched on 2 April 2010.

The consultancy proposal of Consultant B was retained in December 2010 but it was not until 24 July 2012, that is some 18 months later, that the letter of award of contract, for an amount of USD 280,740 and Rs 5,505,000, exclusive of VAT, was issued by MOLG.

The submission of the final Inception Report, due for December 2012, was postponed to February 2013 as key personnel initially allocated by Consultant B for this assignment had to be re-scheduled.

16.2.3 Delay in Implementation/Work Schedule

As of May 2014, bids for works contract had not yet been launched. It is to be noted that under Section 3 of the Inception Report, bidding for work contract should have been effected by the third week of April 2013.

16.2.4 Management of Hazardous Wastes

According to the Environment Protection (Standards for hazardous wastes) Regulations 2001, the Ministry is the Enforcing Agency for the management of hazardous wastes. Under these Regulations, Waste Generators are required to, among others, draw up an inventory of the quantity of hazardous wastes generated, stored and disposed of every three months and forward a copy of such inventory to the Enforcing Agency.

This is not being complied with by hazardous Waste Generators. There was no evidence as to what action has been taken by the Ministry in that respect.

Conclusion

If not properly managed, hazardous wastes may lead to contamination of soil, surface and ground water and may present direct risk to human health. The Ministry should closely monitor the project for the timely construction of the interim storage facility for hazardous waste.

Ministry's Reply

- The Interim Storage Hazardous Waste Facility is a first of its kind project in Mauritius. All precautionary measures and due diligence had to be exercised, given the hazardousness of the different types of waste streams to be received, sorted and kept at the Facility.
- The tender document of the project, being a highly complex one, numerous working sessions had to be held by the Ministry with the Consultant, the Central Procurement Board and other authorities to finalise the document. Also, the approval of the Funding Agency had to be sought at every stage of the tender preparation and finalization.
- The approval of the CPB and the clearance of the Funding Agency and that of the Ministry of Finance and Economic Development have now been obtained, and tenders for construction works will be launched on 1 July 2014
- With the construction of the facility for the storage of hazardous wastes, the Ministry proposes to enforce the various provisions of the hazardous wastes regulations, as Generators will have an outlet to dispose of their hazardous wastes, which is currently not the case. The Ministry also proposes to recruit additional staff in the next budget to support the enforcement team in its enforcement duties.

17 - MINISTRY OF LABOUR, INDUSTRIAL RELATIONS AND EMPLOYMENT

17.1 Grant of Recruitment Licence

At Paragraphs 17.1 and 17.2 of the Audit Report for 2012, I pointed out various shortcomings pertaining to the granting/renewal of Recruitment Licences for recruitment of workers for employment abroad and in Mauritius, namely, lengthy processing time for renewal of licences and recruitment activity going on without the holding of the required licence.

A test check on the grant of recruitment licences showed that stipulated procedures might not have been complied with in certain cases, namely:

- No register was maintained to follow up the processing of applications for Recruitment Licences or for their renewals.
- According to Regulations, consolidated returns were to be submitted by licensees within 10 days of expiry of each quarter. These were not always submitted.
- Licence granted was not reviewed and reconsidered by the Licensing Authority despite a change in directorship/applicant of the Recruitment Company. Clearance from the Prime Minister's Office (PMO) was not sought again to maintain the grant of the licence to the Company.
- The Recruitment of Workers Act provides for an appeal in writing to the Minister and within 10 days of communication of the decision not to grant licence.
 - Appeals made after the prescribed delay were however, entertained and granted. In one case, Licence was granted on appeal, though the appeal was made nearly five months after communication of decision not to grant licence.
 - In one case, where licence was granted on appeal, the letter of appeal was not in file and it was questioned by the Licensing Authority. It was later produced and was undated. Compliance with the prescribed time limit for lodging of appeal could not therefore be verified.
 - Letter of appeal was addressed to the Licensing Authority instead of the Appellate Authority.
 - Licence was granted on appeal, despite earlier non-recommendation and security objection of the PMO.

Ministry's Reply

- A Register has been introduced to follow up the processing of applications for Recruitment Licences or their renewals.
- The Recruitment of Workers Act empowered the Minister to allow an appeal and the final decision rested with the Minister.

- Applicants will be informed that appeals should be addressed to the Minister. All issues will be highlighted in the guidelines for Recruitment Licences for the information of applicants.

NAO's Comment

Granting of Licences following appeal might not be in line with Security objection of the PMO.

18 - MINISTRY OF HEALTH AND QUALITY OF LIFE

18.1 Procurement of Security Services

During 2013, some Rs 28.5 million were spent by the Ministry of Health and Quality of Life on hiring “Security Services” from private firms for its Hospitals, Area Health Centers, Medi-Clinics and other health institutions, such as Central Stores Division and Orthopaedic Workshop.

Following a bidding exercise launched on 28 November 2011, contracts for security services were awarded on 22 October 2012 to two firms for a period of three years starting 1 December 2012 for a total value of Rs 30.8 million for each of the first two years, and Rs 33.3 million for the third year. The contract was on a fixed rate basis for an initial period of one year from 1 December 2012, renewable thereafter, for an additional period of two years on a yearly basis, upon satisfactory performance of the Service Providers. One bidder was awarded contract for Regions 1 to 4 and other health institutions. Another bidder who was awarded contract for Region 5 for the sum of Rs 6,506,699, declined the offer made by the Ministry, purportedly having wrongly done its pricing. The Central Procurement Board (CPB) however informed the Ministry that “change of bid price after bid submission is not acceptable”.

In cases where there is a breach of any obligation under the bid conditions, the Bid Securing Declaration (BSD) requires “the disqualification of a bidder from bidding for any contract with any Public Body for a period of time that may be determined by the Procurement Policy Office under Section 35 of the Public Procurement Act”. However, the BSD was not seen executed in this case.

Following the declination of offer by the bidder who was awarded the contract for the Region 5, the CPB on 10 January 2013 requested the Ministry to refer the matter of non-acceptance of award by the Supplier to the Procurement Policy Office (PPO) for appropriate action in line with Section 3 (b) of the Public Procurement Disqualification Regulations which states that a supplier, contractor or consultant may be disqualified where “*no bid security is required and a bidder refuses to accept an award made to it and to enter into contract with a public body.*” There was however no evidence in the Ministry’s file that the matter was referred to the PPO.

A re-bidding exercise was launched on 18 January 2013 by the Ministry and the bidder, who was previously awarded contract for Regions 1 to 4, was subsequently awarded contract for Region 5 also with effect from 1 June 2013 for an amount of Rs 7,443,720 compared to his previous quote (for the same Region) of Rs 6,338,340, made one year before, which was not retained.

Ministry’s Reply

The bid for Security Services at the cost of Rs 6,338,340 submitted by Service Provider could not be retained as its validity had already lapsed.

18.1.1 Shortcomings in Service Provided

Several shortcomings in the security service regarding non-compliance with the terms and conditions of the contract by the Service Provider were noted by the Ministry. These were taken up in March, July and August 2013 at the level of the Ministry during meetings held in the presence of the Service Provider, wherein it was reported that the latter had failed to take appropriate corrective measures mainly on the following issues:

- (a) Age limit for the security guards which should be between 25-50 years;
- (b) Training to the guards and their subsequent performance;
- (c) I.D badges for identification purpose;
- (d) Problem of communication among guards since walkie-talkie was not provided to all;
- (e) Cases of thefts reported from Hospitals;
- (f) Lack of regular patrol and supervision;
- (g) No consistency at work due to frequent changes of guards;
- (h) Several guards not present at their respective site of work;
- (i) All morality certificates had still not been submitted, and
- (j) Some security guards were signing on behalf of their colleagues in the attendance registers.

Although the Ministry drew the attention of the Service Provider on the shortcomings and the latter did take some remedial action, the following observations were made:

- The morality certificates and two recent passport size photographs for each security guard were not available at the Ministry's Headquarters.
- A complete and updated list of security guards posted at each hospital/site was not available at the Ministry's Headquarters.
- The security guards of the Service Provider included persons who were beyond the age limit specified in the contract. Right at the start of the contract period, the Service Provider was notified by the Regional Health Services Administrator of one Hospital that eighteen (18) out of a total of 27 security guards were over 50 years old, representing 65 per cent of the personnel who did not meet the requirements of the contract.

18.1.2 Renewal of Contract

Despite the fact that there were reports of non-satisfactory performance of services by the Service Provider, the Ministry was of the view that the Service Provider had made efforts to improve the service and had started taking some remedial measures.

One week before the end of the contract period, a meeting was held to discuss whether to renew the contract or not. As time was running out, the contract was renewed for a further

period of one year on the ground of “time constraints”; this time with a proviso that there would be a constant monitoring and should the service continue to be unsatisfactory, the conditions of contract would be applied. The contract for Regions 1 to 4 and other health institutions was renewed on 31 December 2013 for an amount of some Rs 24 million.

Even after the renewal of the contract, the Hospital Administration continued to report on several shortcomings on the security services. On 6 January 2014, while carrying out an inspection at one of the hospitals, the Ministry even found that out of 22 guards recorded in the Attendance Register, only nine were present on site. The Service Provider was again requested to take remedial actions and to comply with the contractual scope of service of the contract.

Ministry’s Reply

Although there are some shortcomings, the Service Provider has taken several remedial measures which is confirmed by the improvement noted in its performance at several sites. Termination of contract and putting in place of new contracts would take at least 4 to 6 months

The renewal letter includes a proviso that there shall be a monthly monitoring of the performance of the Service Provider and that the Ministry may terminate the contract in case of continued poor performance. The attention of the Service Provider has already been drawn to some recurrent shortcomings on 1 April 2014 and his performance is still being monitored.

Ministry’s Additional Reply

Termination of the contract of security services and putting in place a new contract would have taken at least 6-8 months with the inherent risk that there might still be non-responsive bids.

18.2 Procurement of Laundry Services for Hospitals

Contract for procurement of laundry services for all Hospitals for the period September 2012 to August 2013 was awarded on 31 August 2012 for a value of Rs 41.39 million.

For the three years covering period September 2013 to August 2016, procurement procedures were initiated in February 2013. The CPB, on 28 June 2013, approved the only bid received for the total sum of Rs 191.2 million (Year 1 - Rs 56.4 million, Year 2 - Rs 64 million and Year 3 - Rs 70.8 million) and the contract was awarded on 19 July 2013. The following were noted:

- The bidder was awarded the contract although only one bid was received, contrary to the previous procurement exercise when four bids were received including that from the actual bidder.
- A comparison of the rates (current and previous) for the services provided by the same successful bidder for all items appearing in both contracts showed an increase of around 24 per cent over those of the previous year, that is 2012-13 rates. Some increases were even as high as 61 per cent.

18.2.1 Other possible alternative to be considered by the Ministry

While conveying the approval for the award of the contract to the only bidder, the CPB on 24 June 2013, drew the attention of the Ministry to the fact that:

“In view of the monopolistic situation prevailing on the market, a Public Private Partnership (PPP) project could be envisaged for laundry services to be provided in the five Regional Hospitals by private developers, which could pave the way for quality services and also help to mitigate the risks being faced with the current market situation”.

As of 2 May 2014, that is one year later, I was informed that a Committee was being set up to examine the possibility of a PPP project for laundry services to be provided in the five Regional Hospitals by private developers.

Ministry’s Reply

As far back as 2005, a Committee was set up to look into an alternate way of providing laundry services at each Regional Hospital. However, at that point in time, the exercise revealed that it would not be cost effective to go ahead with such an ambitious project. Thus, the Ministry continued to contract out the services to private contractors.

Following the recommendation of the CPB a Committee has been set up at the level of the Ministry to undertake a preliminary study on a PPP project for laundry services to be provided in the five Regional Hospitals by private developers. The report is expected shortly.

18.3 Procurement of Medicine, Drugs and Vaccines

During fiscal year 2013 expenditure incurred for the procurement of medicine, drugs and vaccines by the Ministry totalled some Rs 600 million of which more than Rs 45 million related to purchases made by Regional Hospitals on the local market.

18.3.1 Procurement on the Local Market by Regional Hospitals - Rs 45 million

Procurement was made through more than 2,000 local purchase orders for “medical supplies not available at the Central Supplies Division (CSD)”, 900 of which, costing some Rs 31 million, were made by the Victoria Hospital for self and for other institutions falling under its purview. The medical supplies were procured on the local market at much higher prices, one of the drugs at almost 72 times the price paid for procuring the same item by the CSD.

Ministry’s Reply

Hospitals have recourse to procurement at their level when items needed are not available at the CSD. This happens for the following reasons.

- (a) Unpredictable increase in consumption due to prescribing patterns;

- (b) Erratic consumption trends as a result of disease incidence;
- (c) Delay in approval of awards;
- (d) Challenge and appeal procedures;
- (e) No responsive bids, due to high deviations, not meeting specifications, etc.
- (f) No quote on Annual Tenders;
- (g) Default from suppliers – late deliveries; supply of items not according to specifications; inability to maintain price quoted; no supply at all;

18.3.2 Successive Purchases of Same Drug within a Short Time

The trend of successive purchases of same drug within a short time, with their cost ceiling almost always around Rs 100,000 might indicate that those concerned are having recourse to split purchases in order to avoid quotation process, which is contrary to existing procurement procedures. This procedure in procuring medical supplies at the level of the Regional Hospitals may prevent the Ministry from making accurate Annual Procurement Plan, and may also lead to malpractice and perception that certain suppliers were being favoured.

Ministry's Reply

- Some items used on a daily basis compel the officers to draw several local purchase orders (Goods Form 1) for the same item within a short time to ensure that adequate quantities of the drugs being available.
- A Committee of Needs has been established in 2013 in order to provide a more appropriate drug quantification taking into consideration various issues.
- As from 2013, all local purchases effected at hospitals are taken into consideration while calculating figures for annual drug requirements.
- Those purchases relate to certain specific drugs which were out of stock because of suppliers defaulting and consumption trend.

18.3.3 Expensive and Commonly Used Drugs not Adequately Controlled – Victoria Hospital

The Ministry has established a list of some 90 expensive and commonly used drugs for which proper records need to be kept at the Pharmacy Dispensing Unit. At time of audit (May 2014), records for only 28 out of some 90 expensive and controlled drugs were kept. During 2013, drugs such as Actraphane, Meropere injection, Cefotaxime and Vaminolact, for a total value of more than Rs 11 million were issued to the Dispensing Unit without any records being kept. Consequently, except for dangerous drugs, no physical stock count could be carried out to verify the accuracy of the stock in hand.

Ministry's Reply

In view of shortage of staff, postings of records could not be carried out. However, additional computer equipment has been provided on 13 June 2014 to the Pharmacy Unit to enable the Pharmacy Technicians to effect postings electronically and clear the backlog within a period of two months.

18.4 Stores Management - Pharmaceuticals and Medical Disposables

18.4.1 Storage Accommodation

Rented Buildings

The main stock of medical supplies was kept in a rented building at Coromandel and most of the retailing issues were made from CSD. In addition to stores situated at the CSD, medical supplies were also kept at other locations, namely Cité Vallijee, ex DWC building at Guibies and Camp Chapelon Pailles (vacated on 31 May 2013). For the year 2013, the rental of buildings (other than the CSD and ex DWC), had cost government some Rs 8.7 million.

Warehousing Conditions

Some of the warehouses were not fitted with an air conditioning system appropriate to the goods stored, which may be impacting on the quality of the products. During a site visit effected at the rented building at Coromandel, it was noted that the building was leaking at different places and several carton boxes containing drugs were damaged by rain water. One third of the warehouse rented at Coromandel was not fitted with an air conditioning system.

Ministry's Reply

- Several meetings have been held with the landlord who agreed to carry out repair works and install new air conditioners. Air conditioners cannot be installed in other parts of the rented building due to inadequate electricity supply.
- Following various complaints regarding the building rented at Coromandel, the Ministry had recourse to several tender exercises for the renting of alternative storage space but without success. Hence, the Ministry has been unable to move out of the rented space at Coromandel. However, the Ministry has once again started procedures for the renting of some 6,000 square meters of storage space, and expression of interest received on 7 May 2014 was being assessed.
- The Ministry considered the option of installing air conditioners at Sunray Complex and recouping the costs from the rent amount. However, the Energy Services Division was not agreeable to supervise and monitor the new electricity network.
- The water leakage was due to torrential rains which affected the country in February/March 2013.

- Air conditioning system was being installed at the rented building at Cité Vallijee.
- A Feasibility Study for the construction of a modern warehouse of international standard at La Tour Koenig is underway and the report will be available shortly.

18.4.2 “Expired” Medical Supplies

Status as of April 2014.

Most medical supplies procured have shelf life within which these can be stored without becoming unfit for use or consumption. As of April 2014, expired medical supplies for the period 2006 to 2013 stored at the CSD only, had cost government more than Rs 105 million. Details of expired medical supplies stored at different Hospitals and Health Centres/Medi Clinics were however not available at the Ministry.

- These have not yet been disposed of and were occupying valuable storage space.
- The loss to Government is not restricted to the cost of the medical supplies only but also to the cost of handling, storage, specially if in rented buildings, and disposal of these supplies.

Disposal of the “Expired” Medical Supplies

Authority to write off expired drugs at a cost of Rs 95 million, for which procedures were initiated since as far back as February 2012, have not yet been conveyed. The requests for write off were being scrutinised at the Ministry before conveyance of authority.

The assistance of the Ministry of Local Government and Outer Islands (MOLG) was sought for disposal of the expired items. On 4 December 2012, the MOLG drew the attention of the Ministry that expired pharmaceutical products are classified as hazardous wastes and should therefore be disposed of by proper incineration as per the guidelines of the World Health Organisation.

No positive response was obtained from the Regional Hospitals' administration, except for one which agreed to make available its incinerator to the CSD only during limited timeframe.

Ministry's Reply

- Following continuous discussions between the Ministry and the MOLG, the latter has finally agreed to the products being disposed of at Mare Chicose landfill.
- Expiry of medical supplies is inevitable and beyond control of the Ministry for obvious reasons including fluctuation in trends of consumption, products removed from circulation due to adverse report and non-utilisation of certain drugs for which a minimal stock has to be always maintained e.g stone fish anti venom.

Nonetheless, this Ministry has always endeavoured all efforts to maintain the amount of expired medical supplies within the acceptable limits as per international norms.

- A Board of Survey was appointed on 25 June 2012 by the Ministry of Finance and Economic Development. Surveys have been completed at some sites and the exercise is still ongoing. Action for disposal will be undertaken on receipt of the final report which is still awaited.

18.5 Asset Management - Victoria Hospital

Assets purchased for the above Hospital included plant, medical and biomedical equipment, office furniture and equipment and also computer equipment. These have different life spans and are being replaced when defective, beyond repairs or unserviceable.

18.5.1 Absence of Basic Records for Assets Held at the Hospital

During 2013, the Ministry had disbursed more than Rs 37 million in respect of purchase of above assets for the Victoria Hospital.

Absence of Master Records - No master records were kept by the Hospital Administrator in respect of plant and machinery and office furniture and other equipment held by the above named Hospital as required by financial procedures.

Incomplete Inventory Sheets - Although individual Inventory Sheets were being kept by the Wards and other Units, they were not complete, since important details such as value, date of purchase, description (make and model) amongst others were not always available therein.

Existence of Assets - Independent physical verifications, at least once annually carried out to assess presence and state of the equipment, was not carried out in accordance with financial procedures.

Impact on Decision - Making Process - Absence of such records may affect the decision making process regarding which equipment to renew/purchase and when.

Ministry's Reply

Decision making is carried out in a systematic manner. Decision to purchase new equipment is taken after consultation with all user departments.

NAO's Comments

In the absence of a master record for all assets in use at the Hospital, user departments might not be in a position to take the appropriate decision.

Recommendation

- The Hospital authorities should as soon as possible draw Master Records for each category of equipment mentioned above and designate appropriate staff for updating of same in the future after carrying out a proper physical survey. The format adopted by the other hospitals could serve as guidance for this exercise.
- Independent physical check to ascertain existence and state of the assets should be carried out at least once yearly for plant and twice yearly for equipment. Any discrepancy noted should be investigated into by the Hospital authorities.

18.5.2 Pharmacy - Methadone Dispensing Machine still being underutilised

This equipment, which was purchased in 2010 at a cost of some Rs 1 million, had been underutilised, and lately not being used at all. As already reported in previous years and recommended in the last PAC Report of May 2013, the relocation of the sites of distribution so as to ensure optimum use of this equipment had still not been effected.

Manual preparation of methadone doses for issue to patients carry certain risks, such as no control over quantity of ingredients used and also over quantity of doses obtained.

Recommendation

Action should be taken as recommended to eliminate/minimise risk.

Ministry's Reply

- The Methadone Dispensing Machine has not been put in full use exceptionally due to a temporary measure to maximise the use of Methadone powder instead of Methadone concentrate in the preparation of the solution to prevent expiry thereof.
- It is to be noted that the machine is calibrated to use the concentrate and not the powder form.
- The use of the Methadone Dispensing Machine will be resumed by the end of July 2014.

NAO's Comments

Calibration of the machine by the Supplier should have been as per Ministry's requirements. Since the Ministry already had a large stock of Methadone powder, request for calibration of the machine to use powder instead of concentrate should have been made.

18.5.3 Contract for the Installation of three-bed Passenger Lifts at the New OPD Building

A contract was awarded on 26 March 2010 for the supply, installation and commissioning of three-bed passenger lifts at the new OPD building for the price of Rs 8,721,715 inclusive of

a Contingency Sum of Rs 700,000 and VAT at 15 per cent. Liquidated Damages applicable were Rs 5,000 per calendar day. The intended completion date of 9 December 2010 was revised to 4 May 2011 after approval of extension of time. However, the actual Completion and Practical Handing over of the Works was done on 25 July 2011, hence with a delay of 82 days. Payments effected to the Contractor after release of final retention money as of December 2012 totalled Rs 7,560,215.

Liquidated Damages of Rs 330,000 short deducted

Liquidated Damages were deducted for the period 5 to 20 May 2011 only, that is for 16 days instead of 82 days (period 5 May to 25 July 2011) resulting in a short deduction of Rs 330,000 (66 days @ Rs 5,000 per day).

Ministry's Reply

Lifts 2 and 3 were commissioned on 20 May 2011 and Lift 1 was commissioned on 28 June 2011 as per Letter from Energy Services Division. Liquidated damages were applied only from 5 to 20 May 2011.

NAO's Comments

The Completion Certificate drawn by the Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping dated 15 September 2011 clearly states that "works in my opinion were completed as described in Clause GCC1.1(r) Section V of the Special Conditions of Contract on 25 July 2011 and that the said liability period will end on 24 July 2012. The Completion Certificate is a contractual document on the basis of which liquidated damages to be applied is calculated.

Lifts Still on Standby Mode and Presently Not in Use

More than three years after their installation and commissioning in 2011, the three lifts are still not being used since the project for the implementation of a Neurosurgical & Spinal Operating Theatre at the new OPD building had been abandoned. The lifts were apparently being kept on standby mode only and instructions have been issued to the Energy Services Division to switch them on once monthly to prevent the electronic circuits from being damaged.

Ministry's Reply

The lifts are not fully used as the services on the first and second floors of the New OPD will be operational around September 2014.

18.6 Construction of Triolet MediClinic

The estimated cost of the above project was Rs 61.5 million. Contract for the construction works was awarded to a company on 6 September 2011 for the sum of Rs 53,357,251 (inclusive of Contingency Sum and VAT). The total amount paid to the Contractor as of January 2014 was Rs 52,816,431 (VAT inclusive). On 15 November 2013, the Contractor submitted a final claim of Rs 16,652,754, which included compensation for 'Loss & Expenses' of some Rs 11 million.

18.6.1 Delay in Completion of Construction Works

The intended completion date as per the contract agreement was on 4 October 2012. Practical handing over of the works was however done on 3 May 2013. Hence, works were delayed by 211 days. Approvals of Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping (MPI) for extension of time were as in Table 18-1.

Table 18-1 Delay of Works

| Period | Delays No of Days | Date of approval by MPI | Remarks |
|----------------------|------------------------------|------------------------------------|-------------------------------------|
| 05.10.12 to 06.11.12 | 33 | 07.05.14 | Covering approval after audit query |
| 07.11.12 to 31.03.13 | 145 | 17.12.12 and 29.01.13 | |
| 01.04.13 to 03.05.13 | 33 | - | Not Approved |
| Total | 211 | | |

Liquidated Damages of Rs 412,500 short deducted

A Payment Certificate for the amount of Rs 3,759,188. was issued by the MPI on 30 September 2013. However, Liquidated and Ascertained Damages (LAD) amounting to Rs 412,500 (33 days @ Rs 12,500) were not deducted for the 33 days' delay.

Ministry's Reply

33 days of LAD will be applied in the Final Account.

18.6.2 Claim for Loss & Expenses (Compensation) of Rs 11,100,144 submitted by the Contractor

Due to additional works requested by the Client, the Contractor was granted extension of time up to 31 March 2013. On 13 November 2013, the Contractor submitted a claim for an amount of Rs 11,100,144 for "loss and expense".

Ministry's Reply

As per contract terms, a Contractor may claim for loss and expenses if he so considers. Nonetheless, any claim has to be assessed by a Committee before a decision is taken and only thereafter the Contractor will be informed accordingly.

NAO's Comments

As of 17 July 2014, that is more than eight months after submission, the claim has still not been assessed.

18.6.3 Commissioning Certificates for 'Mechanical' and 'Electrical' Works not seen

Works totalling Rs 1,572,050 and Rs 6,421,776 in respect of Mechanical and Electrical services respectively had been certified for payment in September 2013. Commissioning Certificates in respect of these works were however not seen.

Ministry's Reply

The Electrical Services Division and the Mechanical Engineer are being requested to submit formal Commissioning Certificates as required by the contract.

18.6.4 Supply, Installation, Testing and Commissioning of four Solar Water Heaters

Solar water heaters for which provision of Rs 450,800 was made in the contract, had been installed on the roof of the building but 'cold water inlet piping' to these solar water heaters as well as 'hot water distribution pipe works' from the heaters to the hot water draw-off points located throughout the building had not been carried out by the Contractor/Subcontractor. Commissioning of this work could therefore not be done, as reported by the Mechanical Engineer on 9 September 2013.

The whole amount of Rs 450,800 had nevertheless been certified and paid to the Contractor on 30 September 2013 although the Contractor had omitted the connection works. The Ministry had to disburse an additional amount of Rs 197,570 in December 2013 to complete the works.

Ministry's Reply

All adjustments including deductions will be done in the Final Account.

18.6.5 Certificate of Completion not promptly drawn

Taking over of the building by the Hospital Authorities was done on 3 May 2013. The copy of 'Certificate of Completion' submitted to my Office was drawn on 17 March 2014 that is after some ten months contrary to the General Conditions of Contract, which states that 'the

Employer shall take over the Site and the Works within seven days of the Project Manager's issuing a Certificate of Completion'.

Ministry's Reply

The MPI has informed that the Completion Certificate could not be issued earlier as some of the warranties/certificates had not been submitted by the Contractor. As no claim for release of retention monies was submitted by the Contractor, the Completion Certificate could not be released.

NAO's Comments

The Ministry's reply is not relevant as it refers to 'Defects Liability Certificate' which is issued 12 months after practical handing over and after submission of all manuals and as-built drawings/warranty certificates, whilst the matter raised by Audit refers to 'Completion Certificate' which is issued soon after practical handing over of the Works.

19 - MINISTRY OF GENDER EQUALITY, CHILD DEVELOPMENT AND FAMILY WELFARE

19.1 Social Welfare and Community Based Activities and SILWF

Expenditure under the Programme 526 – “*Social Welfare and Community Based Activities*” totalled some Rs 277 million, out of which 91 per cent (Rs 256 million) were in respect of grant to the Sugar Industry Labour Welfare Fund (SILWF) and the Social Welfare Centres (SWCs).

The priority objective of this Programme is to strengthen services and outreach facilities at SWCs, and reinforce Community Development Programmes at Community Centres (CCs).

These services are delivered by the Social Welfare Division (SWD) of the Ministry and the SILWF which are both responsible for the management of the 57 SWCs around the island.

Training Programmes conducted at the SWCs and the CCs are common to those conducted at the Women Centres of the Ministry.

19.1.1 SILWF

As per the SILWF’s Financial Statements for 2012 and Estimates for 2013, grant receivable totalled some Rs 210 million and Rs 246 million respectively.

Examination carried out by my Office revealed the following:

- (a) Several shortcomings in the payment of salaries.
- (b) The SILWF Act did not cater for the management of these CCs.
- (c) As per its Act and Regulations, SILWF has to be engaged in the provision of Community Development Programmes at CCs and to grant scholarships, housing loans and soft loans for workers’ benefits.

Financing of operating cost and activities is to be done through cess on sugar, grant from the Government and other sources. Cess money granted has been greatly reduced since 2005-06 and as from July 2008, no cess money has been granted.

This has resulted in a deficit since 2006-07, except for the 18-month period ending 31 December 2010, when a surplus of Rs 52,000 of income was reported. Deficit for 2012 was Rs 6.5 million.

The SILWF had to tap on its reserves to finance its operating cost and activities.

According to the SILWF’s Annual Report, due to lack of finance, only community programmes were being undertaken, and the SILWF had to stop the award of scholarships and loans (Housing and Soft).

Some of the requirements of the SILWF Act were therefore not being met.

- (d) The objective of the grant as per the Grant Memorandum for the past few years “To offset the monthly deficit of the Sugar Industry Labour Welfare Fund” was not in line with the Programme Based Budget (PBB), where it was to “Reinforce Community Development Programmes at Community Centres”.

Moreover, as per SILWF’s financial statements for 2012, 92 per cent of the grant were in respect of staff cost, and only some eight per cent related to Community Development and social welfare activities. Expenditure incurred was thus not meeting the PBB objective.

- (e) In January 2012, the Ministry requested SILWF to carry out a brain storming session to review the functions and objectives of the SILWF in the present day context.

There was no evidence that such brain-storming session had been carried out.

Ministry’s Reply

- The observations demonstrate the current situation and environment in which the Fund is operating.
- The Fund is a labour intensive organisation, and 92 per cent of the grant is used to finance staff costs to meet its PBB objectives to “reinforce community development programmes at CCs”.
- CDAs have been set up since the creation of the Fund in 1974, and its contribution is fully recognised in the management of the CCs and the organisation of activities for the benefit of the local community.
- SILWF is currently in the process of reviewing its Act.

19.2 Child Protection, Welfare and Development

Expenditure under the Programme 523 – “***Child Protection, Welfare and Development***” totalled some Rs 98.6 million and some 53 per cent of expenses were in respect of children placed under safety.

The main role of the Child Development Unit (CDU) which operates under this Programme is to provide protection to children victims of violence, abuse and neglect on a 24/7 basis. These children are removed and transferred to a Shelter financed by Government until a place is available in a Residential Care Institution (RCI) or he/ she returns to his/ her family or he/ she may be placed under the care of foster parents or until he/ she reaches the age of 18 as provided under the Child Protection Act. During 2013, some 525 children were placed under safety and amount disbursed for their custody totalled some Rs 52 million as detailed in Table 19-1.

Table 19-1 Amount disbursed

| Description | Average Number of Children | Amount Rs |
|---|----------------------------|-------------------|
| Capitation Grant (RCI) | 325 | 29,199,203 |
| Running Expenses- Drop in Centre | | 274,901 |
| Running Expenses- Shelters for Children | 75 | 9,788,398 |
| Foster Care | 59 | 932,563 |
| Grant - La Colombe Shelter | 75 | 10,300,000 |
| Grant- Shelter - Women and Children in Distress | | 1,600,000 |
| Total | | 52,095,065 |

Formerly, once removed, children were transferred to La Colombe Shelter at Pointe aux Sables which is managed by the National Children Council (NCC) until placed in a RCI. Since the Shelter was constantly over crowded, several measures were taken for placement of children in distress:

- A building at Cap Malheureux was converted to a Shelter, and a contract for its management was awarded to an organisation for an initial period of 12 months since January 2012 at Rs 452,541 per month.
- Tenders were launched for renting of buildings in different Districts to be used as Shelters in 2010-11 and for management thereof. In 2012, Government decided to open new Shelters across the country to attend to children who are abused. As of 31 December 2013, two buildings have been rented, and contracts for their management for a period of one year have been awarded to another organisation for Rs 4,725,600 and Rs 2,599,200 respectively.
- Some Rs 2.8 million were disbursed in 2011 for the conversion of a Government Quarter to a Shelter for babies at Floreal. A contract for its management was awarded to a third organisation at Rs 2.5 million per annum as from December 2013.

Observations

- (a) Since June 2011, the Ministry has effected nine bidding exercises for the “Management of Shelters”. No consideration was given to the fact that the occupancy at the Shelters would not be at its maximum at all times. There was great variance in cost per child (assuming maximum occupancy) in respect of contracts awarded as detailed in Table 19-2.

Table 19-2 Variance in Cost per Child

| Shelter | Age Group | Number of Children (Maximum Occupancy) | Amount Payable Yearly Rs | Rate per child (assuming maximum occupancy) Rs |
|-------------------|-------------|--|-----------------------------|---|
| Cap Malheureux | 5 - 10 yrs | 40 | 5,430,500 | 135,762 |
| Belle Rose | 5 - 11 yrs | 25 | 4,725,600 | 189,024 |
| Floreal | 0 - 3 yrs | 12 | 2,500,000 | 208,333 |
| Curepipe | 12 - 18 yrs | 10 | 2,599,200 | 259,920 |
| Forest Side (NGO) | 2 - 18 yrs | 24 | 1,600,000 | 66,667 |

- *Cap Malheureux Shelter.* The maximum number of children referred to the Cap Malheureux Shelter in 2012 and 2013 was 27 and 30 respectively. Hence, the average annual cost per child was some Rs 190,000 for the two years.
 - *Belle Rose Shelter.* The contractual amount of Rs 393,800 monthly was paid to the Service Provider of Belle Rose Shelter from April to June 2013, although only six children were referred to the Shelter during that period. As the contract was not signed as of 30 April 2013, an advance payment of Rs 30,000 and capitation grant totalling Rs 346,288 (for May to July 2013) were paid in the first instance. The contract, effective as from 1 April 2013, was signed on 30 July 2013, and adjustment for the contractual amount for period April to July totalling Rs 1,080,771 was paid on 5 November 2013. The low occupancy during the first three months was not considered at the time of signature of the contract.
- (b) The Memorandum of Understanding (MOU) signed between the Ministry and the Service Providers lays down the conditions that need to be observed for the management of the Shelters.

Visits carried out by my Officers at La Colombe, Curepipe, Forest Side, Belle Rose, Cap Malheureux and Floreal Shelters showed that the conditions were not being complied with:

- *Records* - Some of the records as laid down in the MOU were not being kept. At certain Shelters, these included Occurrence Book, Staff Attendance Book, Attendance Book for Residents, Transport Book, Register of Assets/ Inventory Sheets, Commodities Book, Extra – Curricular/ Activities book.
- *Monthly Report on Residents* - No report was being submitted in accordance with the MOU.
- *Staffing* – As per the MOU, staff for administration purpose should be available at the Shelters. However, at Belle Rose, on 13 March 2014, the Officer responsible

for administration attended office at 9.40 a.m. As per Attendance Sheet, the Officer was regularly late for duty. At Curepipe Shelter, the Caregiver present on 18 March 2014 was also performing administrative duties.

- *Food and Nutrition* - Paragraph “Food and Nutrition” of the MOU lays down the conditions for the following :
 - Provision of varied, appealing, warm, balanced and nutritious meals, and adequate in quality to the residents/children for their healthy living.
 - Preparation of established menu under the guidance of a Nutritionist/ Home Economics Section of the Ministry.
 - Keeping of a dietary book and fresh food.

Except at Floreal Shelter where the babies were fed on milk and purees, these conditions were not being respected. Meals were not prepared under guidance of a Nutritionist. Records were not kept to substantiate quantity and quality of food preparation for the different age groups.

At Belle Rose Shelter, at time of visit, there were left over of rice and lentils as menu for lunch for the children who did not attend school, although spaghetti was prescribed on the menu. The Officer in Charge who had the custody of the key to the storeroom turned up at the Shelter after 11.00 a.m after several calls from one Officer from the Shelter. The spaghetti was prepared after her arrival.

Except for some butter and jam, there was no other fresh provision for food preparation in the refrigerator.

- *Remuneration to Service Provider* - Payment to the Service Provider was to be effected on a monthly basis after satisfactory services and upon submission of claims duly supported by relevant receipts/ invoices. Except for a list of expenses for period 29 December 2011 to 27 February 2012, the Service Provider for Cap Malheureux Shelter was not complying with this clause of the contract.

A scrutiny of the claims from Belle Rose Shelter revealed a mismatch between the quantity of provisions procured and age group of the resident children. There was also no control mechanism in place for recording of purchases and issues to Cook/ Carer.

The claims submitted were not subject to scrutiny by the Ministry as questions have been raised on responsibility for verification of claims.

- (c) The average annual cost per child at a Shelter was quite high as compared to cost per child at a RCI where it was some Rs 89,000. The RCIs also benefit from, among others,

- Monthly payment of salaries of Attendants/ Carers
- Annual grant for maintenance of building and purchase of kitchen utensils

- Payment of water charges bills.

from the Ministry of Social Security, National Solidarity and Reforms Institutions.

Seven of these RCIs have also benefited from grant ranging from Rs 716,000 to Rs 2 million under the Special Collaborative Programme to cater for children in distress.

As per information gathered, the RCIs have a limited intake capacity, and they were not always agreeable to provide Shelter to “difficult” children referred by the CDU.

Although the cost of referring a child to a Shelter was much higher than referral to a RCI, provision was being made for more Shelters, and management thereof was being contracted out to private organisations in the absence of other alternatives.

19.2.1 La Colombe Shelter

La Colombe Shelter is managed by the NCC, a Statutory Body under the aegis of the Ministry, since the past few years. Funds released during 2012 and 2013 for its management totalled Rs 9.8 million and Rs 10.3 million respectively. These amounts excluded salaries of staff of the SILWF and the National Women Council posted to the Shelter.

Funds were released after submission of claims for purchases of provisions for the month. In this case also, it was noted that there was a mismatch between the quantity of provisions procured and age groups of the resident children.

Proper store procedures have not been put into place for the recording of purchases and issues. Issues to units and kitchen were not supported by formal requisitions. Dietary requirement in terms of quantities and quality taking into consideration the children’s age was not taken into consideration for food preparation and for issue of provisions from store.

19.2.2 Supervision by CDU

As per the Programme Based Budget, the CDU is to provide care and support services to children victims of violence. There was no evidence of supervision by CDU to ensure that conditions laid down in the MOU with the Shelters were being complied with. The CDU Officers were calling at the Shelters for the dropping of children or taking of children for parental visit. Records, calendar of activities and quality of food were not verified.

19.2.3 Drop in Centre- Grand River North West

This project dated back to 2006. Construction of the building which started in May 2011 was practically completed in May 2012. As of 31 December 2013, expenditure incurred

in respect of construction of the building and purchase of equipment and furniture totalled Rs 20,484,269 and Rs 646,977 respectively. The warranty period of all items of equipment has expired.

The Centre, which can cater for 20 children, has remained unoccupied for over 22 months since its completion in May 2012.

Tenders have been launched on three occasions for the management services. The bids were found to be non responsive in the first two exercises, and no bid was received in the third exercise.

According to the Ministry, it was quite difficult to obtain responsive bids in view of the particularity of the service.

19.2.4 Database and Stay at RCIs/ Shelter

A database on children referred to Shelters was not readily available at the Ministry's Headquarters. Data were updated from information received from the outstations. At time of audit in March 2014, there were some 500 children referred to RCIs and Shelters, but it was not possible to confirm whether all referrals were supported by a Committal Order due to inappropriate filing. Copies of Committal Order (interim) are filed in the "Claim File" of the RCI where a child is first referred to.

Scrutiny of files revealed that children removed from their parents were spending several years in RCIs or Shelters, most of them till they reach 18. During 2013, children over 18 were still at Shelters (Belle Rose and Forest Side). However, it was quite difficult to trace the order committing a child to an institution for an indefinite time.

Several children were also not attending schools.

Recommendations

- Since Government has assisted RCIs to accommodate more children and is subsidizing them, the Ministry should consider reaching an agreement with them to cater for "difficult children" and those "victims of abuse".
- The Ministry should ensure compliance with conditions laid down in the MOU. Records stipulated therein should be kept, and surprise visits should be effected at lunch/dinner time to ascertain that adequate and quality food is provided to residents.
- La Colombe Shelter should keep store and inventory records in accordance with Government rules and regulations. Daily issues of provisions to kitchen should be based on dietary requirement of residents in terms of quantities, as determined by a Nutritionist.
- Data and details on children referred to Shelters should be readily available. Committal Orders should be kept in an indexed file. Period of stay should be readily determinable.

Ministry's Reply

- (a) Cost estimates are worked out in terms of number of children to be placed, sex, age, nature of problem. All Shelters do not solicit the same cost per child.
- (b) Very few NGOs have shown interest in management of shelters though the Ministry had made awareness campaigns, through the Special Collaborative Programme for Women and Children in Distress and training sessions to some 250 NGO participants.
- (c) When the Ministry launched the tender for management services for the Shelter at Cap Malheureux, there were very few suppliers of this type of service and given the dire need to address the overcrowding at La Colombe Shelter, the Ministry awarded the contract to the most responsive bidder. The tender will expire early next year and bids will be launched anew by end of this year.
- (d) As regards costs per child at a Shelter and in the RCI, it is highly desirable to place children in RCI but due to lack of capacity of the latter to cater for more children victims, it is the duty of Government to protect children at risk and thus their accommodation in Government Shelters.
- (e) Provision has to be made for maximum number of residents to be accommodated in Shelters. However, the occupancy rate fluctuates in view of Court Orders (Emergency Protection Orders, Interim Court Orders, Committal Orders and Variation Orders).
- (f) Attention of Managers has been drawn to comply with contract conditions, and to comply with all provisions of the MOU.
- (g) Visits are being effected on a regular basis by CDU officers and appropriate entry is made in the record books.
- (h) The Child Protection Register will provide an updated database on each child.
- (i) The Ministry is working closely with parents of children in Shelters for their reintegration in their respective/expanded families.
- (j) The Foster Care Programme is being enhanced for greater number of children to live in a familial environment.
- (k) RCIs and Shelters make arrangement for children to attend school. Remedial courses are organized for the children who have never been enrolled for school or have never attended school at the Shelter itself.
- (l) RCIs are unwilling to accommodate "difficult children" and those "victims of abuse" as these children are difficult to care for and require additional resources in terms of qualified personnel or logistics. These children may even compromise on safety and security of other children.

- (m) La Colombe Shelter has been requested to update Stores and Inventory Ledgers and to exercise better control. For the Residential Care/Drop-in-Centre at GRNW, the Management Services Contract is expected to be awarded soon.

19.3 Rent of Buildings - Belle Rose Shelter

The Ministry decided to rent a standalone building to accommodate Children in Distress without a proper planning for the management thereof. A tender exercise for the rental of a building was launched in 2011, and after evaluation, a building situated at Belle Rose was recommended. After clearance from the relevant authorities, the successful bidder was informed on 21 November 2011 that his offer had been selected for the award for a rent of Rs 65,000 per month.

Officers of the Child Development Unit and the Ministry visited the premises in January 2012 (one and a half months after the Letter of Award) and noted several shortcomings in the building. In February 2012, the owner was requested to carry out additional works, and these were stated to have been completed in March 2012.

On 17 October 2012, the owner requested for an effective date of the contract as the Letter of Award was issued in November 2011. On 2 April 2013, the owner served a notice to the Ministry and requested for payment of indemnity in lieu of rent payable of Rs 320,000 for period unoccupied (December 2011 to March 2013). This amount was settled after advice from the Attorney-General's Office and the Valuation Office.

The lease agreement between the Ministry and the owner for a period of two years starting April 2013 was finalized in October 2013. Children were referred to the Shelter as from April 2013.

The lack of coordination and communication among Units, and the poor planning for the rental of a building to house a shelter resulted in expenditure of Rs 320,000 for which no value for money had been obtained.

Ministry's Reply

A first bidding exercise was conducted on 24 January 2012 for the management of shelters. As at closing date of the submission of bids on 27 February 2012, no bid was received. Another bidding exercise was carried out in October 2012. Nine bids were received. After evaluation, the contract was awarded to a private organization in March 2013.

20 - STATUTORY BODIES, LOCAL AUTHORITIES AND OTHER BODIES

The Director of Audit is empowered, in addition to the audit of all Ministries/ Departments and the Rodrigues Regional Assembly, to audit the accounts of all Local Authorities, most Statutory Bodies, several Special Funds and several donor-funded projects as per provisions made in the Finance and Audit Act, the Local Government Act, the Statutory Bodies (Accounts and Audit) Act, and various legislations/agreements of institutions/donor-funded projects.

20.1 Statutory Bodies

A statutory body is a body created by statute and it is usually established to carry out specific functions which a Government considers may be more effectively performed outside a traditional departmental structure. While it is recognised that statutory bodies may be established to allow a certain level of independence from Government, there is need to ensure that taxpayers' funds expended in the operations of statutory bodies are spent in an efficient, effective and economic manner.

Statutory bodies are subject to varying degrees of Ministerial control which are specified in the legislation establishing them. Ministers are responsible to the National Assembly for the operation of all statutory bodies within their portfolios, and are required to table their annual reports in the National Assembly.

The Statutory Bodies (Accounts and Audit) Act as subsequently amended in 2010 provides that every statutory body shall cause to be prepared an annual report. The annual report shall consist of:

- in the case of a statutory body specified in Part I of the First Schedule to the Act, a report highlighting a 3-year strategic plan in line with programme-based budgeting indicating the visions and goals of the statutory body with a view to attaining its objects and appreciation of the state of its affairs;
- in the case of a statutory body specified in Part II of the First Schedule to the Act, a report highlighting a 3-year strategic plan indicating the visions and goals of the statutory body with a view to attaining its objects and appreciation of the state of its affairs;
- the financial statements and the report duly signed by the Chairperson and another member of the Board appointed by the Board for that purpose;
- a corporate governance report in accordance with the National Code of Corporate Governance.

Provisions made in the Act regarding the timelines to be respected are as follows:

- (a) The Chief Executive Officer of every statutory body shall, not later than three months after the end of every financial year, submit to the Board for approval the annual report in respect of that year.
- (b) After approval by the Board, the Chief Executive Officer shall, not later than 30 April

after the end of every financial year, submit the annual report to the auditor.

- (c) The auditor shall, within six months of the date of receipt of the annual report, submit the annual report and his audit report to the Board.
- (d) Where, in the opinion of the Board, the Chief Executive Officer or any other officer of a statutory body has not properly performed his duties with the result that the above requirements of the Act cannot be complied with within the prescribed time, the Board may, after giving an opportunity for the officer to be heard, take appropriate disciplinary action against the officer.
- (e) On receipt of the annual report, including the audited financial statements and the audit report, the Board shall, not later than one month from the date of receipt, furnish to the Minister such reports and financial statements.
- (f) The Minister shall, at the earliest available opportunity, lay a copy of the report and audited accounts of every statutory body within his portfolio before the National Assembly.

The Director of Audit is responsible for the audit of 109 Statutory Bodies. [Appendix IIA](#) refers.

28 Statutory Bodies have not yet submitted a total of 81 financial statements. [Appendix IIB](#) refers.

A total of 158 financial statements in respect of 50 Statutory Bodies have been certified but have not yet been laid before the National Assembly. [Appendix IIC](#) refers.

20.2 Local Authorities

The Local Government Act (LGA) 2011 provides that the approved annual financial statements of every Local Authority shall be audited by the Director of Audit and that

- every Local Authority shall submit its approved financial statements for audit within four months of the end of every financial year;
- the Director of Audit shall address to the Minister and to the Local Authority concerned, a copy of the certified financial statements and his report.
- the Chief Executive shall cause the certified financial statements and the report of the Director of Audit to be published in the Gazette within 14 days of their receipt by the Local Authority.

Section 7 of the LGA 2011 provides that there shall be a District Council for each of the districts of Black River, Flacq, Grand Port, Moka, Pamplemousses, Riviere du Rempart and Savanne. As per the transitional provisions of the Act, the District Councils of Pamplemousses/Riviere du Rempart, Moka/Flacq and Grand Port/Savanne would continue to

administer the districts in respect of which they were set up, pending the commencement of Section 7.

The LGA 2011 was proclaimed in toto on 15 December 2011 and became effective as from that date. The new District Councils were created and became operational about one year later, that is, on 2 December 2012 upon the election of Village Councilors.

The three twinned District Councils, Pamplemousses/Riviere du Rempart, Moka/Flacq and Grand Port/Savanne, have submitted financial statements for the fiscal year 2012 in April and May 2013. These financial statements were under examination as of December 2013.

20.3 Other Bodies

As regards Other Bodies, four organisations have not yet submitted a total of 10 financial statements to my Office for audit purposes. [Appendix III](#) refers.

APPENDIX IA**Special Funds - Financial Statements not yet Submitted**

| Special Funds | Period | Statutory Date Limit |
|--|-----------------------|-----------------------------|
| Cooperative Development Fund | 2011 | 31.03.2012 |
| | 2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |
| National Pensions Fund | 2013 | 31.03.2014 |
| National Resilience Fund | 2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |
| National Savings Fund | 2013 | 31.03.2014 |
| President Fund for Creative Writing in English | 2013 | 31.03.2014 |
| Recovered Assets Fund | 01.02.2012-31.12.2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |
| Tourism Fund | 2011 | 31.03.2012 |
| Trust Fund for the Social Integration of Vulnerable Groups | 2008-09 | 30.09.2009 |
| | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 31.03.2012 |
| | 2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |

APPENDIX IB**Special Funds - Financial Statements Certified
but not yet Laid before National Assembly**

| Special Funds | Period | Date Accounts Certified |
|---|-----------------------|--|
| Business Growth Fund | 2011 | 27.06.2014 |
| Cooperative Development Fund | 2006-07 | 23.06.2014 |
| | 2007-08 | 23.06.2014 |
| Food Security Fund | 20.06.2008-30.06.2009 | 14.05.2010 |
| | 01.07.2009-31.12.2010 | 23.04.2012 |
| | 2011 | 04.09.2012 |
| | 2012 | 05.12.2013 |
| Manufacturing Adjustment and SME Development Fund | 24.06.2008-30.06.2009 | 08.02.2013 |
| Maurice Ile Durable Fund | 2012 | 04.12.2013 |
| National Environment Fund | 2012 | 07.11.2013 |
| National Infrastructure Development Fund | 01.07.2001-15.05.2002 | 20.05.2002 |
| National Parks and Conservation Fund | 2012 | 24.09.2013 |
| National Pensions Fund | 2007-08 | 17.02.2014 |
| National Savings Fund | 2007-08 | 14.03.2014 |
| Portable Pension Fund | 2006-07 | 13.11.2007 |
| President Fund for Creative Writing in English | 2005-06 | 29.03.2007 |
| | 2006-07 | 21.04.2008 |
| | 2007-08 | 08.10.2009 |
| Residential Care Homes Fund | 2011 | 09.10.2012 |
| | 2012 | 17.10.2013 |
| Social Housing Development Fund | 26.06.2008-30.06.2009 | 04.01.2011 |
| | 01.07.2009-31.12.2010 | 30.04.2012 |
| | 2011 | 23.10.2012 |
| | 01.01.2012-18.05.2013 | 07.07.2014 |
| Students Relief Fund | 2013 | 26.02.2014 |

| Special Funds | Period | Date Accounts Certified |
|---|-----------------------|--|
| Treasury Foreign Currency Management Fund | 2006-07 | 30.11.2007 |
| | 2007-08 | 10.03.2009 |
| | 2008-09 | 24.02.2010 |
| | 01.07.2009-31.12.2010 | 10.10.2011 |
| | 2011 | 19.09.2012 |
| | 2012 | 30.08.2013 |
| Urban and Rural Development Agency fund | 1999-00 | 13.02.2001 |
| | 2000-01 | 13.11.2002 |

APPENDIX IIA

List of Statutory Bodies audited by the Director of Audit

- 1 Aapravasi Ghat Trust Fund
- 2 Agricultural Marketing Board
- 3 Beach Authority
- 4 Board of Investment
- 5 Bus Industry Employees Welfare Fund
- 6 Central Electricity Board
- 7 Central Water Authority
- 8 Chagossian Welfare Fund
- 9 Civil Service Family Protection Scheme Board
- 10 Competition Commission
- 11 Conservatoire de Musique François Mitterrand Trust Fund
- 12 Construction Industry Development Board
- 13 Early Childhood Care and Education Authority
- 14 Employees Welfare Fund
- 15 Export Processing Zone Labour Welfare Fund
- 16 Farmer's Service Corporation
- 17 Fashion and Design Institute
- 18 Financial Intelligence Unit
- 19 Financial Reporting Council
- 20 Fishermen Investment Trust
- 21 Fishermen Welfare Fund
- 22 Food and Agricultural Research Council
- 23 Gambling Regulatory Authority
- 24 Human Resource Development Council
- 25 Independent Commission Against Corruption
- 26 Information and Communication Technologies Authority
- 27 Islamic Cultural Centre Trust Fund
- 28 Law Reform Commission
- 29 Le Morne Heritage Trust Fund
- 30 Lottery Committee
- 31 Mahatma Gandhi Institute
- 32 Mauritian Cultural Centre Trust
- 33 Mauritius Broadcasting Corporation

- 34 Mauritius College of the Air
- 35 Mauritius Council of Registered Librarians
- 36 Mauritius Examinations Syndicate
- 37 Mauritius Ex-Services Trust Fund
- 38 Mauritius Film Development Corporation
- 39 Mauritius Institute of Education
- 40 Mauritius Institute of Health
- 41 Mauritius Institute of Training and Development
- 42 Mauritius Marathi Cultural Centre Trust
- 43 Mauritius Meat Authority
- 44 Mauritius Museums Council
- 45 Mauritius Oceanography Institute
- 46 Mauritius Qualifications Authority
- 47 Mauritius Research Council
- 48 Mauritius Revenue Authority
- 49 Mauritius Sports Council
- 50 Mauritius Standards Bureau
- 51 Mauritius Sugar Authority
- 52 Mauritius Sugar Terminal Corporation
- 53 Mauritius Tamil Cultural Centre Trust
- 54 Mauritius Telugu Cultural Centre Trust
- 55 Mauritius Tourism Promotion Authority
- 56 Media Trust
- 57 National Adoption Council
- 58 National Agency for the Treatment and Rehabilitation of Substance Abusers
- 59 National Art Gallery
- 60 National Children's Council
- 61 National Computer Board
- 62 National Council for the Rehabilitation of Disabled Persons
- 63 National Economic and Social Council
- 64 National Heritage Fund
- 65 National Human Rights Commission
- 66 National Library
- 67 National Productivity and Competitiveness Council
- 68 National Solidarity Fund

- 69 National Transport Corporation
- 70 National Women Entrepreneur Council
- 71 National Women's Council
- 72 National Youth Council
- 73 Nelson Mandela Centre for African Culture Trust Fund
- 74 Open University of Mauritius
- 75 Outer Islands Development Corporation
- 76 Private Secondary Schools Authority
- 77 Professor Basdeo Bissondoyal Trust Fund
- 78 Public Officers' Welfare Council
- 79 Rabindranath Tagore Institute
- 80 Rajiv Gandhi Science Centre Trust Fund
- 81 Road Development Authority
- 82 Seafarers' Welfare Fund
- 83 Senior Citizens Council
- 84 Sir Seewoosagur Ramgoolam Botanical Garden Trust
- 85 Sir Seewoosagur Ramgoolam Foundation
- 86 Small and Medium Enterprises Development Authority
- 87 Small Enterprises and Handicraft Development Authority
- 88 Small Planters Welfare Fund
- 89 St Antoine Planters Cooperative Trust
- 90 State Trading Corporation
- 91 Statutory Bodies Family Protection Fund
- 92 Sugar Cane Planters Trust
- 93 Sugar Industry Labour Welfare Fund
- 94 Sugar Insurance Fund Board
- 95 Sugar Planters Mechanical Pool Corporation
- 96 Tea Board
- 97 Technical School Management Trust Fund
- 98 Tertiary Education Commission
- 99 Mauritius Cane Industry Authority
- 100 Tourism Authority
- 101 Tourism Employees Welfare Fund
- 102 Town and Country Planning Board
- 103 Trade Union Trust Fund

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|-----|---|
| 104 | Training and Employment of Disabled Persons Board |
| 105 | Trust Fund for Specialised Medical Care |
| 106 | University of Mauritius |
| 107 | University of Technology Mauritius |
| 108 | Vallée D'Osterlog Endemic Garden Foundation |
| 109 | Waste Water Management |

APPENDIX IIB**Statutory Bodies - Financial Statements not yet submitted**

| Statutory Bodies | Period | Statutory Date Limit |
|--|-----------------------|-----------------------------|
| Construction Industry Development Board | 2013 | 30.04.2014 |
| Export Processing Zone Labour Welfare Fund | 2013 | 30.04.2014 |
| Fashion and Design Institute | 2013 | 30.04.2014 |
| Information and Communication Technologies Authority | 2013 | 30.04.2014 |
| Islamic Cultural Centre Trust Fund | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Le Morne Heritage Trust Fund | 2013 | 30.04.2014 |
| Mauritian Cultural Centre Trust | 2004-05 | 30.09.2005 |
| | 2005-06 | 30.09.2006 |
| | 2006-07 | 30.09.2007 |
| | 2007-08 | 30.09.2008 |
| | 2008-09 | 30.09.2009 |
| | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Mauritius Broadcasting Corporation | 2013 | 30.04.2014 |
| Mauritius Council of Registered Librarians | 2013 | 30.04.2014 |
| Mauritius Marathi Cultural Centre Trust | 2013 | 30.04.2014 |
| Mauritius Museums Council | 2013 | 30.04.2014 |
| Mauritius Tamil Cultural Centre Trust | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Media Trust | 2006 | 31.03.2007 |
| | 2007 | 31.03.2008 |
| | 2008 | 31.03.2009 |
| | 2009 | 31.03.2010 |

| Statutory Bodies | Period | Statutory Date Limit |
|--|------------------------|-----------------------------|
| Media Trust (Continued) | 2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| National Adoption Council | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| National Computer Board | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| National Heritage Fund | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| National Productivity and Competitiveness Council | 2013 | 30.04.2014 |
| National Women Entrepreneur Council | 2013 | 30.04.2014 |
| Nelson Mandela Centre for African Culture Trust Fund | 2008-09 | 30.09.2009 |
| | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Professor Basdeo Bissonndoyal Trust Fund | 01.04. 2005-30.06.2006 | 30.09.2006 |
| | 2006-07 | 30.09.2007 |
| | 2007-08 | 30.09.2008 |
| | 2008-09 | 30.09.2009 |
| | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Sir Seewoosagur Ramgoolam Botanical Garden Trust | 2007-08 | 30.09.2008 |
| | 2008-09 | 30.09.2009 |
| | 01.07.2009-31.12.2010 | 31.03.2011 |

| Statutory Bodies | Period | Statutory Date Limit |
|---|-----------------------|-----------------------------|
| Sir Seewoosagur Ramgoolam Botanical Garden Trust (Continued) | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Sir Seewoosagur Ramgoolam Foundation | 2006-07 | 30.09.2007 |
| | 2007-08 | 30.09.2008 |
| | 2008-09 | 30.09.2009 |
| | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Small and Medium Enterprises Development Authority | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Sugar Cane Planters Trust | 2007-08 | 30.09.2008 |
| | 2008-09 | 30.09.2009 |
| | 01.07.2009-24.07.2010 | 31.03.2011 |
| Tea Board | 2013 | 30.04.2014 |
| Training and Employment of Disabled Persons Board | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| University of Technology Mauritius | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 30.04.2012 |
| | 2012 | 30.04.2013 |
| | 2013 | 30.04.2014 |
| Vallée D'Osterlog Endemic Garden Foundation | 2013 | 30.04.2014 |

APPENDIX IIC**Statutory Bodies - Financial Statements Certified
but not yet Laid before National Assembly**

| Statutory Bodies | Period | Date Accounts Certified |
|--|-----------------------|--|
| Agricultural Marketing Board | 2012 | 31.10.2013 |
| Beach Authority | 2012 | 04.06.2014 |
| Central Electricity Board | 2011 | 09.10.2013 |
| Conservatoire de Musique François Mitterand Trust Fund | 2012 | 21.10.2013 |
| Early Childhood Care and Education Authority | 2011 | 29.10.2013 |
| | 2012 | 29.10.2013 |
| Export Processing Zone Labour Welfare Fund | 2012 | 31.10.2013 |
| Farmers Service Corporation | 2011 | 28.12.2012 |
| | 2012 | 21.07.2014 |
| Fishermen Welfare Fund | 2013 | 03.07.2014 |
| Ilois Welfare Fund | 2004-05 | 23.01.2006 |
| | 2005-06 | 22.01.2007 |
| | 2006-07 | 22.02.2008 |
| | 2007-08 | 12.06.2009 |
| | 2008-09 | 08.07.2010 |
| | 01.07.2009-31.12.2010 | 09.12.2011 |
| Islamic Cultural Centre Trust Fund | 2005-06 | 26.07.2011 |
| | 2006-07 | 26.07.2011 |
| | 2007-08 | 26.07.2011 |
| | 2008-09 | 07.02.2014 |
| | 01.07.2009-31.12.2009 | 07.02.2014 |
| | 2010 | 07.02.2014 |
| Le Morne Heritage Trust Fund | 2004-05 | 30.03.2010 |
| | 2005-06 | 30.03.2010 |
| | 2006-07 | 30.03.2010 |
| Mahatma Gandhi Institute | 2012 | 31.10.2013 |

| Statutory Bodies | Period | Date Accounts Certified |
|---|-----------------------|--|
| Mauritian Cultural Centre Trust | 2002-03 | 30.03.2005 |
| | 2003-04 | 22.01.2007 |
| Mauritius Broadcasting Corporation | 2007-08 | 20.10.2009 |
| | 01.07.2009-31.12.2010 | 07.02.2013 |
| Mauritius Examinations Syndicate | 2011 | 23.10.2012 |
| | 2012 | 08.10.2013 |
| Mauritius Film Development Corporation | 2011 | 08.10.2013 |
| Mauritius Institute of Education | 2012 | 31.10.2013 |
| Mauritius Marathi Cultural Centre Trust | 2008-09 | 19.06.2014 |
| | 01.07.2009-31.12.2010 | 19.06.2014 |
| Mauritius Meat Authority | 2012 | 04.02.2014 |
| Mauritius Museums Council | 2008 - 09 | 06.09.2010 |
| | 01.07.2009-31.12.2010 | 04.06.2012 |
| Mauritius Oceanography Institute | 2012 | 19.02.2014 |
| Mauritius Qualifications Authority | 2012 | 18.04.2014 |
| Mauritius Research Council | 2011 | 27.12.2012 |
| | 2012 | 06.12.2013 |
| Mauritius Sports Council | 2008-09 | 09.09.2013 |
| | 01.07.2009-31.12.2009 | 09.09.2013 |
| | 2010 | 09.09.2013 |
| | 2011 | 09.09.2013 |
| | 2012 | 14.05.2014 |
| Mauritius Sugar Authority | 2006-07 | 03.12.2009 |
| | 2007-08 | 13.12.2011 |
| | 2008-09 | 13.12.2011 |
| | 01.07.09-31.12.2010 | 29.03.2013 |
| | 2011 | 31.05.2013 |
| Mauritius Tamil Cultural Centre Trust | 2004-05 | 24.10.2012 |
| | 2005-06 | 24.10.2012 |
| | 2006-07 | 21.11.2012 |

| Statutory Bodies | Period | Date Accounts Certified |
|--|-----------------------|--|
| Mauritius Tamil Cultural Centre Trust (Continued) | 2007-08 | 21.11.2012 |
| | 2008-09 | 23.12.2013 |
| | 01.07.2009-31.12.2010 | 23.12.2013 |
| Mauritius Telugu Cultural Centre Trust | 2004-05 | 13.05.2011 |
| | 2005-06 | 07.10.2011 |
| | 2006-07 | 21.05.2012 |
| | 2007-08 | 21.05.2012 |
| | 2008-09 | 21.05.2012 |
| | 01.07.2009-31.12.2010 | 30.10.2013 |
| | 2011 | 07.05.2014 |
| National Agency for the Treatment and Rehabilitation of Substance Abusers | 2012 | 21.08.2013 |
| National Children's Council | 2006-07 | 28.01.2013 |
| | 2007-08 | 30.07.2013 |
| | 2008-09 | 13.02.2014 |
| | 01.07.2009-31.12.2010 | 13.02.2014 |
| | 2011 | 12.05.2014 |
| National Council for the Rehabilitation of Disabled Persons | 01.07.2009-31.12.2010 | 18.11.2011 |
| | 2011 | 04.10.2012 |
| National Heritage Fund | 2007-08 | 19.11.2012 |
| | 2008-09 | 19.11.2012 |
| | 01.07.2009-31.12.2010 | 28.01.2013 |
| | 2011 | 17.02.2014 |
| | 2012 | 23.10.2013 |
| National Women Entrepreneur Council | 2006-07 | 19.04.2011 |
| | 2007-08 | 19.04.2011 |
| | 2008-09 | 01.08.2012 |
| | 01.07.2009-31.12.2010 | 07.12.2012 |
| | 2011 | 08.10.2013 |
| National Women's Council | 2006 | 14.05.2013 |
| | 2007 | 26.07.2013 |

| Statutory Bodies | Period | Date Accounts Certified |
|---|-----------------------|--|
| National Women's Council (Continued) | 2008 | 05.12.2013 |
| | 2009 | 24.04.2014 |
| | 2010 | 16.06.2014 |
| National Youth Council | 1999-00 | 12.11.2001 |
| | 2000-01 | 26.03.2002 |
| | 2001-02 | 13.03.2003 |
| | 2002-03 | 16.02.2004 |
| | 2003-04 | 05.07.2006 |
| | 2004-05 | 21.06.2007 |
| | 2005-06 | 21.06.2007 |
| | 2006-07 | 02.07.2008 |
| | 2007-08 | 05.05.2009 |
| | 2008-09 | 24.06.2011 |
| | 01.07.2009-31.12.2010 | 23.10.2012 |
| | 2011 | 09.09.2013 |
| | 2012 | 09.09.2013 |
| | 2013 | 21.07.2014 |
| Nelson Mandela Centre for African Culture Trust Fund | 1996-97 | 21.07.2001 |
| | 1997-98 | 12.05.2003 |
| | 1998-99 | 12.05.2003 |
| | 1999-00 | 12.05.2003 |
| | 2000-01 | 08.07.2004 |
| | 2001-02 | 08.07.2004 |
| | 2002-03 | 08.07.2004 |
| | 2003-04 | 07.04.2009 |
| | 2004-05 | 08.10.2010 |
| | 2005-06 | 24.04.2012 |
| Outer Islands Development Corporation | 01.07.2009-31.12.2010 | 31.07.2013 |
| | 2011 | 31.07.2013 |
| | 2012 | 11.12.2013 |

| Statutory Bodies | Period | Date Accounts Certified |
|---|-----------------------|--|
| Private Secondary Schools Authority | 01.07.2009-31.12.2010 | 13.04.2012 |
| | 2012 | 30.09.2013 |
| Rabindranath Tagore Institute | 2012 | 31.10.2013 |
| Rajiv Gandhi Science Centre Trust Fund | 2006-07 | 23.06.2009 |
| | 2007-08 | 11.03.2010 |
| | 2008-09 | 11.03.2010 |
| | 01.07.2009-31.12.2010 | 13.04.2012 |
| | 2011 | 21.12.2012 |
| | 2012 | 21.04.2014 |
| Road Development Authority | 2007-08 | 28.06.2012 |
| | 2008-09 | 12.07.2013 |
| | 01.07.2009-31.12.2010 | 12.07.2013 |
| | 2011 | 19.11.2013 |
| | 2012 | 19.11.2013 |
| Saving Jobs and Recovery Fund | 01.07.2009-31.12.2010 | 10.02.2014 |
| Sir Seewoosagur Ramgoolam Botanical Garden Trust | 05.06.1999-30.06.2000 | 28.02.2014 |
| | 2000-01 | 28.02.2014 |
| | 2001-02 | 28.02.2014 |
| | 2002-03 | 02.05.2014 |
| | 2003-04 | 13.05.2014 |
| | 2004-05 | 13.05.2014 |
| | 2005-06 | 27.05.2014 |
| | 2006-07 | 25.06.2014 |
| Small Enterprises and Handicraft Development Authority | 01.07.2009-28.01.2010 | 06.08.2012 |
| Small Planters Welfare Fund | 2008-09 | 27.12.2010 |
| | 01.07.2009-31.12.2010 | 30.01.2012 |
| | 2011 | 23.10.2012 |
| | 2012 | 30.10.2013 |
| State Trading Corporation | 2011 | 25.09.2013 |
| | 2012 | 29.10.2013 |

| Statutory Bodies | Period | Date Accounts Certified |
|------------------------------------|-----------------------|--|
| Sugar Industry Labour Welfare Fund | 2012 | 24.10.2013 |
| Sugar Cane Planters Trust | 2006-07 | 20.10.2008 |
| Tourism Authority | 01.07.2009-31.12.2010 | 14.11.2013 |
| Town and Country Planning Board | 2012 | 31.10.2013 |
| University of Technology Mauritius | 2001-02 | 13.11.2008 |
| | 2002-03 | 13.11.2008 |
| | 2003-04 | 13.11.2008 |
| | 2004-05 | 16.01.2012 |
| | 2005-06 | 25.06.2012 |
| | 2006-07 | 25.06.2012 |
| | 2007-08 | 25.06.2012 |
| | 2008-09 | 25.06.2012 |

APPENDIX III**Other Bodies - Financial Statements not yet Submitted**

| Other Bodies | Period | Statutory Date Limit |
|---|-----------------------|-----------------------------|
| Malcom de Chazal Trust Fund | 2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |
| National Archives Research and Publication Fund | 01.07.2009-31.12.2010 | 31.03.2011 |
| | 2011 | 31.03.2012 |
| | 2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |
| National Empowerment Foundation | 2011 | 31.03.2012 |
| | 2012 | 31.03.2013 |
| | 2013 | 31.03.2014 |
| Postal Authority | 2013 | 31.03.2014 |