

# INTRODUCTION

**1.1** Every country in the world has its own Supreme Audit Institution (SAI) in order to ensure the fair and proper execution of public finance.

## *The National Audit Office*

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

## *Mandate of the Director of Audit*

Section 110 of the Constitution provides the Director of Audit with the mandate to audit and report on the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government.

The same Section of the Constitution also provides that in the exercise of my functions, I shall not be subjected to the direction and control of any person or authority. This ensures the independence of the Director of Audit. Basic principle states that the objectivity of the auditor must be beyond question. That objectivity can only be assured if the auditor is seen to be independent.

Section 16 of the Finance and Audit Act requires the Director of Audit 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 for the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it; and
- 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.

The Finance and Audit Act, as amended by the Rodrigues Regional Assembly (RRA) Act 2001, contains the authority for me to audit and report upon examination of all accounts relating to public money, stamps, securities, stores and other property of the Regional Assembly relating to the Island of Rodrigues.

## *Audit Methodology*

At the core of the external audit function is the responsibility to ensure accountability of public funds. To discharge this responsibility NAO's approach to audit involves the following:

- Planning the audit to obtain relevant information in the most efficient manner and to determine the audit procedures to be employed.
- Evaluation and testing of the accounting and internal control systems.
- Testing of control to ensure that procedures have been applied and that the relevant laws and regulations have been complied with. Included is the testing of the validity, completeness and accuracy of the accounts.
- Reporting the audit findings based on the audit procedures performed.

The NAO is a member of the International Organisation of Supreme Audit Institutions (INTOSAI). The INTOSAI acts like any other professional organization and has formulated auditing standards, to which the SAIs subscribe. The NAO conducts its audit in accordance with the INTOSAI standards and the International Standards on Auditing. Compliance with these standards enhances the auditor's credibility, objectivity, professionalism, and independence.

### ***Accounting Officer's Responsibility***

It is the Accounting Officer'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 only used to the extent, and for the purpose intended by the National Assembly; and
- the safe custody of assets and stores.

This Report to the RRA summarises the results of the audit work undertaken by the NAO over the past twelve months, from 1 July 2005 to 30 June 2006 and highlights key issues arising from it. Audit findings are discussed with the management of the entities being audited. In addition, Accounting Officers are given the opportunity of commenting on the "true and fair" view of those audit findings, which my Senior Officers and myself deemed to be of significance and of a nature to be brought to the attention of the National Assembly. The comments received by 20 November 2006 have been included in the Report.

In closing, I wish to thank all the staff of NAO for their continual support, commitment and excellent service. They have collectively performed their duties with professional dedication and goodwill, which is highly appreciated. I would also like to express my sincere thanks to the Island Chief Executive, the Departmental Heads and all their staff for their cooperation and collaboration.

**R. JUGURNATH**  
Director of Audit

4 December 2006

# ANNUAL FINANCIAL STATEMENTS

## 2.1 Introduction

The Finance and Audit Act, as amended by the Rodrigues Regional Assembly (RRA) Act 2001, requires the Commissioner responsible for the subject of finance to sign and submit to the Director of Audit, within three months of the close of every financial year, Financial Statements showing fully the financial position of the Island of Rodrigues on the last day of such financial year.

The accounts of the RRA for the year ended 30 June 2006 were closed on 18 July 2006 and the approved Financial Statements were submitted to the National Audit Office on 22 August 2006.

The Financial Statements of the RRA are prepared on a cash basis and comprise a Statement of Assets and Liabilities and several other statements that either support the figures or provide details of other items for information purposes.

It is the Departmental Head's responsibility to maintain proper financial systems. This involves keeping appropriate financial records in accordance with generally accepted accounting principles. The responsibilities of management also include:

- Ensuring that public funds are only used to the extent and for the purpose intended by the National Assembly; and
- The safe custody of assets and stores.

### *Accounting System*

Good practices in decision-making on the allocation of resources, and in subsequent assessment of financial performance, require financial information that is timely, relevant and reliable. The accounting systems are a major source of this financial information.

### *Cash Accounting*

The cash basis of accounting records money received at the time when it is received and money spent at the time when it is paid out. This does not provide enough information to measure the full cost of producing goods and services in a given period.

The demands of Government and users of financial reports in the public sector have grown. There is an increasing desire for more information than that provided by the cash basis, including information about resources held, commitments made and obligations outstanding.

With cash accounting results can be manipulated by postponing cash payments. Fixed assets purchased are not shown in the financial statements as these are accounted for as expenditure.

### ***Accrual Accounting***

Under the accruals basis of accounting, transactions and other events are recognised when they occur and not only when cash or its equivalent is received or paid. Therefore, the transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

While cash-based accounts give an accurate picture of management's cash flows, accrual-based accounts give a full picture of its operations and overall financial position.

The information contained in reports prepared on an accrual basis is useful both for accounting and decision making as shown below:

- It shows how a Government financed its activities and met its cash requirements.
- It helps to evaluate Government's ongoing ability to finance its activities and to meet its liabilities and commitments.
- It shows the financial position of a Government and changes in the financial position.
- It provides a Government with the opportunity to demonstrate successful management of its resources.
- It is useful in evaluating a Government's performance in terms of its service costs, efficiency and accomplishment. Useful management information is available such as the costs to produce a unit of good or service.
- It gives a clearer view when financial implications extend beyond a year and encourages a long-term focus in decision making.

Despite the advantages listed above for accrual accounting, it should not be seen as replacing cash reporting. The latter reveals cash flows affecting the Government's liquidity and financing requirements. The two accounting systems are complementary and data from both are relevant for assessing financial performance.

## **2.2 Statement of Assets and Liabilities of the Rodrigues Regional Assembly**

The figures of assets and liabilities of the RRA for the past three financial years ending 30 June 2006 are shown in Table 1.

*Table 1 Assets and Liabilities for the past three financial years ending 30 June 2006*

<b>Assets</b>	<b>2003-04 Rs</b>	<b>2004-05 Rs</b>	<b>2005-06 Rs</b>
Cash and Bank	31,161,587	13,174,330	15,350,176
Advances	11,926,853	16,910,656	16,702,814
<b>Total</b>	<b>43,088,440</b>	<b>30,084,986</b>	<b>32,052,990</b>
<b>Liabilities</b>			
Consolidated Fund	6,531,934	3,826,903	238,838
Capital Fund	2,718,152	39,227	121,300
Deposits	18,410,848	9,240,472	14,307,361
Loan from Government of Mauritius	15,427,506	16,978,384	17,385,491
<b>Total</b>	<b>43,088,440</b>	<b>30,084,986</b>	<b>32,052,990</b>

The Statement of Assets and Liabilities, being prepared on a cash basis, does not reflect all the resources available and all commitments of the RRA at end of period. Fixed assets purchased are not included and the pension liabilities and the passage benefits payable as of 30 June 2006 are not stated therein.

### **2.3 Abstract Account of Revenue and Expenditure of Rodrigues Consolidated Fund**

The Abstract Account of Revenue and Expenditure of the Consolidated Fund is a summary of all recurrent revenue and expenditure of the Consolidated Fund.

The Rodrigues Consolidated Fund was established by Section 75 D (b) of the Constitution, as amended by Act No. 32 of 2001, and consists of:

- such monies as may every year be appropriated by the National Assembly for the recurrent expenditure of the RRA; and
- such other recurrent revenue as the RRA may lawfully collect.

#### **2.3.1 Out-turn**

The revenue of the Rodrigues Consolidated Fund for the year ended 30 June 2006 amounted to Rs 879,040,519 while expenditure totalled Rs 882,628,583, resulting in a deficit of Rs 3,588,064 for 2005-06. However, after taking into consideration the opening balance amounting to Rs 3,826,903, the Fund had a balance of Rs 238,839 as of 30 June 2006.

The revenue of Rs 879,040,519 consists of a grant from the Central Government to the tune of Rs 864,409,688 while Rs 14,630,831 represents revenue collected by the Regional Assembly.

Table 2 shows the Recurrent Revenue and Expenditure for the past three financial years.

*Table 2 Recurrent Revenue and Expenditure for the past three financial years*

<b>Financial Year</b>	<b>Recurrent Revenue (Rs)</b>	<b>Recurrent Expenditure (Rs)</b>	<b>Surplus/(Deficit) (Rs)</b>
2003-04	772,242,089	767,557,036	4,685,053
2004-05	819,547,475	822,252,507	(2,705,032)
2005-06	879,040,519	882,628,583	(3,588,064)

Surplus for the year has constantly decreased from Rs 4,685,053 in year 2003-04 to a deficit of Rs 3,588,064 in year 2005-06.

### **2.3.2 Recurrent Revenue**

As shown in Table 3, actual contribution from the Central Government has exceeded the budgeted amount by Rs 39,239,678. With the exception of receipts from public services, all the other items of revenue showed a shortfall in collection against the budgeted amount. The total shortfall in revenue for the year 2005-06 amounted to Rs 2,770,852.

*Table 3 Budgeted and Actual Recurrent Revenue for 2005-06*

	<b>Budgeted (Rs)</b>	<b>Actual (Rs)</b>	<b>Increase (Rs)</b>	<b>(Decrease) (Rs)</b>
Contribution	825,170,010	864,409,688	39,239,678	
Licences	2,250,500	1,744,123		(506,377)
Receipts from Public Utilities	359,130	231,464		(127,666)
Receipts from Public services	5,120,330	6,192,043	1,071,713	
Rental of Government property	8,600,010	6,463,201		(2,136,809)
<b>Total</b>	<b>841,499,980</b>	<b>879,040,519</b>	<b>40,311,391</b>	<b>(2,770,852)</b>

Revenue collections for the past three financial years ending 30 June 2006 are shown in Table 4.

*Table 4 Revenue collections for past three financial years ending 30 June 2006*

<b>Items</b>	<b>2003-04 (Rs)</b>	<b>2004-05 (Rs)</b>	<b>2005-06 (Rs)</b>
Licences	928,128	1,882,176	1,744,123
Receipts from Public Utilities	331,550	236,932	231,464
Receipts from Public services	6,393,705	6,082,597	6,192,043
Rental of Government property	8,505,241	6,309,433	6,463,201
Interest, royalties	266,576	-	-
<b>Total</b>	<b>16,425,200</b>	<b>14,511,138</b>	<b>14,630,831</b>

Total revenue collected for the year 2005-06 has decreased by 11 per cent compared to the year 2003-04. Revenue collected by the RRA in 2005-06 represented only 1.65 per cent of the total recurrent expenditure. Central Government's contribution is therefore increasing year by year, as follows:

	<b>2003-04 (Rs)</b>	<b>2004-05 (Rs)</b>	<b>2005-06 (Rs)</b>
Government Contribution	755,816,889	805,036,337	864,409,688

### **2.3.3 Recurrent Expenditure**

Prior to the establishment of the RRA in October 2002, actual recurrent expenditure of the Rodrigues Administration was as follows:

	<b>1999-2000 (Rs)</b>	<b>2000-01 (Rs)</b>	<b>2001-02 (Rs)</b>	<b>2002-03 (3 months) (July 2002 to Sept 2002) (Rs)</b>
Recurrent Expenditure	519,993,133	557,771,870	610,842,583	155,412,256

On the establishment of the RRA in October 2002, recurrent expenditure is showing an increasing trend year by year, as follows:

	<b>2002-03 (9 months) (October 2002 to June 2003) (Rs)</b>	<b>2003-04 (Rs)</b>	<b>2004-05 (Rs)</b>	<b>2005-06 (Rs)</b>
Recurrent Expenditure	524,101,261	767,557,036	822,252,507	882,628,583

## **2.4 Abstract Account of Revenue and Expenditure of the Rodrigues Capital Fund**

The Abstract Account of Revenue and Expenditure of the Capital Fund is a summary of all capital revenue of the RRA and of all its capital expenditure.

The Rodrigues Capital Fund was established by Section 75 D (a) of the Constitution and consists of such funds as may be specified for the purposes of development.

Capital revenue for the year comprises grants from Central Government and capital expenditure comprises project expenditure.

### **2.4.1 Out-turn**

The revenue of the Rodrigues Capital Fund for the year ended 30 June 2006 amounted to Rs 358,733,071 while expenditure amounted to Rs 358,650,997, resulting in a surplus of Rs 82,074 for 2005-06. After taking into consideration the opening balance amounting to Rs 39,226, the Fund had a balance of Rs 121,300 as of 30 June 2006.

## **2.5 Statement of Arrears of Revenue**

The Statement of Arrears of Revenue is a list of arrears of revenue that have become due but have not been received.

The arrears of revenue for the four financial years to 30 June 2006 are given in Table 5.

*Table 5 Arrears of Revenue for past four financial years ending 30 June 2006*

<b>Division/Unit</b>	<b>2002-03 (Rs)</b>	<b>2003-04 (Rs)</b>	<b>2004-05 (Rs)</b>	<b>2005-06 (Rs)</b>
Fisheries	28,695	39,213	49,220	45,492
Judicial	62,490	86,670	44,220	228,270
State Land	2,416,193	2,607,999	3,311,142	4,754,110
Water Unit	440,000	279,717	387,679	615,485
Health and Sanitary	12,570	14,700	19,250	30,000
Rental of Snacks	340,000	340,000	340,000	269,187
<b>Total</b>	<b>3,299,948</b>	<b>3,368,299</b>	<b>4,151,511</b>	<b>5,942,544</b>



An increase of 80 per cent was noted in the arrears figure at 30 June 2006 when compared to that of 30 June 2003.

### ***2.5.1 Rental of Government Property***

- During 2005-06 there was a shortfall of revenue of Rs 2,136,809 against the budgeted amount of Rs 8,600,010. Out of the actual revenue received of Rs 6,463,201, Rs 5,089,916 related to settlement of claims raised during 2005-06 while Rs 1,373,285 related to settlement of claims for prior years.

The short-collection of revenue during the year has resulted in an increase of Rs 1,442,968 in debtors from Rs 3,311,142 at 30 June 2005 to Rs 4,754,110 at 30 June 2006.

- During 2005-06 claims were issued to 2,549 debtors. The outcome was as follows:

- 61 lessees owing Rs 86,970 had passed away;
- 41 claims amounting to Rs 66,943 were returned with mention 'unknown';
- 65 claims totalling Rs 126,728 were returned with mention 'gone away'.

There might be other cases where the lessees have passed away, gone away or became unknown. In all such cases, the rent would become irrecoverable.

- As of 30 June 2006, annual rent was still outstanding since fifteen years. No legal action was taken by the RRA to recover the arrears which were increasing year by year.

### ***2.5.2 Writing-off Arrears of Revenue***

At time of authorising any write off of arrears of revenue, the Accounting Officer of the Commission should ensure that:

- the cases of irrecoverable revenue have been fully investigated;
- every avenue to obtain payment of the revenue has been explored without success; and
- there has been no negligence or carelessness on the part of any Officer as a result of which the revenue has become irrecoverable.

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

Legal actions have been initiated to recover arrears of rentals of snacks amounting to Rs 269,187. Reminders have also been issued to lessees of state lands whose rent were in arrears.

## **COMMISSION FOR PUBLIC INFRASTRUCTURE, ENVIRONMENT AND FISHERIES**

### **3.1 Construction of Roads and Resurfacing Works**

A contract for the construction of roads and resurfacing works for the period July 2005 to June 2007 was awarded to a construction Company in July 2005. During financial year 2005-06, the Commission for Public Infrastructure issued 36 works orders to the Company estimated at Rs 178 million.

- As of 30 June 2006, no practical completion certificates were seen for works order numbers 4, 7, 18, 19 and 20 which were reported to have been completed.
- Six projects of a total estimated value of some Rs 130 million with completion date prior to June 2006 were still ongoing as of August 2006.
- In a sample of 18 works orders, 10 were completed after contractual completion date and the delays varied from three to 28 weeks.
- Extension of time was granted to the Company in the 10 works orders, mainly on the basis of various clearances and the finalisation of private property encroachment.
- Site meetings for road projects were not regular. During 2005-06, only seven site meetings were held during execution of the 36 works orders.
- As of August 2006, actual amount paid for each work order could not be ascertained as payments for projects were split under different votes and items of the Commission. Status reports of the various projects were also not available.
- With respect to works order no. 3, an amount of Rs 194,010 was paid in June 2006 for the erection of 145 metres of chain link fencing. During a site visit effected by my Officers in July 2006, no chain link fencing was found.
- With respect to works order no. 10, an amount of Rs 1,017,914 was paid twice to the Company under certificate nos. 2 and 3 of 17 March 2006 and 25 June 2006 respectively. The amount was not yet recovered by the Commission as of August 2006.

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

The Commission will seek the clearances of all parties prior to start new project to avoid unnecessary delays in project completion.

Site meetings are done on a regular basis. However, not all the minutes have been recorded. The Commission will henceforth ensure that site meetings minutes are recorded. The Commission will initiate action so that financial status of payment is readily available.

The overpayment of Rs 1,017,914 will be recovered by the Commission in the same contract on ongoing works orders.

### **3.2 Construction of Office Block/Library at Port Mathurin - Rs 24,380,000**

A contract for the construction of office block/library at Port Mathurin was awarded to Company A on 6 May 2004 for the amount of Rs 24,380,000, inclusive of VAT. Works started on 21 June 2004 and were to be completed on 4 April 2005.

- The contractual completion date was 4 April 2005 but works were actually completed on 21 September 2005, i.e five months later. The practical completion certificate was issued on 19 April 2006, i.e six months after completion of work.
- No liquidated damages at the rate of Rs 5,000 per day were claimed for delay in completion of works.
- In February and July 2006, the Project Consultant submitted a request for extension of time for the period April 2005 to September 2005. At August 2006, the request for extension of time was not yet approved by the Commission.
- The performance bond for the amount of Rs 2,437,989 expired on 1 April 2006. The bond was not renewed to cover the defects liability period ending 19 April 2007, though the Commission requested the Company to submit same in July 2006.
- As of August 2006, the first and the second floors of the building were still not occupied by the Commission for Health and Commission for Arts and Culture as the partitioning works were not completed.
- For the period October 2005 to July 2006, the Commission for Health has paid rental for a total amount of Rs 471,100. Had the building been completed on time, i.e. in September 2005, this amount could have been saved by the Commission.

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

The following shortcomings were noted during a site visit effected by my Officers at the office block/library on 28 July 2006:

- Out of eight kiosks, six were inspected. Aluminium shutters were not properly fixed in five kiosks, thus rendering their opening and closing difficult.
- Tiles were unevenly placed at some areas. Several tiles were broken, for instance, in the male toilet and staircases. In other areas, tiles were not homogeneous, as specified in contract.
- Hollow sounds from tiles at several locations were heard. These tiles might run the risk of peeling off.

- Water from outside was seeping underneath the carpet in the Commissioner's Office at the first floor.
- The openings of the windows found in the IT section and the Library were not fixed as per drawings.

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

The amount to be claimed as liquidated damages will be worked out and deducted accordingly.

The extension of the mezzanine to the edge of the building was decided after the manufacture of the openings. Modification of the openings would have a substantial cost implication. The Contractor was requested to provide a balustrade to the openings concerned.

### **3.3 Government Grant for Casting of Roof Slab Scheme**

The scheme provides for financial support in the form of a grant to needy families, having difficulties to purchase building materials, to cast the roof slab of their houses and to meet the cost of demolishing the old roof.

The scheme existed since December 1997 with an initial financial assistance of up to Rs 30,000 per beneficiary. Since April 2005, the amount has been increased to a maximum of Rs 55,000. The grant is subject to the following conditions, among others:

- The building is exclusively meant for dwelling purposes.
- The party is not already the owner of any other dwelling.
- The party will cast his roof slab within a period of six months from payment date.

The Commission for Public Infrastructure acts as agent of a Housing Company in Rodrigues for implementing the scheme.

For period January 2004 to July 2006, an amount of Rs 18,550,225 has been disbursed to 592 beneficiaries.

- Cheques received from the Housing Company in favour of beneficiaries of the scheme were not recorded in a register at the Commission for control purposes.
- The Register for casting of roof slab and purchase of building materials was incomplete. Relevant information such as area of roof slab, date applications approved and amount of financial assistance were not recorded therein.
- Once the cheques were issued to beneficiaries, no monitoring was effected by the Commission to ensure that the financial assistance has effectively been used for the intended purposes.

### *Site Visit*

The following were noted during a site visit carried out by my Officers in August 2006:

- New roof slab was still not cast on a beneficiary's house residing at Roche Bon Dieu, sixteen months after the receipt of the financial assistance of Rs 18,500.
- Two beneficiaries from Pointe Cotton had received Rs 50,600 and Rs 50,000 each in October 2005 and July 2005 respectively for casting of roof slab.

Both buildings were leased to foreigners since 2005. Financial assistance has, therefore, been granted to beneficiaries for buildings not exclusively meant for dwelling purposes.

- In March 2005, financial assistance of Rs 37,500 was granted to a beneficiary residing at Orange.

The roof slab was cast without demolishing the old slab which still represented a danger to the families residing in that house.

- In October 2005, financial assistance of Rs 55,000 was granted to a beneficiary of Grand Baie.

The house was occupied by the beneficiary's relative while the former was residing in his old house.

### *RRA's Reply*

As from now on cheques received will be recorded in a Register before issuing to respective beneficiaries.

Arrangements are being made with the Housing Company for the setting up of an office in Rodrigues to process, supervise and monitor the roof slab scheme.

### **3.4 Construction of 65 Low Cost Housing Units in Rodrigues – Rs 9,914,250**

The project was to construct 65 individual housing units with a floor area of around 24 m<sup>2</sup> per unit, scattered over 36 regions around the island. These units were meant to be offered to families whose houses had completely been damaged during cyclone Kalundé.

In March 2004, contract for the project was awarded to Company B for the sum of Rs 9,194,250, inclusive of VAT. The contract was signed in the same month and was for a duration of five months.

- On 18 June 2004, the Company took possession of site and the work started on 2 July 2004 i.e. three months after signature of contract.

- The expected completion date was 2 December 2004. Extension of time on three instances for a total of 211 days was granted to the Company, bringing the new completion date to 30 June 2005.

Approval of the Central Tender Board (CTB) for granting of extension of time was not sought.

- In May 2005, the Commission notified the Company that the contract would be terminated on 30 June 2005 if the works were not completed by that date. But at a meeting held in November 2005, the Commission expressed its intention to extend the contract for a further period of three weeks to enable the Company to complete the works.
  - Since the contract was considered as terminated on 30 June 2005, no new agreement was signed by the Commission as advised by the Legal Adviser in a correspondence dated 20 September 2005 to the Commission.
  - In May 2006, covering approval sought by the Commission for extension of time until final completion of the project was turned down by the CTB.
  - As of August 2006, i.e. some 21 months after the initial completion date, the works were still not completed.
- No legal action was taken against the Company. Also, no liquidated damages were charged against the Company for delay in completion of works.
- The two performance bonds of Rs 919,425 each, provided by the Company were not forfeited by the RRA. One bond has already expired since October 2005.
- As of July 2006, out of the 65 housing units, only four were fully completed, 56 were completed from 7 to 99 per cent and works in five housing units have not yet started.
- Out of the 60 housing units fully/partly completed, 29 were already occupied by beneficiaries.

No handing over of the housing units to the beneficiaries and no agreement thereof were made by the RRA prior to these being occupied.

Not much attention was given to the time factor. In fact, the project was not properly managed, resulting in 61 beneficiaries still awaiting their housing units to be completed as of August 2006, though the project was initiated in year 2003.

### ***Project initiated by Trust Fund***

Before awarding the contract to Company B, works for the construction of 22 housing units had already started by the Trust Fund for the Social Integration of Vulnerable Groups. The cost of labour and materials incurred by the Trust Fund was evaluated at some Rs 563,000. In July 2004, the Company had agreed that costs already incurred by the Trust Fund be deducted from the contract value.

- As of June 2006, a sum of Rs 4,598,052 has been paid to the Company. Costs incurred by the Trust Fund amounting to some Rs 563,000 were not deducted from the payments to Company, resulting in an overpayment to the latter.

#### *Site Visit*

The following were observed during a site visit carried out by my Officers in August 2006:

- Meranti wooden truss of 6,600 mm instead of 7,100 mm in length were used in roof covering for all housing units.
- A cap of 250 mm on both left and right hand elevation were not provided to the housing units.

### **3.5 Construction of 108 Low Cost Housing Units in Rodrigues - Rs 20,217,153**

The project was to construct 108 low cost housing units of an area of 28.31 m<sup>2</sup> per unit, complete with both external and internal services in ten selected regions.

#### *Award of Contract*

In January 2003, contract for the construction of 108 housing units was awarded to Company C for the sum of Rs 18,478,600. In September 2004, the contract value was revised to Rs 20,217,153 as the provision of sewerage disposal was not made in the contract.

#### *Change in Scope of Works*

The Executive Council of the RRA agreed to reduce the number of houses from 108 to 83 to meet the additional costs of variation works without causing an increase in project contract value. Accordingly, the area of each of the 83 housing units was increased to 33.09 m<sup>2</sup>.

The works started in March 2003 and were completed in November 2004.

- Variation works such as separate bedroom, plumbing fittings to toilets and bathrooms, steps to entrance and sewerage disposal system were not identified at the planning and design stage of the project.
- Since 21 housing units were built as per original layout and only 62 as per new layout, the contract value should have been revised downwards.
- The contract value was increased by Rs 1,738,553, representing the costs of providing fibre glass septic tanks to all the housing units. Only two sites out of 10 had this utility.

In March 2006, the Commission was informed that Company C has expressed its intention not to proceed with the fixing of septic tanks on the remaining eight sites.

- The building works were completed in November 2004. No formal handing over of the 83 housing units was made to the Commission.
- Total amount paid to the Company as of 30 June 2006 was not available, as no record of payments to that Company was kept at the Commission.
- At August 2006, only 47 out of 83 beneficiaries were identified but their deed of sale was not yet finalised.

### *Site visits*

The following observations were made during a site visit effected by my Officers in August 2006 at Terre Rouge and Montagne Goyaves:

- Keys of the housing units were not available during the visit. The keys of all the 83 housing units were reported to be in possession of an Officer who was on leave. No handing over of the keys had been made before the latter proceeded on leave.
- None of the housing units found at the two sites were provided with septic tanks and steps to entrance, as agreed.
- No landscaping works had been performed at the two sites.
- Windows of some of the housing units were left open, thus inviting intruders.
- The housing units were subject to vandalism. The flush doors, W.C. pan, water piping, electrical wire, water draining pipe and residual current device, installed in these housing units, were stolen in most cases.

Delay in allocating the housing units to beneficiaries would further increase the acts of vandalism. The housing units might also be subject to squatting.

## **3.6 Construction of New Administrative Block at La Ferme**

### *Award of Contracts for Internal Works*

In May 2001, construction work of the new Administrative Block at La Ferme was initiated by the Commission for Public Infrastructure. Internal works for the supply and laying of ceramic tiles, and supply and fixing of wooden openings, totalling Rs 1,338,216 were contracted out to two Contractors.

### *Supply and Laying of Ceramic Tiles – Rs 872,616*

In June 2004, contract for the supply and laying of ceramic tiles was awarded to Contractor A for the sum of Rs 872,616. The works had to be completed within one month from official handing over of site.



- The date when site was officially handed over to the Contractor was not available. The date of commencement of works was not stated in the letter of award. The Contractor actually started works on site on 11 October 2004, i.e. four months after award of contract.
- The work was scheduled for completion on 11 November 2004, one month after start date, but was actually completed on 19 May 2005, i.e. after a delay of 189 days. No extension of time was granted by the Commission.

Penalty at the rate of Rs 1,000 per day, as per contract, was not charged on the Contractor for delay in completion of works.

### ***Site Visit***

The following shortcomings reported in my 2004-05 Audit Report were still noted during a site visit carried out by my Officers in July 2006:

- Hollow sounds were heard in the tiles fixed in the Offices 1 and 2 of the first floor.
- Broken tiles were seen in the Library, Computer room, Offices 1&2, kitchen table and corridors leading to Store Library and Aerobic room in the first floor.
- Some tiles placed in the ground and first floor were not homogeneous as specified in the quotation.

### ***Supply and fixing of wooden openings – Rs 465,600***

In November 2004, contract for the supply and fixing of wooden openings was awarded to Contractor B for the sum of Rs 465,600.

- Works started on 21 November 2004 with scheduled completion date 1 January 2005. As of July 2006, i.e. some nineteen months later, the works were still not completed.
- No information was available as to whether the penalty fee at the rate of Rs 1,000 per day was charged on the Contractor for delay in completion of works.

### ***Site Visit***

The following defective works were noted during a site visit carried out by my Officers in July 2006:

- Broken glass panes were seen in several windows;
- Tower bolts were fixed to windows instead of “cremon” locks; and
- Closing and opening of windows were difficult.

### *Unoccupied Offices*

The New Administrative Block was constructed to house several offices found in the La Ferme region.

As of July 2006, the first floor was unoccupied due to delay in completion of internal works by the Contractors.

# COMMISSION FOR AGRICULTURE AND WATER RESOURCES

## 4.1 Construction of New Pipeline

### (a) *From Petit Brule Reservoir to Montagne Piquant Reservoir – Rs 10,272,049*

Contract for the construction of a new pipeline from Petit Brule Reservoir to Montagne Piquant Reservoir was awarded to Company D in April 2005 for the sum of Rs 10,272,049, inclusive of VAT. Works started on 30 May 2005 with completion date 30 January 2006. Total payments made to the Company at July 2006 amounted to Rs 8,591,482.

- As of July 2006, practical completion certificate was not yet issued by the Project Consultant. There was no indication for any extension of time granted to the Company.
- The contract provided for a penalty of Rs 2,000 per late day up to a maximum of 10 per cent of contract value. No penalty has been charged for late completion of works.
- The contract provided for a joint testing of the pipeline with the Project Consultant. No test certificate was seen.
- As of July 2006, major resurfacing works were not completed

### *Site Visits*

Site visits were effected by my Officers in July 2006 and August 2006. The following shortcomings were noted:

- Piperoute from Trefle to Roche Bon Dieu reservoir was not in accordance with drawings. The pipes were in fact laid along the road. No approval for this variation in the scope of works was seen.
- According to the progress meeting of 26 October 2005, piperoute leading to Grenade reservoir has been realigned through branch route, contrary to drawings. The Commission's approval for this variation was not seen.
- Fencing of the break pressure tanks was not plastic coated as provided in the contract.

A practical completion certificate has to be issued as soon as the works have been completed. Penalty clause in respect of delay in project completion has to be applied. The Commission should ensure that all outstanding works have been completed by the Company.

**(b) *From Coromandel Reservoir to Montagne Cabris Reservoir – Rs 4,140,000***

Contract for the construction of a new pipeline from Coromandel Reservoir to Montagne Cabris Reservoir was awarded to a Joint Venture in July 2005 for the sum of Rs 4,140,000, inclusive of VAT. Works started in August 2005 to be completed in January 2006.

- At July 2006, the pipeline was not yet operational. Practical completion certificate was not seen. There was no indication for any extension of time granted.

No liquidated damages at the rate of Rs 2,000 per day have been charged on the Joint Venture for delay in completion of works.

- No documentary evidence was seen to confirm that the pipeline has been disinfected and tested, as specified in contract.

***Site Visit***

The following shortcomings were noted during a site visit effected by my Officers in July 2006:

- Only seven marker posts type II were fixed along the piperoute instead of 20. With regard to marker post type I, eight of such posts were to be provided. However, none of these had been fixed along the piperoute.
- Private fencing leading to Montagne Cabris Reservoir was not re-instated.
- At Montagne Cabris Reservoir, there was leakage of water through the concrete at the inlet pipe.