REPORT

OF THE

DIRECTOR OF AUDIT

ON THE ACCOUNTS OF THE REPUBLIC OF MAURITIUS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

List of Tables

continued next page

continued next page

LIST OF APPENDICES

THE NATIONAL AUDIT OFFICE AND THE DIRECTOR OF AUDIT

1.1 Who are we?

The democratic set-up of the Republic of Mauritius, as guaranteed by the Constitution, provides for a Legislature (the National Assembly) to pass laws and to formulate policies of the Government, an Executive to implement these policies and a Judiciary, independent of the Legislature and the Executive, to interpret laws and to see that the laws have been complied with. Besides there are vigilance bodies like the Ombudsman, the Service Commissions and an independent Supreme Audit Institution (SAI). The National Audit Office (NAO), headed by the Director of Audit, constitutes the SAI of Mauritius. The SAI needs to maintain good links with the Executive to encourage administrative accountability, with the Judiciary to encourage legal enforcement of accountability, and with the Legislature to facilitate political oversight and accountability. The Director of Audit is supported by a cohort of professional and experienced staff to audit the various Ministries and Departments, Statutory Bodies, Local Authorities and other bodies so as to perform the oversight function and report to the National Assembly or to the appropriate authorities.

The Government Programme for a specific period is spelt out in the Address of the President which defines the policies of the Government and the goals to be achieved through public funds. Each year the Programme is more elaborately detailed in the Programme-Based Budget Estimates which after having been voted by the National Assembly provide the funds to be spent in the current year as well as indicating estimates for the ensuing two years. It devolves upon the Executive to implement the Programme of the Government. The spending Ministries and Departments are accountable to the National Assembly for the money that has been entrusted to them. In view of the intricacies and technicalities of accounting, it thus becomes the responsibility of the NAO to report to the National Assembly whether funds entrusted to the Executive have been spent in accordance with the policies of the Government and to report on any mismanagement of funds or deviations from the set objectives.

1.2 Our Vision, Mission and Core Values

Our VISION

To be recognised as a centre of excellence in the provision of high quality audit and value added services

Our MISSION

NAO is an independent public office set up under the Constitution; we provide independent assurance to the National Assembly on the proper accounting and use of public resources and we help clients to improve their financial management; earning the respect of our stakeholders, we promote good governance by enhancing accountability and transparent administration in the public sector and we encourage social responsibility; we have committed ourselves to be people-oriented; we provide our staff with an environment that stimulates diversity, innovation, teamwork, continuous learning and improvement

Our CORE VALUES

Maintain our independence and political neutrality

Observe a high level of professionalism and integrity

Show fairness, objectivity and impartiality in our work

Ensure confidentiality of materials/information provided to us

Honour the confidence of trust conferred on us

Be courteous, tolerant and respectful

1.3 Our Mandate

The Constitution of the Republic of Mauritius forms the bedrock for the existence and mandate of the Director of Audit and in its wake the NAO. Section 110 provides for the appointment, extent of authority, independence of the Director of Audit and the submission of audit reports.

The Director of Audit has specific conditions of service which are spelt out in various Sections of the Constitution, namely

- Section 110(1) - Appointment
- Section 93(2) - Security of tenure
- Section 93 (3) & (4) - Removal from Office
- Section 108 - Salary cannot be reduced without his consent
- Section 115 - Re-appointment on contract

1.4 Our Audit Mandate

The audit mandate of the Director of Audit is defined in the Finance and Audit Act, the Statutory Bodies (Accounts and Audit Act), the Local Government Act and in various legislations/agreements of institutions/donor-funded projects empowering the Director of Audit to audit their accounts.

1.5 The Constitution

Section 110(2) – The public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit.

1.6 Duties of Director of Audit

1.6.1 The Finance and Audit Act

The Director of Audit shall satisfy himself-

- that all reasonable precautions have been and are taken to safeguard the collection of public money;
- that all laws, directions or instructions relating to public money have been and are duly observed;
- that 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;
- that 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;
- that satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively.

1.6.2 The Statutory Bodies (Accounts and Audit Act)

Every auditor *(in the case of the SAI, the Director of Audit)* shall report to the Board whether-

- he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of the audit;
- in his opinion, to the best of his information and according to the explanations given to him, the financial statements give a true and fair view of the financial performance of the statutory body for the financial year and of its financial position at the end of the financial year;
- this Act and any directions of the Minister, in so far as they relate to the accounts, have been complied with;
- in his opinion, and, as far as could be ascertained from his examination of the financial statements submitted to him, any expenditure incurred is of an extravagant or wasteful nature, judged by normal commercial practice and prudence;

- in his opinion, the statutory body has been applying its resources and carrying out its operations fairly and economically

1.6.3 The Local Government Act

Audit of accounts

The approved annual financial statements of every local authority shall be audited by the Director of Audit.

The Director of Audit shall make a report to the Council on the financial statements which have been audited.

(1) The report shall state –

(a) the work done by him;

(b) the scope and limitations of the audit;

(c) whether he has obtained all information and explanations that he has required;

(d) any item of account which, in his opinion, is contrary to law;

(e) any loss or deficiency which, in his opinion, is wholly or partly due to the negligence or misconduct of any person;

(f) any sum which, in his opinion, ought to have been so brought to account but which, due to wilful default or negligence, has not been brought into account;

(g) any failure to recover any rate, fee or other charge in the manner specified in section 101 (*of the Local Government Act 2011*);

(h) whether, in his opinion, the financial statements give a true and fair view of the matters to which they relate, and where they do not, the aspects in which they fail to do so, and whether the financial statements have been prepared in accordance with the Accounting Standards approved by the Minister to whom responsibility for the subject of finance is assigned.

(2) A report under subsection (1) shall state whether the instructions of the Minister, if any, in regard to the financial statements have been complied with.

(3) The Director of Audit shall address to the Minister, and to the local authority, a copy of the certified financial statements and his report.

(4) The local authority shall consider the report of the Director of Audit at its next ordinary meeting or as soon as practicable thereafter.

1.6.4 The Public Procurement Act

Section 42 of the Public Procurement Act 2006 provides that the auditor of every public body *(in our case the Director of Audit)* shall state in his annual report whether the provisions of Part V of the Act on the Bidding Process have been complied with.

1.7 Powers of the Director of Audit

The powers of the Director of Audit as spelt out in the Finance and Audit Act and in the Local Government Act are as follows:

1.7.1 Finance and Audit Act

(1) In the exercise of his duties under this Act, the Director of Audit may-

(a) call upon any public officer for any explanations and information which he may require in order to enable him to discharge his duties; and

(b) 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;

(c) 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;

(d) 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.

(2) 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 this Act to the Speaker of the Assembly to be by him presented to the Assembly.

(3) Where the Minister fails, within a reasonable time, to lay any report made under Section 20 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.

1.7.2 Local Government Act

(1) The Director of Audit shall have access at all reasonable time to all Council minutes, information systems, books and accounts of the local authority, all vouchers in support of them, all deeds, contracts and other documents, and all relevant papers and writings in the possession or control of the local authority.

(2) The Director of Audit may, orally or in writing, request –

(a) any person holding or accountable for any such document referred to in subsection (1) to appear before him at the audit or any adjournment;

(b) from any member of the Council or any officer or agent of a local authority, such information and explanations as may be necessary for the purpose of the audit; and

(c) any person referred to in paragraph (a) to make and sign a declaration as to the correctness of a document.

(3) Any person who wilfully neglects or refuses to comply with any request made under subsection (2) shall commit an offence.

1.8 Immunity from legal prosecutions

In addition to what is provided in the Public Officers Protection Act, the Director of Audit benefits from immunity under Sections 17A of the Finance and Audit Act and Section 140 of the Local Government Act 2011 as follows:

> 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 in good faith, of its or his functions under the Act.

1.9 What we DO NOT AUDIT

The mandate of the Director of Audit does not extend to the audit of the Central and Public Sector banks, Statutory Corporations whose enactments do not provide for audit by the Director of Audit unless their Boards decide otherwise and Private Companies where the Government has substantial interests in the form of shares, equity participation and other forms of interests. The Director of Audit also does not audit all institutions where the Government provides security for loans contracted, bank overdrafts taken or credit facilities obtained. There are about 40 of those bodies. Appendix I refers.

2-PROGRAMME-BASED BUDGETING

It is an undeniable fact that budget management and process have significantly improved since the introduction of Programme-Based Budgeting (PBB) in Mauritius. While there is scope for improvement, this major public finance reform has helped in bringing forward a national awareness on the need for institutional performance and also provided a framework whereby use of public funds is subject to greater transparency and accountability.

The objective of NAO has been to hint on the possible areas of improvement on a reform that will certainly need many years to be fully embedded as has been the case for many countries that have adopted successfully this reform.

Year 2011 has seen an improvement both in terms of total reduction of performance indicators (Services to be provided (404) and Service standards (732)) and quality of these indicators. We are satisfied that the Ministry of Finance and Economic Development has heeded our advice and used the guidance provided in our previous reports on this subject. We are confident that efforts will continue to be made to improve performance specification and move away from the argument that the PBB is only improving in a presentational manner. However, that is also a phase in the deepening of the PBB process and one of the long term goals should be that the PBB contributes to improve the effectiveness of policies and also strengthening accountability on performance. The inclusion of outcome and planning indicators in the PBB goes in line with this spirit and also provides a link between planning and budgeting functions which is a major objective the Ministry of Finance and Economic Development.

In the exercise of rationalization of performance information, it is clear that activity indicators should not be included in the PBB. This is rather important for the internal management of a Ministry. The ones that need to be included are output indicators and outcome indicators that would relate to the service being provided to the citizen, including intermediate ones, as well as some planning indicators. However, caution must be taken care at the time of monitoring as accountability for outcomes may fall on the materialisation of the outputs under different programmes.

It is worth noting that the movement from a culture of administration to a culture of results needs time. In this respect, there are a number of areas which need strengthening and which will culminate in the PBB being increasingly used as a management tool. To start with, the front end budget exercise into which the MTEF is developed should feed itself on the Strategic Plans prepared by Line Ministries. This process ensures credibility in the resource allocation framework right from the start as Ministries obtain a certain degree of visibility on resources and at the same time assist in the process of prioritising on policies. However, it is only when the work on strategic planning feeds into the development of the MTEF that the process improves otherwise, it might boil down only to an incremental accounting exercise. This being said such risks must be mitigated and we welcome the work being done to develop a 10 year Economic and Social Transformation Plan (ESTP) both as a means to guide resource allocation in the Budget and ensure implementation of the Government Programme.

Indeed, NAO would like to see a strengthening of this economic planning process. NAO notes a positive step that has already been undertaken in this direction which is the elaboration of a National Vision under the ESTP. However, in translating the vision into a Plan that can be implemented through the PBB, the Ministry of Finance and Economic Development should assume greater role in revamping the planning function and ensure that issues are raised and discussed at the technical levels in advance in order to facilitate the work of policy-making. For example, an ageing population may give rise to many implications including fiscal costs and cannot be tackled overnight but rather needs reflection and consensus building on the most appropriate policy option to adopt. Once the issues have been flagged, documented and regularly updated as part of the economic and social planning set up, it will be the responsibility of the line Ministry to develop further on issues in terms of any required in-depth study that needs to be undertaken and come up with policy proposals to address the issues.

Clearly, there is a gap in the planning function both centrally and at line Ministry levels and this is nothing new but what is required are concrete actions to fill this gap in terms of re-establishing this function properly both in Ministry of Finance and Economic Development and the line Ministries. In the end, the point is not the production of a document but rather putting in the mainstream of day to day work both centrally and at the line Ministry levels, a process that flags and discusses national economic and social issues well ahead a mere budget exercise as they may have impact on fiscal sustainability, evaluate the various policy options on issues and also provide a fair chance of implementation of an agreed policy option by taking into account resource availability be it finance, human resources or systems. The process being advocated here is not the traditional planning process but rather a more dynamic one that is embedded in work and is linked with possibility of implementation. As Peter Drucker said, and which we should avoid: "there is nothing more inefficient than doing efficiently what should not be done at all". It is only by devoting some time to thinking and planning properly up to the possibility of implementation that we can prevent us falling into this trap. With the full implementation of the ESTP to guide the PBB we look forward to realizing the full benefits of the merged planning and budgeting functions. However, as in other countries that have successfully gone down this road such as Korea, Singapore and Taiwan, it takes several years for the system to be fully functional. To accelerate the process, I would urge the Ministry of Finance and Economic Development to make the necessary human investments, including in line Ministries, as well as computerizing Budget and Planning Functions.

The NAO supports the development of a new public finance management legislation as this will modernize and consolidate public financial management in general and also provide the overall framework within which the PBB is developed and implemented. At the time of the presentation of this new legislation, I recommend that opportunity be taken to have the Public Audit Bill, submitted by NAO, be presented. It is worth noting that the role of public auditing is also evolving in the context of the reforms and the shift will be from financial auditing to performance auditing. As a matter of transition, the NAO is assisting by auditing the performance information in the PBB in as much providing suggestions whether the indicators are SMART. The movement towards performance auditing will require time and other resources.

Finally, I wish again to support the reforms to integrate the planning and budgeting functions under the PBB and ESTP and expect that there will be continued training and capacity building at different levels as it is a knowledge-intensive and learning by doing reform. There are many other reform initiatives on planning, budgeting, procurement and human resources being undertaken in the public sector. In order to maximize the benefits from all these reforms, there is a need for coordination both on reforms as well as the timing of implementation of these reforms. From this perspective I would advise that the guiding principle should be that we adopt what we can achieve rather than what we desire but is unattainable. In this context, I would urge the Ministry of Civil Service and Administrative Reforms to take advantage of the performance indicators being developed under the PBB to give substance to the PMS. Similarly, I welcome the integration of the work of the MID Commission with the ESTP process which ensures greater likelihood of the Government vision being achieved whilst ensuring effective use of budgetary resources.

3 - IMPROVING THE INTERNAL AUDIT SYSTEMS

3.1 Introduction

The Asian Organisation of Supreme Audit Institutions[1] (ASOSAI) has just released its report on 9th Research Project entitled "Evaluation and Improvement of Internal Audit Systems and the Relationship between the Internal Audit Units and SAIs". One of the objectives of this research project is to share best practices of the internal audit systems as well as the cooperation and coordination mechanisms between internal audit units and Supreme Audit Institutions (SAIs). An internal audit is a crucial component of a good governance framework and there is a growing awareness of the internal audit function as an improvement for improving public sector performance and accountability. Following are extracts, from this report, on useful guidelines and good practices for improvement of the internal audit systems.

3.2 Governance in the Public Sector and Internal Audit

Public Sector governance requires heads of ministries/departments and accounting officers to discharge their responsibilities of stewardship of public resources by being open, accountable, and prudent in decision-making, and in managing and delivering results. In view of this it is necessary for public sector entities to have an independent internal audit function to assist heads of ministries/departments in discharging their responsibilities effectively for achieving the determined goals and objectives of the organisation.

International Standards for Supreme Audit Institutions (ISSAI) 1 states that the SAI should assess the effectiveness of the internal audit. The effectiveness of the internal audit function will determine the extent of audit coverage, reliance on internal audit work (ISSAI 1610), and extent of cooperation between SAIs and internal audit.

The role of internal auditors in the public sector is important, and it has evolved through time. The traditional role of the internal auditor centres on examination, evaluation and monitoring of the adequacy and effectiveness of the control structure of an organisation. However, through the years, the internal auditors' role has changed. They are required to improve and make recommendations on aspects of the economy, efficiency and effectiveness. Internal auditors also need to assess the effectiveness of risk management whether financial, operational or strategic to ensure that the internal control system is strong. They evaluate process and determine what is working and what is not. In light of such broad scope, a mature internal auditing system is essential.

To achieve an effective internal audit function, an internal audit should be independent and objective in providing assurance and consulting services. These aspects are described as important factors for cooperation and coordination between SAIs and internal audit units.

1 ASOSAI is one of the seven Regional Working Group of the International Organisation of Supreme Audit Institutions (INTOSAI).

3.3 Elements of Internal Audit System

3.3.1 Governance

The governance element of internal audit includes the administrative and functional relationships of the internal audit activity. The governance element of the framework includes the means by which the independence and objectivity of the internal audit activity are assured; for example, through its formal mandate, the reporting relationship of the head of the internal audit units to the governing body, the oversight mechanism such as an audit committee.

Mandate

Having the Internal Audit Unit to be established by an act of Parliament is considered the best practice as such legislation would assure its independence by providing it with the authority to practice its duties and responsibilities objectively.

Reporting Relationships

The reporting level reflects the degree of independence and effectiveness of the internal audit functions and contributes to ensuring these essential qualities. For the best practice in the reporting mechanism, the Institute of Internal Auditors (IIA) Standards for Professional Practice of Internal Auditing stipulate that the head of the Internal Audit Unit reports administratively to the minister and, functionally to the Audit Committee.

Audit Committee

A system of performance monitoring is required to ensure that the performance of internal audit is consistently improved. An oversight body responsible for internal auditing, the Audit Committee, is important to monitor the performance and development of the Internal Audit Unit.

The Audit Committee can greatly strengthen the independence of the internal audit activity. Best practice indicates that the central activity of the Audit Committee is to advise management on risk, control and governance processes.

3.3.1 Organisational Structure

Organisational structure refers to the positioning of the internal audit activity within the administrative infrastructure of the organisation, including the relationship of the head of the Internal Audit Unit with senior management. The higher the rank of head of the Internal Audit Unit, the higher is the level of assurance that the Internal Audit Unit carries out its responsibilities in an objective, unbiased manner.

3.3.2 Standards and Review System

Professional standards are required in order for the internal audit activity to be performed effectively and with due professional care. Internal Audit Units need standards and the review system as a means to develop and maintain quality assurance. The IIA has published standards and code of ethics for the practice of internal auditing. These standards and code are utilised in both private and public sectors in many countries.

3.3.3 Human Resources

It is desirable to have professionally competent internal auditors and to create a work environment that enables them to perform to their abilities. The internal audit function should be appropriately equipped with staff members in term of numbers and skills to meet expectations and to add value to the organisation.

3.3.4 Services and the Role of Internal Auditing

Services include the provision of assurance, consulting/advisory activities, and the conducting of various types of audits. Public sector auditing has broadened its focus from individual transactions to control systems and program operations.

The role of internal audit, as stated in the IIA Standards, is to provide independent and objective assessment in order to assist the organisation in accomplishing its objectives and to improve its operations.

4 - ECONOMIC ACCOUNTABILITY AUDIT

Economic accountability audit is a kind of audit supervision mechanism nurtured and evolved in China, compatible with the development of politics and economy. It directly relates to the supervision over the fulfilment of government's accountability as well as the claiming of people's democratic rights.

Economic accountabilities here means the duties and obligations of the audited leading persons in respect of managing and utilizing public funds, national resources, state capital and relevant social funds which fall into his or her jurisdiction when assuming certain office.

Below are extracts from a document from the National Audit Office of the People's Republic of China (CNAO) on economic accountability.

> The people hold the power of a nation while the government exercises the right to manage the economy and society on behalf of the nation. As an agent to exert people's power, the government should make good use of the power endowed by the people and provide a voluntary and effective service for the nation, society and public, and right here lies in the responsibility of the government. Whether the responsibility of the government has been effectively fulfilled, has a bearing upon the social progress and economic development, and is also a presupposition for the claiming of citizen's rights as well as insurance for survival and happiness of every citizen. In this sense, the fulfilment of government's responsibility should be supervised.
>
> The most effective supervision upon the fulfilment of government's responsibility is to oversee the process of exercising the power and to see its outcome. During this process, it is of great importance to carry out effective supervision upon the behaviour of government and its administrative head as they are endued with the power of final decision-making and action-executing within their jurisdiction, and the right of managing and utilizing a large amount of public funds and resources. So with regards to the overseeing of the fulfilment of government's responsibility, the core and key is to make effective supervision upon the process in which governments and its administrative heads at various levels are exercising the power and performing their responsibilities. Under this supervision mechanism, audit institutions, independent and specialized supervisory organs with professional technical expertise, can play a very important role. In view of this, combining the basic principles of auditing and duties of government auditing supervision, China has established a brand-new form of auditing supervision, namely the system of economic accountability audit.
>
> Economic accountability audit refers to the supervision by audit institutions through auditing government revenues, expenditures, as well as relevant economic activities and situation of government and its ministries, departments, or of state-owned enterprises and enterprises with state-owned capital controlling their shares, in order to supervise, evaluate and assure as to how the principal leading persons of those ministries, departments, enterprises or units perform their economic accountabilities.

Audit institutions of China were established in 1983 and it was just in the 1980s that, catering to the ever deepening of economic restructuring, some audit institutions in China started the exploration of economic accountability audit over leading persons of state-owned enterprises and then administrative heads of governments were also incorporated into the group of persons subject to audit.

In May 1999, the State Council formulated *Provisional Rules Governing Economic Accountability Audit over Party and Government Leaders at or below county levels for Their Terms of Office* and *Provisional Rules Governing Economic Accountability Audit over Leading Persons of State-owned Enterprises and Enterprises with State Capital Controlling Their Shares for Their Terms of Office*. Soon economic accountability audit has been widely undertaken in China. As stipulated in Article 25 of the Audit Law of the People's Republic of China revised in 2006, "*Audit institutions shall, in accordance with the relevant regulations of the State, supervise through auditing the principal leading persons of government departments and of other units subject to auditing by audit institutions as stipulated by law as to how they perform, during their terms of office, their economic accountabilities in respect of government and financial revenues, expenditures as well as relevant economic activities of their districts, departments or units.*" So in China, it is clearly stipulated in the law that economic accountability of leading persons shall be audited.

In the practice of executing economic accountability audit in China, we are mainly concerned with the following aspects to supervise, evaluate and assure the behaviors (management, administration and decision-making, etc) of audited persons, and impact incurred in the course of fulfilling their economic accountabilities for their terms of office:

- General economic situation, corporate progress, operation achievements and task performance, fulfilment of relevant economic indicators and operation targets;

- Whether key state economic policies have been complied;

- Authenticity, legality and performance of relevant government and financial revenues and expenditures, or assets, liabilities, profits and losses;

- Internal administration as well as its effectiveness and effects;

- Regularity, procedures and effects of momentous economic decision-making process;

- Whether the audited persons have observed financial and economic laws, regulations and stipulations with regard to building a clean government;

- Other information personnel authorities deem necessary to know.

In the audit over leading persons of government, auditors shall also check their performance in the field of promoting environmental protection and social progress, such as:

- whether arable land protection and land policy has been implemented,

- whether targets for energy-saving and pollutants emission-reducing have been reached,

- whether medical service, education and social security undertakings have been improved,

- whether agriculture policy has been executed and whether the management and utilization of agriculture funds has been optimized.

It is believed that if we could make certain what to audit in a scientific and effective manner, try to make it cover various occupational behaviours of economic accountability bearer such as management, administration and decision-making, and then supervise, evaluate their behaviour as well as its influence, we shall be able to oversee, promote and steer leading persons of governments to fulfil their responsibilities in the right way, enhance and improve their governing capacity and arts of governance, so as to ensure the accomplishment of governments' set objectives and people's rights.

After more than twenty years' development, the system of economic accountability audit in China has been crowned with full success. According to statistics, during the period of 2003-2006, audit institutions in China have audited about 133,000 leaders of government and their departments, as well as roughly 7,500 state-owned enterprise leaders. By the year of 2006, accumulated total of audited administrative heads at county and city levels have reached more than 4,000 and 12 ministers or governors have been audited too.

5 - ANNUAL FINANCIAL STATEMENTS

5.1 Consolidated Fund

In accordance with Section 3 of the Finance and Audit Act, the Consolidated Fund is credited with all revenues collected on behalf of the Government and charged with expenditure incurred on the authority of warrant issued by the Minister of Finance.

The movements in the Consolidated Fund for the year 2011 are as shown in Table 5-1.

Table 5-1 Consolidated Fund

	Rs
Deficit brought forward as of 01 January 2011	75,544,807,513
Add	
Deficit for the year	163,158,663
Appreciation in Foreign Currencies	65,248,316
	75,773,214,492
Less Investments Capitalised	(11,828,644,102)
Accumulated deficit of 31 December 2011	**63,944,570,390**

As of 31 December 2011, the Consolidated Fund had a debit balance of some Rs 63.9 billion, representing total accumulated deficit.

Like most governments, the Republic of Mauritius prepares its accounts on a cash basis, except for costs of borrowings, which are accounted on an accrual basis. This implies that revenue and expenditure are accounted in the year of receipt and payment respectively. Capital items like loans received from international organisations and reimbursement of loans by public bodies are accounted as revenue. Similarly, capital expenditure like acquisition of equipment is accounted as expenditure in the year of payment. In accordance with this accounting policy, the deficit for the year was Rs 0.16 billion as shown in Table 5-2.

Table 5-2 Revenue and Expenditure of the Consolidated Fund

	Rs billion
Revenue	
Recurrent Revenue	69.22
Reimbursement of Loans	0.69
Issue of Securities other than Shares	11.58
Loans from International Organisations	6.16
Sub Total	**87.65**
Expenditure	
Capital Expenditure	(8.63)
Recurrent Expenditure	(59.95)
Government Debt Servicing	(14.20)
Public Service Pensions	(5.03)
Deficit for the year	**(0.16)**

It is to be noted that during this fiscal year a deficit of Rs 0.16 billion has been made as compared to a surplus of Rs 1.4 billion for the last fiscal year.

5.2 Revenue

The total amount of revenue collected during the fiscal year 2011, that is Rs 87.6 billion was less than the budgeted figure by Rs 68.2 billion as shown in Table 5-3. Shortfalls occurred for all items of revenue except for Other Revenue.

Table 5-3 Budgeted and Actual Revenue 2011

	Budgeted Rs	Actual Rs	Surplus/(Shortfall) Rs
Taxes	59,708,000,000	59,180,269,049	(527,730,951)
Social Contributions	1,075,000,000	1,020,374,723	(54,625,277)
Grants	2,885,000,000	2,344,468,056	(540,531,944)
Other Revenue	6,632,000,000	6,678,036,804	46,036,804
Inflows in respect of transactions in Assets and Liabilities	85,545,000,000	18,429,911,207	(67,115,088,793)
Total Revenue	**155,845,000,000**	**87,653,059,839**	**(68,191,940,161)**

Social contributions comprise mainly social security contributions. Grants are funds received from foreign governments and international organisations. Other revenue includes property income, proceeds from sale of goods, fines and penalties. The transactions in Assets and liabilities were in respect of reimbursement of loans by public bodies, issue of debt instruments like Treasury Bills and Treasury Notes and loans received from international organisations.

The bulk of the shortage in revenue, that is Rs 67.1 billion, was in respect of inflows in respect of transactions in Assets and Liabilities. This shortage was due to the exclusion of inflows from issue of Treasury Bills and Treasury Notes amounting to Rs 44.1 billion and Rs 15.2 billion respectively in the Detailed Statement of Revenue of the Consolidated Fund. The net balances of these instruments were accounted in the Statement of Assets and Liabilities.

5.3 Expenditure

Total expenditure incurred amounted to Rs 87.8 billion, which was Rs 5.6 billion less than the budgeted amount of Rs 93.4 billion. No overspending was noted under any item of expenditure.

5.4 Statement of Investments

The Annual Statements of the Government comprise of a Statement of Assets and Liabilities and 20 other statements including the Statement of Investments. Investments as per Statement of Investments comprised shares in quoted and unquoted companies, equity participation, other government interests and bank deposits. As of 31 December 2011, the Statement of Investments showed that investments held at cost totalled some Rs 20 billion as shown in Table 5-4.

Table 5-4 Investments as of 31 December 2011

Details	Cost Rs
Quoted Shares	144,851,175
Units	75,789,771
Unquoted Shares	7,813,434,254
Equity Participation	3,950,942,155
	11,985,017,355
Bank Deposits,	
Loans & Other Investments	8,045,415,197
Grand Total	**20,030,432,552**

5.5 Return on Investments

5.5.1 Investments yielding dividends

Out of the total investments of some Rs 12 billion in shares and government interests, only investments amounting to some Rs 3.6 billion yielded dividends and other revenue. Dividends received during the fiscal year ended 31 December 2011 and withdrawals from income of quasi corporation (Bank of Mauritius) totalled some Rs 704 million, representing a return on investments of 20 per cent. The details of dividends and income from quasi corporation received for the past five fiscal periods are shown in Table 5-5.

Table 5-5 Dividends received during the Past Five Fiscal Periods

	Cost	**Dividend/Income yielded during Fiscal Period ending**				
		30.06.08	**30.06.09**	**31.12.09**	**31.12.10**	**31.12.11**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Quoted Shares						
Air Mauritius Limited	99,178,348	6,954,948	-	-	-	15,715,467
National Investment Trust	4,604,412	2,942,117	1,471,058	1,471,058	1,103,294	735,529.00
New Mauritius Hotels Ltd *****	240	144	120	48	60	48
The Mauritius Development Investment Trust Co. Ltd.	2	10	7	3	7	8
State Bank of Mauritius Ltd	41,058,573	31,400,492	38,129,168	41,119,691	41,119,691	44,857,845
United Docks Ltd *****	9,600	960	1,152	-	-	-
Units						
NMF Property Trust	15,000,000	917,509	753,767	358,857	539,141	570,499
NMF General Fund	4,002,000	228,697	234,027	43,615	531,985	659,891
Unquoted Shares						
Africa Export-Import Bank	10,776,420	667,587	-	862,447	-	1,962,705
African Reinsurance Corporation	13,386,184	408,781	536,089	306,867	343,504	521,361
Airports of Mauritius Co. Ltd	1,132,774,970	-	160,000,000	-	160,000,000	160,000,000
Air Mauritius Holding Ltd	87,354,608	-	34,299,414	-	-	-
Alma Investments Co. Ltd *****	160	74	60	75	18	58
COVIFRA Limitee	2,052,356	-	3,762,756	-	940,689	-
Development Bank of Mauritius Ltd	216,250,000	10,625,000	-	-	-	-
Flacq United Estates Limited *****	840	119	336	-	168	168

continued next page

	Cost	Dividend/Income yielded during Fiscal Period ending				
		30.06.08	**30.06.09**	**31.12.09**	**31.12.10**	**31.12.11**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Mauritius Housing Company Ltd	104,430,634	16,534,211	19,444,208	-	30,969,013	30,864,853
Mauritius Housing Company Ltd – Debentures	150,000,000	14,250,000	5,918,033	-	-	-
Mauritius Telecom *****	63,625,174	1,374,941,993	437,766,144	-	346,959,050	375,388,527
Port Louis Fund Ltd	55,979,090	4,758,223	3,358,745	-	4,478,327	5,597,909
PTA Reinsurance Company (ZEP-RE)	3,783,716	169,754	-	122,764	316,641	317,988
Sugar Investment Trust	19,999,980	2,181,816	2,181,816	2,909,088	-	2,546,443
First Republic Fund Ltd	86,375,000	7,134,600	203,791,500	-	-	2,761,051
The State Informatics Ltd	32,800,000	8,000,000	-	-	-	-
United Investments Ltd	48	-	-	-	-	77
Equity Participation						
Mauritius Sugar Terminal Corporation	172,828,732	17,349,000	17,349,000	-	-	-
Bank of Mauritius	2,000,000,000	-	-	-	1,199,958,158	61,544,269
Total		**1,499,466,082**	**928,997,449**	**47,194,547**	**1,787,259,798**	**704,044,748**

**Nominal Value*

5.5.2 Investments not yielding dividends

Investments totaling some Rs 6.53 billion did not yield any dividend since their acquisition as shown in Table 5-6. Out of these:

- some Rs 2.83 billion represented capitalization of loan arrears (Capital & Interest) due by the respective bodies. The conversion of these unpaid loans into government equity dated as far back as late eighties in certain cases and has so far not generated any return on investments, being given the precarious financial situation of those bodies.

- another Rs 2.79 billion, representing government contribution to equity and share capital of bodies shown in Table 5-6 have not yielded any dividend since acquisition. This equity financing, in line with government policy, has contributed towards the setting up of those bodies.

Table 5-6 Investment yielding No Dividends since acquisition

Capitalisation of Loan Arrears	**Amount Rs**	**Period of Investments**
Central Electricity Board	670,856,197	1992-1993
Central Water Authority	956,508,008	1993-2011
Business Parks of Mauritius Ltd	1,105,552,722	2001-2009
Rose Belle Sugar Estate	98,844,218	1987-1996
Sub total	**2,831,761,145**	
Equity & Share Capital financing		
National Transport Corporation	50,000,000	Prior to 01.07.01
Mauritius Co-operative Livestock Marketing Federation	450,000	1992-1993
Mauritius Sugar Authority	975,000	1984-1985
Rodrigues Educational Development	80,000	2001-2002
State Trading Corporation	400,000	Prior to 01.07.01
Events Mauritius	1,800,000	2006-2007
Enterprise Mauritius	79,782,747	2004-2005
SME Partnership Fund	50,000,000	2005-2006
Multi Carrier Ltd	134,000,000	2001-2004
State Property Development Co Ltd	663,000,000	2001-2004
National Housing Development Co Ltd	200,000,000	2007-2008
State Land Development Co Ltd	385,024,900	2001-2007

continued next page

Capitalisation of Loan Arrears	Amount Rs	Period of Investments
Tourist Villages Company Ltd	315,000,000	2007-2009
The Mauritius Post Ltd	371,111,200	2001-2005
Airport of Rodrigues	538,310,200	2000-2008
Cargo Handling Corporation Limited	600,000	1983-1996
Discover Mauritius Ltd	500,000	2006-2007
Sub total	**2,791,034,047**	
Others		
African Development Bank	540,152,928	1992-1993
Eastern & Southern African Trade & Dev. Bank Ltd.	157,868,426	1990-1991
Editions De L'Ocean Indien Ltee	1,140,000	2000-2001
Mauritius Educational Development Company Ltd	16,000,000	1993-1994
Mauritius Post and Cooperative Bank Ltd	137,166,400	2001-2005
NIT Local Equity Fund - LEF	38,370,116	03.03.08
NIT Global Opportunities Fund - GOF	18,417,656	03.03.08
Sub total	**909,115,526**	
Gross total	**6,531,910,718**	

Apart from those listed in the above table, other investments totalling Rs 1.88 billion as shown in Table 5-7 did not yield any dividend during 2011.

Table 5-7 Other Investments yielding No Dividends in 2011

Description	No Dividend during Fiscal Year 2011 Rs
Quoted Shares	
United Docks Ltd	9,600
Unquoted Shares	
Air Mauritius Holding Ltd	87,354,608
COVIFRA Limitee	2,052,356
Development Bank of Mauritius Ltd	216,250,000
Les Pailles International Conference Centre	652,688,656
Mauritius Shipping Corporation Ltd	135,493,000
National Real Estate Ltd	500,000,000
Overseas Telecommunications Services Co. Ltd	28,858
Stafford Mayer Company South Africa Limited	21
The State Informatics Ltd	32,800,000
The State Investment Corporation Limited	85,000,000
Mauritius Sugar Terminal Corporation	172,828,732
Total	**1,884,505,831**

5.6 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 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 30 Special Funds and are differently regulated. Appendix II A refers. 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 be laid before the National Assembly

A total of eight financial statements in respect of four Special Funds have not yet been submitted for audit purposes. Appendix II B refers.

Six Special Funds submitted a total of nine financial statements for fiscal years 2010 and prior years to my Office in the period April 2011 to March 2012, that is well after the statutory date limit. Appendix II C refers.

83 financial statements in respect of 23 Special Funds were already certified but not yet laid before the National Assembly as shown in Appendix II D.

5.7 Public Sector Debt

5.7.1 Public Sector Debt – Rs 185,187,034,365

As of 31 December 2011, the total Public Sector Debt as disclosed in the Statement of Public Sector Debt in the accounts of the Republic of Mauritius amounted to some 185.2 billion. The public sector debt comprised debts of the Central Government amounting to some Rs 164 billion, debts of public bodies guaranteed by the government totalling some Rs 13.5 billion and debts of public bodies not guaranteed by government amounting to some Rs 7.5 billion. Details are given in Table 5-8.

Table 5-8 Public Sector Debt

Debt Category	As of 31 December 2011 Rs
Government	164,187,911,372
Guaranteed by government	
Agencies-Extra Budgetary Units	104,711,050
Public Enterprises	13,422,309,273
Not guaranteed by government	
Agencies-Extra Budgetary Units	291,397
Local Government	2,500,000
Public Enterprises	7,469,311,273
Total	**185,187,034,365**

Public Sector debt (PSD), Gross Domestic Product (GDP) and PSD as a percentage of rebased GDP as of end December 2009 to end December 2011 are given in Table 5-9.

Table 5-9 Public Sector Debt and Gross Domestic Product

As end of	PSD Rs billion	GDP Rs billion	PSD as a Percentage of rebased GDP
December 2009	168.1	282.4	59.5
December 2010	171.5	298.8	57.4
December 2011	185.2	323.5	57.3

Source: Statistics Mauritius & MOFED

The above records show that Mauritius public debts remain relatively high. The public debts have increased by Rs 13.7 billion from Rs 171.5 billion as of end December 2010 to Rs 185.2 billion as of end December 2011. On the other hand, the PSD as a percentage of rebased GDP has slightly decreased from 57.4 to 57.3 per cent. The Public Debt Management Act 2008 (PDMA) establishes a ceiling for the PSD relative to GDP. The starting point for this ceiling in 2008 was 60 per cent of GDP and was targeted to be 50 per cent of GDP by the end of December 2013. However, the PDMA was amended in 2010 to extend the achievement of the 50 per cent of GDP target to end of 31 December 2018.

Public Enterprise Debts

The PSD of the Act was further amended to provide that ‘any debt incurred by a public enterprise shall be discounted in accordance with the extent to which the enterprise satisfies the criteria and the level of risks which they represent to public finance’.

As of 31 December 2011, the PSD of Rs 185.2 billion included debts of some Rs 20.9 billion incurred by the public enterprises. Amendment to the PDMA also provides for setting up of a Risk Assessment Committee. On 25 January 2012, the Committee recommended that out of the Rs 20.9 billion, the debts of 32 public enterprises totalling some Rs 10 billion be discounted. The impact of the discounting was to reduce the level of public enterprise debt for the purpose of debt ceiling by around 3.1 per cent of GDP, that is from 57.3 to 54.2 per cent.

Government Debt

Out of the total Public Sector Debts of Rs 185.2 billion, some Rs 164 billion represented Government Debt. The details of the Government Debt are given in Table 5-10.

Table 5-10 Government Debt (Nominal Value)

	As of 31 Dec 2011 Rs
Domestic Debt	
Treasury bills	32,093,000,000
Advances from Public Bodies	4,246,130,000
Treasury Notes	42,611,120,000
Mauritius Development Loan Stocks/ Bonds	58,529,079,500
Total Domestic Debt	**137,479,329,500**
External Debt	
Foreign Loan	26,708,581,872
Total Government Debt	**164,187,911,372**

The government debt figures as of end of fiscal periods ending 30 June 2007 to 31 December 2011 are given in Table 5-11.

Table 5-11 Government Debts as of 30 June 2007 to 31 Dec 2011

As end of	**Total Government Debt (Nominal) Rs million**	**Increase over the previous year/period Rs million**	**Increase over the previous Year %**
30 June 2007	121,872.9	8756.2	7.74
30 June 2008	122,286.6	413.7	0.34
30 June 2009	134,894.3	12,607.7	10.31
31 Dec 2009	142,588.2	7,693.9	5.70
31 Dec 2010	150,731.4	8,143.2	5.71
31 Dec 2011	164,187.9	13,456.5	8.93

The total government debt which was Rs 121.8 billion as of 30 June 2007 has been constantly increasing over the years to reach Rs 164.2 billion as of 31 December 2011. The total increase over the past five fiscal periods was Rs 42.31 billion representing 34.7 per cent.

During the period ended 31 December 2011, the increase was Rs 13.45 billion, representing an increase of 8.9 per cent over last year.

Cost of Servicing Government Debt. Government Debt Servicing, included in the Statement of Expenditure in the accounts of the Republic of Mauritius, comprised capital repayment of long term debts, interest payments on all debts and management service charges.

Servicing of debts during the past five fiscal periods are shown in Table 5-12.

Table 5-12 Servicing of Debts for the past five Fiscal Periods

Particulars	2007-08 Rs million	2008-09 Rs million	Period July to Dec 2009 Rs million	Year 2010 Rs million	Year 2011 Rs million
Interests-					
External Debt	320.7	381.6	190.6	363.3	436.5
Domestic Debt	10,354.6	10,291.2	5,135.2	9,898.6	9,192.7
Sub-total	**10,675.3**	**10,672.8**	**5,325.8**	**10,261.9**	**9,629.2**
Management Service Charges	8.6	41.9	4.6	24.6	14.9
Capital Repayments External Debt	920.1	976.7	500.4	834.4	768.2
Capital Repayments on long term Domestic Debt	1,664.3	2,491.1	778.4	3,170.2	3,794.8
Total	**13,268.3**	**14,182.5**	**6,609.2**	**14,291.1**	**14,207.1**

The cost of interests on Government debts have decreased from Rs 10.6 billion in 2007-08 to Rs 9.6 billion in fiscal year 2011. However, total Government debt has increased from Rs 13.3 billion in fiscal year 2007-08 to Rs 14.2 billion in fiscal year 2011. It represented 16.2 per cent of total government expenditure of Rs 87.8 billion in 2011.

In addition to the above, Rs 45.2 billion and Rs 16.7 billion have been spent on redemption of Treasury bills and Treasury Notes respectively in 2011. These massive cash outflows have been possible owing to the new issue of these instruments which brought cash inflows of Rs 44.1 billion and Rs 15.1 billion respectively. These transactions were not included in the Statement of Expenditure or Revenue, but the net outstanding balances were disclosed in the Statement of Assets and Liabilities.

Management of Loans

Loan agreements between Government and external agencies normally provide for payment of commitment fees by the former when funds are withdrawn after the scheduled date specified in the loan agreement. Late withdrawal of funds may be due to delay in project implementation or conclusion of contract with contractors. Commitment fees are computed by applying a percentage, as defined in the loan agreement, on undrawn balances as from the scheduled date of withdrawal. During fiscal year 2011, commitment charges totalling Rs 11.1 million were deducted on undrawn balances of loans due to delays in project implementation by Ministries/Departments. The commitment charges for the past five fiscal periods are shown in Table 5-13.

Table 5-13 Commitment Charges

Fiscal Period	Amount Rs
Jul 07 – Jun 08	169,768
Jul 08 – Jun 09	3,951,549
Jul 09 – Dec 09	6,855,804
Jan – Dec 10	11,344,765
Jan – Dec 11	11,148,336

As from February 2009 one instalment of commitment charges for the loan of 480 million CNY to finance the Plaine Wilhems sewerage project started to accrue. This has resulted in a drastic increase in charges from Rs 169,800 for July 2007 - June 2008 to some Rs 3.9 million for July 2008 - June 2009. The total commitment charges paid for this loan from July 2008 to December 2011 amounted to some Rs 30.6 million.

The commitment charges of Rs 11.1 million for fiscal year 2011 related to three loan accounts. The cumulative amount of commitment charges on these loans since the agreements were signed was Rs 33.2 million. Table 5-14 shows a breakdown of commitment charges paid on these loans.

Table 5-14 Commitment Charges paid on Loans

Funding Agency – Loan Description (Amount)	Period of Withdrawal	Amount Disbursed up to 31 Dec 2011 (%)	Commitment Charges (CC) Paid 2011 Rs	Cumulative CC to 31 Dec 2011 Rs
Exim Bank of China - Pl Wilhems Sewerage Project, Lot 2 (480 million CNY)	25 Feb 2009	310,946,929 (65%)	8,557,096	30,619,921
Exim Bank of India - Offshore Patrol Vessel (48.5 million USD)	30 Mar 2011	15,000,000 (31%)	849,482	849,482
Japan International Cooperation Agency - Grand Bay Sewerage Project (7,012 million JPY)	05 Nov 2010	Nil	1,741,758	1,741,758
Total			**11,148,336**	**33,211,161**

Disbursements were not effected as scheduled due to:

- *Plaine Wilhems Sewerage project*. Delay in implementation of 612 days for various reasons like additional streets sewer, deeper excavation works and others have arisen.

- *Offshore Patrol Vessel*. Finalisation of agreement was delayed because of complexity of the contract.

- *Grand Bay Sewerage project*. Several issues cropped up such as problems in the bidding exercise, selection of Consultants and others.

Recommendation

To minimise commitment fees, the project should be planned in such a way as to decrease the interval between the date the loan agreement is signed and the start date of project implementation. As far as possible, the Ministry must sign the loan agreement when the project is ready for implementation and the disbursement schedule has already been agreed upon with contractors.

5.8 Outstanding Loans

Government has taken loans from international organisations and has advanced these to statutory and other bodies. As of 31 December 2011, the outstanding loans due by these bodies to government totalled some Rs. 7.1 billion as shown in Table 5-15.

Table 5-15 Outstanding Loans due to Government

Granted to	Amount outstanding as of 31 December 2011 Rs
Statutory Bodies	**6,146,679,075**
Other Bodies	
Development Bank of Mauritius Ltd	263,628,448
Mauritius Housing Company Ltd	23,347,062
Bus Companies	4,460,006
Ex Mauritius Cooperative Central Bank	81,308,000
National Housing Development Co. Ltd	202,579,636
Business Parks of Mauritius Ltd	247,504,283
BPML Freeport Services Ltd	167,378,708
Sub total	**990,206,143**
Private Individuals	
Repatriation Expenses	1,119,766
Small Scale Industries	185,242
Sub total	**1,305,008**
Total	**7,138,190,225**

As shown in Table 5-16, some 2.59 billion were in arrears. Out of this amount, Rs 1.52 billion represented principal in arrears while the remaining balance constituted accumulated interest of Rs 1.07 billion.

Table 5-16 Arrears of Capital and Interest as of 31 December 2011

	Organisation	Principal-Arrears Rs	Interest – Arrears Rs	Total Rs	Remarks
1	Mauritius Meat Authority	5,669,085	-	5,669,085	No repayment
2	Irrigation Authority	216,279,686	141,234,986	357,514,672	No repayment
3	National Transport Corporation	154,071,448	228,666,879	382,738,327	Monthly payment of Rs 10,000 only since Jan. 2000
4	Small Scale Industries	185,242	864,765	1,050,007	No repayment made since 1993/1994
5	Ex. M.C.C.B Ltd:	24,608,000	47,160,180	71,768,180	No repayment made since 1996/1997
6	Rose-Belle Sugar Estate	70,885,890	70,701,451	141,587,341	No repayment made since 2002/2003
7	Bus Company	4,460,006	-	4,460,006	No repayment made since 1995/1996
8	Industrial and Vocational Training Board	72,977,540	27,180,167	100,157,707	Insufficient repayments
9	BPML Freeport Services Ltd	167,378,708	70,745,153	238,123,861	No repayment
10	Agricultural Marketing Board	7,762,344	5,289,300	13,051,643	No repayment made since 2007/2008
11	Central Electricity Board	180,941,644	200,221,649	381,163,293	Insufficient repayments
12	Central Water Authority	387,438,114	196,424,146	583,862,260	Insufficient repayments
13	Business Parks of Mauritius Limited	208,688,239	86,541,358	295,229,597	Irregular repayments
14	National Housing Development Company	20,862,513	-	20,862,513	Insufficient repayments
	Total	**1,522,208,459**	**1,075,030,033**	**2,597,238,492**	

While Government was paying back the loans it contracted from the international organisations to advance to the local entities, the above respective local entities did not, in turn, refund to government the amount due by them in respect of their arrears.

The financial performance over the last five years up to 2010 of those entities is shown in Table 5-17.

Table 5-17 Financial Performance over the last five years

		Profit/(Loss)				
	Organisation / Year	**2006 Rs**	**2007 Rs**	**2008 Rs**	**2009 Rs**	**2010 Rs**
1	Mauritius Meat Authority	(3,827,692)	(5,881,435)	3,459,745	1,760,673	(922,627)
2	Irrigation Authority	(24,969,469)	N/A	N/A	N/A	N/A
3	National Transport Corporation	42,645,973	23,334,341	(97,474,982)	(103,740,942)	(114,594,963)
4	Small Scale Industries	N/A	N/A	N/A	N/A	N/A
5	Ex. M.C.C.B Ltd:	In liquidation				
6	Rose-Belle Sugar Estate	54,434,031	152,947,780	8,756,219	(5,397,263)	N/A
7	Bus Company	N/A	8,024,482	10,178,174	10,556,322	34,561,767
8	BPML Freeport Services Ltd	4,054,182	1,303,381	2,407,086	7,703,518	5,347,203
9	Industrial & Vocational Training Board	(31,009,956)	(23,420,835)	4,069,063	(37,228,862)	Taken over by MITD
10	Agricultural Marketing Board	(36,666,889)	(55,652,544)	92,204,848	22,303,945	15,578,659
11	Central Electricity Board	(1,051,230,329)	(156,800,652)	380,818,357	1,034,538,640	908,640,839
12	Central Water Authority	(129,781)	(59,172)	63,587,000	(134,350,000)	(81,311,000)
13	Business Parks of Mauritius Ltd	(168,016,378)	(51,245,207)	58,628,544	55,746,182	102,377,336
14	NHDC Ltd	2,660,399	30,735,480	2,086,473	39,455,523	44,573,908

N/A Not Available

5.8.1 Entities not making any payment

Entities making losses

The first five local entities shown in Table 2 which owed some Rs 818 million have not paid their loans since 1997 and prior. There are no indications that these organisations would be in a position to repay their loans in view of the fact that they are loss making entities or have ceased operations. Details are given below:

- The Mauritius Meat Authority (MMA) and Irrigation Authority are partly financed by government grants. Irrigation Authority, which owed some Rs 357 million, has benefitted from recurrent and capital government grants of Rs 375 million and 16 million respectively during last five and a half years and made a loss of Rs. 24 million during the year 2006. Subsequent accounts of the Irrigation Authority were not available. The respective grants to MMA, which owed Rs 5.6 million, were Rs 27 million and Rs 31 million during the last five and a half years period. The MMA made a net loss of Rs 5.4 million during the last five years up to 2010. These data indicate that, if ever these debts are to be repaid, funds would have to come from government itself, in the form of grants.

- The National Transport Corporation, which had debt arrears of Rs 382 million, is facing financial difficulties and has made losses of Rs 315 million over the last three years up to 2010.

- The ex-MCCB Ltd which had debts of Rs 71 million is under winding up process since April 1996.

Entities making profit

There were also profit-making entities among those making no repayment. These entities have the capacity to repay their loans.

- The loan arrears of Rose Belle Sugar Estate amounted to Rs 141 million. Although it has made total net profits of Rs 210 million from 2006 to 2009, it has made no repayments since 2003.

- The bus company which owed Rs 4.46 million has made no repayment since 1995-96. We note that it has made profits of some Rs 63 million during the past five years.

- Although the Agricultural Marketing Board has made profits of some Rs 130 million during the past three years, it has not made any repayment since 2007-08 and has arrears of Rs 13 million.

- BPML Freeport Services made profits of some Rs 20 million over the last five years, but has an aggregate outstanding loan amounting to Rs 238 million and has made no repayment.

5.8.2 Entities making irregular payments

Industrial and Vocational Training Board (IVTB), Central Electricity Board (CEB), Central Water Authority, Business Parks of Mauritius Limited (BPML) and National Housing Development Company (NHDC) which owed a total amount of Rs 1.38 billion have been making irregular payments. Of these entities, CEB and NHDC have made profits of Rs 2.32 billion and Rs 119 million during the last three and five years respectively. BPML made profits of some 216 million during the last three years.

The loans of IVTB have been taken over by the Mauritius Institute of Training and Development (MITD) and the latter has started making repayments in 2011.

Ministry's reply

The NHDC has repaid all its capital and interest in arrears in May 2012 and the CEB has agreed to clear all its arrears by the end of this year. The BPML Ltd and BPML Freeport Services Ltd have made a proposal to reschedule their loan capital. The Ministry is also discussing with them so that they could repay the interest in arrears before the end of 2012. This Ministry is also constantly monitoring Public Enterprises to ensure that organizations which have reported profits and have no liquidity problem repay their arrears.

In addition, with a view to improving Public Enterprise performance, the Office of Public Sector Governance has been entrusted with the responsibility of assisting Public Enterprises that are not performing well to prepare restructuring plans to return to financial sustainability within an agreed time frame.

5.9 Arrears of Revenue

The Arrears of Revenue due to the Government as of 31 December 2011 were Rs 6,558,064,756.

Table 5-18 shows arrears of revenue for the five fiscal years to 31 December 2011.

Table 5-18 Arrears of Revenue

Fiscal Period ending	**Rs**
30.06.2008	5,966,673,913
30.06.2009	6,220,316,277
31.12.2009	6,652,073,882
31.12.2010	6,505,963,032
31.12.2011	6,558,064,756

The total arrears included many outstanding amounts due to Government since a very long time and represented time barred debts that could be considered as irrecoverable.

5.9.1 The Treasury – Rs 2,607,407,437

The figure included total arrears of loan capital instalments of Rs 1,522,208,458 and interest of Rs 1,075,030,033 as of 31 December 2011 owed by eight statutory bodies and seven private bodies or groups of private bodies.

5.9.2 Age list of Debtors

Table 5-19 shows an aged list of the debtors making up the arrears figure of Rs 6,558,064,756 as of 31 December 2011.

In a number of cases, totalling Rs 32,396,497, it had not been possible to correctly identify the age of the debtors. These have been classified as “unallocated”.

Table 5-18 denotes that arrears were constantly increasing. Table 5-19 shows that arrears prior to 2010 and unallocated arrears amounted to Rs 4,293,583,342. These arrears which are over one year old represent 65 per cent of the total arrears of Rs 6,558,064,756. Hence, the measures to recover the sums due from the debtors should be strengthened and enforced by the respective Ministries/Departments.

Table 5-19 Aged List of Debtors as of 31 December 2011

Ministries / Departments	Prior to 2010 Rs	2010 Rs	2011 Rs	Unallocated Rs	Total Debtors As of 31.12.11 Rs
Income Tax (Including Large Taxpayer)	995,723,725	249,640,612	145,139,756	-	1,390,504,093
Value Added Tax	663,431,627	275,990,231	384,355,143	-	1,323,777,001
Customs & Excise	-	-	320,725	14,965,494	15,286,219
Gaming	74,204,001	1,085,520	4,077,600	-	79,367,121
Sales Tax	5,120,258	-	-	-	5,120,258
Civil Aviation	22,269,128	1,307,905	22,161,863	-	45,738,895
Industry (Commerce Division)	67,356	19,061	78,367	-	164,784
Public Infrastructure (Land Transport Div.)	21,230	-	-	-	21,230
Fire Services	474,697	-	-		474,697
The Treasury	1,910,884,048	344,098,695	352,424,693	-	2,607,407,437
Registrar- General	181,028,355	14,733,798	17,401,183	-	213,163,336
Housing and Lands	30,267,412	36,401,446	289,159,315	-	355,828,173
Companies Division	274,423,188	24,796,711	24,105,844	-	323,325,743
Education & Human Resources	40,250	-	-	-	40,250
Social Security, NS & RI	-	-	-	2,507,325	2,507,325
Agro Industry & Food Security	16,962	2,325	209,487	6,106,547	6,335,321
Tourism & Leisure	265,000	-	291,474	-	556,474
Public Infrastructure	7,550	-	186,261	-	193,811
Renewable Energy & Public Utilities	20,664,735	-	-	-	20,664,735
Health and Quality of Life	38,400	-	3,371,430	7,603,986	11,013,817
Police Force	-	-	325,627	1,213,144	1,538,771
Local Govt. Rodrigues & Outer Islands	235,620	-	10,000	-	245,620
Prime Minister's Office (Home Affairs)	3,496,000	-	-	-	3,496,000
Public Infrastructure (Shipping Div)	206,548	34,207	102,622	-	343,377
NTA	17,475,000	5,397,000	2,638,000	-	25,510,000
National Audit Office	-	-	922,500	-	922,500
Attorney General's Office	78,130	269,460	248,295	-	595,885
Industrial Court	149,350	-	105,500	-	254,850
Intermediate Criminal Court	13,079,623	6,502,800	28,080,650	-	47,663,073
Judicial Courts	47,518,653	15,015,724	13,469,583	-	76,003,960
Total	**4,261,186,845**	**975,295,496**	**1,289,185,917**	**32,396,497**	**6,558,064,756**

6 - THE JUDICIARY

6.1 Arrears of Revenue: Rs 123 million

With reference to paragraph 8.3 of the Audit Report for the year ended 31 December 2010, management of arrears of revenue of the Judiciary has not improved. As of 31 December 2011, arrears figure amounted to some Rs 122.9 million against Rs 90.9 million for the year 2010. This increase in the arrears of revenue relates mainly to the Intermediate Court and the Port Louis District Courts, as in Table 6-1.

Table 6-1 Arrears of Revenue

Courts	Debtors at 31 December 2010 Rs	Debtors at 31 December 2011 Rs
Port Louis District Court II	5,776,994	4,593,498
Port Louis District Court III	27,378,004	51,771,355
Intermediate Court	35,837,901	47,663,073
Industrial Court	233,550	254,850
	69,226,449	**104,282,776**
Other nine District Courts	21,679,555	18,639,006
Total	**90,906,004**	**122,921,782**

Source: Statement of Arrears

6.1.1 Revenue: Court fees due by Attorney at Law

Court fees due by Private Attorneys for amount short paid in respect of court fees for plea and putting up appearances in court cases lodged, totalling some Rs 1.5 million at 31 December 2011, are not reported as arrears of revenue of the Judiciary. Of this amount, Rs 1.2 million relate to cases dealt at the Supreme Court.

Appropriate action is not being taken to recover the long outstanding debts. Occasional reminders sent to the Private Attorneys have proven effective, only in respect of recently created debts.

6.1.2 Analysis of statement of arrears and Debt recovery process

The arrears of revenue at 31 December 2011 are analysed as follows*:*

Due by	**Rs million**
Individuals	73.4
Companies	49.5
Total	**122.9**

Nearly Rs 61.6 million of the arrears at 31 December 2011 were overdue for more than two years. Of this amount, Rs 23.7 million relate to 'Individuals' while 'Companies' account for the remaining Rs 37.9 million.

Action taken to recover these long outstanding debts namely through the issue of 'arrest warrants' to be executed by the Police Department, has not proved to be very effective:

- Regular feedbacks are not received from the Police Department regarding the current status of 'issued arrest warrants'.
- There is undue delay by the Police Department to act on warrants issued by District Courts.
- There is inadequate follow up by some District Courts on 'arrest warrants issued'.

Recommendation

To improve the debt recovery process:

- Courts should monitor the recovery of arrears on a monthly basis, instead of the usual semester basis. They should also prepare and submit quarterly reports on updated status of the statement of arrears.
- The Police Department should be asked to act more promptly on 'issued arrest warrants' and to provide regular feedback on 'executed arrest warrants'.

Management Reply

- Most of the debtor companies have been referred to court after initiation of procedures at the Companies Division to strike out their names from the register of companies, which means that after the companies have ceased operation. The companies are assetless so that warrants to levy issued have remained unexecuted. Applications for authority to write off the outstanding fines and costs have been made.
- Arrears of Revenue from Private Attorneys will be reported by all Courts as from end of June 2012.

7 - PRIME MINISTER'S OFFICE

Police Department

7.1 Provisions and Stores - Rs 55 million

The Police Catering Stores fall under the responsibility of the Manager Warehousing who is assisted by an Assistant Manager Procurement and Supply, a Procurement and Supply Officer and six Assistant Procurement and Supply Officers. During the year 2011, a total amount of Rs 55 million was spent on foodstuffs delivered to the four Catering Stores.

Observations

- The value of foodstuffs which transited through the Special Mobile Force stores amounted to some Rs 23 million in year 2011. However as of May 2012, receipts of foodstuffs were not recorded in the Catering Stores ledgers since January 2011, which is more than one year back. Further, the last entries for issues dated May 2010, that is, some two years ago.

- At the Main Catering Stores at Line Barracks, there was a backlog of six months in postings in ledgers.

- Given that the stores ledgers were not updated, no physical surveys could be carried out at both stores since long.

- In view of the above, no proper control was being exercised over the receipts and issues of foodstuffs worth millions of rupees.

Implication

The risk of irregularities in respect of receipts/issues of foodstuffs cannot be ignored.

Recommendation

The store records must be updated so as to exercise proper control over the receipts and issues of provisions.

Department's Reply

The delay in posting is being attributed to a lack of manpower at the Police Catering Stores.

Tasks have been reallocated with a view to catch up with the backlogs in posting.

7.2 Procurement of Uniforms and Accessories - Rs 33.5 million

Each year provisions are made in the budget for the procurement of uniforms for the Police force. During year 2011, the Police Department disbursed a sum of Rs 33.5 million on this item.

Observations

- Despite the availability of funds, the uniform requirements were not met, as purchases were not timely effected. Consequently, total expenditure incurred on uniforms was well below the estimates.

- It must be pointed out that even after reallocation, material amount of funds remained unspent at year end. This situation also prevailed in the previous year. Funds totaling Rs 40.5 million have therefore not been utilised for years 2010 and 2011 as shown in the Table 7-1.

Table 7-1 Funds Unspent for Years 2010 and 2011

Financial Year	Original Estimates	Revised Estimates	Actual Expenditure Rs	Amount unspent Rs
2010	69,308,000	64,213,000	36,478,055	27,734,945
2011	67,311,000	46,278,000	33,493,457	12,784,543
Total	**136,619,000**	**110,491,000**	**69,971,512**	**40,519,488**

- The lengthy delay in finalizing procurement is the main reason for non utilization of funds. Such delay was noted in the procurement of shoes (Q 1 of 2010), Caps and naval caps (Q 90 of 2011), readymade uniforms for SMF (Q74 of 2010), ready made uniforms for Police Department (Q 12 of 2011) and confection of trousers (Q 154 of 2011).

- Procurement procedures initiated in one year were not finalized in the same year.

- The lack of proper specifications has delayed the tender exercises. Specifications had to be redrafted due to errors, omissions or ambiguity. Tenders even had to be cancelled and fresh ones launched.

- The time taken for the evaluation of bids also hampered the tender process, examples being the procurement of shoes, caps, naval caps and beret and supply of readymade uniforms for SMF.

Recommendation

The Police Department should review its procurement system and consider setting a time frame for each stage in the tender process. It is crucial to prepare proper specifications right from the start. There is also need to coordinate funds disbursement with procurement procedures as funds lapsed when these are not finalized at year-end.

Department's Reply

- The entitlement of uniforms and accessories is only indicative and that specifications for Police uniforms are highly technical.

- The bidding process for the procurement of uniforms is a very lengthy one and often bids received do not meet technical specifications.

7.3 Purchase of Smoke and Sound Level Meters - Rs 6.1 million

In order to curb down the pollution problems caused by vehicles and to enforce the Road Traffic (Control of Vehicular Emissions) Regulations 2002 and its amended Regulations 2010, the Ministry of Environment & Sustainable Development (MOE) funded the procurement of smoke meters and sound level meters to be used by the Police Department and the National Transport Authority (NTA).

The Police Department awarded the contract for eleven smoke meters and ten sound level meters for the total sum of Rs 6.1 million inclusive of an amount of Rs 1.7 million in respect of training cost. Both meters were delivered in October 2011 and payments were effected by December 2011.

Observations

- No proper planning was carried out by the MOE prior to the acquisition of these equipment. It was only after delivery that it was decided how these meters would be distributed among the different users of the Police Department and the NTA.

- On 17 October 2011, five smoke meters were delivered to the Emergency Response Services Unit. Some 125 Police Officers posted there were trained but the equipment was not put to use due to the nature of their work and these were ultimately returned to Stores.

- Eight smoke meters and eight sound level meters were then allocated to the Traffic Branch Unit, Police de L'Environment, Rodrigues and NTA. The remaining meters were lying idle at the Police stores at time of audit, in February 2012.

7.4 Training on Smoke Meters- Rs 1.7 million

Three Police Officers and two Officers from the Ministry of Public Infrastructure (MPI) followed a five-day training course on smoke meters in England.

Observations

The trainers of MPI were to train the NTA officers on the smoke meters allotted to them since November 2011. However, as of February 2012, no such training was conducted and hence, the two equipment were lying idle there while five months warranty has already lapsed without these being put to use.

7.5 Use of Sound Level Meters

The sound level meters were to be used on two wheelers. Despite efforts of the Police Officers, these were being minimally used. It was reported that the utilization of this equipment was highly technical and several problems were being encountered, namely:

- Difficulty to establish contravention as the majority of two wheelers was either not equipped with an odometer or had faulty ones.
- The noise test was too lengthy and this had an impact on the fuel consumption of the vehicle being tested.
- These meters were meant to effect tests on motor/auto cycles with odometers of European standards and as such, could not be used on those of China origin.
- Discrepancy in the 60 per cent acceleration test on motorcycles whereby the reading of the tachometer of motorcycles and that programmed on the sound level meter was different.
- Testing was subsequently effected on two motorcycles at the Traffic Branch, but the results were erroneous in both attempts. The Police Department has actually requested the MOE to set up a technical committee to look into the matter for proper follow up.

Department's Reply

- The specifications of the smoke and sound level meters were worked out by the MOE.
- There are some technical problems with the sound level meters.
- There are legal discrepancies regarding the authorized level of sound emission in the Road Traffic (Control of vehicles Emission) Regulation 2002 and the Road Traffic (Construction and use of vehicles) Regulation 2010.

7.6 Abuse/Lack of Control over Police Vehicles

The Pay Research Bureau Report makes it clear that officers enjoying duty free facilities and travelling allowances should compulsorily use their car for official travelling except in very exceptional circumstances.

The NAO has since long adversely commented on the abuse in the use of Government vehicles.

In 2010, on the request of the Commissioner of Police, the Internal Audit Section carried out a special assignment on the abuse of Government vehicles by the Police Force. The main findings were as follows:

- Several Police Officers were claiming travelling allowances although they made use of police vehicles.

- Log books were not properly kept as relevant information was not recorded. Distances covered were excessive in many cases.

In 2011 another investigation was carried out by the Internal Audit Section in respect of use of vehicles by two high ranking officers. The investigation revealed that the high ranking officers were using Government vehicles for their conveyance at different sites or for official trips contrary to Pay Research Bureau Report 2008 which stipulates that they should compulsorily use their car for official travelling whenever required.

One high ranking Officer has been interdicted while the other Police Officers have refunded the travelling allowances.

During the period under review, NAO focused on the use of cars and double cabs to ensure that control has been enhanced on their utilization. A sample of 52 cars and 43 jeeps was selected for verification.

Observations

- Officers in the grade of Assistant Commissioner Police, Superintendent of Police and Assistant Superintendent of Police were still making use of police vehicles attached to their respective unit to discharge their duties, while benefiting from duty free remission cars and drawing PRB travelling allowances. Some of these officers were using the vehicles extensively, ranging from 1,000 to 2,000 kilometers monthly.

- Log books were still not properly maintained. Reasons for journey were vaguely defined as patrol, duty and conveyance.

- The average fuel consumption returns were not used as a management tool for investigating cases of high consumption and taking corrective measures. A scrutiny of these returns showed many cases of large variances for the same vehicle for the quarterly average fuel consumption ending 31 December 2011. There were also abnormal variances for several vehicles of the same make and capacity.

In view of the above, there is still no marked improvement in the control over Police vehicles.

Recommendations

- The Police Department must issue police orders to reiterate proper use of vehicles and emphasize on disciplinary measures to be taken in case of default.

- Officers benefiting from travel grant or commuted travelling allowances should use their car for official travelling whenever required in line with PRB regulations.

- Log books should be properly maintained with all relevant information. Reasons for effecting trips should be elaborated instead of the usual practice of inserting patrol, duty or conveyance.

- The fuel consumption returns should be used to detect large and abnormal variances and take appropriate corrective action.

Department's Reply

Action would be taken to issue orders on the proper usage of vehicles and to claim refund of travelling allowances from the above mentioned officers.

Mauritius Prisons Services

7.7 Melrose Prison Project

At paragraph 20.8 of the Audit Report for the year ended 31 December 2010, mention was made that the contract for the construction of the Melrose Prison was awarded on 9 August 2010 to a private Contractor for the sum of Rs 1,491,686,781. The Contract Agreement was signed on 20 September 2010, on which date works also started.

7.7.1 Project Status

As of end of December 2011, the overall progress of works was reported to be 46 per cent instead of 50 per cent as planned. The delay was attributed to, among others, cavities found during excavation, insufficient labour force on site particularly up to February 2011, changes in design in security wall, structural and design changes brought about to cell blocks, dormitory blocks, kitchen, etc, adverse weather, and delay on the part of the Contractor regarding the fixing of security bars.

7.7.2 Additional Works

As of mid October 2011, the cost estimates for approved additional works in relation to security enhancements totalled Rs 178,506,834. This amount would be incurred over and above the original contract sum and would represent an increase in project value.

7.7.3 Extension of Time

On 7 October 2011, the Contractor applied for extension of time of 5.8 months on account of the variation orders and of delays on the part of the Consultants in giving appropriate instructions and in producing relevant drawings. Five days extension of time has been granted so far pending proper justifications being provided by the Contractor.

Rodrigues Regional Assembly

Annual Financial Statements

7.8 Introduction

The Finance and Audit Act, as amended by the Rodrigues Regional Assembly (RRA) 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 statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

The accounts of the RRA for the fiscal year ended 31 December 2011 were closed on 1 March 2012 and the approved statements were submitted to the National Audit Office on 26 March 2012.

The financial statements of the 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 the 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 only used to the extent and for the purpose intended by the National Assembly and value for money is obtained in the use of resources; and

- The safe custody of assets and stores.

The draft estimates, for the fiscal year ended 31 December 2011, were approved by the Regional Assembly on 24 September 2010.They were submitted to the Minister on 30 September 2010 and approved by Government on 19 November 2010. Amended estimates were circulated to the Regional Assembly on 15 February 2011.

7.9 Programme Based Budgeting.

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

As of March 2012, a progress report on performance was under preparation by the different Commissions. 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 required by the Regional Assembly.

7.10 Statement of Assets and Liabilities of the Rodrigues Regional Assembly

Assets and liabilities of the RRA for the past three fiscal periods are shown in Table 7-2

Table 7-2 Assets and Liabilities for the past three fiscal periods

	July-Dec 09 Rs	2010 Rs	2011 Rs
Assets			
Cash and Bank balances	34,498,782	34,312,270	57,072,539
Advances	24,767,873	20,492,079	35,196,436
Total	**59,266,655**	**54,804,349**	**92,268,,776**
Liabilities			
Consolidated Fund	1,108,747*	9,877,792	13,940,916
Deposits	32,759,132	23,485,539	42,484,297
Loan from Government of Mauritius	25,398,776	21,441,018	35,843,762
Total	**59,266,655**	**54,804,349**	**92,268,975**

* *The Capital Fund was abolished wef 1 January 2010 and the balance of Rs 756,850 was transferred to the Consolidated Fund.*

As mentioned earlier, the accounts of the RRA are prepared on a cash basis. Non-current and current assets and liabilities such as pension liabilities and passage benefits are therefore not disclosed in the Statement of Assets and Liabilities.

7.10.1 Advances - Rs 35,196,436.

This represents amount outstanding on motorcar and motorcycle loans as of 31 December 2011. Details are given in Table 7-3.

Table 7-3 Advances as of 31 December 2011

Details	**Amount Rs**
Advances to RRA Members	3,907,700
Motorcar Loans to RRA Officers	12,106,388
Motorcycle Loans to RRA Officers	4,508,548
Advance - Fibre Glass Boats	14,585,000
Advance - Personal	88,800
Total	**35,196,436**

Some Rs 14,585,000 were advanced to five Cooperative Societies (Rs 2,917,000 for each society) in December 2011 for the supply of five fibre glass boats. Loan agreements were signed between RRA and the five Cooperative Societies totalling Rs 13,207,750 instead of Rs 14,585,000.

Agreements in respect of the difference of Rs 1,377,250 (Rs 14,585,000 less Rs 13,207,750), that is Rs 275,450 due by each Society representing the cost of "Argos brackets" and fishing vessel trackers supplied to them in December 2011, were not yet signed as of mid March 2012. Further, the loans have not yet been secured by an inscription of a fixed/ floating charge on the Societies in favour of the RRA as required under the contract agreement.

RRA's Reply

Regarding the advances made to the Cooperative Societies, another agreement to the tune of Rs 275,450 between the RRA and each of the five societies is being signed and action is being taken to secure the loans.

7.10.1 Deposits – Rs 42,484,297.

This figure represents total balances of various deposits held at the RRA and includes an amount of Rs 11,491,655 the correctness of which could not be ascertained as it was not supported by a list of individual balances as of 31 December 2011. Those deposits which remained unclaimed for more than five years should be transferred to revenue.

RRA's Reply

A detailed list is being prepared and the outstanding amounts which are more than five years will be transferred to revenue.

7.11 Abstract Account of Revenue and Expenditure of Rodrigues Consolidated Fund

Revenue for the fiscal year ended 31 December 2011 amounted to Rs 1,692,583,231, that is, Rs 1,667,029,399 being government contributions and Rs 25,553,832 being revenue collected by the RRA. The grant received from Government exceeded the budgeted amount by Rs 63,029,399.

Revenue collected by the RRA for the fiscal year ended 31 December 2011 represents 1.51 per cent of the total expenditure. Hence, the total expenditure of the RRA was almost wholly financed from Government contribution.

7.11.1 Expenditure

Total expenditure over the past three fiscal periods is shown in Table 7-4.

Table 7-4 Total expenditure for the Past Three Fiscal Periods

Fiscal Period	Total Expenditure Rs
July to December 2009	805,572,258
2010	1,607,732,416
2011	1,688,520,107

Total expenditure incurred amounted to Rs 1,688,520,107 and exceeded the budgeted amount of Rs 1,624,000,000 by Rs 64,520,107. The additional expenditure was financed from the Contingencies Fund.

7.12 Detailed Statement of Revenue of Rodrigues Consolidated Fund

In January 2011, the RRA signed a Memorandum of Understanding (MOU) with Rodrigues Housing and Property Development Company Ltd, a private company set up by the RRA and incorporated in January 2010. According to the MOU, the company has been entrusted with the management of several vested RRA properties such as market stalls in Port Mathurin, La Ferme, Mont Lubin and Petit Gabriel, stalls/kiosks at Alfred Coombes Building, snacks at Port Mathurin Bus Terminal and Government Quarters. The company has also been entrusted with the management of the new market at Port Mathurin as well as rental of RRA housing units. Accordingly, the company was collecting and keeping the revenue relating to the rental of the above assets which totalled Rs 367,905 for the period March to August 2011. This is contrary to Section 42 of the RRA Act which provides that all revenues of the RRA shall be credited to the Rodrigues Consolidated Fund.

RRA's Reply

The Rodrigues Housing and Property Development Co. Ltd has ceased its activities since March 2012 and its responsibilities have been transferred to RRA.

7.13 Statement of Investments

Total investments as of 31 December 2011 amounted to some Rs 42.6 million. These comprise investments in private companies set up by the RRA as detailed in Table 7-5.

Table 7-5 Investments of RRA in Private Companies as of 31 December 2011

Private Company	Date of Incorporation	Total RRA Investment at 31.12.2010 Rs	Investment During the year 2011 Rs	Total RRA Investment at 31.12.2011 Rs
Rodrigues Trading and Marketing Co. Ltd	30.06.2006	4,000,000		4,000,000
Discovery Rodrigues Co. Ltd	15.11.2006	2,000,000		2,000,000
Rodrigues General Fishing Co. Ltd	08.06.2007	4,900,000	1,500,000	6,400,000
Rod Clean Co. Ltd	19.09.2007	10,188,590		10,188,590
Rodrigues Water Co. Ltd	29.10.2007	17,000,000		17,000,000
Rodrigues Housing & Property Development Co Ltd	12.01.2010	3,000,000		3,000,000
Total		**41,088,590**	**1,500,000**	**42,588,590**

A total amount of Rs 1.5 million was invested by RRA in May 2011 in the Rodrigues General Fishing Co. Ltd for the purchase of fishing equipment and materials. A sound business plan/feasibility study establishing its financial sustainability was not submitted contrary to the instructions issued by the Ministry of Finance and Economic Development. The viability of the investment was therefore not determined.

In two other cases, original share certificates were not available, instead, duplicate copies were produced.

7.13.1 Return on Investment

The RRA has so far not received any dividend from investments made in the six private companies incorporated since 2006.

RRA Companies General Fund.

Regulation 23 of the Investment Management Regulations made by the RRA in 2008 provides that the RRA shall establish a RRA Companies General Fund:

- into which all dividends or returns received from investments in companies shall be deposited;
- out of which shall be paid all grants and advances to companies under which the RRA holds investments, and any necessary capital expenditure for companies as may be decided by the Executive Council.

As of March 2012, that is more than three years later, the RRA Companies General Fund has not yet been set up.

RRA's Reply

An audit will be carried out to establish the financial sustainability of the Rodrigues General Fishing Co. Ltd. The original share certificates have not been retrieved.

The establishment of the RRA Companies General Fund will not be necessary as the Executive Council is contemplating the winding of nearly all companies after a proper audit has been made.

7.14 Statement of Arrears of Revenue

The arrears of revenue for the past three fiscal periods are given in Table 7-6.

Table 7-6 Arrears of Revenue for the Past Three Fiscal Periods

Division/Unit	**Jul- Dec2009 Rs**	**2010 Rs**	**2011 Rs**
Fisheries	51,864	57,959	62,661
Judicial	341,930	699,175	926,827
Rental of Government Property	12,357,026	14,247,116	12,247,832
State Land - Old leases		1,469,834	1,469,834
Water Unit	1,464,402	1,608,634	1,772,091
Health and Sanitary		780	1,170
Rental of Snacks/Market Stalls	640,315	594,203	594,203
NHDC Houses	301,280	498,850	545,260
Total	**15,156,817**	**19,176,551**	**17,619,878**

- The total arrears figure for the Rental of Government Property of Rs 12,247,832 did not agree with those generated by the computerised system of Rs 1,422,348. The accuracy of the arrears figure of Rs 12,247,832 as of 31 December 2011, could however not be ascertained. Rent due for the year to year leases of State Land amounting to Rs 1,469,834 was still awaiting write off.

- A 20 years' industrial lease was granted in April 2004 to a hotel promoter that was 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.

- The RRA did not have recourse to legal action for the recovery of arrears for the water rates amounting to Rs 1,772,091, as advised by the Legal Adviser of the RRA in February 2009.

- The collection of arrears of Rs 594,203 in connection with rental of snacks and market stalls has been entrusted to the Rodrigues Housing and Property Development Co Ltd with effect from January 2011, contrary to Section 42 of RRA Act.

RRA's Reply

Regarding the total arrears figure for Rental of Government Property, SIL has been requested to remedy the problem.

Concerning the Industrial lease, the RRA was apprised that the case was set aside by the court due to the winding up of the company.

The RRA is recommending the writing off of all arrears of water rates as it will not be cost effective to sue some 8,000 debtors through civil cases.

7.15 Statement of Losses

Financial Regulations require that where a loss occurs or where a theft or fraud is committed, the facts should be reported, and in cases where the loss, shortage or irregularity has caused prejudice to Government, immediately refer the matter to Police and at the same time set up a departmental Board of Enquiry to situate responsibilities and determine causes thereof. As of March 2012, the outcome of investigation or action taken by RRA were not known in respect of several cases reported prior to 1 January 2011, some dating as far back as 2002.

RRA's Reply

Necessary action is being taken to monitor all cases of losses, shortages and irregularities.

Chief Commissioner's Office

7.16 Investments in Private Companies

7.16.1 Background

At paragraph 24.11 of the Audit Report for the year ended 31 December 2010, I had reported on a number of weaknesses relating to six private companies set up by the Rodrigues Regional Assembly (RRA). Among the weaknesses highlighted in the above report were the following:

- Non-Compliance of the Sections of the Investment Management Regulations and Requirements of the Ministry of Finance and Economic Development (MOFED)
- RRA Companies General Fund which was not yet operational.
- Non-Submission of quarterly reports, financial statements, annual reports and
- Lack of accountability by the private companies.

7.16.2 Disbursements

Although no significant improvements were noted, funds were still being disbursed to the private companies. During the year 2011, an amount of Rs 1.5 million was invested in the form of equity to one company namely Rodrigues General Fishing Co Ltd thereby bringing total investments to Rs 42.5 million as of 31 December 2011.

Operational costs of three companies for the fiscal year 2011 amounting to some Rs 36 million were met from the Consolidated Fund of the RRA. These are the Rodrigues Discovery Co Ltd (Rs 4.7 million), Rod Clean Co Ltd (Rs 18.3 million) and Rodrigues Water Co Ltd (Rs 12.9 million). Payments to the third company were partly financed from revenue amounting to Rs 2 million collected by the RRA. Further, a fourth company, that is, the Rodrigues Housing and Property Development Co Ltd, had met its operational costs from the collection of rent on RRA vested assets, amounting to Rs 365,905.

With regard to Air Rodrigues Co. Ltd which was set up in April 2009, no investment has so far been made by RRA and the company was still not operational.

Since incorporation up to 31 December 2011, the RRA had disbursed an amount of some Rs 85 million to the private companies to enable them to meet their operational costs

7.16.3 Lack of Control over the Investments of the RRA

The RRA Investments Management Regulations (IMR) 2008 which became effective as from 3 January 2009 were made to devise mechanisms for exercising control over the investments of the RRA. However, several of the sections of the IMR, as stated below, were still not being complied with. Thus, the control and monitoring mechanism over the investments was not functioning adequately for effective management and accountability. Since their incorporation, the companies have shown poor financial performance to the extent that over the years, their capital bases were being eroded.

Rodrigues Regional Assembly Companies General Fund

In spite of adverse comments made by this Office since 2010, the RRA Companies General Fund has still not been set up as provided under Section 23 of IMR. No dividend has so far been received from the investments in these companies as none of them have realised any profit to date.

Feasibility Study / Business Plan

Section 3(4) of the IMR stipulates that " while considering the option to invest, the RRA shall evaluate the feasibility and viability of such investments by considering the feasibility study or business plan of such projects;" and Section 3(5) requires that "the Commissioner shall table the business plan of the company in the RRA within a year of the setting up of a company".

- Four out of the six companies have not submitted a feasibility study or business plan. Hence, the feasibility and viability of investments made by RRA have not been determined. Up to now, all the six companies are not self sustainable and will therefore not be in operational existence without the financial support of the RRA.

- Rod Clean Co Ltd has not submitted a business plan as of March 2012 and yet its operating costs totalling some Rs 18 million annually were still being totally met by the RRA since its incorporation in 2007.

Memorandum of Understanding

No Memoranda of Understanding (MOU) between the RRA and two companies, namely the Rodrigues Trading and Marketing Co. Ltd and the Rodrigues General Fishing Co Ltd, were seen. Hence, Section 5(1) of the IMR was not complied with.

Financing and Performance of Companies

According to Section 4 of the IMR, the Executive Council shall decide on the financing of the companies which may be ***either*** by way of investments in the companies through equity participation ***or*** in terms of subsidies and grants where the Executive Council so deems fit. Further, Section 25 (1) stipulates that "the Board of Directors shall ensure that sound financial principles are adhered to and as far as possible the operating costs of the company are covered by the revenues from activities of the company"

Financing was both by means of equity and subsidies/grants but the approval of the Executive Council was not seen in certain cases. The companies continued to incur losses and their operating costs were met through the Consolidated Fund of the RRA.

The Rodrigues General Fishing Co Ltd (Share Capital - Rs 4.9 million). Contrary to the instruction issued by MOFED in September 2009, which mentioned that equity participation is a one off capital participation in a company, an amount of Rs 1.5 million was invested by RRA in fiscal year 2011 as fourth equity participation in the above company since its incorporation in 2007. The approval of the Executive Council was not seen. The investment was treated as "sundry loan" instead of share capital in the accounts. The company made a loss of Rs 250,159 for the fiscal year 2010 and although RRA did not ensure that sound financial and marketing principles were adhered to by management, an amount of Rs 1.5 million was released for paying its outstanding debts and to enable it to continue its operations. It is to be noted that the loss increased to Rs 1,747,708 in 2011, due to the expenses which had trebled from Rs 701,552 to Rs 2,194,273 from the year 2010 to 2011.

Rodrigues Housing and Property Development Co Ltd (Share Capital - Rs 3 million) The above company had made a net loss of Rs 1,167,814 for the fiscal year 2010. In 2011, the company faced severe financial difficulties and it had used the arrears collected amounting to Rs 365,905 from March to August 2011 for rent of vested RRA assets such as kiosks, stalls and market, to finance its recurrent operating expenses.

The capital base of Rs 3 million has been reduced to Rs 1,832,186 as of December 2010. Being given that the company has made a loss during the year 2011, the capital base of the company will be further eroded. Although the company incurred substantial losses since its first year of operation in 2010, the RRA did not carry out any assessment of the financial situation which continued to deteriorate in 2011.

As of March 2012, relevant procedures were being initiated for the removal of the company from the Register of Companies, and for the transfer of the responsibilities entrusted to the company and its assets back to the relevant Commissions .

Rod Clean Co Ltd (Share Capital - Rs 10.2 million). During the fiscal year 2011, income received by the above company amounted to only Rs 20,296 and its recurrent expenditure amounting to some Rs 18.31 million was financed from RRA items " Cleaning Services-Refuse Collection and Embellishment of the Environment". This amount included some Rs 6.6 million to meet the salaries of 60 General Workers which were posted to the company in January 2011 for the embellishment of the Environment. Nevertheless, according to progress reports submitted by the company, no embellishment was so far done as of May 2011.

An amount of Rs 3.5 million including Rs 966,435 representing VAT penalty and interest due, was paid to the Mauritius Revenue Authority out of the item "Protection of the Environment" of the Commission for Public Infrastructure for the period March 2008 to September 2010. The company made a deficit of Rs 1,697,978 in fiscal year 2010.

RRA had up to now no recourse to a bidding exercise for the delivery of cleaning services which were carried out solely by Rod Clean Co Ltd. Had the contract been awarded by RRA on the basis of competitive bids, the cost of services to RRA might have been lower.

Rodrigues Water Co Ltd- (Share Capital - Rs 17 million). As of March 2012, no tariff rates were set up yet as stipulated in "Contrat de Delegation" between the RRA and the Rodrigues Water Co Ltd for operation and management of water supply in Rodrigues and thus RRA had to pay some Rs 12.94 million to the company to meet its costs for the year 2011.

An amount of Rs 2 million being excess revenue of the Consolidated Fund for fiscal year 2011 over the estimates was used to finance the above expenditure since the amount of Rs 11 million provided under the RRA item " Water Distribution" was not sufficient to finance its operating costs. No approval of the Executive Council was seen.

Discovery Rodrigues Ltd (Share Capital - Rs 2 million) Since its incorporation in November 2006, the above company was granted a total amount of Rs 3 million for the development of tourism sites until the latter would be self financing. Share certificates amounting to Rs 2 million were issued to RRA and the difference of Rs 1 million was accounted for as "Advance on Equity" by the company.

According to the financial statements as of 31 December 2010, the company made a deficit of Rs 462,825 and the total assets have decreased from Rs 2,582,525 to Rs 1,484,664 from September 2009 to December 2010. The company is not self financed yet and RRA disbursed an amount of Rs 4,727,420 during the fiscal year 2011 as grant for meeting the company's operational costs.

Hidden Subsidies to Companies

According to the MOFED directives issued in 2008, the RRA should not provide any subsidy directly or indirectly to the companies. The following assets which were utilised by the companies during the fiscal year may be considered as hidden subsidies. The modality of these arrangements were also not in line with Section 5(2) of the IMR which states that " assets owned by the RRA that may be provided to companies for the proper discharge of its functions shall be valued and converted into equivalent shares in the company in favour of the RRA".

- As of March 2011, the Rodrigues General Fishing Co Ltd was operating six vessels owned by the RRA and worth some Rs 15.6 million. No share capital of corresponding value was allotted to the RRA. In August 2011, the Chief Commissioner approved in principle that a vehicle be also put at the disposal of the company. No subsequent documentation was seen regarding the transfer of the asset.

- A Milk Pasteurisation Unit worth Rs 2.2 million purchased by the Commission for Agriculture through the Food Security Fund, was transferred to the Rodrigues Trading and Marketing Co Ltd in June 2011. No shares of corresponding value has yet been issued in favour of RRA.

7.16.4 Reporting

Reporting of Activities

Section 15 of the IMR requires the Board of Directors to regularly keep the Commission informed of its major decisions as well as the activities of the company by submitting quarterly reports of activities and performances, including financial results to the Commission and subsequently to the Executive Council.

The above reports for the year 2011 for Rodrigues Trading and Marketing Co Ltd and for Rodrigues General Fishing Co Ltd were however not submitted, nor were three quarterly reports for Discovery Rodrigues Co Ltd.

Annual Report

Section 20 of the IMR requires the Board of Directors to publish a report, including the audited accounts, in relation to the company's functions, activities, affairs and financial position in respect of the previous financial year to the Commissioner who shall lay it on the table of the Assembly, not later than 6 months after the end of every financial year. Two companies have not submitted their annual reports and four companies had not done so within the statutory time limit.

Appointment of Auditors

Appointment and terms of engagement (including performance evaluation of the companies) of the Auditors of the companies were again not available at the RRA. Hence, it could not be ascertained that the provisions of the IMR and Companies Act were complied with. Further, according to the grant memorandum signed with Rodrigues Discovery Co Ltd in July 2008, the Director of Audit was to be appointed as Auditor. However, no formal offer to act as Auditor was sent to this Office.

7.16.5 Policy of Transparency and Good Governance and The Power of Board Directors

Section 25(2) of the IMR stipulates that in the exercise of its functions, the company shall adopt and follow a policy of transparency and good governance.

No manpower assessment was made to justify the recruitment of 60 General Workers by Rod Clean Co Ltd. Their annual salaries totalled some Rs 6.6 million.

The RRA took more than a year to define the objectives and outputs on the Rodrigues Housing and Property Development Co Ltd as the MOU between the Commission for Infrastructure and the company was signed in January 2011, after one year of its incorporation. At that time , the RRA and the company had not yet agreed on the outputs to be achieved and the relevant performance indicators.

For good governance, an annual report issued under the Companies Act 2001 shall include, or shall be appended to it, a statement which acknowledges the directors' responsibilities for internal control and describes the methods by which this responsibility is discharged. No such statement was made in the annual report submitted by the companies.

To ensure the independence of the Board and for companies to function objectively, the directors of companies must not be in a situation of actual or perceived conflicts of interests and must disclose potential conflicts to the Board. It was noted that the Officer in Charge of the Commission for Agriculture was also the Chairman of the Rodrigues Trading and Marketing Co Ltd, which falls under the purview of that Commission. Further, one of the Directors of the same company is from the Finance Section. This might create situation of conflict of interest.

Contrary to Section 16(1) of the IMR, the approval of the Executive Council was not seen in respect of the sale of one printer and transfer of three staff by Rodrigues Housing and Property Development Co Ltd to Rod Clean Co Ltd.

7.16.6 Statement of Output and Performance Measures

As per Section 26 (2) (b) of the RRA Act, the RRA can enter into contracts for the efficient discharge of its functions. In order to ensure the use of its limited financial resources efficiently to get value for money, and for more efficient execution of its responsibility, the MOU requires that an end of year performance evaluation of the company shall be carried out by an External Auditor/Evaluator. No such evaluation was seen done.

The MOU also requires that companies submit a Statement of Outputs which will be "verified" by performance indicators. The outputs set in the MOU, were not assessed.

Conclusion

In spite of repeated adverse comments from my Office, the private companies did not comply with many of the IMR and the requirements of MOFED, in particular, no RRA Companies General Fund was set up; hence, a lack of control over fund granted by the RRA to the private companies.

The review of the performance of the companies has shown that the companies are not self sustainable financially. The activities of the companies and their funding were not closely monitored. Sound financial principles were not adhered to. Corporate policies such as transparency and good governance were also not followed. There was still a lack of accountability.

Funds to the tune of some Rs 85 million disbursed by the RRA to the companies were not used to finance equity or increase the equity capital but to meet their operational costs. The companies were benefitting from the use of RRA's assets for which no corresponding share capital was issued. These represent hidden subsidies to the companies.

Recommendations

In view of the fact that the RRA has continuously injected significant funds in the private companies since 2006 and up to now all the companies, except one are not self financing and sustainable, the RRA should seriously consider winding up these companies.

No fund should be released to companies unless there are strong and justified grounds to do so and that the companies do strictly comply with the IMR and the requirements of MOFED.

7.17 Project for a Housing and Cadastral Survey in Rodrigues – Consultancy Services – Rs 35.2 million

7.17.1 Background

The Rodrigues Island has a surface area of 110 square kilometers. The island covers some 10,800 hectares of land of which about 90 per cent is state-owned and the remaining 10 per cent being privately owned.

The objective of the project for a Housing and Cadastral Survey in Rodrigues was to identify each and every lot of State Land and to attribute each housing unit with a single PIN code under a single digital Cadastral System. As the Cadastral Office had a limited number of Land Surveyors, tenders for the Consultancy services for a Housing and Cadastral Survey in Rodrigues were invited from Consultancy firms or Joint Venture of Firms of Sworn Land Surveyors.

The project was divided into four phases and its objectives were to set up a fully digitalized cadastral system and housing database for land use, management, control, administration, planning and development in Rodrigues towards economic, social and environmental sustainability among others. The Cadastral survey was subdivided into six zones as per the electoral boundaries of Rodrigues.

On completion of the survey, the Cadastral Office was to ensure that Cadastral Information System provides a complete, reliable, computer-based and constantly updated cadastral map for Rodrigues.

7.17.2 Award of Contract to Joint Venture

In April 2006, the contract for the Consultancy services for a Housing and Cadastral survey in Rodrigues was awarded to a Joint Venture for the sum of Rs 27.9 million, inclusive of VAT and a contract agreement was signed in the same month.

7.17.3 Joint Venture Agreement

In view of submission of a joint tender to the RRA, a two years' Joint Venture agreement between three Land Surveyors was made on 16 January 2006. Neither the certificate of incorporation nor the registered copy of the Joint Venture with the Registrar of Companies was made available. The Joint Venture agreement lapsed on 15 January 2008 and was not renewed. No action was taken by the Commission to ensure the validity of the Joint Venture agreement until the finalization of the project. Payments totalling some Rs 23.3 million were made to the Joint Venture from the expiry of agreement till June 2009.

Non compliance of contract conditions

Though certain contract conditions were not complied with by the Joint Venture, no action was initiated by the Commission as mentioned below:

- Contrary to contract agreements, performance bond amounting to Rs 2.4 million instead of Rs 2.7 million valid till 31 December 2008 was submitted. Neither request was made to the Joint Venture to increase the performance bond amounting to Rs 2.7 million nor to represent 10 per cent of the contract price and to renew the same till the completion of the project.

- Cadastral survey was to be completed on 18 July 2008. As of February 2012, that is some 43 months after the contractual completion date, cadastral survey was not completed in all zones. No liquidated damages for delays, contrary to Clause 25 of the contract agreement, were applied.

- Quarterly projects reports and final confidential report, contrary to Clause 2.0 (b) and 2.0 (d) respectively of the terms of reference, were not submitted by the Joint Venture.

- Contrary to Clause 3.6 of the contract, insurance policies such as third party motor vehicle liability insurance with a minimum coverage of Rs 1 million, third party liability insurance with a minimum of Rs 1,500,000 and professional liability insurance with a minimum coverage of not less than the estimated total payments to the Joint Venture among others were not provided by the latter.

Clause Missing in the Contract Documents

Unlike other contracts, no provision was made in the contract documents pertaining to retention money to act as a guarantee in case that the works/services delivered by the Contractor are defective. Though in a meeting in May 2007, the Commission decided to retain 25 per cent of the remaining balance, no amount was retained from the payment certificates of the Joint Venture. As of February 2012, out of Rs 35.2 million, some Rs 34.4 million representing 97 per cent were paid to the Joint Venture although works were not completed in all the six zones.

Increase in Contract Value

The scope of services consisted of a Housing and Cadastral Survey of about 10,000 lots. The initial contract value was some Rs 27.9 million, inclusive of VAT. During the course of survey, 2,734 additional lots were certified and 354 sub-divisions were made by the Joint Venture. The contract value was increased to some Rs 35.2 million representing an increase of some 26 per cent. As of February 2012, some Rs 34.4 million were paid by the Commission.

- Neither was there any approval of the Commission requesting the Joint Venture to survey the additional lots of 2,734 and 354 sub-divisions nor any written agreement between both parties, contrary to Clause 2.6 of the contract agreement, was made.

- A breakdown of the number of lots surveyed in each of the six zones was not produced.

- As per Joint Venture, all works were completed on 28 February 2009. Three months later, that is on 26 May 2009 approval of the Central Procurement Board (CPB) to execute variation works amounting to Rs 7.3 million was sought. Approval of the CPB was obtained on 4 June 2009,.

Implementation of Cadastral Survey

The survey, being of 24 months' duration, started in May 2006 and was to be completed on 2 May 2008. With an extension of time of 11 weeks, the expected completion date was 18 July 2008. Approval of the Commission in respect of the extension of time was not seen.

- Out of the six Zones, cadastral plan for three Zones, i.e 1 to 3 was completed. For the remaining three Zones, i.e 4 to 6, these were completed up to 95 per cent. Last progress report submitted was for the month of February 2009. No action was taken by the Commission requesting the Joint Venture to complete same for these three zones.

- In February 2009, the Joint Venture informed the Commission that due to the fact that the leases on bare land plots were not identified in 51 cases, their respective plans were therefore not finalized. As of February 2012, three years after, no request was made to the Joint Venture to submit the final plans of the 51 bare land plots.

<u>Iron rods/wooden sticks used instead of boundary stones.</u> Prior to approving the claim submitted by the Consultants, a sample of 25 lots was surveyed by the Cadastral Office. Though cases were noted by the Cadastral Office where iron pegs were used by the Joint Venture instead of boundary stones, contrary to Clause 1.3.2 of the terms of reference in the contract agreement, no action was initiated by the Commission requesting the Consultants to replace the iron pegs/wooden sticks by the boundary stones prior to effecting payments nor was any deduction made in that respect.

<u>Boundary stones wrongly fixed by Joint Venture.</u> The location plans submitted by the Joint Venture did not reflect the actual occupation on site. Major discrepancies were noted in the boundary stones fixed by the Joint Venture in replacement of that originally fixed by the Cadastral Office. For instance, at Pointe La Gueule as per location plan submitted by the Joint Venture, the plot of 375 m^2 occupied by a lessee is actually located at the plot of 1,038 m^2 occupied by another lessee. At Lataniers, dimensions and orientation of plot (400 m^2) squatted by a lessee as per location plan differ by more than two metres on site. In the region of Pte L'Herbe, boundary stones were wrongly fixed by the Joint Venture by one to two meters from the boundary stones originally fixed by the Cadastral Office in year 1996. This was causing disputes between neighbours on site.

No request was made to the Joint Venture to remedy these discrepancies nor was any adjustments made by the Commission prior to effecting payments.

Site visits

During site visits made by Officers of the NAO together with a Land Surveyor in March 2012, out of 25 lots visited in the six Zones, discrepancies in 20 lots were noted.

- Boundary stones supplied by the Cadastral Office were not fixed by the Joint Venture in 13 cases;
- In four cases, iron pegs were placed instead of boundary stones;
- In two lots, up to two boundary stones were fixed and iron pegs/wooden sticks were used in replacement of boundary stones; and
- Boundary stones were left with one household for fixing.

Conclusion

The Joint Venture agreement which lapsed in January 2008 was not renewed. Certain contract conditions were not complied by the Joint Venture while no provision for retention money was made in the contract documents. The contract value was increased to Rs 35.2 million due to 2,734 additional lots and 354 sub-divisions. Approval of the variation works was sought well after execution of works. Cadastral survey was not completed in all Zones. In some cases, iron rods and wooden sticks were used instead of boundary stones. Major discrepancies were noted in the location plans submitted by the Joint Venture.

Recommendations

- To safeguard the interests of RRA, the Joint Venture should be requested to renew its agreement to clear all discrepancies and to complete promptly the Cadastral survey in all Zones.
- The Commission should ensure that the Contractor complied with all terms and conditions of the contract.
- All additional works and variation works should be duly approved by the Commission prior to their execution.

7.18 Recruitment of General Workers

7.18.1 Recruitment of Trainees and General Workers

At paragraphs 4.6 and 24.12 of the Audit Reports for the years ended 30 June 2009 and 31 December 2010 respectively, I commented on a number of weaknesses regarding the recruitment of 243 Trainees in 2007 and 250 General Workers in 2010. I reported that the selection was not done in a fair and equitable manner, the placement was not made in line with approved conditions and that the manpower required for the execution of projects was not properly assessed.

In September 2007, 243 registered unemployed people were recruited for placement for a period of one year under the five–year National Resources Rehabilitation Programme as there was an acute shortage of labour. The programme basically aimed at training these people so as to increase their chance of obtaining an employment and to get a minimum income. In September 2008, the placement was renewed for another year up to September 2009 and subsequently, was further extended up to December 2009. The traineeship thus covered a period of 27 months. In June 2009, the Ministry of Finance and Economic Development (MOFED) had stated that "*the RRA shall liaise with the National Empowerment Foundation for alternative schemes for the Unemployed and shall not renew the traineeship of the 243 unemployed*."

During the six- month period to June 2010, these people were not employed by the RRA. In July 2010, however, 234 out of the above 243 Trainees were appointed as General Workers on a temporary month to month basis for a period of one year up to June 2011 for the implementation of various capital projects. An additional 16 other General Workers were also appointed, hence a total of 250. In September 2011, the employment of 248 General Workers, two having already left, was renewed for six months up to December 2011.

In November 2011, their employment was further extended for one year up to December 2012. The placement and employment periods have been extended on several occasions, to cover a period of nearly five years.

7.18.2 No Approval of Executive Council and Non Compliance with PSC Regulations for Renewal of Employment

In July 2010, the 250 General Workers were recruited for a period of 12 months up to June 2011 under delegated power of appointment granted by the Public Service Commission (PSC) to the Acting Island Chief Executive (ICE) in March 2010. In July 2011, the Acting ICE after obtaining the approval of MOFED and the Ministry of Civil Service and Administrative Reforms, conveyed approval to the different Departmental Heads for the renewal of the temporary employment of the General Workers on a month to month basis up to December 2011. The PSC was informed thereof on the same date.

In September 2011, following examination of the budget proposals for the year 2012, MOFED informed the Acting ICE that the contract of the General Workers would be renewed on a month to month basis for the year 2012. It was also stated that the cost was to be contained within the Investment Grant and funding would not be provided for the filling of the vacancies in the grade of General Workers.

In November 2011, the Acting ICE again conveyed approval to the Departmental Heads for the renewal of the employment of the General Workers up to December 2012.
The following were observed.

- The approval of the Executive Council was not seen for the renewal of the 248 General Workers for the period July to December 2011 and for the year 2012.

- The offers of the renewal of employment setting out the period of employment, the salary as well as the terms and conditions for the six months period July to December 2011 and for the year 2012 were not seen issued to the General Workers. The letters of acceptance and the PSC Forms 3 were also not seen. As per the conditions attached to the Instrument for delegation, the ICE is required to report all appointments made by virtue of the above delegation to the PSC

7.18.3 Disbursements by RRA - Rs 30.3 million

During the fiscal year 2011, RRA disbursed Rs 18 million for the payment of salaries to General Workers under two programmes, namely Protection of the Environment (Rs 11.1 million) and Improvement of Food Crop Production (Rs 6.9 million) falling under the Commissions for Public Infrastructure and Agriculture. As of 31 December 2011, total disbursements amounted to some Rs 30.3 million.

Expenditure incurred was not correctly reflected under the programmes of the different Commissions. As of 30 November 2011, 93 workers were posted in the Commission for Public Infrastructure and 71 in the Commission for Agriculture. The remaining 84 workers were deployed at six other Commissions, namely Fisheries (2), Women's Affairs (7), Education(15), Health (22), Youth and Sports(21) and Water Resources (17) but no appropriation was made from the items falling under them.

7.18.4 Duties Performed by the General Workers not related to approved Projects

The situation as previously reported by the NAO, concerning the posting of workers in the different Commissions and duties performed by them has remained the same. Some Workers were still engaged in the cleaning of office premises, dispatching of letters and answering telephone calls while others were carrying out maintenance works at sports and youth infrastructures, community/area health centres and schools. It has to be pointed out that the 248 General Workers were however, employed with effect from 2010 for the implementation of projects, namely

- desilting of dams

- water pipe laying network

- reafforestation

- land and natural resources rehabilitation, pasture development, environment protection works and coastal zone management.

As per their offer of employment issued in June 2010, they were required to perform manual work, such as the collecting, piling of and loading of stones, assist in construction of retaining walls and masonry structures, collection of seeds, tree and grass planting, and desilting of dams. Many of the workers were therefore performing duties which were not at all associated with the approved projects or as those prescribed in the offer of appointment.

With Programme Based Budgeting, budget allocation is made based on the programmes submitted by each Commission, and the outputs and results are linked to the funding. Performance indicators were again not defined for the outputs expected from the programmes.

Hence, it was again not possible to assess to what extent the recruitment of the Trainees/ General Workers has contributed to the efficiency and effectiveness of projects during their five years at the RRA.

Recommendations

The approval of the Executive Council must be obtained regarding the renewal of the employment of the General Workers. Procedures as prescribed by the PSC under the delegation of authority for appointment must be followed.

As of December 2011, some Rs 30.3 million were disbursed for payment of salaries of 250 General Workers/Trainees. The duties performed by them in the different Commissions/Departments of the RRA should be according to approved conditions. Otherwise, necessary authority should be obtained for deviations.

In view of the fact that in September 2011, MOFED has clearly stated that funding would not be provided for the filling of the vacancies in the grade of General Workers, RRA should seriously find a solution regarding the placement/employment of the Trainees/General Workers which has by now covered a period of almost five years.

Commission for Education, Arts & Culture, Fire Services, Prisons and Postal Services

7.19 Projects in the Education Sector

During the year 2011, the Commission disbursed some Rs 48.6 million for implementation of various projects under the programmes “Education Infrastructure Development Project” and “Construction/Extension of Secondary Schools, Equipment and Furniture”. The projects were supervised by a private firm of Consultants.

7.19.1 Financing of Projects and Over Commitment of Funds

With Programme Based Budgeting, budget allocation is based on the programmes submitted by each Commission with predefined outcomes, priority objectives, outputs and performance indicators. A comprehensive list of projects targeted for 2011 together with the estimated costs and implementation dates was however not available. During the year 2011, the Commission undertook eight projects for a total contract value of Rs 112.2 million under the two programmes. Other works estimated at Rs 828,041 were also executed during the year.

Financial Clearance and Funds Availability

Although only Rs 40 million were voted for the year 2011 for the two programmes and there were several projects which were on- going as of December 2010, the Commission did not seek the necessary financial clearance before launching of tenders for two major new projects namely “Construction of a new Secondary School at Terre Rouge” and “Completion of building works at Montagne Charlot Community School” estimated at some Rs 39 million and Rs 22 million respectively.

Contrary to Financial Regulations, no earmarking was done as and when works were entrusted to Contractors. Request for funds availability was also not made to the Finance Section of the Central Administration before launching of bids and award of contracts.

Over Commitment of Funds

A total amount of Rs 40 million was budgeted under the two programmes and Rs 8.6 million were reallocated from other items during the fiscal year 2011. As of 31 December 2010, there were commitments of some Rs 19.5 million in respect of five on-going projects for a contract value of Rs 41.8 million. During the year 2011, three new projects were entrusted to Contractors for a total contract sum of some Rs 70.3 million. Payments amounting to Rs 48.6 million were made in 2011. As of 31 December 2011, commitments in respect of projects that had either been completed or still ongoing or outstanding totalled some Rs 41.2 million.

Budgeted amount of Rs 29 million for fiscal year 2012 will not be enough to finance the above commitments. Hence, there are risks that the Commission might not meet its contractual obligations.

Delay in Payments for Works Certified

Contrary to Section 47 of the Public Procurement Act, several payments due to Contractors were not made within the deadlines set out in the procurement contract. For example in the case of the extension works at Mangues Government School, works certified on 6 September 2010 for an amount of Rs 4.1 million were paid in two instalments – Rs 3.1 million on 15 October 2010 and Rs 1million on 1 August 2011, that is, nine months later. Another claim for Rs 1.1 million certified on 8 November 2011 was paid on 12 January 2012.

Payments not supported - Rs 46.3 million

Payments amounting of Rs 46.3 million made in 2011 were certified by the Consultants. These payments were supported by a summary of works done for each bill of quantity together with the progress achieved itemwise. However, the amount paid, quantity and rate applied for each item of work were not detailed.

Wrong Allocation of Expenditure

Expenditure for the year 2011 in respect of works at Montagne Charlot Community School and Mangues Primary School amounted to Rs 13.3 million and Rs 1 million respectively, that is a total of Rs 14.3 million. Contrary to Financial Regulations, only Rs 6.6 million were debited to the first programme which relate to primary/community schools. The difference of Rs 7.6 million were wrongly charged to the second programme which is meant for the construction/extension of secondary schools, to avoid incurring excess expenditure.

7.19.2 Approval of Projects by Project Plan Committee

Instructions contained in the Investment Project Process Manual and the Ministry of Finance and Economic Development (MOFED) were not fully complied with.

Project Requests Forms were not seen to have been submitted to the Projects Plan Committee (PPC) for the projects for the construction of a new school at Terre Rouge and for the completion of building works at Montagne Charlot although the project value exceeded the threshold of Rs 25 million. The approval of the PPC was not seen.

7.19.3 Non Compliance with Conditions of Contract

The six projects for a total contract value of some Rs 102.5 million which were supervised by the Consultants were examined. The following shortcomings were observed.

Performance Security and Insurance Policies

In four out of the six projects, Performance Security (Bond) and Insurance Policies were not extended after the due expiry dates in respect of works which were not completed within the contractual period and also to cover the defects liability period.

Delay in Completion of Works

In two cases, works were completed within a delay ranging from 4 to 65 days after the contractual completion dates. As of end February 2012, two projects which were due to be completed since August and November 2011, were still ongoing. Liquidated damages were not deducted from payment and the approval of Engineer was not seen for extension of time. In one case, namely Mangues Government School, no amount was deducted from payment made to the Contractor although the Consultants noted that "*liquidated damages of Rs 250,000 may be applied at the Client's discretion*".

Practical Completion / Taking Over Certificates

For works at Mangues Government School, no Practical Completion Certificate (PCC) was seen issued by the Consultants although half of the retention money was released in June 2011. With respect to Grand La Fourche Corail Government School, the PCC was issued four months after the date on which the works were certified as having been completed while in two other cases, namely Grande Montagne School and Terre Rouge School (earthworks), this was done more than 14 and 6 months afterwards.

Final Handing Over Certificates issued by the Consultants for release of retention money were not signed by a representative of the Commission as per Financial Regulations.

Defects noted during Maintenance Period

Defects noted during the maintenance period were not duly rectified by Contractors as provided in the contract. At Mangues Government School, the works were handed over to the Commission on 17 June 2010 but as of 21 December 2010, six months later, there were still outstanding works such as testing and commissioning by CEB and CWA, water supply to toilet areas. As of end February 2012, there was no evidence that these had been completed.

7.19.4 Consultancy Fees

During the period June 2009 to December 2011, payments totalling Rs 2,415,000 (i.e Preliminary Design - Rs 690,000 and Tender Stage - Rs 1,725,000).were made to the Consultants for the provision of consultancy services for construction of the new Terre Rouge College

According to the contract awarded in January 2009, a lump sum fee is payable to the Consultants at the rate of six per cent of the project value of Rs 100 million, that is, Rs 6 million. This project value was estimated by the Consultants in December 2007 for a building area of 6,000 m^2. In 2009, the Commission decided to implement only Phase 1 due to budgetary constraints and in June 2010, the Consultants estimated the cost for Phase 1 for a building area of 1,550 m^2 at Rs 39 million. The building contract was awarded in December 2010 for the sum of Rs 42.6 million.

Although the Commission did not go ahead with Phase 2 in 2009 resulting in a decrease of the project value, the two payments for the Tender stage made in September 2010 and December 2011 were calculated on the original project value of Rs 100 million instead of Rs 39 million (estimated cost for Phase 1 by Consultants in June 2010) and Rs 42.6 million (building contract awarded in December 2010) respectively. The Consultants should have been paid Rs 336,375 and Rs 398,474 respectively. Hence, they were overpaid an amount of some Rs 990,000.

Conclusion

The Commission did not properly plan projects so as to ensure that sufficient funds are available for implementation. This has led to over commitments of some Rs 41 million as of 31 December 2011. Besides, approval of PPC and financial clearance were not seen obtained for two major projects.

Financial and Procurement procedures were not duly complied with. Payments were not duly supported and in the absence of details for each item of work paid, the correctness of the value of works certified by the Consultants could not be ascertained. Changes in project value were not considered in computing fees payable to Consultants resulting in overpayment.

Projects were not adequately supervised and monitored. The Contractors failed to comply with many contract conditions.

Recommendations

The Commission should set a proper control mechanism such that the financial resources allocated in the budget are sufficient to meet all commitments. The approval of PPC and financial clearance should be obtained for all investment projects.

Projects management should be enhanced to ensure compliance with financial and procurement procedures and contract conditions, in particular the timely completion of projects.

The fees paid to the Consultants in connection with the construction of the secondary school at Terre Rouge should be recomputed and the amount overpaid must be recouped. The Commission should also review consultancy fees paid for other projects and recoup any amounts overpaid.

Commission for Agriculture, Food Production, Plant and Animal Quarantine

7.20 Food Security Fund

7.20.1 Background

In June 2008, the Food Security Fund (FSF) was set up under the Finance and Audit (Food Security Fund) Regulations 2008. In April 2009, a FSF Implementation Committee (Rodrigues) was set up to supervise and monitor the implementation of the projects by the Commission for Agriculture under the Chairmanship of the Commissioner for Agriculture.

7.20.2 Project Objectives

The main objectives of the FSF for Rodrigues are to increase local production of food, crop and livestock, to substitute import, to increase export and to reduce poverty. In that context, twenty one projects were approved by the FSF Steering Committee (Mauritius). In June 2008, the total cost of these projects was estimated at Rs 187 million and was included in the Strategic Plan 2008-2011 for FSF. To meet the objectives, seven main proposals were set by the FSF (Rodrigues) as shown below.

Proposal	Description
1	Improving Milk Production
2	Increasing Meat Production
3	Boosting up Production of Staple Foods
4	Setting up of Special Production Zones
5	Emphasizing on Capacity Building to Enhance the Agro Industry Sector
6	Rehabilitating Abandoned Agricultural Lands
7	Promoting Aquaculture

7.20.3 Project Financing

The projects were financed directly from the FSF - Mauritius upon submission of all related documents and vouchers. As from 1 March 2010, projects were financed under the item FSF of the Ministry of Agro Industry and Food Security (MOA). The amounts claimed were credited into a deposit account since January 2011. As of 31 December 2011, total expenditure financed by the FSF was Rs 53.5 million, of which Rs 5.6 million were incurred in the construction of the Slaughter House. Out of a total amount of Rs 19.1 million released by the MOA during the fiscal year 2011, an unspent balance of Rs 15.4 million was in the Deposit Account of the RRA as of 31 December 2011.

7.20.4 Project Implementation and Monitoring

In July 2009, the Commission for Agriculture selected eleven projects to be completed during the first two years to achieve the objectives of the FSF set in the three- year strategic plan out of 21 projects approved. As of December 2011, ten projects were on going, six projects had not yet been started, four projects were completed and one project had substantially been done by the Decentralised Cooperation Programme (DCP) in 2010.

RRA's Reply

The balance held in the deposit account represents the amounts of Rs 9.9 million and Rs 5.5 million payable as advance payment in respect of the contract for the construction of the slaughter house and for the repair of tractors respectively.

Due to non confirmation of fund by the FSF Committee, six projects were not started.

7.20.5 Proposal 1 - Improving Milk Production

To meet the challenges in the milk sector in Rodrigues, three projects at a total estimated cost of Rs 9 million were approved by the FSF. The completion of each of these projects would lead to an increase in milk production in the island. As of December 2011, some Rs 5 million were disbursed in respect of projects earmarked for increasing milk production.

Setting Up of Model Dairy Farm

<u>Setting up of Milk Pasteurisation Unit and Milk Production.</u> The Commission for Agriculture installed and commissioned a Milk Pasteurization Unit in August 2010 for an amount of Rs 2,232,474. The attention of the Commission was drawn to specific recommendations, made by a private company regarding hygiene and the method of operating the Unit. However, no remedial action was taken by the Commission in that respect.

In 2009, an amount of Rs 3 million was earmarked for the purchase of 50 dairy cows. In May 2010, the Commission therefore planned to purchase 50 dairy cows of improved breeds in order to increase the capacity of milk production. As of mid March 2012, some two years later, no dairy cows were purchased. In the meantime in 2010, 60 litres of milk were being processed daily and in 2011, an average of 34 litres of milk per day representing three per cent of the Unit's capacity were processed and hence, available for pasteurization. The Unit was therefore highly underutilized. The FSF is not gearing towards meeting its objective to increase milk production in Rodrigues.

<u>Transfer of Milk Pasteurisation Unit to Rodrigues Trading and Marketing Company (RTMC).</u> It was stated that in June 2011, the Milk Pasteurisation Unit was transferred to RTMC. Neither a certificate of handing over nor a Memorandum of Understanding were signed by the Commission and the RTMC. As the Unit was an asset owned by the RRA, its value was not converted into equivalent shares in the private company in favour of the RRA, contrary to Section 5(2) of the RRA (Investment Management) Regulations 2008.

RRA's Reply

On 27 January 2012, the then Executive Council had taken a decision that RTMC will take over the management and operation of the Milk Pasteurisation Unit and a Memorandum of Understanding has been prepared but not signed by the new Regional Government.

7.20.6 Proposal 2 – Increase in Meat Production

In order to increase meat production, three projects, namely the construction of a slaughter house, the setting up of three multiplier farms and the setting up of 12 model production farms, were to be financed under the FSF.

The Construction of the Slaughter House – Rs 56 million

The project for the construction of a Slaughter House at Baie Diamant is one of the major components of Proposal 2 to improve meat production in Rodrigues. In July 2008, the Technical Committee FSF-Mauritius proposed to include in the Strategic Plan for FSF the project for the construction of a Slaughter House which was estimated at Rs 10 million. The Committee suggested that a pre-study be carried out by an FAO Consultant to assess its ten-year needs. However, it could not be ascertained whether the services of the FAO Consultant had been sought to define the type of slaughter house and equipment to be used, taking into consideration the culture and habit of the Rodriguan population. During the same meeting, the Mauritius Meat Authority highlighted that the Slaughter House could either be centralised or be a mobile one, depending on the requirements of the Livestock Sector. In August 2008, the Animal Production Division of the MOA informed the Commission that the project for setting up of three small-scale mobile slaughter units with chill units to ensure proper sanitation and to obtain good quality meat had been approved and a pre-study should be carried out by the FAO Consultant. In 2009, FSF approved and earmarked an amount of Rs 20 million for that project.

<u>Project Planning.</u> Since the approval of the project in 2009 and prior to the launching of bids for the consultancy services for the construction of a Slaughter House, the Commission had not adequately planned the project. During the planning process, there had been no adequate consultations with the relevant authorities having wide experience in the field both in Mauritius and the Food and Agricultural Organisation regarding

- the model of Slaughter House that would best cater for the needs of the Rodrigues people,
- the lists of equipment needed including specialized vehicles,
- the costs and benefit of implementing the project and any other economic alternatives
- the availability of necessary funds from the financing agency.

<u>Consultancy Services.</u> On 29 March 2010, the contract for consultancy services for the design, supervision and monitoring of the construction of the Slaughter House was awarded for a lump sum of Rs 1.9 million. The Consultant A proposed the construction of the Slaughter House into two phases, namely Phase I - Pig slaughter module, goat and sheep

slaughter module, administrative block and Phase II - Beef module, treatment plant and desalination. The Consultant designed only Phase 1 of the construction of the Slaughter house based on the statistics submitted by the Commission. There was no indication in the contract file or the inception report as to who will design, prepare and supervise Phase II of the project, the timing and cost involved.

Project Financing. In June 2008, an amount of Rs 20 million was earmarked by the FSF. In May 2010, the contract for the design, supervision and monitoring Phase 1 of the project was estimated at the costs of Rs 50 million. In PBB Estimates 2011 and 2012, Rs 10 million and Rs 36.5 million were provided respectively under the MOA's budget. The Commission was requested to include the additional provision of Rs 19.5 million in the RRA Estimates for the year 2012 and 2013 proposal of RRA. However, no such provision was made in the RRA's PPB Estimates 2012.The initial project value being Rs 20 million was finally increased to Rs 66 million. As of 31 December 2011, a total amount of Rs 7,515,839 had been disbursed.

Model of Slaughter House. In May 2010, according to the Consultant, the Commission should launch the tender for the construction of Phase I only, as Phase II of the project would not be economically profitable given that slaughtering of beef is negligible. As per latest Statistics' data for the year 2011, an average of five pigs and one goat/sheep were slaughtered per day while one cattle was slaughtered in every two to three days. The Commission had not carried out a feasibility study to determine the model of Slaughter Unit which would best suit the number of animals slaughtered per day in Rodrigues.

Construction of the Building. The contract for the construction of a Slaughter House Phase I was awarded to private company B for an amount of Rs 56,190,690 (inclusive of VAT) on 5 December 2011. Work started on 14 January 2012 and was scheduled to be completed on 13 January 2013.

Consultancy Services for Commissioning of Equipment for the Slaughter House

The Consultant designed the project without submitting the lists of equipment required and their estimated costs. Moreover, in the submission of the inception report this was again not notified to the Commission. The estimated cost of equipment has not been worked out as of mid March 2012.

RRA's Reply

The Consultant met different organizations and authorities to discuss the project prior to finalizing the project specifications and designed. The new Regional Government is reviewing the design of the building to maximize space utilization to accommodate the cattle module initially scheduled for Phase II. The additional expenses would be met from related item of the RRA estimates for financial year 2012. The commissioning of equipment was not within the scope of the consultancy services.

7.20.7 Proposal 5 - Emphasizing on Capacity Building to Enhance the Agro Industry Sector

Three projects for a total amount Rs 22 million were approved by the FSF under the above component, namely the setting of an incubation centre, the construction of the three community kitchens, and the setting of a minilab to professionalise the agro processing sector in Rodrigues.

Construction of Three Community Kitchens

The construction of three community kitchens would enable bulk manufacturing of product using local crops and livestock raw material. In July 2008, an amount of Rs 12 million was earmarked by the FSF. On 8 September 2011, the Commission requested for fund from the MOA, no reply was received as such there was no indication when the project would start. The more the project takes time to be implemented; the costs of the project might suffer from increases in price due to economic conditions.

RRA's Reply

Fund had not been secured from FSF and the project could not be started.

Design and Construction of an Incubation Centre at Citronelle - Rs 455,000

The incubation Centre was to be constructed to enable to dispense training (basic food processing, hygiene and sanitation, pickling, etc) on a much more regular basis while tapping higher number of agro processors. In March 2010, a contract for the consultancy services for the construction of an incubation centre at Citronelle was awarded to a private company C for the sum of Rs 455,000. In July 2010 the Commission was informed that the works pertaining to research into the subject of hygiene, sets of drawings for tendering, tender documents, contract and specifications were completed. However, the followings were noted.

- Neither the letter of award nor any agreement was produced.
- The Terms and Conditions of the contract were not available; the start date and contract duration for the consultancy work were not known.
- No report was available regarding the research in the subject of hygiene.
- The contract for the construction of the incubation centre was scheduled to be launched in May 2010. However two years later, the contract had still not been launched.

RRA'S Reply

Payment was effected after satisfactory completion and submission of the Consultancy report.

Setting of up of Mini Laboratory in Rodrigues

The mini laboratory had to be set up to cater for microbiological, chemical and physical analysis of processed products thereby creating consumer confidence in the locally produced foodstuff.

Funding of Project by DCP. In July 2008, the project for the setting up of the three mini laboratories (mini lab) was submitted to the FSF and an amount of Rs 5 million had been earmarked. However, it was noted that this project was initially included in the recommendation of EU-DCP Report of 2007. On 19 November 2009, the Commission submitted an information paper to the Executive Council, however the approval of the Executive Council to seek fund from FSF to finance the project was not seen. The cost of this project was estimated at Euros 45,450.

On 25 November 2011, the contract for the supply of an autoclave and other equipment was awarded to Company D for an amount of Rs 794,148. Contrary to the terms of the contract, the equipment was not supplied within 30 days i.e. 25 December 2011. Some equipment were supplied in 14 December 2011 and the remaining on 3 March 2012. As of 27 March 2012, the equipment pertaining to the Food Lab were lying packed in a room in the Mini laboratory and awaiting commissioning.

RRA's Reply

As fund was not secured from FSF, the Commission had to have recourse to the DCP to fund the project. All the equipment were delivered on 26 April 2012 and liquidated damages will be applied upon payment.

Conclusion

Since the start of the projects of the FSF in 2009, an amount of Rs 53.5 million had been spent in their implementation leaving a balance of Rs 15 million in the deposit account of the RRA as of 31 December 2011. The Commission should seek for expert advice from the relevant authorities in Mauritius and review the project on a regular basis so that the population could obtain maximum benefit from the implementation of these projects in terms of food security in the island.

The Milk Pasteurisation Unit was still being underutilized since its commissioning in 2010. The Unit had been transferred to the RTMC in July 2011 and no Memorandum of Understanding was seen. The quantity of milk was still low, that is three per cent per day as the acquisition of the 50 cows stated in the FSF strategic plan had not materialized.

The proposal of increasing meat production in Rodrigues has still not been achieved as the construction of a Slaughter House was still under construction and was split into two Phases. The cost of the construction for Phase I has increased threefold from Rs 20 million to Rs 66 million. The difference of Rs 46 million had not been secured prior to the start of the project. Costs of the equipment were also not available.

Quotation for the design and construction of an incubation centre was not launched. A Consultant was appointed for the design and the construction of the centre. A set of plans were submitted by the Consultant and the latter had been paid accordingly. The construction project had still not been started.

Equipment for mini laboratories received in December 2011 and March 2012 for the food laboratory had not yet been commissioned and installed.

Recommendations

The Commission should prepare a proper project write up for each project prior to its start including costs and benefits to be derived by implementing the projects.

The Commission should ensure that adequate fund is available prior to launching of any tender so that the payment could be made in time.

Following the transfer of the Milk Pasteurization Unit to the RTMC and having purchased no cows, the Commission should review all the projects related to Proposal 1.

The Commission should without delay seek for expert advice on whether it is still cost effective to continue with the construction of the Slaughter House which was definitely not properly planned. The initial overall cost of the project of Rs 20 million has now gone up to Rs 66 million for Phase 1 only and this, without the associated costs including chill room and the ancillary equipment.

Commission for Public Infrastructure, Housing, Transport and Water Resources

7.21 Programmes for the Construction of Roads and Minor Projects

During the fiscal year 2011, payments totalling some Rs 78.1 million were made under the Programmes 503 “Construction and Maintenance of Roads and Bridges” (Construction of Roads) and 506 “Improvement, Renewals, Minor Projects and Infrastructural Works in Villages” (Minor Projects). A total of 49 Works Orders for an estimated cost of Rs 242.7 million were issued in 2011 under four Rate Contracts. Other works of a value of Rs 47.7 million were also carried out by the Commission during the year.

7.21.1 Financing of Projects and Over Commitment of Funds

Under Programme Based Budgeting, funds are allocated on a programme wise basis. In fiscal years 2010 and 2011, two contracts for a total sum of Rs 211.4 million were awarded to a private Contractor (the Contractor) under the Programme for the Construction of Roads. In the year 2011, two other contracts were awarded to the same Contractor for a contract value of Rs 37 million under the Programme for Minor Projects. A total of 49 works orders were issued under these four Rate Contracts in 2011. Other works of a value of Rs 47.7 million were also implemented. The estimated cost of works amounted to Rs 242.7 million. This is summarised in Table 7-7.

Table 7-7 Projects undertaken by Commission for Public Infrastructure

Contract Ref No	Description	Contract Value Rs	Estimated Costs of Works Rs	No of Works Orders issued
CPB/14/2/2010	Construction of Roads	91,088,084	40,157,832	11
CPB/4/2011	Construction of Roads	120,249,405	122,003,016	25
RRA/PI/C/1/2011	Construction of Track Roads	24,368,533	22,966,263	6
RRA/PI/C/14/2011	▪ Civil Works	12,631,519	9,899,045	7
	▪ Other Works		47,712,411	
Total		**248,337,541**	**242,738,567**	**49**

Financial Clearance and Funds Availability

As per instructions issued by the Ministry of Finance and Economic Development (MOFED), Accounting Officers are required to obtain prior financial clearance from MOFED before seeking Cabinet's approval (Executive Council in Rodrigues) on all proposals that would entail additional provision or commitment of public funds. Although the cost estimates for projects for "Roads Construction" to be undertaken in 2011 were Rs 115.3 million and exceeded the budgeted amount of Rs 32.5 million, by some Rs 82.8 million, no financial clearance was sought for the additional provision. It is to be noted that a detailed breakdown of the estimated figure of Rs 115.3 million together with a list of proposed roads to be constructed in 2011 were not available.

No request for funds availability was made to Finance Section of the Central Administration before launching of tenders and award of contracts. Contrary to Financial Regulations, no earmarking was done for works orders issued.

Over Commitment of Funds - Rs 164.6 million

Roads. For the fiscal year 2011, a sum of Rs 32.5 million was budgeted under the programme for the Construction of Roads and Rs 5 million were reallocated from other expenditure items. As of 31 December 2010, an amount of Rs 11.6 million was already committed under the programme. In the year 2011, 19 works orders of a total value of Rs 138.1 million related to roads works and other works of a value of Rs 9.5 million were issued by the Commission. Payments during the year 2011, amounted to some Rs 37 million. Hence, outstanding commitments as of 31 December 2011 for Roads projects amounted to Rs 122.2 million.

Minor Projects A sum of Rs 40 million was budgeted under the programme for Minor Projects for the fiscal year 2011. During the year 2011, projects and other works of a total value of some Rs 83.6 million were carried out and payments amounted to Rs 41.1 million. As of 31 December 2011, outstanding commitments amounted to Rs 42.5 million.

The Commission undertook far more projects than what were initially planned in the budget. This has led to commitments totalling Rs 164.7 million in respect of projects that had either been completed or still ongoing or outstanding as of 31 December 2011.

Delay in Payments for Works Certified - Rs 40.4 million

Roads Payments to the Contractor for the construction of roads were not made within 28 days of date of certificate as per terms of the contract. In four cases, payments were made with delays ranging from 38 to 77 days. In 14 cases, payment certificates amounting to Rs 38.9 million certified during the period 1 September 2011 to 27 January 2012, were not yet made as of end February 2012.

Minor Projects No payment was yet effected as of end February 2012 for works certified amounting to Rs 1,504,813 under the Contract for Civil Works.

Wrong Allocation of Expenditure

Payments amounting to some Rs 5,382,000 in connection with the purchase of ten "Double Cabs Mitsubishi L200" and six Concrete Mixers were wrongly charged to the programme for Minor Projects. Regarding the ten vehicles, the purchase was made by the Chief Commissioner's Office (CCO) for Rs 8,493,000 but only Rs 5 million were debited to the CCO and the difference of Rs 3,493,000 was charged to the programme of the Commission for Public Infrastructure. This is contrary to Financial Regulations.

7.21.2 Approval of Projects by MOFED and the Executive Council

During the fiscal year 2011, a total of 43 works orders (19 under Roads Programme and 24 under Minor Projects Programme) for the total estimated sum of Rs 183 million were issued by the Commission.

No Approval of MOFED.

Instructions contained in the Investment Project Process Manual and MOFED requirements regarding approval of projects, were not complied with. The Commission has not submitted Project Requests Forms (PRFs) for 18 projects for the construction of roads for a total contract value of some Rs 100 million nor was any approval obtained for these projects.

MOFED's approval for 11 Works Orders for a value of some Rs 12.5 million issued under Roads Contracts for the construction of three green spaces and four basketball pitches, one volley ball pitch, upgrading of two football grounds and a primary school was not seen.

No Approval of Executive Council

The Executive Council's approval in respect of eight roads projects totalling some Rs 82.9 million and representing 34 per cent of the total cost of the works issued in fiscal year 2011 was not seen.

7.21.3 Contracts for the Maintenance, Upgrading and Construction of Roads

Roads Section

The situation concerning the staffing at the Roads Section has not improved. There was still a lack of segregation of duties for the different functions of work pertaining to projects implemented by the Commission. Although there are one post of Senior Engineer and two posts of Civil Engineers on the establishment of the Commission, the Section was still manned by one Acting Senior Engineer. The Commission did not properly plan a comprehensive list of projects to be executed and did not correctly estimate the funds needed for the year 2011.

In the years 2010 and 2011, two contracts for the sums of Rs 211.3 million were awarded to the Contractor for the Maintenance, Upgrading and Construction of Roads.

Contract for Year 2010 - Rs 91,088,084

In April 2010, a contract for the "Maintenance, Upgrading, and Construction of Roads in Rodrigues" for the fiscal year 2010 was awarded for the sum of Rs 91,088,884 to the Contractor, the sole bidder, after obtaining the approval of the Central Procurement Board (CPB).

As per Clause 1.1 (v) of General Conditions of Contract (GCC), the intended completion date for the whole of the Works was 365 calendar days from the date of issue of letter of award. The contractual period therefore ended on 5 April 2011. The RRA issued five Works Orders in 2011, out of which four were issued on 24 March 2011 and due to be completed between two days and one month after the expiry of the contract period. None of the five Works Orders were completed as of 5 April 2011.

Contract for Year 2011 - Rs 120,249,405

On 16 March 2011, the CPB approved the award of the contract to the Contractor for the sum of Rs 120,249,405. Prior to launching of tender and award of the contract, request for availability of funds was not made to the Finance Section of the Central Administration.

<u>Works Orders issued in Excess of Contract Value.</u> According to the Public Procurement Office's (PPO) instruction issued in May 2011, works issued under Rates Contracts are "generally limited for a defined period of time and a maximum total contract amount whichever occurs first". The value of the contract for the construction of roads for the year 2011 was Rs 120,249,405 while the contract period was from 8 April 2011 to 7 April 2012, that is, 365 days from the date of issue of the first Works Order. As of 8 March 2012, 26 Works Orders totalling Rs 122,131,193 were issued under the contract. Hence, works for a value of Rs 1,881,788 were issued over and above the maximum contract value, contrary to the PPO's instruction.

<u>Works Orders issued outside Scope of Works.</u> Certain works entrusted to the Contractor were found to fall outside the scope of works as defined in the bidding documents. The rates retained in the Roads contracts are related to road works, and bids were invited from Contractors meeting qualification and experience with respect to road works. However, 11 Works Orders issued in the years 2010 and 2011 and valued at Rs 12,513,687 were not related to the Roads contracts**.** These works comprised among others, the construction of volleyball and basketball pitches and upgrading of football ground.

<u>Changes in Contract Conditions.</u> Certain conditions of the new contract CPB/4/2011 for the year 2011 compared to that under contract CPB 14/2010 for the year 2010, were changed. It was noted that some of them might be more favourable to the Contractor than to the RRA while interests of RRA were not adequately safeguarded.

- *Progress Report.* As per Clause 1.8 (Section V) of the GCC for Road contract for the year 2010, the Contractor was required to furnish a weekly progress report depicting the detailed quantities of the respective items of the Works Orders achieved on a weekly basis and the cumulative amount thereof. However, in the contract for the year 2011, this clause was omitted.

- *Liquidated Damages.* As per Clause 46.1 of GCC for contract for the year 2010, liquidated damages for each Works Order were Rs 25,000 per day up to a maximum amount of Rs 250,000. However, as per contract for the year 2011, the rate was Rs 12,500 per day for each Works Order up to a maximum amount of five per cent of each final Works Order value.

<u>Non Compliance with Contract Conditions.</u> 16 out of the 30 Works Orders issued in 2011 under contracts CPB 14/2010 and CPB 4/2011 and valued at Rs 122,132,658 were examined. The following were observed.

- *Performance Security undervalued - Rs 2,975,059. C*ontrary to Clause 49.1 of GCC of the Roads Contract for the year 2011, a performance security for a sum of Rs 12,024,940 that is ten per cent of the contract value, instead of Rs 15 million, was submitted by the Contractor. The bond was therefore undervalued by Rs 2,975,060.

- *Handing over of Sites to Contractor*. In eight Works Orders, the Contractor was required to start the works immediately. In eight other cases, the notice given to the Contractor ranged from one to ten days. 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*. In the case of three Works Orders, the programme was submitted from 22 to 61 days from the date of issue of Works Order instead of 15 days as required in the Orders issued. No programmes of work were submitted in the remaining 13 cases.

- *Laboratory Tests.* Clause 1.21 of GCC of the Roads Contract 2010 provides that tests should be carried out in an independent laboratory while the contract for 2011 requires that the laboratory be approved by the Engineer. In two cases, no tests certificates were submitted by the Contractor. For four Works Orders for 2010, laboratory tests were effected by the Contractor in its own laboratory instead of an independent one. In ten cases, the approval of the Engineer was not seen.

- *Delay in Completion of Works*. Only two out of 30 Works Orders issued in the year 2011, were completed within the contractual completion dates while in 18 cases, works were completed within a delay ranging from 3 to 116 days. Ten Works Orders which were due to be completed during the period 15 November 2011 and 25 February 2012, were still ongoing.

- *Taking Over Certificates*. Contrary to Clause 54 of the GCC, no taking over certificates were produced in respect of seven Works Orders although more than four months had elapsed since the issue of the Practical Completion Certificates in November 2011.

- *As Built Drawings and Operating and Maintenance Manuals.* Contrary to Clause 56 of the GCC the Contractor did not supply "As built drawings" and operating and maintenance manuals. The submission of the manuals was not mentioned in the Practical Completion Certificates issued in respect of the seven completed projects.

7.21.4 Contracts for Improvement, Renewals, Minor Projects and Infrastructural Works in Villages

In the year 2011, the Commission awarded two contracts for the construction of track roads and minor civil works in Rodrigues (Rs 24.4 million) and another for civil works (Rs 12.6 million). Eleven Works Orders at the estimated cost of Rs 12.5 million were also issued under Roads contracts for the years 2010 and 2011. All these works were entrusted to the same Contractor.

Contract for the Construction of Track Roads and Minor Civil Works - Rs 24,368,533

On 25 March 2011, the contract for the construction of track roads and minor civil works in Rodrigues was awarded to the Contractor for a total sum of Rs 24,368,533 (inclusive of VAT). Six Works Orders were issued for six regions for a total value of Rs 22,966,263. The following were observed:

The construction of track roads in Region 5 was completed on 26 January 2012, that is, some three months after the contractual due date. The works in Regions 1, 2, 3 and 6 were also not completed within time but from one to two months after the due dates. Extension of time approved by the Engineer was not obtained. However, no liquidated damages at the rate of Rs 5,000 per day up to a maximum of 10 per cent of the final Works Order value, were deducted from payment due to delay in completion. Further, no practical completion certificates were seen for track roads for Regions 4 and 5.

Contract for Procurement of Civil Works - Rs 12, 631, 519

Seven Works Orders were issued during the fiscal year 2011 under the above contract for a total sum of Rs 9,899,045. As of end February 2012, five projects were nearly completed while one was 50 per cent completed. For one Works Order, liquidated damages for delay in completion of the works were Rs 12,500 per day up to a maximum of five per cent of final Works Order while for the others, the amount that shall be deducted from payment is Rs 5,000 per day up to a maximum of 10 per cent of final Works Order. One project was not yet started as of mid March 2012.

Works Orders issued under Roads Contracts - Rs 12,513,687

The Commission issued eleven Works Orders for the construction of green spaces, upgrading of football pitches and upgrading of basketball pitches for a value of Rs 12,513,687 under Roads Contracts for fiscal year 2010 and fiscal years 2011. The projects were not completed within the contractual completion dates.

Implementation of Minor Projects

During the year 2011, several minor projects at a total cost of some Rs 45 million were implemented throughout the island. The following were noted during site visits effected in February and March 2012 at the green spaces and basket ball pitches and football ground.

<u>Green Spaces.</u> The children playground in the green spaces were not provided with the necessary amenities. No sand was laid in the playground areas as per the contract. The green space was left in an abandoned state with weeds and grasses up to 45 centimetres high and there was no indication that it was being used by the inhabitants. One side of the roof of two kiosks was rusty and the paint was removed.

<u>Basket Ball Pitches</u>. For all the basket ball pitches, there were no poles fixed and they were not marked, with the exception of that at GLF Mangues.

<u>Upgrading of Football Ground at Ile Michel.</u> The football ground was not properly fenced and levelled. The goal post poles were broken on both sides of the pitch. The grass was 45 centimetres high on the pitch.

7.21.5 "Revetement" Wall

At paragraph 4.7.8 of the Audit Report for the year ended 30 June 2009, I mentioned that dredging materials were not deposited in the structure of the "Revetement" Wall at Oyster Bay as of August 2009 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 while retention money of Rs 2,289,213 had been released. Follow up of the project had not been possible as the files and all the related documents were with the Independent Commission Against Corruption.

Conclusion

The Commission did not exercise adequate control over funding of projects. This has led to over commitments of funds totalling some Rs 164 million as of 31 December 2011. Besides, approval of MOFED and financial clearance were not sought for several projects.

Projects were not properly monitored so that certain works were executed beyond the contract value and others were outside the scope of the contract.

Many contract requirements were not duly complied with. The amount of performance security was lower than that required. The Contractor did not submit the programme of works within time or not at all. Laboratory tests were not carried out as per contract. The works were not completed within the contractual period but no liquidated damages were deducted from payment.

Recommendations

The execution of projects should be properly planned so that the financial resources allocated are sufficient to meet all commitments. The approval of MOFED should be obtained for all investment projects.

Request for availability of funds should be sought before launching of tenders and issue of Works Orders. Budgetary control should be enhanced by the RRA so that funds are released only for projects which have been duly approved and for which funds have been provided.

The RRA should ensure that all works fall within the scope of the contract and are limited to the defined period of time or to the total contract value. Projects should be properly supervised, administered and completed in time, and contract terms and conditions must be strictly complied with. Liquidated damages should be claimed for late completion of works and the RRA should ensure that the Contractors attend promptly to all defects noted during the maintenance period.

All the four Rate Contracts as well as other works for a total contract value of over Rs 248 million were awarded to the same Contractor. The latter did not comply with many contract conditions and in particular, failed to complete several projects on time. The RRA should consider seriously in the future to award contract for works on a lot basis and regionwise, bearing in mind the technical and financial capabilities of the Contractors. Hence, the RRA could obtain more competitive prices and also benefit from timely completion of projects.

RRA's Reply

All the outstanding claims in respect of Roads Projects have been settled by 16 March 2012.

Various attempts have been made to file the vacant posts of Civil Engineer without success. In the meantime, the Executive Council has decided to have recourse to Global Consultancy Services and action is being initiated accordingly.

Regarding the Works Orders for the year 2011 issued in excess of contract value, Works Order No 23 has been scaled down from Rs 10.1 million to Rs 2.2 million in April 2012 and the total value of Works Orders has remained within the contract value. The conditions for 2011 provides for a higher ceiling of liquidated damages ,that is, five per cent of the Works Order compared to a maximum of Rs 250,000 irrespective of the value of the Works Order though the daily rate is half that of the 2010 contract. Liquidated damages were deducted from payment for nine Works Orders and for other Orders, this will be done after final accounts are compiled.

The Contractor will be requested to submit "as built drawings" wherever required.

7.22 Projects in the Water Sector

7.22.1 Over Commitment of Funds - Construction and Rehabilitation of Dams and Reservoirs Programme

During the fiscal year 2011, 21 contracts were awarded to various Contractors under the above programme for a total contract sum of some Rs 97.6 million. An amount of Rs 34.1 million has been disbursed including some Rs 9.7 million for projects committed in fiscal year 2010. Hence, outstanding commitments which the Commission has to meet in fiscal year 2012 and onwards, totalled some Rs 73.2 million as of 31 December 2011.

Contrary to instructions issued in September 2010 by the Ministry of Finance and Economic Development (MOFED) to the Rodrigues Regional Assembly (RRA) that investment projects below Rs 25 million should be submitted to MOFED for examination and for approval, the Commission has not submitted a Project Request Form (PRF) to MOFED nor was any approval obtained for these projects. Further, ten contracts for the value of some Rs 63 million were awarded when no funds were available, which were not in line with the MOFED's Circular No 3 of 2011 which stated that Accounting Officers should obtain prior financial clearance before seeking Cabinet (Executive Council's) approval on all proposals that would entail additional provision.

7.22.2 Projects under the Programme Based Budget

Under the Programme Based Budget (PBB), funds appropriated by the National Assembly are linked to Outputs (major services to be provided) and outcomes. These might not be realised since projects, which were among the major targets for fiscal year 2011, were not implemented during the fiscal year 2011. On the other hand, two projects though not targeted were implemented among the 21 projects.

7.22.3 Implementation of Projects

During the fiscal year 2011, the following five projects of a total contract value of some Rs 26.5 million were reviewed as shown in Table 7-8.

Table 7-8 Projects reviewed under the Construction and Rehabilitation of Dams and Reservoirs Programme

Project No	Contract	Date awarded	Contract Value (Rs)	Disbursements as of 31.12.11 (Rs)
1	Upgrading of Water System at Roche Bon Dieu	08 .11.11	9,680,200	-
2	Construction of Tracks Roads at Graviers and Bigarade pumping station	16.11.11	6,997,395	-
3	Upgrading of reservoir at Mourook	25.11.11	5,286,550	4,757,895
4	Upgrading of Water System at Dan Limon	15.08.11	2,918,527	2,918,527
5	Extension of Drainage work for Brackish Plant at Hauteur Accacia	10.06.11	1,628,000	1,863,632
	Total		**26,510,672**	**9,540,054**

Non Compliance with Public Procurement Act

The RRA as a public body is legally required to comply with the provisions of the Public Procurement Act (PPA), the accompanying Regulations and related instructions/directives /circulars issued under the Act and Regulations. However, these were not always complied with.

Annual Procurement Plan

No annual procurement plan was prepared in compliance with Section 50 of the PPA which shall include the type and quantity of the goods, works or services to be procured, the timing and implementation of the procurement, their value as well as procurement methods to be used.

Notification of Award of Procurement Contracts

Contrary to Section 40(3) of the PPA, in many cases, the Commission had not notified the unsuccessful Contractors before the award of the contracts.

Evaluation not done in line with PPA

In Projects 1, 2 and 4, competitive bids have not been obtained due to wrong evaluation of tenders, discarding the rate contract of the Commission for Public Infrastructure, and evaluation of bids not done within the stated time frame respectively.

7.22.4 Non Compliance with Terms of the Contract

No Formal Handing Over

Handing over of sites was neither supported by formal handing over certificates nor were the notes of the site meeting signed. Contractual completion date which has been computed by the Commission could not therefore be verified. As such, the accuracy of liquidated damages that should have been charged for late completion of works could not be ascertained.

Works not done according to Specifications

During site visits by Officers of the NAO accompanied by an Assistant Inspector of Works effected during March 2012, it was noted that the projects were not properly supervised since several terms and conditions of the contracts were not complied with.

Liquidated Damages

Projects were not completed within their contractual completion dates but in certain cases, liquidated damages were not charged as provided in the contracts.

Performance Security

This document is essential for the safeguarding of the Commission's interest in case the Contractors default. No steps were taken for the renewal of performance security before its expiry date when contracts have not been completed in time.

7.22.5 Review of Specific Projects

Upgrading of Water System at Roche Bon Dieu - Rs 9,680,200

The above contract for the upgrading of Water systems at Roche Bon Dieu was awarded to Contractor A on 8 November 2011. The works which consisted of earthworks associated with the wall foundation, supply and lay reinforcement, excavation of trenches, fencing works and masonry were to be completed on 22 February 2012.

<u>Bid Security and Bid Validity Period.</u> According to the tender documents, the bid validity was for a period of 90 days that is up to 26 December 2011. One bid for Rs 8,764,092 was rejected by the Bid Evaluation Committee (BEC) due to submission of a bid security with expiry date of 28 December 2011, that is, two days after the bid validity period. Being given that the bidder had submitted a bid security of validity period of 90 days as specified in the bidding documents, the bid should not have been rejected. By rejecting this bid, the Commission had made a loss of some Rs 915,000.

Negotiation. The approved bid in the project was more than 15 per cent of the estimated price. Regulation 8 of the Public Procurement Regulations recommends procedures for negotiations when a re-bid exercise is not considered practical. Negotiation with the Contractor was done in such a way as not to have recourse to a re-bid exercise. The latter was requested to lower its quoted price to Rs 9,680,200, thereby making its bid to drop to the threshold of 15 per cent.

Construction of Track Roads at Graviers Reservoir and Bigarade Pumping Station - Rs 6,997,175

The above contract was awarded on 21 November 2011 to Contractor B for an amount of Rs 6,997,175 through restricted bidding. Works were due to start on 29 November 2011 and were to be completed on 19 December 2011.

The competitiveness of the bids could not be ascertained due to the following:

- Resorting to restricted bidding limits the participation of Contractors according to pre-approved eligibility lists of Contractors. However, no such list was kept by the Commission, so as to ensure that the Contractors have and maintained the technical and financial capabilities to provide their services. The list of bidders that were invited for bidding might be outdated as only three out of the six bidders that were invited, have responded.

- Contrary to Section 15(e) of the PPA, the ground for not resorting to Open Advertised bidding (OAB) as a method of procurement was not recorded.

Bids which are not major ones are dealt with at the level of different Commissions. However, there was no coordination between the Commission for Public Infrastructure (CPI) and that of the Water Resources. Although an already approved rate contract for track roads was signed between CPI and a Contractor, it has not been used for the above contract. Potential savings of Rs 657,098 could have been made.

Performance bond of Rs 349,859 had expired on 18 January 2012 but has not been renewed. As of 21 March 2012, the works had not yet been completed. No practical completion certificate was seen. Liquidated damages were not applied.

Upgrading of Reservoir at Mourouk - Rs 5,292,300

The above contract was awarded to Contractor C through restricted bidding on 25 November 2011 for an amount of Rs 5,292,300. The works consisted of upgrading of the roof of reservoir, masonry and fencing works and the construction of a generator house together with a generator. The roofing, cladding, gutters and downpipes should be fixed to withstand a basic wind speed of 280 km/h and should have a ten-year warranty against defective paintings, rust and should be watertight. Total payments as of March 2012 amounted to Rs 4,726,825.

The site was to be handed over as from the date of the letter of award so that the contractual starting date of the works was 25 November 2011. Thus, the works were due to be completed on 9 January 2012 instead of 18 January 2012. Liquidated damages of 9 days amounting to Rs 23,700 were not deducted from payment.

The site was taken over on 19 January 2012. No practical completion certificate was issued.

The performance security of Rs 264,615 was not renewed although it expired on 14 January 2012, before the completion date. It should have been valid up to, at least 28 days from the issuance of certificate of practical completion, in accordance with the tender documents.

The existing roof corrugated iron sheets were dismantled at a cost of Rs 75,000 but were not carted away. These were left on site.

No ten-year warranty certificate was seen and as such, there was no guarantee given by the Contractor that the roofing, cladding, gutters were safeguarded against defective paintings, rust and water infiltration.

<u>Site Visit.</u> During a site visit on 7 March 2012, the following were noted:

- There was no generator in the newly generator house constructed at a cost of Rs 325,000.

- The stones in the masonry walls costing some Rs 1.3 million were not jointed with mortar contrary to drawings and specifications.

RRA' s Reply

The Contractor was requested to submit a ten- year warranty certificate.

Upgrading of Water System at Dan Limon (La Ferme) - Rs 2,956,610

The works consisted of upgrading the reservoir, desilting of existing spring, supply, laying of masonry walls and fencing works. The estimated cost was Rs 2,358,075.

Some three and a half months after the opening of bids, that is 8 October 2010, the Departmental Tender Committee (DTC) had not submitted a Technical Evaluation Report. Consequently, the bid validity period had lapsed. It was then decided to extend the validity of the bids to 150 days, which is contrary to Regulation 30 of the Public Procurement Regulations stating that "*the validity period of local bidding shall not exceed 90 days*". Moreover, the bidders were asked to modify their bid prices. According to the BEC meeting held on 3 March 2011, there was only one responsive bidder who has quoted Rs 4,941,504 and thus considered the deviation of 109 per cent of the estimates as substantial.

Although the Commission recognised that re-bidding was time consuming, new bids were re-launched following BEC's recommendations. The approval of the Executive Council was however not seen although BEC mentioned that the contract be refloated subject to the final decision of the Council. The contract was awarded to Contractor D for the sum of Rs 2,956,610 on 4 August 2011.

Extension of Drainage Works at Hauteur Accacia - Rs 1,628,000

On 10 June 2011, the above contract was awarded to Contractor E for an amount of Rs 1,628,000. According to the letter of award, all works should be completed within a period of 75 days as from date of handing over of site. The handing over of the site was neither supported by a formal handing over certificate nor were the notes of meeting signed. According to the Commission, the contractual completion date was 3 September 2011 and the works were completed on 10 September 2011.

Although, a total amount of Rs 1,863,632 was paid to the Contractor, no certificate of joint measurement between the Contractor and the Commission was seen.

Site Visit. Following a site visit on 28 March 2012, effected jointly by Officers of the NAO and an Inspector of works, it was noted that works were not done as per specifications as shown in Table 7-9

Table 7-9 Works not done as per Specifications

Details	**As per tender (metres)**	**Site observations (metres)**
Length of masonry drain	105	75
Width of masonry drain	1.6	1.2
Height of masonry drain	0.6	0.3

The Commission should ensure that the Contractor takes remedial action on all the above discrepancies.

Recommendations

The Commission should prepare a priority list of projects for inclusion in the Budget. The projects should also be planned in accordance with the availability of financial resources. A proper mechanism should be put in place for the earmarking of funds before making any financial commitments.

Financial Regulations should be strictly complied with. Further, procurement procedures should be adhered to ensure that the Commission carries out its procurements in an efficient and effective way and obtains value for money. It is imperative that the staff of the Commission be fully conversant with the PPA and its Regulations.

The Commission has to enforce the contract terms and conditions so as to safeguard its interest. Projects should be closely supervised to ensure timely completion. Poor quality works should be promptly rectified by the Contractors.

7.22.6 Review of Past Projects

At paragraph 24.14.2 of the Audit Report for the year ended 31 December 2010, with regard to the supply, installation and commissioning of five water treatment plant - three brackish water purification plant and two seawater desalination plant, I drew attention to late completion of the projects, operational problems as well as provision of training.

Supply, Installation and Commissioning of Containerised Brackish Water Purification Plant and Seawater Reverse Osmosis Desalination Plant - Rs 49.7 million.

The contracts for the supply, installation and commissioning of three brackish water purification plant were awarded to Contractor F at a cost of Rs 15 million in December 2007 and April 2008 while that of the two desalination plant to Contractor G for the sum of Rs 34.8 million in May 2008.

<u>Brackish Water Purification Plant - Rs 15 million</u>

- *Operation and Maintenance of Plant.* An amount of Rs 749,271 was spent for training of the staff of the Water Resources Unit(WRU) and the Rodrigues Water Company Ltd (RWC Ltd) in 2010 for the operation and maintenance of the plant over and above the cost incurred for training already included in the contracts for the supply of the plant. Nevertheless, the contract with Contractor F was renewed with effect from 1 January 2012 for the fourth year at a cost of Rs 2.9 million and the plant which should have been taken over by the staff of the RRA was still being operated by the latter. Total amount paid up to December 2011 was some Rs 9.5 million.

<u>Desalination Plant - Rs 34.8 million</u>

- *Retention Money - Rs 508,052.* According to the General Condition of Contract, half of retention money will be released after formal taking over of the works and the balance shall be released after the defect liability period subject to the Contractor making good all defects.

  Although Contractor G was unable to repair the defective desalination plant, a final payment of Rs 508,051 representing 1.6 per cent of the contract amount was released as retention money in August 2011. The approval of the Executive Council was not seen.

- *Operation and Maintenance of Plant.* The operation and maintenance of the Plant for a period of three years from May 2009 to May 2012 was not performed by Contractor G, although these costs had already been included in the contract for the procurement of the plant at an amount Rs 2,032,408.

- *Rehabilitation of the Plant - Rs 4.5 million.* On 19 November 2011, a contract for the supply of spare parts, repairs and commissioning of the desalination plant was awarded to another private Contractor H for an amount of Rs 4,572,859. The works consisted of the upgrading of the existing plant, equipment and other fittings used in connection with the repairs of the plant and to make necessary repairs and replacement of appropriate spare parts as required. The contract completion date was 13 March 2012. However, as of

23 March 2012, the works had not been completed and the plant had not been commissioned yet.

Site Visit. The following observations were made during a site visit on 28 February 2012 by Officers of the NAO accompanied by an Assistant Inspector of Works of the WRU.

- Both Plant No1 and No 2 were broken down.

- Both generators for the Plant received in April 2009 were not working and were exposed to the inclemencies of the weather.

- The risk of theft or sabotage was high as the site was left unattended

- The two sets of membranes purchased at a cost of Rs 1.1 million were not used. One set was stacked in a container and was not fixed. The second set was kept in a solution to ensure its functionality.

Although the Commission has invested significantly in the two desalination Plant, it has not resolved the problem of water in the area. One of the Plant did not operate for some five months while the other one was not operating as of 31 March 2012, that is, for more than 27 months. Nevertheless, retention money of Rs 508,052 was released to Contractor G.

The Commission has committed additional funds to have the plant repaired so that they restart their operations. However, the two plant were still not functioning.

Construction of a new 1000 m³ Concrete Reservoir at Creve Coeur - Rs 13,500,017

The contract for the construction of the above reservoir was awarded to Contractor I on 6 September 2010 for a total sum of Rs 13,500,017. As of March 2012, the total amount paid was Rs 11,820,828. The duration of the works was 150 days and the works were due for completion on 23 February 2011. The Contractor did not inform the Commission of the additional time that would be needed for completion of the works but stated that the works were practically completed on 23 May 2011.

Liquidated damages should have been deducted from the payments made to the Contractor as of 18 May 2011, that is, after the due date for completion, the Project Manager had approved the request of extension of time to 28 May 2011.

Practical handing over certificate was issued on 23 May 2011 although testing of the maximum water level that could be reached had not been effected.

RRA's Reply

Extension completion period has arisen because of additional works not included in original scope of the contract. In order not to disrupt distribution for the Queen Elizabeth Hospital, it has been agreed to put in service the newly constructed reservoir and to monitor performance during Defects Liability Period. The Contractor is responsible to take corrective measures at its own cost in respect of any defect.

7.23 Promotion of Rain Water Harvesting - Rs 13,323,900

7.23.1 Background

The main objective of the project for the "Promotion of Rain Water Harvesting" is to encourage and optimise water collection and storage through rain water harvesting so as to alleviate the acute shortage of water. In February 2011, the Executive Council decided to start the project for the promotion of rain water harvesting by providing households with a concrete water tank. Rodrigues would be divided into six zones and it was also decided that one local contractor would be able to bid for only one zone so as to enable an equal distribution among the contractors and to avoid any delay in the project implementation.

On 9 August 2011, however, a contract was awarded to only one Contractor for the sum of Rs 13,323,900 for the construction of 360 domestic concrete water tanks of six cubic metres for households all around the island in the six zones, that is 60 water tanks per zone. The letter of acceptance was signed on 15 August 2011 and work was to be completed on 15 November 2011, that is, within 90 days as from the date of acceptance of the contract.

7.23.2 No Approval from the Executive Council

Approval of the Executive Council was not seen prior to the award of the contract on 9 August 2011 to a single Contractor for all the six zones and not to a Contractor per zone as initially decided. The Council was informed of the award of the contract on 26 August 2011.

7.23.3 Disbursement of Funds

Total payments to the Contractor amounted to Rs 8,310,688 as of December 2011 and were disbursed from the budget item "Promotion of Rain Water Harvesting - Rs 10 million". The project was to be partly financed from a grant of Rs 3 million from the Ministry of Energy and Public Utilities. As of March 2012, no such grant was received.

7.23.4 Eligibility Criteria

No criteria were set out as to who would be eligible to benefit from the project. No assessment of the vulnerability of the beneficiaries was made on the basis of their status, occupation, age, income, irregular supply of water and whether beneficiaries were already in possession of a water tank.

7.23.5 Construction of Additional 114 Water Tanks

At date of awarding the contract, the lists of beneficiaries in the six zones had not been finalised and they had been updated thereafter, on several occasions bringing the total to 474. On 18 November 2011, the Executive Council approved the construction of additional water tanks by the same Contractor, without mentioning the number of units to be built. Based on the original contract, the additional cost amounted to more than thirty per cent. This was not in accordance with Section 25 of the Public Procurement Act 2006, whereby direct procurement is permitted only where additional works are within the prescribed limit of thirty per cent of the contract value.

7.23.6 Non Compliance with the Terms of Contract

Programme of Works

A detailed programme of works was not submitted by the Contractor.

Supervision of Works

The construction of the water tanks was not properly supervised since several requirements of the contract were not met. For instance, no certificate of testing and commissioning for a minimum of five days for each water tank constructed was seen. Instead, payment certificates were approved on the basis of a certificate from the beneficiaries, having acknowledged the construction of one water tank on their premises.

Performance Security

The Contractor had submitted a Performance Security of Rs 666,195 which had expired on 30 January 2012 while works were still not completed. Hence, the interests of the RRA have not been safeguarded.

Liquidated Damages.

By the 15 November 2011, the original contract should have been completed. The Commission has increased the number of water tanks to 474 and the Contractor was given 28 additional days to complete the contract.Liquidated damages amounting to some Rs 354,000, for a delay of 121 days with effect from the extended due date of completion, that is 13 December 2011, should be claimed.

7.23.8 Site Visits

Following site visits effected by my Officers during March 2012, jointly with an Assistant Inspector of Works, the following were noted:

- some of the tanks were leaking, were empty, and some were used for storing water from the normal distribution systems
- some beneficiaries had already one tank
- no gutters leading to the water tanks were installed for the collection of rainwater.

Recommendations

Campaigns to encourage the harvesting of rain water and its storage should be promoted so as to sensitise the families to reduce dependence on water from dams and reservoirs.

A complete survey should be carried out to determine the total number of defective tanks and the Commission should ensure that the Contractor takes immediate remedial action.

The terms and conditions of contract should be strictly followed with a view to obtaining value for money. No payments should be released unless works have been done according to specifications. Liquidated damages should be retained from payments made to the Contractor.

Tenders should be launched only when funds are available in the budget.

RRA's Reply

As per conditions of contract, the Contractor had to complete the construction of 360 tanks, 90 days after receiving the list of beneficiaries which was on 6 December 2011. As the Commission has increased the number of water tanks from 360 to 474, the Contractor was given 28 additional days to complete the contract. An amount of Rs 32,200 has been retained as liquidated damages

Following a radio communiqué, 28 complaints were received and were referred to the Contractor for necessary repairs which have been completed. A complete survey is being carried out to determine the number of defective tanks.

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

7.24 Project in Fisheries Sector

7.24.1 Procurement of Five Fibre Glass Fishing Boats - Rs 52.8 million

Background

In 2005, the RRA had initiated the project for the purchase of five fibre glass fishing boats in support of Rodriguan Fishers for demersal fishing. The project was to be carried out jointly by an international funding organisation and the RRA. In September 2009, approval of the Ministry of Finance and Economic Empowerment was obtained for the purchase of the boats under the Rural and Diversification Programme/Marine and Agricultural Research Scheme (RDP/MARS) programme.

Project Financing

The total cost of the project was estimated at an amount of Rs 40.25 million inclusive of VAT. The project was planned to be funded through the Food Security Fund under a 75 per-cent grant and 25 per cent loan scheme.

Award of Contract

In December 2010, the contract for supply, delivery and commissioning of five fibre glass fishing boats was awarded to a Contractor for the sum of Rs 52,831,000 inclusive of all taxes. Works started in January 2011 and were scheduled to be completed by September 2011. The contract price of Rs 52,831,000 was 31 per cent higher than the estimated costs. No feasibility study of the project was carried out to assess its viability and sustainability. As of 31 December 2011, an amount of Rs 54,208,250 was paid to the Contractor including equipment for an amount of Rs 1,377,500.

Contract Agreement between Five Co-operative Societies and RRA

On 21 October 2009, the approval of the Chief Commissioner, instead of the Executive Council was obtained to provide the five boats to five Co-operative Societies involved in fishing activities. As of date of audit in March 2012, handing over was still not yet made. Four Co-operative Societies were incorporated on 8 December 2009 and another one on 3 December 2009, therefore, there is ground to believe that these Co-operatives were quickly set up by the members so that they could benefit from this project. It was noted that neither the project was advertised nor were criteria set for the public to show their interest in the project of demersal fishing undertaken by the Commission

On 17 December 2011, a loan agreement amounting to Rs 2,641,550 was signed between the RRA and each of the five Co-operative Societies. However, loan agreement pertaining to the value of the equipment amounting to Rs 275,450 for each of the Societies was not finalised. According to the terms of the loan agreement, the repayment of the loan amount should start one year after the signature of the agreement and that of interest in January 2012. However, as of 25 March 2012 no repayment had yet been made by the Cooperative Societies.

Delivery and Commissioning of Boats

According to the contract document, the boats were to be supplied, delivered and commissioned by September 2011. On two occasions, that is on 17 December 2010 and on 7 September 2011 respectively, requests for extension of time were made by the Contractor. Three months after the expiry of the contract period, that is on 9 December 2011, both extensions of time were approved by the Commission, thus bringing the new completion date to the same day. Coincidently, on that day, the five boats were delivered to five Co-operative Societies and commissioned as well. No penalty clause for late delivery was seen in the contract documents.

The warranty period was valid for one year as from 9 December 2011. However, the boats have remained unutilised since the date they were commissioned as they were not equipped with the satellite telephone and the necessary fishing equipment. The Commission had estimated that these equipment for all the boats would cost some Rs 1.3 million. As of March 2012, that is with eight months of warranty period left, these boats were still left idle. It has to be pointed out that no liens on the boats were inscribed in favour of the RRA to safeguard its interest.

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

On 25 September 2009, the contract for the supply of six outer lagoon fishing boats was awarded to a private company for an amount of Rs 15,639,425 inclusive of VAT, for off lagoon fishing. The boats were delivered to the Commission and were commissioned in July 2010. Since that date, records pertaining to the following were not seen:

- Registration of the vessels with the relevant authority;
- The seaworthiness of the boats; and
- The use of the boats.

These boats were seen moored in the boatyard at Port Mathurin. The performance bond and the warranty period had expired on 30 June 2011 and 23 May 2011 respectively.

In the absence of documentary evidence, it was difficult to ascertain the ownership, the responsibility, and the management of these boats.

Conclusion

Eleven boats for an amount of Rs 69.8 million were acquired for off lagoon fishing without any feasibility study and planning. To ascertain the viability and sustainability of the projects, Co-operative Societies were incorporated quickly to reap the benefit of this project. Extension of time to the Contractor was approved on the date of delivery, that is on 9 December 2011. No liquidated damages clause was included in the contract documents. Six boats were seen moored at the boatyard and the benefits for this project had not yet been derived.

Recommendations

The Commission should draw the loan agreements in respect of the five fibre glass fishing boats and register the signed copies to enforce the agreements. The Commission should ensure that liens had been inscribed on the boats to safeguard the interest of the RRA.

The six outer lagoon fishing boats amounting to Rs 15.6 million received in July 2010 have to be put to use to ensure that benefits are derived from the investment made.

8 - MINISTRY OF ENERGY AND PUBLIC UTILITIES

8.1 Plaines Wilhems Sewerage Projects

Contracts for the following two projects were awarded under the Plaines Wilhems Sewerage Projects as shown in Table 8-1

Table 8-1 Contracts Awarded

	Contract WW 99F (Lot 1B)	Contract WW 81F (Lot 2)
Contract amount	Rs 846,527,032	Rs 2,340,187,095
Contract award	November 2008	December 2007
Completion date	September 2012	July 2012
Total payments as of 31 December 2011	Rs 432,419,693	Rs 1,635,837,082

Scope of the works

The works under these two projects included the civil works for the construction of secondary and tertiary street sewers, as well as the sewerage property connections. They also included replacement of potable water pipes expected to be damaged during the sewerage works and associated house connections.

8.1.1 Increase in Project Costs

Project costs were increased in these two projects due to the following:

- Additional depths and lengths of excavation
- Delays and disruption of works

Increase in Costs due to Additional Depths and Lengths of Excavation

<u>Reasons for Additional Depths and Lengths of Excavation</u>

The designs of the two projects were done by a Consultant and his scope of works included a general site survey without detailed topographical study and house surveys. These random surveys formed the basis for preparation of tender documents including Bill of Quantities and working drawings. The Contractors of these projects quoted rates based on quantities mentioned in the Bill of Quantities.

In these projects, as specified in their scope of works, the Contractors were required to carry out house to house surveys, surveys of road ground levels, and preparation of the working drawings required for execution of the works, as well as the construction and testing of the works.

During execution of the projects, the Contractors claimed that increases in depths and lengths of excavation were needed in the projects.

The Contractors claimed additional cost as detailed below:

	Claimed by Contractors (Rs)	**Assessed by WMA (Rs)**
Contract WW 81F	580,582,180	Yet to be assessed
Contract WW 99 F	295,419,171	122,061,205

- *Contract WW 81 F*

In *May 2011*, the Contractor submitted a claim totaling Rs 580,582,180 for extension of time with cost and additional sewer lanes and sewer depths.

The details of the claim are as shown in Table 8-2.

Table 8-2 Details of Claim

Description	**Rs**
Head- Office overhead and profit	267,306,390
Preliminary and general items	165,128,818
Late release of retention money	37,465,294
Change in scope of work	34,953,568
Price adjustment	75,728,111
Total	**580,582,181**

The claim is yet to be assessed by the Consultant.

- *Contract WW 99F:*

Paragraph 10.2.1 of the Audit Report for the year ended 31 December 2010 refers. The Contractor, in November 2010, claimed additional payments of Rs 94,222,121 as a result of additional depths of excavation.

In *June 2011*, the Contractor sent another claim for the sum of Rs 201,197,049, resulting in a total claim of Rs 295,419,171. This included some Rs 88 million for extension of time with cost.

The claim has been assessed by the Consultant in December 2011 for the sum of Rs 122,061,205 including some Rs 46 million for extension of time with cost. Payment has not yet been made as of April 2012.

The additional costs were claimed mainly for:

- *Increased Depth of Y-Junction - Rs 9,971,212.*

  The Bill of Quantities provided for a single rate for Y-junctions regardless of depth of street sewers. Substantial change in the depth of street sewers has had an effect on the depth of the Y-junctions and the rates quoted were considered as no longer applicable.

- *Additional Price Adjustment- Rs 20,681,467*

- *Extension of Time with Cost - Rs 46,055,814.*

  The extension of time with cost was claimed due to deeper installation of sewers.

- *Change in Scope of Works-Rs 20,567,709.*

  The basis for this claim is that the actual design of the sewer installation has significantly varied from the tendered design due to the impact of the actual house level survey data. This variation in design has resulted in a considerable change in scope of work whereby 80 per cent of the installation is now below 1.5 metres depth as compared to the tendered 25 per cent.

8.1.2 Increase in Cost due to Delays and Disruption to Works

- *Contract WW 81 F:*

Paragraph 10.2.3 of the Annual Report for the year ended 31 December 2010 refers. The claim of Rs 116.2 million for loss and expense arising from delay and disruption to works was increased to Rs 232,085,865.

In November 2011, the Consultant assessed these claims and determined that the Contractor was entitled to additional payments of Rs 94,837,710. As of April 2012, the claim has not yet been paid.

The Contractor claimed extension of time with cost due to increased cost of preliminary and general items, additional head office charges and for cost of disruption to works due to idle equipment and labour.

Loss and expense was claimed and assessed for reasons such as:

- Late approval of traffic diversions and road closure from Traffic Management Road Safety Unit (TMRSU).

- Suspension of works due to late payment of interim certificates as a result of conflicting clauses in the payment procedures between loan agreement and contract agreement.

- Late possession of site.

- Late release of retention money.

- Suspension of works due to general elections.

➢ *Contract WW99 F:*

A total sum of Rs 6.8 million has been assessed by the Consultant for payment as a result of delays and disruption of works. Payment has not yet been made as of April 2012.

Details of the claim are given below:

- *Delays in Approval of Traffic Diversion Schemes-Rs 5.1 million*

  In April 2011, the Contractor claimed additional payments of Rs 15,395,381 as a result of disruption of works. In February 2012, this has been assessed by the Consultant at Rs 5,146,231.

  The sum of Rs 5,146,231 includes some Rs 4.1 million for delays in approval of traffic diversion schemes and Rs 879,041 for price adjustment.

  As from January 2010, representatives of the TMRSU described a new procedure for street closure resulting in delay in approval of road closures. This revised procedure implied a much higher level of processing and administrative follow up.

- *Additional costs due to Suspension of Work- Rs 1.7 million*

  The Contractor was instructed by the Resident Engineer to comply with the requirements of the Electoral Commission and to suspend all works during the election period. As such, work was suspended on 30 April 2010 and uncompleted trenches were temporarily backfilled. They were re-excavated on 6 May 2010.

  A sum of Rs 1.7 million has been assessed for payments.

Conclusion

The major contributing factor for the additional cost in these projects was additional depths and lengths of excavation compared with the quantities in the original tender documents. As already explained at design stage of these projects, the scope of works of the Consultant included a general site surveys without detailed topographical study and house surveys.

The scope of works of the Contractor included detailed topographical study and house surveys, and as a result he claimed that increase in depths and lengths of excavation were needed.

These have resulted in substantial claims and payments for additional quantities and other cost such as extension of time.

The Ministry is taking measures to ensure that Consultants carry out house to house survey and detailed topographical study to define scope of works clearly to avoid heavy additional costs. This should be the case where appropriate, for all future projects to avoid substantial additional payments.

Ministry's Replies

Remedial Measures

- *Site Surveys*

  The consultancy contract which was awarded in 2006 did not require the Consultant to carry out a comprehensive survey of the area to be covered by the project. Accordingly, a detailed topographical study and house survey were not carried out at design stage.

  This Ministry has already requested the WMA to ensure that henceforth detailed topographical and house surveys are carried out at design stage. Accordingly, the WMA is making provision for such surveys to be carried out by the Consultants being appointed to carry out the detailed designs for the Grand Baie Sewerage projects – Phase 1B and Phase 2.

- *Approval Procedures by TMRSU*

  As per conditions of contract, the Contractor should submit his programme of works 45 days prior to start of works. In respect of new projects Contractors would now be required to submit their programme of work at least 60 days prior to start of works in order to allow the TMRSU some more time to complete its procedures prior to giving its approval for the start of works.

- *Conflicting clauses between Loan Agreement and Works Contract.*

  The Ministry has requested the WMA to ensure that all new contracts are consistent with provisions of loan agreements and that payment procedures are cleared with funding agencies and the MOFED before signature of the agreements.

8.2.Contract WW 185X - Construction of off-site Sewerage works for Jinfei project at Riche Terre

Paragraph 10.1 of the Audit Report for the year ended 31 December 2010 refers.

The Contract was awarded on I7 December 2009 for the sum of Rs 97,207,035. The original contractual completion date of 19 October 2010 was revised to 11 April 2011. Total payments amounted to Rs 76,629,095 as of 30 November 2011.

In December 2010, the Wastewater Management Authority (WMA) was informed that the Jinfei development would only generate effluents after two to three years with the result that the pumping station will not operate during the same period. The scope of works in the Contract was then reduced and the Contract sum was revised to Rs 82,183,184.

The WMA Board, at a meeting held on 15 December 2010, decided that the civil works such as sewer rising mains and construction of pumping station be completed as per Contract and part of electrical and mechanical works earmarked at the pumping station would not be performed. All the equipment would be dry-installed with a view to fix all the fittings. No tests and commissioning would be performed. The equipment would then be dismantled, packed and stored properly.

Follow up

- The sewerage project is not yet operational because the Jinfei development has been delayed and could not generate flow. It is not known when the Jinfei development will resume. Because the pumping station will not be in use for an undetermined period, any operational defects will not be detected. The defects liability certificate, though not yet issued, will have to be issued soon and therefore it seems that any existing defects will remain unremedied.

- A generator set and its fuel bulk have been offered on sale to Central Water Authority (CWA) but the latter is not going ahead with the purchase.

- In February 2011, WMA requested the Contractor to seek information from manufacturer regarding the effect of the non-usage of the pipeline for a long period of time. In May 2011, the Contractor stated that the Ductile Iron (DI) pipe can be left empty for a period of about three years and that the gaskets will not be affected due to non usage so long as the pipes are buried and not exposed to direct sunlight.

- The pumps and generators together with their accessories kept at Montagne Jacquot Treatment Plant have been insured for a sum of Rs 5 million.

- The uninstalled equipment under the Contract were stored at Montagne Jacquot Treatment Plant and the WMA could not explore other possibilities of using these equipment. In a meeting in February 2011, the Contractor was asked to seek storage information on the uninstalled equipment from suppliers. As of April 2012, responses from suppliers/contractor have not yet been received.

- Extension of time of some six months was granted to the Contractor which represents about 60 per cent of the initial contractual period of 10 months.

Ministry's Reply

The construction of the off-site sewerage works for the Jinfei project was initiated at the request of the Ministry of Finance and Economic Development (MOFED). The Jinfei project is not yet operational. This situation is undoubtedly prejudicial to the assets purchased under the project. It is to be noted that recently we have been informed that some activities are being envisaged by the promoters. However, the flows to be generated in the project area will still be inadequate to operate the sewerage infrastructure over the next three years.

The WMA is liaising with the DI pipe manufacturer to obtain information on the action to be taken to prevent any damage to the gaskets due to non usage of the pipeline for a long time.

The generator will be load tested on a 6–monthly basis to ensure it is kept to working conditions.

Appropriate uninstalled equipment delivered under the contract are being installed at other WMA sites wherever applicable.

8.3 Baie Du Tombeau Sewerage Project: Contract 110 A: Construction of Sewerage and Water Supply Works

Paragraph 10.3 of the Audit Report for the year ended 31 December 2010 refers. The Contract was awarded for the sum of Rs 464.1 million on 13 August 2007.

8.3.1 Variation Works

The project was completed in October 2009 and the contract price was revised to Rs 750 million because of variation works amounting to Rs 285.8 million. In February 2010, the CPB gave approval for a revised contract price of Rs 603 million only. This represented approval of variations of Rs 139 million or 30 per cent of original contract value. The Central Procurement Board (CPB) emphasized that the remaining variations works amounting to Rs 146.8 million were not in compliance with the Public Procurement Act 2006 (PPA).

Some of the variation works were carried out without prior approval of the CPB, the WMA Board and the Ministry of Energy and Public Utilities (MEPU).

In September 2010, MOFED approved release of additional funds to meet the cost of the excess variations. This was approved subject to a review to be made on the procurement system, procedures and processes at the WMA.

Follow up

Audit of Procurement Procedures at the WMA by the Public Procurement Office (PPO).

The PPO carried out a review of the procurement system and procedures in place at the WMA and the procedures for the handling of variations and amendments to contracts with a view to ensuring that no unauthorized costs are incurred and that costs of projects are kept under control.

The PPO issued its report in July 2011 and some of its findings were as follows:

- It was only when the project was nearly completed, i.e in January 2010, that the WMA Board was apprised of the revision in the contract amount requiring covering approval from the Board. Moreover, MEPU was apprised of the unauthorized variations only when additional funds were required to settle the claims from the Contractor.

  In line with the WMA Act 2000, the approval of the Board should be sought for any transaction above Rs 500,000. Moreover, for all transactions above Rs 2 million the MEPU`s approval should be sought.

- The line of reporting was not well established. At times instructions were given to the Contractor on behalf of Management.

- There was no evidence that most of the additional works awarded to the original Contractor could, for technical and economic reasons, hardly be separated from the initial Contract and be awarded to other Contractors through fresh bidding exercise.

- While there were mechanisms in place at MEPU, to monitor progress of works like the Monthly Project Monitoring Committee and Quarterly Progress Report, MEPU relied completely on WMA despite having the responsibility to pay the Contractor. Major variations or changes in scope of works are normally reflected in the interim payment certificates and it was not necessary for the MEPU to wait for the end of the project to know the magnitude of the additional costs.

- Non-observance of the internal rules for obtaining prior approval for variations was deliberately ignored.

The PPO recommended that:

- The WMA Board should take actions, where necessary, for gross omissions or deliberate non-compliance with PPA and regulations, and with internal procedures.

- WMA should review its present thresholds that require the approval of the Board and that of MEPU.

- MEPU should closely monitor the performance of WMA in project implementation. It should ensure that WMA has the necessary contract administration resources.

Institution of a Fact Finding Committee

In July 2010, the WMA Board decided to set up an internal Fact Finding Committee in the light of the NAO report on the project to inquire, amongst others, on justifications for additional works over and above the approved contract value and procedures followed and approval obtained to implement the additional works.

Another precondition set by MOFED, for the release of additional funding for the unauthorized expenditure was the submission to MOFED of the findings and recommendations of the Fact Finding Committee.

The main findings of the Fact Finding Committee in a report issued in July 2011were as follows*:*

- There were 36 additional works items, 16 of which were above the threshold of Rs 500,000, therefore requiring the approval of WMA Board and MEPU, which was not done. WMA had contravened the WMA Act.

  Moreover, by exceeding the limit of 30 per cent of additional works of the initial contract value, WMA had also contravened the PPA 2006.

- 32 of the 36 additional works items amounting to Rs 37,022,125 were associated with the permanent works and had to be entrusted to the main Contractor. However, it was considered that two items namely, water sprinklers and construction of toilet block amounting to Rs 4,680,000 and Rs 552,055 respectively could have been done outside the provisions of the Contract. Furthermore, one work item amounting to Rs 6,122,333 for hiring of sewerage tankers was not justified as the services were provided in-house.

- 12 of the 36 additional works items amounting to Rs 7,745,651 were completely new works items, as such no rates were provided for in the Bill of Quantities.

- If a proper topographical survey had been undertaken at the design stage, the exact alignment of the sewers would have been determined and quite a few of the additional works identified would have been inbuilt in the contract.

Conclusion

In the light of the reports of the PPO and the Fact Finding Committee, WMA has already taken some corrective measures such as setting up of a Project Monitoring Committee and a change control system to monitor variations. Further measures should be taken to ensure that projects are properly managed, supervised and contained within awarded sums.

8.3.2 Interest on Late Payment of Consultant`s Fees.

In August 2010, the Consultant claimed interest amounting to Rs 1,444,775 on account of late payment of consultancy fees. Delays varied from six months to three years on late payment in respect of seven interim payment certificates. A sum of Rs 775,718 was paid in December 2011.

Ministry's Reply

In the light of the report of Fact Finding Committee and based on advice obtained from its legal advisers, WMA has administered a severe warning to two officers.

The Singapore Public Utilities Board was approached to elaborate a strategic plan for an integrated water management system. Once the report on the reform of water and sanitation sector is finalized, this Ministry will seek Government's approval on the implementation of the recommendations made by the Consultant which will go a long way towards addressing the major shortcomings observed in project management.

WMA was advised to reinforce its internal audit system and recruit a qualified internal audit professional.

With a view to safeguarding Government interest and ensuring a judicious use of public funds, the Ministry is in the process of appointing an independent audit firm to audit the contracts being executed by WMA. This exercise will also enable the Ministry to identify the weaknesses and loopholes in these contracts.

WMA has already reinforced its Project Management Unit with the recruitment of a Senior Project Manager/ Claims Specialist with wide international experience. The Senior Project Manager has the responsibility to head the Project Management Unit of WMA and to train WMA staff.

9 - MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

9.1 Overtime

During fiscal year 2011, a sum of some Rs 6.8 million was incurred in respect of overtime performed at the Ministry. Details of overtime paid for the past three fiscal years are given in Table 9-1.

Table 9-1 Overtime paid

Fiscal Year	Overtime Rs
2009	6,838,540
2010	7,676,030
2011	6,790,298

Officers drawing overtime included, amongst others, drivers and office attendants and the reasons put forward in the case of these officers were:

- Transportation of officers working late,
- Transportation of overseas delegates,
- Cleaning and closing of offices.

Overtime by these officers was being regularly performed each month throughout the years. Hence, performing overtime by these officers has become a routine activity at the Ministry.

Taking fiscal year 2011 as a base (being the year the lowest amount paid as overtime), the overtime paid to drivers and office attendants represented in most cases more than 65 per cent of their annual salary and in a few cases, the overtime drawn was more than 100 per cent of their annual salary. Some examples are listed at Table 9-2.

Table 9-2 Examples of Overtimes paid in 2011

Grade	Overtime Rs	Annual Salary excluding Bonus Rs	Overtime/ Annual Salary %
Driver 1	159,404	182,520	87
Driver 2	147,674	172,920	85
Driver 3	113,032	165,720	68
Driver 4	128,898	182,520	72
Driver 5	136,847	182,520	75
Driver 6	170,801	182,520	93
Driver 7	178,365	182,520	98
Driver 8	169,515	169,320	100
Driver 9	164,361	182,520	90
Driver 10	145,331	162,720	89
O. Attendant 1	114,518	162,120	70
O. Attendant 2	141,393	193,320	73
O. Attendant 3	125,197	158,520	79
O. Attendant 4	93,027	116,364	79
O. Attendant 5	161,765	162,120	100
O. Attendant 6	132,267	158,520	83
O. Attendant 7	82,269	128,700	64
O. Attendant 8	89,294	131,268	68

Recommendation

The Ministry should seriously take appropriate steps to curtail expenditure on overtime.

Ministry's Reply

Actions are currently being taken by the Ministry to ensure that overtime be kept to a minimum and have recourse to it where it cannot be avoided namely:

- In addition to close monitoring of programme of work of officials, the Ministry has set up an administrative reform cell to streamline MOFED processes to enhance timely service delivery;

- MOFED is currently recruiting its full complement of staff;

- MOFED is currently working on the automation of the budget process.

9.2 Non-submission of appropriate statements for audit purposes

The Mauritius Revenue Authority administered the Revenue Laws, assessed liability to and collected taxes on behalf of Government. The taxes collected were remitted to the Consolidated Fund.

According to the Mauritius Revenue Authority Act (MRA Act), the Mauritius Revenue Authority (MRA) was responsible for both:

- the administration of the Revenue Laws and;
- to *account for all taxes*, other than the mere remittance of any tax collected into the Consolidated Fund.

However, statements regarding *tax administration* and also *to account for all taxes*, were not prepared for audit purposes to ensure that these requirements of the MRA Act and the various Acts were being met.

New Requirements of the Statutory Bodies (Accounts and Audit) Act as from Fiscal Year2011

Recent amendments to the Statutory Bodies (Accounts and Audit) Act classified the statutory bodies as either *those operating PBB* or *those not operating PBB*. The MRA was specified to be a statutory body under Part 1 of the First Schedule of that Act, that is, as a *statutory body operating PBB.*

MRA's Reply

The MRA Act does not require any specific statements to be submitted by MRA and it is MRA's belief that matters reported in its Annual Report amply address the above issues.

NAO's Comment on Reply

Contents of the Annual Report other than the financial statements are not appropriate evidence for audit purpose. Given that the financial statements of the MRA do not recognise and exclude all taxation revenue on basis that it is Government's revenue rather than MRA's, appropriate signed statements would have to be submitted to the relevant Authority by MRA regarding taxation issues stated above.

9.3 Reporting of tax administration and accounting for taxes to the National Assembly

Traditionally income tax, which was administered by the Income Tax Department under the vote of the Ministry responsible for finance, was audited and reported upon to the National Assembly in the Annual Report of the Director of Audit.

With the setting up of the MRA as a statutory body to administer the Income Tax Act and other Revenue Laws, the same stand was adopted regarding audit reporting of taxes which formed part of public money so as to maintain public accountability and transparency. In the initial stages of the MRA, to allow latter to manage the organisational and operational change process, the same strategy regarding audit and reporting was maintained.

Recommendation

To improve accounting and reporting methods, there is need for MRA to submit the appropriate statements regarding administration of the various Revenue Laws to ensure that the Revenue Laws have been fairly, efficiently and effectively administered and that liability to taxes have been properly assessed, collected and all taxes accounted for by the MRA as spelt out under the MRA Act.

9.4 Under-reporting of tax liability by the Informal Sector

The Research, Policy and Planning Department (RPP) produced a research paper on *Trading activities in the informal sector* in December 2008.

Thereafter, 266 cases were seen earmarked for examination by the Compliance Section. The following were observed:

- Only 132 cases were examined;

- Assessments were raised in 27 cases for an amount of Rs 26.8 million;

Production of the Research Paper involved lot of resources by the MRA and had highlighted numerous issues to be addressed by MRA to tighten tax collection in the informal sector.

There was therefore an urgent need for the MRA to gear resources towards more in depth investigation/examination regarding persons operating in the informal sector to enforce compliance with the Revenue Laws and decrease tax evasion, fraud and under-reporting of tax liability, thereby reducing the tax gap which still remained to be identified and addressed by MRA.

MRA's Reply

Other than by the Compliance Section, cases from the informal sector were also being tackled by the Medium and Small Taxpayers Department and by the Fiscal Investigation Department. These were not mentioned in the RPP research paper.

9.5 Arrears of Revenue

9.5.1 General

The arrears of revenue of the Registrar General's Department have reached a sum of some Rs 213 million as of 31 December 2011. Over the years, the arrears have continued to be on the increasing side with no improvement on the recovery of the debts.

Further, each year following assessment of value of property, additional fees/taxes were claimed when the value declared in the deeds was lower than that determined by the Valuation Department. These claims raised were mostly not settled in that same year and consequently increased the arrears of revenue. Some Rs 23 million representing 92 per cent of the Rs 25 million of claims raised during fiscal year 2010 were thus accounted as arrears. As for fiscal year 2011, the sum accounted as arrears was Rs 30 million, that is about 91 per cent of Rs 33 million of claims raised during that year.

The different categories of the arrears of revenue for the past four fiscal periods are given in Table 9-3.

Table 9-3 Categories of Arrears of Revenue

Duty/Tax	2008-09 Rs million	Jul–Dec 09 Rs million	2010 Rs million	2011 Rs million
Registration Fees	71	82	84	86
Land Transfer Tax	43	44	54	65
Capital Gains Tax	15	15	15	14
Campement Tax & Site Tax	14	13	17	19
Leasehold Rights Tax	4	3	4	8
Short on deeds	15	15	14	14
Incorrect Declaration	9	9	8	7
Total	**171**	**181**	**196**	**213**

Source: Return of Arrears of Revenue

There was a constant yearly increase of around 8 per cent in the arrears starting from Rs 171 million as of 30 June 2009 to reach some Rs 213 million as of 31 December 2011. As for land transfer tax, the increase from some Rs 43 million to Rs 65 million represented about 51 per cent. The debts recovery system and enforcement mechanism seemed thus to be inadequate and ineffective.

9.5.2 Completeness and Accuracy

The completeness and accuracy of the arrears of Rs 213 million could not be ascertained as the figure did not include all claims raised following assessment of additional taxes due. As such, out of a sample of 85 assessed cases, claims of some Rs 5.7 million representing additional Registration Duty/Land Transfer Tax sent to 43 debtors were not accounted for as arrears of revenue as of 31 December 2011.

Moreover, as of May 2012, some 1,200 cases involving value of shares have not yet been assessed. Any additional duty likely to arise on the assessment has therefore not been included in the arrears of revenue.

9.5.3 Debt Recovery System

At paragraph 11.1.3 of the Audit Report for the year ended 31 December 2010 mention was made of the poor system put in place to recover the arrears.

One year later, the situation was still the same and no other means for prompt recovery of debts have yet been initiated. The recovery of arrears was still slow, with only 8.3 per cent of some Rs 196 million due at 31 December 2010 having been recovered during the ensuing fiscal year ending 31 December 2011.

Long Outstanding Debtors

An analysis of the debtors as at end of 31 December 2011 is given in Table 9-4.

Table 9-4 Ageing Analysis of Debtors

Fiscal Year	Amount Rs million
Up to 31 Dec 2006	116
2007	14
2008	10
2009	19
2010	24
2011	30
Total	**213**

Source: Return of Arrears of Revenue

As of 31 December 2011, recovery of debts up to 31 December 2006 totalling some Rs 116 million and representing about 54 per cent of the total long outstanding debts seemed remote.

9.5.4 Untraceable debtors

At paragraph 11.1.4 of the Audit Report for the year ended 31 December 2010 attention was drawn of revenue that could not be claimed as the notices sent were returned with mention ‘untraceable’.

Untraceable debtors have also been on the increasing side. For fiscal year 2011, out of the Rs 43 million claims raised for additional fees/taxes due, some Rs 10 million could not be sent to the respective debtors as they were untraceable.

Recommendations

- Measures should be strengthened and enforced for prompt recovery of the sums due from the debtors.

- Proactive initiatives such as the one suggested lastly, that is to either fix the value of property or duty and taxes prior to registration, should be considered in order to counteract the effects of having to raise claims for additional fees/taxes.

Department’s Reply

Debt Recovery System – A proper system as set out in the process flow for Valuation Section has been put in place to render monitoring of arrears easier.

9.6 Computerisation Project

At paragraph 11.2 of the Audit Report for the fiscal year ended 31 December 2010, the Registrar General’s Department attention was drawn to the considerable delay in implementing the computerisation project since its initiation in September 1992. The project was reviewed and revealed the following:

9.6.1 Delay in completion

As of May 2012, the Department could not establish when the whole project would be completed.

From the very start, the requirements of the Department were not clearly defined. Several changes have had to be made as problems or acquisition of new hardware and software cropped up during the course of implementation of particular phases.

9.6.2 New System

On 10 February 2012, the Department has embarked on a new system namely the Mauritius e-Registry Project (MeRP) to be inclusive of its computerisation programme. This MeRP would enable the Department to have an integrated system and allow clients to conduct business on line. The project has been scheduled for completion by the first quarter of 2014 and would be implemented in two phases, that is an integrated eRegistry system in Phase I and a self-service platform for clients in Phase II.

The project value has been estimated to some USD 5,700,000 (Rs 170 million). It would be funded at 47 per cent as grant by the Investment Climate Facility for Africa Trust and 53 per cent by Government of Mauritius.

9.6.3 Cost of the ongoing Project

During the year under review, some Rs 5 million were incurred as overtime for scanning works and computer upgrade together with parallel running of the system. As of 31 December 2011, total amount spent reached some Rs 50 million and the Department still has no indication when and of how much more it would cost to complete this project.

9.6.4 Status of the Phases

As of April 2012, most of the phases were still not fully completed and operational. Status of the phases still ongoing is detailed in the Table 9-5.

Table 9-5 Phases Status

Phase	Description	Status
1	Case Hypothecaire -Capture of Repertories	Linkage and integration of some 490 Volumes of Repertoires to the electronic system scheduled for completion by December 2012.
3	Scanning of deeds	Valuation and Marginal Entries are being effected. Backlog of deeds from 1804 to 1978 remained to be scanned and uploaded and would be included under Mauritius eRegistry Project (MeRP) expected completion Quarter 2 of 2013.
2 & 5	Land Registry Systems	Phases 2 and 5 now carried out under MeRP scheduled for completion by Quarter 1 of 2014, “Information Forms” module already implemented under LAVIMS

Source: Registry File

9.6.5 Project Monitoring

During the period under review, the Project Monitoring Committee met only once, that is on 4 November 2011. With such large scale computerisation project, it is essential that the Monitoring Committee meets on a regular basis to oversee the project. It would thus ensure that:

- The respective time frames of the different phases are adhered to;
- All the IT requirements are being met;
- There is no duplication and the different systems are working in an integrated manner.

Recommendation

It is once again emphasized that the Department reviews the whole project ensuring itself that necessary steps and controls are being taken so as not to further delay the final implementation. It should also ensure that the objectives set initially for the project are achieved.

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

National Development Unit (NDU)

10.1 General

NDU launches annual contracts for roads and drains projects every year through open advertised bidding. Works in the respective zones are awarded to the zonal Contractors who are appointed annually by the Central Procurement Board (CPB) following tendering procedures.

10.2 Projects undertaken by the NDU during fiscal year 2011

A total of Rs 617,071,940 were spent on 199 projects undertaken during the fiscal year 2011.

Observations

- A total of 88 projects were completed during the fiscal year 2011. However, delays to complete the contract works, varying between 8 to 368 days, were noted on 68 projects;

- Some 110 projects were in progress during the same period and could not be completed within the contractual dates. Delays varying between 31 to 579 days were noted on those projects. 21 of those projects were awarded during 2010 and, delays of over 180 days were noted on those projects;

- On 4 January 2011, Government approved a number of projects in the flood zone areas, with works to start as soon as possible. NDU had recourse to emergency procurement procedures for drain works in those areas and awarded 59 projects to four private Contractors during fiscal year 2011.

  As of 29 February 2012, of the 59 projects, only 15 were completed and works were in progress in the remaining 44 projects. Contractors were not able to complete the projects within the contractual time, and delays of 19 to 249 days were noted.

Implication

There is a repercussion on the cost of the projects, as the price adjustment clause allows the Contractors to adjust the cost of materials, when prices go up.

Ministry's Reply

NDU projects are usually undertaken with loads of constraints such as way leave, displacement of underground services etc. Delays are, therefore, due to these site conditions.

10.3 Main findings relating to the capital projects

During fiscal year 2011, NDU awarded contract for capital projects totalling Rs 389,443,089 and Rs 504,227,513 respectively on normal drains projects and emergency drains projects. The roads, cremations and football and volleyball projects amounted to Rs 148,599,319, Rs 11,042,919 and Rs 27,134,587 respectively.

The main findings are summarized as follows:

- The performances of private Contractors were unsatisfactory.

- Contractors took much time to make good the unsatisfactory works and in the other cases examined, the Contractors did not attend to the 'snag lists'.

- Long delays were noted in the construction of emergency drains and other projects.

- The Contractor did not submit a revised programme of works to NDU for approval and to state the revised completion date.

- The liquidated damages clause to sanction the delay in completing the projects was not applied in a number of cases. Also, in many cases the quantum of liquidated damages was simply inadequate.

- Applications for extension of contractual time and their approvals could not be produced in many cases.

- Emergency projects such as drain works in flood regions were not completed within the contractual time. As a result, flooding in these regions still persists.

- Test results were not submitted by the Contractors.

- Performance bond and insurance cover were not extended to cover the maintenance period for projects not completed on time;

- Completion certificate, handing over certificate, snag lists and 'as made' drawings could not be produced and have not been filed.

- In at least two cases examined, NDU accepted performance bonds emanating from insurance companies while the bidding documents clearly mention that they must be from banks.

Comments on specific projects

10.4 Construction of drains at L`Amitie – Phase 1 at Rs 33 million and Phase 2 at Rs 17 million.

10.4.1 Phase 1 of the project

The project for constructing drains at L'Amitie was initiated during 2008 following serious flooding.

The initial design report was submitted in July 2008 and comprised the construction of 570 metres long cut-off masonry drains and covered concrete drain along 0.8 kilometre.

In March 2009, the project was estimated to cost some Rs 38 million plus VAT.

The Road Development Authority carried out Phase 1 of the project at a figure of Rs 33 million and the cut-off drain was not to be included.

10.4.2 Phase 2 of the project

Following heavy rainfall on 7 March 2011, the village was again flooded and it was then decided to include the construction of the cut-off drain, which initially formed part of the initial design of the project.

On 24 March 2011, the works order for only the cut-off drain construction was issued to the Contractor at a contract price of Rs 17,092,427, inclusive of VAT.

At a later stage, the scope of work was again revised to include the construction of drains along the lateral road to and along Dahlia Lane, at a revised contract price of Rs 5,165,178, in order to do away with the way leave.

Observations

Phase 1

Phase I of the drain was not yet completed. There are two illegal constructions along the alignment of the proposed drain.

The District Council has lodged a case in the District Court and was heard Pro forma on 27 September 2010. As of January 2012, the matter was still pending in court.

Ministry's Reply

NDU has contacted the neighbours; one of them has agreed to provide way leave under certain conditions. Scope of work to continue with the construction of drain has been awarded to the contractor to complete the drain.

Phase 2

- NDU modified the initial design of the Consultant who took into account the cut off drain in the design to capture all surface run-off water from the high grounds and during heavy rainfall.

- The project was delayed by several months and could not start due to way leave problems. On 3 October 2011, NDU decided to keep the project in abeyance given that the inhabitants of the locality were against the construction of the drain.

- As of 31 March 2012, i.e. three years after, the project was still not completed. Huge sums of money have been spent on the drainage works and the problem of flood has not yet been resolved.

10.5 Football ground at Petit Paquet, Montagne Blanche – Initial contract price Rs 3,406,199.

The contract was awarded on 11 February 2010 at a contract price of Rs 3,406,199 inclusive of VAT.

The commencement and completion dates were 17 February 2010 and 17 May 2010 respectively. However, the actual completion date was 8 November 2010 i.e with a delay of about six months.

As of 25 January 2012, a total of Rs 4,872,486 was already paid to the Contractor.

Observations

- After award of the contract, a decision was taken to shift the football ground some 65 metres forward, in order to cater for future infrastructural works consisting of a cloakroom, parking space and a health track, at no extra costs.

  The Contractor did not notify NDU about the additional works and he submitted a claim of Rs 4,687,722 on 27 May 2011. The only explanation provided in the file was that he excavated in rocky areas;

- NDU approved the increase in the contract price to Rs 5,393,088 in July 2011 i.e. an increase of Rs 1,986,889 and representing some 58 per cent of the initial price;

- Section 25(2d) of the Public Procurement Act 2008 and Regulation No. 44(3) of 2008 of the Public Procurement Office provides that additional works are to be within 30 per cent of the initial contract value. In the above case, the increase of 58 per cent is higher than the prescribed 30 per cent;
- There was a delay of some 180 days to complete the project. NDU deducted only Rs 42,000 representing liquidated damages for a total period of 14 days. The quantum is considered inadequate;
- The Contractor could not justify the additional time as he did not submit a certificate from the Meteorological Services to justify the delay.

Ministry's Reply

Additional works had been exceptionally approved by management due to special circumstances, mainly the relocation of the football ground, which implies more excavation in rocky grounds during bad weather conditions.

10.6 Fencing and lighting of football ground at Laventure – Rs 7,005,340, VAT included.

Works comprised mainly of block works, fencing and metal works, electrical installations, and civil works.

The site was handed over to the private Contractor on 25 October 2010 and all works were to be completed on 22 February 2011.

The project was substantially completed on 22 November 2011 with a delay of nine months.

Observations

- NDU accepted performance security from an insurance company whereas the bidding documents stated that it should be from a reputable bank.

  Ministry's Reply

  This issue will be dealt at appropriate level.

- The project was completed with a delay of nine months and NDU deducted only 85 days as liquidated damages. The quantum is considered inadequate.

Ministry's Reply

The design submitted by the Consultant was inadequate, due to wrong positioning of the lightmasts and their small bases. The electrical part of the project had to be redesigned by the Contractor and approved by ESD, because the works were executed by in-house supervision.

10.7 Site works at Nouvelle Decouverte Community Centre – Rs 2,708,871.

The project comprised the construction of boundary walls, paving, asphalt and other minor works.

The works order for the above project was initially issued on 28 March 2005 to the annual Contractor, at a contract price of Rs 2,708,871, VAT included. The Contractor could not start work, as the site was then occupied by Development Works Corporation who was constructing the Community Centre.

On 11 December 2008, the contract for site works were re-awarded to the annual zonal Contractor at a contract price of Rs 4,377,216, VAT included and with the same scope of works. The contractual commencement and completion dates were 12 December 2008 and 31 March 2009 respectively.

As of 31 January 2012, an amount of Rs 2,033,533 was already paid to the Contractor.

Observations

- Further to paragraph 12.5.6 of the Audit Report for the year ended 31 December 2010, as of 29 February 2012, the project was still not completed. On several occasions, the Contractor left site of works. He left the site of work on 15 November 2010 and came over to resume work in April 2011, to stop again in July 2011 for about two weeks.

Ministry's Reply

The work was delayed because of the presence of a septic tank along the boundary wall. The foundation of the wall had to be redesigned. The works are now substantially completed except for the metal works.

- Despite the fact that there were long delays to complete the project, NDU did not apply the liquidated damages clause

Ministry's Reply

These interruptions will be assessed and Contractor will pay liquidated damages if justified.

- The Contractor did not submit tests results in respect of compression of cubes, bitumen content, compaction of sub-base and also there were several defective works. The insurance policy expired on 1 January 2012 and has not been renewed.

Ministry's Reply

The insurance policy is being renewed.

- Following a joint site visit with the Contractor on 10 November 2011, NDU drew up a 'snag list' of 16 items requiring remedial action. As of end February 2012, the outstanding works had remained unattended.

Ministry's Reply

The remedial works are being attended.

- Later on, the Contractor made a request to delete a number of items stated in the scope of works, such as supply and fixing of fencing, entrance gate, small gate and balustrade.

Ministry's Reply

The NDU has already identified another Contractor to complete the metal works, which is lower than the previous Contractor.

Implications

- The project with an initial contractual duration of two months was still not yet completed after a period of seven years.

- In the meantime, the project initially awarded at a contract price of Rs 2,708,871 in 2005, had cost Rs 4,377,216 in 2008 and NDU had to incur further costs to complete all outstanding works, left over by the previous Contractor.

Ministry's Reply

The increase in costs from Rs 2,708,871 to Rs 4,377,216 was due to increases in labour, plant and material.

- Three Contractors would be involved in the construction of the Community Centre, one for construction of the building, another one for construction of the boundary wall and a third one for the provision of gates and fencing.

Ministry's Reply

All these changes of Contractors have been done in the interest of the Government as concerned quality and price. The first Contractor, who did the construction works, did not have the equipment for asphalt work, therefore site works were allocated to a specialized road works Contractor. As the road Contractor is taken up with other obligations and quoted a high price for the metal works, it was found to be in the interest of the NDU to allocate the metal works directly to another Contractor.

10.8 Construction of Market Fair at Lallmatie – Phase 1 - Rs 38,559,338 and Phase 2 – Rs 26,747,456.

The construction of the market fair at Lallmatie was carried out in two phases. Details are given in Table 10-1.

Table 10-1 Contract details of Phases 1 and 2 of the Market Fair Project

	Phase 1	**Phase 2**
Contract price	Rs 38,559,338	Rs 26,747,456
Contractor	X Ltee	Y Ltd
Supervision	Road Development Authority	NDU
Date of award	14 July 2010	24 November 2011
Commencement date	28 July 2010	30 December 2011
Scheduled completion date	30 November 2010	26 June 2012
Scope of works:	▪ Construction of a concrete platform of an approximate area of 2986m² ▪ Construction of parking with asphaltic concrete for 85 vehicles ▪ Construction of an absorption pit of 628 m² ▪ Construction of a boundary wall over a length of 128m ▪ Construction of a toilet block	▪ The erection of galvanized tabular metallic structures to shelter 319 stalls. ▪ Construction of concrete working tables of 1500mm x 1000mm in each stall. ▪ Construction of 7 stalls for meat, fish and chicken.

Observations

- The project was initiated in 2005. In January 2006, a consulting firm prepared the design, scope of works and cost estimates for Phase 1 of the project and NDU paid a consultancy fee. It was redesigned in March 2010 by another Consultant.

  The design prepared by the first consulting firm was not used but NDU had to pay a fee for the design.

  Ministry's Reply

  The design supplied by the first consulting firm was not adequate.

- NDU funded the project and RDA supervised all works relating to the project. All claims were forwarded to NDU for payment. As of 29 February 2012, NDU had effected payments totalling Rs 35,079,146.

- Other observations made during site visits by NAO:

  - The construction of the toilet block was in progress;

  - The toilet block of a surface area of 70 m^2 was priced at Rs 2,198,989 or Rs 31,414 per square metre, considered a very high price;

  - Phase 1 of the project comprised mainly the construction of a concrete platform of a total surface area of 2986 square metres to accommodate some 319 stalls.

  - The project is actually in its Phase II and the concrete platform constructed during Phase I is being excavated to fix the metal structure to shelter the stalls and to construct the PVC drains.

Implication

The concrete platform was constructed first and then it was considered that shelters were to be constructed, as a result of which excavations had to be carried out to fix the metal structures shelter. That resulted in additional costs.

Ministry's Reply

The policy of the Government is to execute the project in different phases due to budget constraints. This is a policy decision and has to be dealt at higher level.

10.9 Upgrading works on cremation grounds

Upgrading works were carried out during the fiscal year 2011 at a number of cremation grounds around the island. These are the audit findings:

- The Contractors could not complete the projects on the stipulated contractual dates. Delays were noted for works done at the cremation grounds. The main reason advanced was the unavailability of a fire resistance plaster material, to be applied to the pyres, and considered necessary to resist the intensity of fire. Since the materials were not available on the local market, mention was made for using a substitute, known as 'Mortier Refractaire'. The result was not conclusive since it did not resist the intensity of fire. Ultimately, the NDU approved the use of fire resistant bricks to the pyres;

  Ministry's reply

  The Consultant had approved the Mortier Refractaire, but after application the product was not given sufficient time for curing (28) days as the inhabitants had already used the pyres for cremation purposes. Meanwhile the approval of NDU was awaited regarding the increase in cost due to the use of Mortier Refractaire.

- For the construction and upgrading of the cremation grounds at Saint Julien, Olivia and Bon Acceuil, further delays noted, the insurance policy and the performance bond were not renewed and were considered insufficient to cover the defect liability period and the 12 months maintenance period.

  Ministry's reply

  The insurance policy and performance bond are being renewed.

- Construction of cremation ground at Olivia – Rs 2,579,565, *VAT included.*

  A proper survey was not done. During the handing over of site to the Contractor, it was then found out that part of works that were included in the scope of works were already carried out and completed by the District Council viz: the construction of boundary wall, general cleaning and painting of shelter and boundary wall.

  The scope of works of the contract was consequently reduced and the contract price was revised to Rs 1,721,831 inclusive of VAT.

  Works were completed in December 2011 and the performance bond ended on 20 June 2012. Renewal of the performance bond and insurance policy were not seen to cater for the defect liability period.

  Ministry's reply

  The District Council has executed part of the works of the contract, after the tender was launched. Same had to be deducted from the actual scope of works.

- Construction of cremation ground at Bramsthan – Rs 2,480,866, *VAT included*.

  The contract was awarded to the Contractor on 3 June 2010 and the site was handed over on 24 June 2010. The date to start the project was delayed due to the fact that way leave was not yet obtained from the owner of land.

  Request for way leave was made to the owner of land on 2 June 2010 and the site was handed over on 24 June 2010.

  In February 2011, NDU informed the Contractor that due to way leave authorisation, the project would not be pursued and therefore requested the Contractor to demobilize the site.

  NDU paid Rs 34,500 to the Contractor as compensation money for costs incurred.

  NDU incurred unnecessary costs because way leave was not obtained from the owner of land. In like circumstances and also at identification stage, a survey is always necessary for an assessment in determining the scope of works.

Overall recommendations

- NDU has been in business for many years and must compile data and figures on the types of project and be in a position to work out the cost per unit of any project undertaken i.e cost per metre of open drain/covered drain; cost per square metre of construction etc;
- Proper surveys must be undertaken at identification stage in determining the scope of work;
- NDU must ensure that projects are completed within the contractual time stipulated in the agreement and that the Contractors fully abide with the terms and conditions of the contract agreement otherwise no payment is to be released;
- NDU should closely monitor all projects and ensure work is done according to contract specifications, is of quality and that the projects are completed on time;
- The Contractors should be requested to extend the performance bond and insurance cover whenever projects are being delayed, such that the documents remain valid to cover the full defects liability and maintenance periods;
- The liquidated damage clause must be strictly enforced in case of unjustified delay to complete a project;
- The practical completion certificate, the snag lists and the ‘as made drawings’ are important documents that require filing once the projects are completed. The ‘Snag List’ is important to follow up that the Contractor has made good or repaired the defects before the end of the defects liability period;
- NDU should ensure that the recommendations of the Consultants are taken into consideration in the implementation of projects;

- Projects considered emergency projects and financed under the emergency programme are to be dealt with seriously and there should be no cause for delays to complete such projects;

- NDU should consider forfeiting the performance bond in case of unsatisfactory performances of Contractors and not to effect payments when unsatisfactory works are reported.

11 - MINISTRY OF FOREIGN AFFAIRS, REGIONAL INTEGRATION AND INTERNATIONAL TRADE

11.1 Supply and Commissioning of two Executive Saloon Cars – Rs 3,540,000

On 29 December 2011, the Ministry awarded the contract for the supply and commissioning of two Executive Saloon Cars, Volkswagen Passat to a private company for a sum of Rs 3,540,000 inclusive of VAT. However, proper procedures were not followed for the eventual award of this contract as stated below.

11.1.1 Budget and Invitation to Bid

In July 2011, the decision to purchase two new cars could not be entertained as the Ministry's budget for fiscal year 2011 made no provision for such purchase.

However, after having obtained from the Accountant General, authority for a Virement of Rs 3.5 million from item '26210058 – Contribution to SADC and affiliated Institutions', the Ministry launched tender for the supply and commissioning of two Executive Saloon Cars on 14 December 2011. It was noticed that the specification for engine 'petrol, 1800 - 2000 cc' mentioned in the bid documents was contrary to 'petrol, 1850 - 2000 cc' provided by Mechanical Engineering Division (MED) of the Ministry of Public Infrastructure (MPI) . Moreover, the deadline set for submission of the bids was insufficient with only seven days inclusive of a week end, that is on 21 December 2011.

11.1.2 Bid Evaluation Committee

On 23 December 2011, the members of the Bid Evaluation Committee (BEC) met to evaluate the bids. On that same date, they submitted their recommendation for the only one offer retained subject to certain conditions to be clarified by the bidder. These were, among others, to confirm that the engine capacity is 1800 cc and the mirrors are electrically foldable. However, the BEC did not meet again to corroborate that the information obtained from the bidder on 28 December 2011, was responsive or not to the specifications requirements and to give a non-conditional recommendation.

The BEC has not evaluated all the offers properly and consistently. The offer for 'Volkswagen Passat model of 1798 cc' was accepted as responsive but the two offers, that is the Mercedes Benz of engine capacity 1796 cc and the Audi A4 of 1798 cc were rejected as non-responsive on the ground that they were not within specification of 1800 – 2000 cc. Further, it should be pointed out that the mirrors of the cars procured were not electrically foldable as specified in the bid documents. All the bids should have been rejected as non-responsive.

11.1.3 Award of Contract and Payment

On 29 December 2011, that is one working day before the end of the fiscal year, all activities related to this transaction, that is approval of the Departmental Tender Committee, issue of the letter of award to the successful bidder, issue of Store Form No 1 ‘0126274’ and drawing of payable order of Rs 3.5 million were undertaken on that same date.

Further, the Treasury system showed that the Ministry has effected a payment of Rs 3.5 million on 31 December 2011, which was a Saturday and the last day of the fiscal year. At that date the cars were not yet delivered and commissioned. The payable order of Rs 3.5 million was drawn in the name of the supplier and kept at the Ministry. It was still in the custody of the Ministry as of 31 March 2012. This practice has been resorted to get around Government funds allocated policy, which stipulates that all allocated money lapsed if not spent by end of the fiscal year. The more so, paragraphs 11 & 12 of Chapter 20.4 of the Financial Management Manual (FMM) stipulate that payable orders should not be drawn in advance for payments to be effected at a later date.

11.1.4 Commissioning and Delivery

The cars were not delivered by 5 January 2012, that is within seven days from date of issue of purchase order SF1 0126274 dated 29 December 2011.

On 19 January 2012, only one car was available for examination by MED. No certificate was issued as the latter concluded that the car was not compliant since the engine capacity is 1798 cc which is below the specified range and the door mirrors are manually foldable instead of being electrically foldable.

As the letter of award was binding, the cars were procured. The commissioning certificates for both cars were issued on 9 and 30 March 2012 respectively, with a note below each certificate that the car is 1798 cc and the door mirrors are manually foldable.

On 2 April 2012, the cars were delivered and the supplier acknowledged receipt of the payable order of Rs 3.5 million. However, no liquidated damages were claimed for non delivery of the cars by 5 January 2012.

11.1.5 Performance Security

The successful bidder did not submit any performance security of Rs 354,000 as required in the bid documents.

Implication

By withholding Rs 3.5 million beyond fiscal year 2011, the Ministry has bypassed procedures and regulations for procuring the cars. Had the Ministry applied the maximum amount of ten per cent of the contract value, claims for liquidated damages would have been Rs 354,000.

Recommendation

The Ministry should comply in all aspects of procurement as required by the Public Procurement Act, the FMM and the bid documents.

This issue was raised in our Management Letter and the reply of the Ministry was:

- Funds were not provided for purchase of cars in the fiscal year 2011. As there was need to replace two cars (1 total loss and 1 returned to MPI), the Ministry waited until end of year to identify any savings for which authority from the Ministry of Finance was obtained as per Virement of 16 December 2011. Further, as funds for purchase of cars would not be available in 2012, it was urgent that Ministry of Foreign Affairs acquire the cars given that they would be used for transportation of VIPs, delegates and protocol.

- This was a typing error in typing 1800 - 2000 cc instead of 1850 – 2000 cc in the tender documents.

- The points raised were pertinent. Members of the BEC were guided on technical aspect by the expert of the MED. The BEC is not under the control and direction of anybody and it did not reject the bid. Thus, as the supplier's response cleared the clarifications requested by the BEC, the DTC has no option than to approve and award the contract as per the recommendations of the BEC.

- There was not enough time for payment in the normal course otherwise funds would have lapsed. As soon as the letter of award and the store form 1 were issued, the cheques were drawn. However, the payment was made when the car was delivered.

- The commissioning was done as and when the car was available by the supplier. The actual delivery was done in April 2012. The liquidated damages were not taken into account and not considered in view of the circumstances and time constraint. Cheque was already drawn.

- Payment and delivery were expected before end of financial year. However, as these were unexpectedly delayed beyond the end of the financial year, the issue of performance security was overlooked.

When the Ministry was requested to state the truth and fairness of this issue in our Reference Sheet for inclusion in the Audit Report, the Ministry responded as follows:

- The Ministry, while maintaining the above replies, affirms that it did not knowingly and wilfully, bypass procedures. In fact, proper procedures were duly followed but the whole process was speeded up on account of the financial year coming to an end. In so doing, a regrettable combination of unforeseen circumstances resulted in slight departures from established practice.

- The money which could be used towards the purchase of the cars would have lapsed as explained earlier and these vehicles were urgently needed for the transportation of VVIPs.

- Attention of the officers involved in the procurement and evaluation exercises and especially Finance Section have been drawn on the need to strictly abide by the provisions of the PPA/Regulations/Financial Rules and Terms and Conditions of Contract.

NAO's Comments on Ministry's Reply

NAO maintains that the Ministry has knowingly and wilfully bypassed procedures as it has accepted a bid that was not fully responsive to the specifications of the cars. On 29 December 2011, that is one working day before the end of the fiscal year, though the cars were not available for commissioning the Ministry drew in advance the payable order of Rs 3.5 million so that the money would not lapse. This payable order was withheld for three months until the cars were delivered on 2 April 2012.

11.2 Overtime

For fiscal year 2011, overtime incurred for both the Ministry and Overseas Missions totalled some Rs 7.8 million. Payments of overtime for the past three fiscal years are detailed in Table 11-1.

Table 11-1 Overtime paid

	2009 Rs	**2010 Rs**	**2011 Rs**
Ministry	3,010,000	3,051,000	2,651,000
Missions	4,610,000	4,167,000	5,171,000
Total	**7,620,000**	**7,218,000**	**7,822,000**

11.2.1 Ministry Level

Officers drawing overtime included among others drivers. Overtime by the latter was being regularly performed each month throughout the year. Thus:

- In addition to the overtime payment at the rate of 1/120 per hour; most of the drivers were regularly being paid the rate of 1/90 for overtime performed either after 23 hrs on week days or during Sundays/public holidays each month.

- Three of the drivers were paid overtime more than what they earned as basic salary for the months of August and September 2011. In one case, the overtime of Rs 16,531 paid for August 2011 exceeded his basic salary of Rs 10,450. Most of the overtime performed was during weekends.

- During fiscal year 2011, overtime paid to some drivers represented more than 95 per cent of their annual salary as given in Table 11-2. In four cases, the overtime exceeded their annual salary.

Table 11-2 Examples of Overtime paid in 2011

Driver	**Overtime Rs**	**Annual Salary Rs**	**Overtime/Annual Salary %**
1	172,629	182,520	95
2	170,731	177,720	96
3	160,092	165,720	97
4	181,385	182,520	99
5	193,355	182,520	106
6	162,472	146,976	111
7	206,438	182,520	113
8	185,395	134,376	138

11.2.2 Overseas Missions level

For fiscal year 2011, overtime incurred at three Missions amounted to a sum of some Rs 3.4 million as detailed in Table 11-3.

Table 11-3 Overtime paid

Mission	Amount Rs million
Paris	1.8
Geneva	1.0
Brussels	0.6
Total	**3.4**

The above mentioned Missions had the highest amount of overtime paid and the sum of Rs 3.4 million represented about 67 per cent of the total overtime of Rs 5.2 million.

A scrutiny of the records revealed that the reasons put forward for performing overtime were most often vague as detailed in Table 11-4.

Table 11-4 Reasons for performing overtime

Mission	Grade	Reasons
Paris	Driver	Embassy
	Security Officer	Opening & closing Embassy
	Confidential Secretary	Secretarial work
	Executive Officer	Opening & closing Embassy
	Clerical Assistant	Finance work
Geneve	Drivers	At office
Brussels	Driver	Duty with the Ambassador

Recommendation

The Ministry should seriously take appropriate steps to curtail expenditure on overtime.

In a Reply to the same above comment in our Management Letter, the Ministry stated:

At Ministry's level - Protocol duties include attending to the visits of high dignitaries and Diplomats, even after office hours and weekends. In these circumstances working beyond official hours is inevitable, thus the main reason for staff performing overtime. For fiscal year 2011, there were a lot of events among which were three state visits.

At Overseas Missions level - Overtime is inevitable as Head of Missions have to attend national day receptions and diplomatic dinners from time to time. In Paris, Mission has to receive visiting Ministers and other important personalities on their arrival and seen off at departures times. In Geneva, officers have to attend meeting not only of the WTO but also other International Organisations of which Mauritius is a member. Such meetings ended late. However, strict control over overtime was being exercised by Mission at all times.

The Ministry's Reply to the same comment in our Reference Sheet was:

Overtime performed by drivers at the Ministry – By nature of the specificity of work performed by the Ministry, transport facilities and usual courtesies have to be extended for official visits of delegation at the Airport and as per official programme. In such cases chauffeur-driven cars are made available to VIPs. Hence, these activities involve overtime which cannot be avoided.

At Overseas Missions level

- Ministry wishes to add that in Geneva, in addition to their normal duties, both drivers were involved in attending to delegations, including driving VVIPs to attend meetings, putting additional expenditure costs.

- As for Mission in Paris, Ministry reiterates the reasons put forward previously, and wishes to add other factors like arrival and departure time schedules of flights and adherence to the French Law in cases where payment of overtime to drivers becomes mandatory. The presence of Security Officer avers necessary for security reasons, and deals with the Police whenever the situation so warrants. The Executive Officer is required to attend work on Saturday as a matter of urgency for applicants travelling during the weekend, thus warrants the opening and closing of Embassy. The time difference factor is an impediment causing additional costs. Mission however pursues its efforts to curtail its overtime expenses.

- Therefore, the fact that Missions have to attend to Diplomatic/Official reception activities, payment of overtime is inevitable.

- Further, activities involving increase in payment of overtime performed by Missions in Paris, Brussels and Geneva are as follows:

    - For the purpose of curtailing expenditure on air tickets, the cheapest route chosen by Ministry of Finance is via Paris which increases transit of delegations necessitating courtesies.

    - Missions do not have control over the dates fixed by Regional & International Organisations for the holding of events which results in official delegations led by Ministers transiting in different countries over weekends whereby usual courtesies have to be extended to them.

    - Meetings such as WTO, WHO, ACP, ACP/EU Ministerial and Ambassadorial level, etc are normally held in Geneva and Brussels usually end late, on a regular basis.

- Yet the Ministry is doing its level best to ensure that Missions keep the trend of overtime to the minimum. Whenever there is an ascending trend on performance of overtime, circular letters are regularly issued to impress upon Missions not to allow undue increase.

NAO's Comments on Ministry's Reply

Ministry level – our comment is that overtime was being performed regularly and has become a routine activity. Whereas the reason put forward by the Ministry is for occasional activity and not routine one.

Mission level – At a few Missions, performing overtime was also a regular activity. This should not be allowed to become a routine activity and needs to be strictly controlled. As regards to attending to driving VVIPs and other members of delegations, cars with chauffeur are hired for them through the Ministries. Therefore, the question of paying overtime to drivers of the Missions for driving VVIPs and other members of delegations does not arise.

11.3 Telephone Expenses

For fiscal year 2011, telephone expenses incurred by the Ministry amounted to some Rs 2.8 million. Telephone expenses paid for the past three fiscal years are given in Table 11-5.

Table 11-5 Telephone expenses

Fiscal Year	Telephone Expenses Rs million
2009	2.3
2010	3.0
2011	2.8

Above expenses included mobile phone charges. On 23 October 2009, the Ministry issued an internal memorandum setting out ceilings for mobile phones for the different grades of officers. Any amount in excess of the above ceilings would have to be met personally by the officers concerned.

The ceilings set are excessive and still the Ministry was bearing the charges in full. In only a few cases, the amounts in excess were being refunded. Thus, one Minister Counsellor's phone charges for July and October 2011 were Rs 4,733 and Rs 5,220 respectively. As of May 2012, he has not yet refunded any amount in excess of the monthly ceiling of Rs 2,500. Further, though requested to refund for unofficial calls made for, amongst others, May and November 2011, which amounted to Rs 7,571 and Rs 20,638 respectively, the Director of Cooperation has not yet made any refunds.

As regards to the Secretary for Foreign Affairs a sum of Rs 121,087 was paid as mobile phone charges for the fiscal year 2011. The monthly charges ranged from the lowest amount of Rs 1,670 to the highest of Rs 26,630. No ceiling was specified for him.

Ministry's Reply

- The Minister Counsellor referred to is not subject to any ceiling as he is responsible for protocol matters including communication with all Embassies and High Commissions overseas, and foreign Embassies and Missions.
- Where appropriate, the officers have been requested to refund the amounts in excess of ceilings for unofficial calls, by end of August 2012.
- By virtue of his status, the Secretary for Foreign Affairs has to communicate with Missions/Diplomats outside office hours, including weekends and public holidays. Hence, no ceiling on telephone expenses can be allocated to him in order not to hamper him in the proper discharge of his duties.

11.4 Mauritius High Commission – London

11.4.1 Rehabilitation and Refurbishment Project

At paragraph 13.1.1 of the Audit Report for the fiscal year ended 31 December 2010, mention was made that following the decision to rehabilitate and refurbish the Chancery building in London, the contract for the consultancy services for the project was awarded to a UK firm on 7 December 2009. The project was reviewed and undue delay in initiating the works was noted.

11.4.2 Post Contract Phase

As of April 2012, that is after more than two years since the award, the post contract phase, the estimated cost of which would now amount to £ 1,765,936 has not yet even started.

11.4.3 Complaints

Further, in January 2011, complaints were received from people living in the vicinity of the Chancery with regards to the physical deterioration of the building and its potential threat to the public and passers-by. Mission could no longer envisage any further delay for the renovation of the building. It might also be held responsible if any mishap occurred to the building not renovated on time.

Implication

This prolonged delay in carrying out the renovation works would impact on the estimated costs of about £1.8 million with the likely effect of escalating the cost of the project.

Recommendation

In view of the declining state of the building, there is an urgent need to accelerate matters so that the rehabilitation and refurbishment of the Chancery could start without further delay.

In Reply to our Management Letter on the above comment the Ministry stated:

On account of the distance factor and also because of the need for consultation with various Ministries/ Departments, much time has elapsed while addressing different issues arising from the draft tender document submitted by the Consultant in order to respect local laws and regulations as well as comply with the Public Procurement Act.

The complete set of documents would be expected from the Consultant within six weeks of the letter conveying approval for an additional fee, for vetting by the Central Procurement Board before proceeding with launching of the tender documents.

The Reply to the same comment in our Reference Sheet was:

- Mission in London has forwarded the tender documents to Ministry on 18 June 2012. These tender documents have been sent to the Central Procurement Board (CPB) for approval before the launching exercise. However, Ministry has been requested to review the documents prior to forwarding for CPB's examination. As no technical expertise is available at the level of Ministry, assistance of Ministry of Public Infrastructure is being sought.

- In addition, given that our diplomatic staff has no technical expertise on management of contracts, Ministry's efforts to appoint a Project Manager for the infrastructure projects has so far not been successful.

- Ministry wishes to reiterate the problem being encountered leading to delays. We wish to add that Ministry's proposal for a member of the CPB and a Ministry representative to proceed to London to have a one-to-one consultation with a view to address the remaining discrepancies and finalise the tender documents within the least delay was not approved by the Ministry of Finance and Economic Development.

11.4.5 Advance A/c Motor Car

At Para 13.1.2 of the Audit Report for the year 2010 mention was made of a request for an advance to purchase a car by a high official of the Mauritian High Commission in London. In a correspondence dated 14 October 2008 and addressed to the Secretary for Foreign Affairs, the Accountant General rightly communicated the conditions which the payment of an advance to purchase car is subject to, namely

- that a lien must be inscribed on the vehicle in favour of the Government of Mauritius until repayment of the full amount of the loan, and

- that the vehicle should be covered by a comprehensive insurance policy subscribed in the joint name of the Accountant General and the purchaser.

The Accountant General also requested to be informed of whether the High Commission in London could ensure that the conditions are satisfied, if not, then the purchaser would have to produce a bank guarantee representing the full amount covering the loan period.

An amount of Rs 832,500 was advanced on 5 December 2008. The car, a Mercedes, was registered in UK on 13 November 2008. A document titled 'Right of Lien' was produced to evidence that a lien had been inscribed. NAO is not agreeable that 'Right of lien' and a 'lien' are the same thing.

Three and a half years after the grant of the loan, there is still neither a lien nor a bank guarantee in favour of the Government of Mauritius.

The Ministry in a reply to our Reference Sheet dated 25 June 2012 stated:

It is believed that this is a matter for the Accountant General to take up with the State Law Office as regards the legality of the document produced by the officer.

In another reply dated 29 June 2012, the Ministry stated:

The Accountant General has written to the officer concerned (letter dated 27 June 2012) requesting the latter to submit a bank guarantee for Rs 470,883 representing the outstanding capital and interest for the period ending December 2012.

11.4.6 Home-based Confidential Secretary versus locally-recruited Administrative Assistant

Paragraph 13.1.3 of the Audit Report for the year 2010 refers.

In 2001, the Ministry decided to discontinue with the practice of posting home-based support staff in our overseas Missions because "the practice entails significant expenditure in view of the payment of Foreign Service Allowance, refund of school fees, medical expenses and other costs." The NAO had drawn the attention of the Ministry to the effect that some Missions continued to employ home-based staff as Confidential Secretaries and that it was not cost-effective. Two officers, a home-based Confidential Secretary and a locally recruited Administrative Assistant are employed at Mission to provide services of a similar nature, the former to the High Commissioner and the latter to the Deputy High Commissioner and also to the High Commissioner, whenever the Confidential Secretary is on leave.

The home-based Confidential Secretary has been posted at the Mission since 8 October 2004 that is almost eight years now and also after the decision taken by Government to discontinue the posting of home-based staff. The financial implications of both cases have been compared. The expenditure incurred by Government in respect of the locally recruited Administrative Assistant was limited to a monthly salary of *£1221.38 and no allowance for travelling***.** On the other hand, besides the monthly salary of £600 (approximate £ equivalent of salary drawn), a Confidential Secretary is entitled to a series of allowances and privileges such as Foreign Service Allowance £1215, Transfer Grant, Baggage Allowance, Air Fares, Warm Clothing, Medical Expenses (100 percent refund if hospitalized and 90 per cent refund in other cases), fully furnished accommodation with all utilities (electricity, gas, water and telephone) paid by Government in toto, travelling expenses for an officer staying elsewhere than in Mission's compound, school fees for children. An officer not provided with accommodation would be entitled to an allowance of £935.

In addition to the above benefits, expenses totaling some £2,700 have been incurred by Government over a period of three and a half years (between May 2006 to October 2009) in respect of *furniture and domestic appliances* for the flat allocated to her. The list however, was not exhaustive as of date of audit, the inventory had not been updated.

In June 2011 the Ministry's Reply to the above comment was:

In some Missions, such as Mauritius High Commission in London, in view of the highly sensitive and highly confidential nature of some issues dealt with, the need for posting of home-based personnel from the General Service as Confidential Secretary is felt necessary. Frequent changes are avoided due to the nature of the responsibility of the Confidential Secretary. *However, with regard to the case under reference, it is proposed to proceed now with an early replacement subject to approval by authorities concerned.*

NAO's Comments on the Ministry's Reply

The NAO is of the view that the justification 'the highly sensitive and highly confidential nature of some issues' was not plausible in as much as whenever the Confidential Secretary was on leave the local staff was replacing her.

Status as of end May

As of end May 2012, the officer after almost eight years is still posted at the Mission. Moreover, applications with closing date of 14 May 2012 for the "Posting of Confidential Secretaries to Missions Overseas" have been invited as per Circular Note No.1 of 2012 dated 23 April 2012 wherein the tour of service will be of three years.

The reply of the Ministry for the same issue on 25 June 2012 was:

Most of our missions are staffed by local recruits **except for London**. Mission in London has expressed the importance of the posting of home-based Confidential Secretary to missions, in particular London and these are inter alia**,** the confidential nature of the work and sensitivity of a number of aspects in the work of the Missions. Further, confidentiality and handling of sensitive information in some of our strategic missions abroad should not be weighted only against financial arguments. Ministry concurs with the views expressed by Mission.

On 17 February 2012, Cabinet approved Ministry's proposal for the posting of non-diplomatic support staff in some of our missions overseas. It is expected that the selection exercise would be completed in the next few months and a replacement for the Confidential Secretary in London would thus be available.

11.4.7 Refund of Medical Expenses

At Paragraph 13.1.4 of the Audit Report for the year 2010, the attention of the Ministry was drawn to the fact that all home-based staff members and their dependent relatives are registered with the NHS, (Mission's correspondence dated 26 February 2009 addressed to the Ministry refers). The claims for refunds are however mostly in respect of visits to private practitioners. Medical expenses refunded to home-based staff, as from financial year 2006-07, are as per Table 11-6.

Table 11-6 Refund of Medical Expenses – MHC London

Period	No. of months	Amount refunded to Missions's Staff Rs
2006-07	12	183,641
2007-08	12	596,571
2008-09	12	185,620
July 2009 - Dec 2009	6	333,389
2010	12	134,154
2011	12	581,458
Jan 2012 to March 2012	3	217,487

The NAO maintains that the figures are on the high side and these are even on the rise.

Ministry's reply

Mission in London has been advised to avail of the services of the National Health Service and that henceforth, no refund will be made in respect of private medical practitioners, unless inevitable and fully justified.

A circular has also been issued to all our Missions to request them to thoroughly scrutinise medical bills and ensure that they are within the Protocol and Guidelines approved by Government. Any case falling outside the Protocol and Guidelines should be referred to the Ministry for advice.

11.4.8 Dismissal of Mr R, a local staff – Nugatory Expenditure of £7,000

Paragraph 13.1.5 of the Audit Report for the year 2010 refers.

The services of Mr R, a local staff, were terminated with immediate effect on 16 July 2010. As a result Mr R lodged a claim at a County Court and also filed a case for unfair dismissal before the Employment Tribunal against the High Commissioner *personally*.

Proper procedures were not followed and various instructions given were disregarded by the Head of Mission. The Ministry was not apprised of the allegation of forged certificate before the dismissal.

Conclusion

Because of the failure to follow appropriate procedures and guidance provided as well as negligence on the part of the High Commissioner, Government disbursed £7,000 from public funds to pay compensation to Mr R as well as solicitors' fees.

The above case has been mishandled right from start and is considered a serious lapse. As such, I considered this expenditure as nugatory and recommended Government to recover this amount from the High Commissioner.

Status as of 5 June 2012

No action has been taken by Management to recover the amount of £7,000.

Ministry's reply

The condition of contracts of employment and rights on termination prevailing in UK stipulates that "either party can terminate the contract without notice if the conduct of the other justifies it". In view of the nature of the conduct of Mr R, his services were terminated with immediate effect as per legislation of the host country. For diplomatic reasons, it would have been unethical to keep Mr R in office.

In the case at the Employment Tribunal, Government agreed to take charge of the cost to retain the services of a solicitor to assist Mission. Mr R then brought the matter to Court.
Going to Court would have involved waiver of diplomatic immunity of the diplomatic staff as advised by the Diplomatic Police. Waiver of diplomatic immunity must always be expressed in writing and it is rarely done for administrative cases, low criminal cases, minor civil cases, especially when the diplomatic agent is not the offender. The cardinal principle in the application of Articles 31 and 32 of the Vienna Convention on Diplomatic Relations is for the

sending State not to create undue precedence in terms of waiving of immunity of its diplomatic agent. Hence when the court case was entered against our High Commission in London, the diplomatic staff could not attend. Therefore the only option available to Mission was to settle the claim lodged by Mr R.

In view of its complexities, normal procedures could not be applied to this case. The matter has been referred to the State Law Office for further advice

NAO comments to Ministry's Reply

NAO maintains the conclusion drawn above. The High Commissioner has been negligent and his negligence has resulted in Government paying compensation of £7000. This amount should be recovered from the High Commissioner.

12 - MINISTRY OF HOUSING AND LANDS

12.1 LAVIMS Project

The Land Administration, Valuation and Information Management System (LAVIMS) project consists of the following integrated components: Information Management System, Cadastral Deeds and Valuation. These components consist of a digital cadastral index map of Mauritius, a database of deeds, a property valuation database and an information management system that stores, manipulates and displays land related data.

12.1.1 Award of Contract

The contract for LAVIMS project was awarded for the fixed sum of US$ 18,285,000 on 22 December 2008. As a result of variations, the contract price was revised to $ 19,837,500.

The total payments effected as of March 2012 amounted to $ 18,695,302 (excluding oracle licence). Initial completion date was scheduled for 15 July 2010 and most of the components were completed in September 2011.

The Valuation component became live in December 2011. However, user acceptance testing in respect of the valuation roll is expected to be completed in April 2012.

12.1.2 Maintenance and Support Services

Maintenance and support services were omitted in the Request for Proposal for the LAVIMS project and were therefore not included in the contract awarded for this project.

The omission of these services (both hardware and software) has resulted into direct procurement of the said services from the existing contractor of the LAVIMS project at the cost of US$ 907 350 (nearly Rs 27 million) for one year. The contract was signed in February 2012.

In August 2011, the Procurement Policy Office made the following comments on the non inclusion of the maintenance aspect within the Request For Proposal **'**The cost in respect of the maintenance contract for a specified period (usually five years after the warranty period) in such a complex IT project ought to have been incorporated in the bidding price. It would have allowed the Ministry to assess and compare the ownership cost of the system in time. In so doing, it would have motivated bidders to make competitive proposals on the basis of initial cost lumped with maintenance cost.'

Conclusion

Before any Request for Proposal is launched, all aspects pertaining to a project should be thoroughly considered, including the maintenance and support services.

High risks would be involved if the maintenance and support services were contracted out to other suppliers.

The contract for maintenance and support services has been awarded for a period of one year. Further, piecemeal annual awards may result in increase in contract price compared to an initial quotation for LAVIMS project including these services.

Ministry's Reply

In order not to put at risk the LAVIMS project which is a major and complex IT project, the contract for maintenance and support services has been awarded for an initial period of one year on the recommendation of the Project Coordinator Quality Assurance Officer (PCQA) (whose services have been enlisted for monitoring the project) and the Central Informatics Bureau (CIB) which is the adviser of Government on IT matters. In fact, both the PCQA and the CIB have advised that tenders may be floated for such services after the period of stabilization during the first period. Hence, CIB has already been requested to prepare the documents for the floating of tenders as from Year 2.

It is true that prior to the launching of any request for proposal consideration must be given to the maintenance and support services as part of the project. However, this has not been the case for the LAVIMS project.

12.2 Rental of Office Space

The Ministry of Housing and Lands rented office space at Ebene as from January 2011 with a view to centralize its activities. However, the Ministry retained Level 3 of Moorgate House to the extent of 500 square meters which it was already occupying prior to moving to Ebene.

The initial lease was for a period of three months as from January 2011 which was then extended to 31 December 2011. The lease was subsequently renewed for another year up to 31 December 2012.

The office space was retained to conduct meetings and working sessions and to facilitate attendance at National Assembly.

The annual rental cost increased from Rs 1.4 million in the year 2011 to Rs 1.7 million in 2012.

The Ministry of Finance and Economic Development (MOFED) approved the lease on the understanding that:

- Cost of rental would be met through savings identified within 2011 and 2012 budget.
- The Ministry of Tertiary Education, Science, Research & Technology would share the office space in the year 2011. However, the latter did not turn up for the co-rental.

For the year 2012, MOFED agreed to share the office space in case of need. This has not been the case as of May 2012.

Conclusion

Rental of office space of 500 square meters to conduct occasional meetings and working sessions does not sound realistic. The expenditure incurred in the rental of this office space may be considered as nugatory.

Ministry's Reply

This Ministry is not agreeable to the statement that the expenditure incurred in respect of rental for office space at Moorgate House, Port Louis is nugatory. We maintain that the office space at Moorgate House has been retained as it is considered necessary to have office facilities in Port Louis, for the Minister to facilitate his attendance at Cabinet meetings and sessions of the National Assembly. High level inter-ministerial meetings which are attended by senior officials of different Ministries and Departments in Port Louis are also held there.

13 - Ministry of Social Security, National Solidarity and Reforms Institutions

13.1 The Social Aid Unit

13.1.1 Previous weaknesses

At paragraph 23.3 of the Audit Report for the period ending 31 December 2009 and paragraph 20.4 of the Audit Report for the year ending 31 December 2010 mention was made of :

- Absence of formal procedures leading to award and renewal of award;
- Inadequate segregation of duties;
- Non acknowledgement of receipts of cash by beneficiaries;
- Immediate cash payments (IPs) not duly approved and accounted for on the computerised system; IPs were more than the one-off payment as required to cater for exceptional circumstances;
- Absence of/weak evidence to authenticate claimants and ensure validity of claims; and
- Visits of Senior Social Security Officers not seen monitored.

13.1.2 For the fiscal year 2011:

These weaknesses were still prevailing in 2011:

- Separate files were maintained in respect of beneficiaries drawing both basic pensions and social aid. This practice was not conducive to proper control. Cases were noted where beneficiaries were drawing over Rs 100,000;
- Beneficiaries of social aid were also drawing regular *Immediate Payments* (IPs); and
- Control over payment of IP was still inadequate. Some 4,200 IPs totalling Rs 16.68 million were processed and approved by the same Officer in 2011. In one case, the IP totalled Rs 80,738.

There is need to ensure data integrity so that they better address priority risks and vulnerabilities.

Ministry's Reply

The criteria and processing rules are different and as such keeping of a single file would not be appropriate. However, the computerized system can be enhanced to eliminate the risk of paying both Social Aid and Basic pension where eligibility criteria are not met.

Regular IP's will continue until the computer programmes are modified.

Social Register of Mauritius (SRM)

At paragraph 20.6 of the Audit Report for the fiscal year 2010, mention was made of:

- As of December 2010, some Rs 10.9 million were disbursed by the Ministry.
- Only some five per cent of households living in absolute poverty were covered under social aid;
- 89 per cent of covered households by social aid were non poor.

The software was reported to have been developed.

However, to ensure the integrity of data collected for the SRM, institutional changes needed to be considered to empower the Ministry of Social Security, National Solidarity and Reform Institutions (MSS) to cater for verification of data submitted from independent source such as *Employees Declaration Forms* /emolument returns from employers, Passport Office, Local authorities.

Means for implementation of the SRM and above empowerment of MSS were not seen.

Ministry's Reply

There is no requirement for verification from sources outside the MSS. Income is based and assessed on declaration of the claimant and social enquiry by the MSS.

NAO's Comment on Ministry's Reply

This does not meet above requirement for empowerment of MSS to allow independent verification/ confirmation and integrity of data of the SRM.

13.2 Scheme for payment of examination fees for School Certificate (SC) and Higher School Certificate (HSC) students

Payment of examination fees by government in respect of students sitting for the School Certificate (SC) and Higher School Certificate (HSC) examinations, provided certain eligibility criteria were met by their families, such as being beneficiaries of social aid/basic pension or family income not exceeding a stipulated threshold.

18,200 applications for payment of SC and HSC examination fees were received by the MSS in connection with the Scheme. Payments of examination fees were subsequently effected by Government in respect of 17,400 students (12,155 SC and 5,245 HSC students), that is 94.5 per cent of total applications received.

However, of the applications received, only 14 per cent were from applicants in receipt of social aid/ basic pension.

According to the website of the Mauritius Examinations Syndicate (MES), 16,600 and 9,854 students sat for the SC and HSC examinations respectively in 2011.

Government would therefore have contributed towards payment of fees for 73 and 53 per cent of SC and HSC students respectively (on basis of above website record in absence of official record from that MES at the MSS).

Implementation of the scheme required consequential effort by the MSS entailing quite substantial implementation costs, as follows:

- It involved more than two months work by officers of the MSS including follow up of payment to the MES at later stages until December 2011;
- The scheme necessitated payment of overtime amounting to some Rs 5.1 million to more than 300 employees of the MSS to process the applications;
- Costs of processing during normal working hours and other associated costs such as mileage allowances paid to officers of the MSS and of other investigations carried out to confirm eligibility of applicants have not been worked out by the MSS to ascertain the total costs of implementing the scheme; and
- Implementation of the scheme by so many officers over such a long period of time would not be without consequences over other area of activities of the MSS and over their effectiveness.

Given that the proportion of students coming from families in receipt of social aid/basic pension was very small, the high implementation costs, high processing and monitoring effort required of the MSS and the high proportion of students subsequently benefitting from the scheme, it may be to Government's benefit, in terms of saving of cost and time, to review the formula for the scheme. Government may either extend it to the whole student population or finance the full examination fees to needy students whose families were already in receipt of social aid/basic pension and a suitable percentage to the remaining student population or any other formula likely to avoid high implementation costs and heavy use of MSS's human resources for processing and monitoring of the scheme.

13.2.1 Processing and monitoring of scheme

At paragraph 12.1 of the Audit Report for the year ending 30 June 2009, I recommended the setting up of formal procedures and especially designed application form for the processing of applications and that an agreement be made between the MSS and the MES on the terms of payment and for subsequent monitoring so as to allow the MSS to claim refund of fees as necessary.

- Procedures for the registration and processing of applications were issued.
- No agreement with the MES was seen.

However the following shortcomings in the processing and monitoring of the scheme were noted:

- Applications were to be registered, approved (or disallowed) and processed for payment on the computer system. The *Eligibility Certificate* should be a computer generated document, duly signed by the Senior Social Security Officers (SSSO) or Principal Social Security Officers (PSSO).

- Failure to take part in the examinations or of the number of subjects paid for needed to entail refund by the MES of the relevant examination fees to the MSS. Instead refunds had to be claimed on basis of information obtained from schools or from the beneficiaries themselves.

- A report of all students sitting for the examinations was still not seen obtained from the MES to ensure that all students on whose behalf examination fees have been paid by Government have in fact taken the examinations as required, failing which fees would have to be reimbursed by the MES.

- Refunds of some Rs 500,000 were seen obtained from the MES following information obtained by the MSS from the schools or beneficiaries themselves. In absence of the report for reconciliation purposes to confirm participation of students in the examinations as paid by Government, completeness of refunds to the MSS could not be ensured.

Payments in respect of examination fees during 2011 were made as per Table 13-1.

Table 13-1 Examination fees -2011

Date	**Amount paid (Rs)**	**Remarks**
17.06.2011	137,346,007	Payment in favour of 17,385 students on basis of list generated by system by PSSO in June 2011.
26.07.2011	51,219	Payment in favour of 7 students on basis of a list generated on 13 July 2011
23.12.2011	111,197	Payment in favour of 14 students following a claim from the MES in December 2011 where *Eligibility Certificates* have been issued but names did not appear on MSS pay sheets.

Payments on more than one occasion would illustrate weaknesses in the processing and payment systems and risks of applications being disallowed in the first instance and reprocessed at a later stage.

Claims from the MES in respect of 14 students who have been issued with *Eligibility Certificates* but for whom no payment of fees has been effected by the MSS would illustrate system control and processing weaknesses.

13.2.2 Overtime

Overtime paid to 272 Officers of the Social Security Cadre for registration and processing of claims and to 39 Social Security Attendants totalled Rs 5.1 million. It related to period 7 February 2011 to 26 March 2011.

Given an increase of 56 per cent in the payment of overtime for the processing of applications and claims for examination fees, strict control was required.

Test check on the system revealed the following:

- Registration was seen carried out by the Social Security Officers (SSO), checking and approval by the Higher Social Security Officers (HSSO). The dates on which these processes were carried out were recorded in the system but not the time.

- There was evidence that the SSO logged on the system for registration of applications on the dates where overtime was claimed but the time of logging was not recorded by the system.

- As per records, the HSSO verifying the application was also approving the claim. However, in 55 cases verified out of 116, there was no evidence that the HSSO logged in on all the dates on which overtime was claimed. In certain cases, the HSSO has processed only one or two files on system.

Recommendations

- The formula for payment of examination fees would need to allow for more cost effective monitoring of the scheme.

- Control procedures for reconciliation of applications approved with pay sheet generated for payment of examination fees would need to be laid out.

- Agreement with the MES would enable forwarding of necessary reports to the MSS for reconciliation and control purposes.

Ministry's Reply

MES will be requested to submit the relevant reports for reconciliation and verification purposes.

Claims previously rejected were recommended following complaints found to be justified.

Cases were disallowed in the system through inadvertence. Computer system has now been modified to display warning messages.

There was an increase in overtime as the number of applications have increased substantially. The software developer may be requested to display the transaction time.

NAO's Comment on Ministry's Reply

Reconsideration of rejected claims and disallowance through inadvertence pointed to control problems.

The attention of the MSS for liaison with the MES and need for control over the awarding process and validity of payments was drawn at paragraph 12.1 of the Audit Report for year ended 30 June 2009.

13.3 Integration of persons with disabilities and strengthening of the NGOs – Rs 72.98 million

The following were noted:

- As of January 2012, a database on disabled persons was not available.

- Rs 13 million disbursed as social benefit were refund of travelling expenses (equivalent to bus fares) to parents to accompany their disabled child attending specialised schools. Applications for refund of travelling expenses were filed by schools. However, control over payment was not satisfactory
- :
  - Medical certificates were not always attached to the application form.

  - Cases were noted where photocopies of outdated medical certificates (one or two years old) were attached to the application forms.

  - In some cases, the invalidity was not certified by a Medical Officer. The application was accompanied by a letter from the school certifying that the child was invalid.

- Basic Invalidity Pension (BIP) and carer's allowance for invalid disbursed under *National Pension Management*, by the MSS totalled Rs 1.1 billion. As of December 2011, there were 30,850 invalid persons aged between 15 and 59. This included 14,709 (47.7%) drawing BIP on a permanent basis. Of these 1,600 were *insured employees*.

Ministry's Reply

The database on disability was officially launched in January 2012. Data from different sources are being uploaded by officers of the Disability Unit. Some 7,000 persons were recorded.

Only disabled children attend special schools. No medical certificates were thus being requested when the project was initiated. Medical certificates would henceforth be requested.

13.4 Protection and Well Being of the Elderly - Rs 88 million

13.4.1 Domiciliary visits (DV).

DV were performed on a monthly basis to bedridden persons above the age of 75 and to persons above the age of 90, whether bedridden or not. Fees paid under this scheme totalled Rs 49.6 million.

The following were observed:

- Applications for DV forwarded to the *Medical Unit* for bedridden persons above the age of 75 were not always supported by *Medical Certificates*.

- The Medical Unit was responsible for allocation of visits, preparation and certification of claims from Doctors. These were not subject to independent verification by any other unit.

- The criteria for distribution of visits among doctors were not properly set. Payment in 2011 ranged from Rs 250,000 to Rs 1.6 million per doctor.

- Death cases were not seen notified to the Medical Unit. Cases were noted where DVs were scheduled for persons who had already passed away.

Recommendations

Monthly visits would need to be carried out.

The Unit receiving request for DV and allocating DV would need to be independent from the Unit preparing and certifying claims for control over payments.

Ministry's Reply

A medical certificate is not asked on application for a DV. Submission of a medical certificate will be considered.

An independent certification of claim is being contemplated.

Allocation of patients to doctors is done regionwise and according to availability of doctors and the riskiness of certain regions.

The possibility of having a list of death cases monthly from the Civil Status Division (CSD) for verification of the application is envisaged.

NAO's Comment on Ministry's Reply

Reasons stated by the MSS for allocation of doctors would not explain the disparity in such allocations. More than 3,000 visits were effected by one doctor; 2,000 to 3,000 visits by each of 12 doctors; 1,000 to 2,000 visits by each of 19 doctors and below 1,000 visits by each of 15 doctors for period January to November 2011.

At paragraph 20.3.1 of the Audit Report for 2010, NAO recommended a working arrangement between the MSS and the CSD for monitoring of death cases for pension purposes.

The MSS then replied that such information was henceforth being obtained daily, weekly and monthly from the CSD.

13.5 Centre for Severely Disabled Elderly Persons at Pointe aux Sables (Centre)

At paragraph 20.7 of the Audit Report for the year ended 31 December 2010, it was reported that some Rs 5 million were paid by MSS over and above its contractual commitment with the managing party of the Centre under a Public Private Partnership Project (PPPP), whereby MSS would finance costs only for the first year of operation starting in September 2008.

However, costs were still being borne by MSS for the second and third year of operation of the Centre. Rs 2.9 million were spent above its contractual commitment in 2011 by MSS in connection with maintenance and other expenses of the Centre.

MSS stated that:

- the financing had to be continued due to financial constraints encountered by the managing party; and

- the possibility of redefining the responsibilities of the two parties within the framework of a new Memorandum of Understanding (MOU) once the three year trial was over are being explored.

However, a new MOU with new definition of responsibilities for each party was not seen. Financing of expenses by the MSS were still ongoing.

These would not be in line with the conditions of the MOU.

Ministry's Reply

The MSS is seeking CSR contributions in favour of the managing party to meet cost of operations.

13.6 National Pension Management- Rs 9.4 billion

13.6.1 Overpayment of basic pensions

At paragraph 20.3 of the Audit Report for the year ended 31 December 2010, mention was made of overpayments of pensions attributed to:

- Undetected death of beneficiaries;
- Remarriage of widows;
- Prolonged absence of beneficiaries from Mauritius;
- Errors in the system or in processing; and
- Departures

As of December 2011, overpayment outstanding totalled Rs 58 million.

13.6.2 Overpayment in respect of death cases

112 cases of overpayment due to death were uncovered in 2011. These included four cases totalling Rs 3.9 million and the death of the beneficiaries occurred ten to sixteen years back. Of these four cases, overpayment in respect of three cases was recouped from the bank as the benefits had not been cashed. In the remaining case, it was reported that the relative had apparently cashed the benefits.

According to the Act, a material change regarding beneficiary has to be reported to the MSS.

No legal action was seen taken against persons who had *not reported a material change in circumstances and who have intentionally and fraudulently cashed benefit in favour of a deceased relative.*

Death of beneficiaries arising abroad remained mostly undetected.

Ministry's Reply

Only part of all death cases has been input on the IT system of the CSD, old cases which have occurred before the input exercise cannot be easily detected.

Death cases abroad still remained a difficult area for monitoring purposes.

Actions will now be taken to proceed for prosecution in all cases where refund is not made.

13.7 Arrears of Revenue- Rs 2.5 million

The arrears of revenue for the MSS as of 31 December 2011 amounted to some Rs 2.5 million as per Table 13-2.

Table 13-2 Arrears of Revenue

	2010 Rs	**2011 Rs**
Overpayment of Social Aid	1,333,744	1,387,559
Repatriation Expenses	1,168,967	1,119,765
Total	**2,502,711**	**2,507,3244**

The above sum which concerned O*verpayment of Social Aid* and R*epatriation Expenses still unrecovered* by the MSS was more of an '*advance*' nature than of a '*revenue*' one. This sum was wrongly treated as arrears of revenue and accounted in the *Statement of Arrears of Revenue*.

Ministry's Reply

Amount recovered is being accounted through existing framework which is a long standing practice.

13.7.1 Overpayment of Social Aid- Rs 1.38 million

Overpayment of Social Aid outstanding as of 31 December 2011 totalled some Rs 1.38 million.

In fiscal year 2011, some Rs 1 million were overpaid in 151 cases and of this, Rs 668,617 were recovered.

The following were noted:

- Overpayment might remain undetected as:
  - Advance accounts were opened on notification by Local Offices through memos/ returns.
  - Monthly Returns of Overpayment were not seen submitted promptly by Local Offices. Some Local Offices were not submitting any Returns. Follow up of Returns submitted was also not seen nor were properly filed.
  - Details of overpayments regarding periods and reasons for the overpayments were not seen.

- Notifications were even seen received after recoupment of overpayments.
- A proper mechanism was not seen in place for examination of awards.
- Separate files were still maintained in respect of those drawing both Social Aid and Basic Pensions.

The amount reported as Overpayments might not therefore be correct.

- Overpayments were either recovered through cash refunds or deductions at source from future *Social Aids or Benefits*. However,
  - Cash refunds could not be traced to receipts as these were not referenced.
  - Verifications were not seen carried out by the Finance Section to confirm deductions at source. The section did not have access to query the computerised system.
- A test check of refunds revealed the following:
  - Notice of Deduction forms were not seen examined in many cases.
  - Recoupment of overpayment could not be traced from Social Aid/ Benefit account in many cases. Query on the *Claim Files* quoted could not retrieve any record on system.
  - Deduction was not carried out as stated in memo.
  - Deduction lists submitted by Benefit branch were not seen certified in some cases.
- Refunds of overpayment at Local Offices which were previously credited to the MSS's account were being remitted to the Mauritius Post Ltd for onward remittance to the MSS as from July 2008. These remittances submitted by the Mauritius Post Ltd were still not seen reconciled with records submitted by the Local Offices. Hence, control over collections and refunds at Local Offices was not adequate.
- Refunds of overpayment were either being credited to the current year's item of expenditure or to '*Overpayment previous years*'. Details regarding refunds were not seen submitted to the cashier. In the absence of such information, there was high risk that correct accounts were not being credited.

13.7.2 Repatriation expenses- Rs 1.1 million

Repatriation expenses incurred on behalf of Mauritian citizens reported to be stranded abroad were met from the vote item of the MSS. Advance accounts were subsequently opened. Expenses not yet refunded to the MSS as of 31 December 2011 totalled Rs 1,119,765.

The following were noted:

- In 2011, Rs 49,201 only (4.2 per cent) were recovered in respect of balance due as of 31 December 2010.

- No recovery was seen in 19 cases totalling Rs 442,434. These represented some 39.5 per cent of outstanding balance due to the MSS.

- The MSS had recommended the writing off of eight cases amounting to Rs 136,682 which have remained outstanding since long.

- Rs 10,000 were refunded in respect of expenses of Rs 25,400 incurred in one case. This was not accounted for in the Statement of arrears of revenue. All expenses incurred needed to be included in the statement of repatriation expenses and reconciled with treasury records.

14 - MINISTRY OF EDUCATION AND HUMAN RESOURCES

14.1 Arrears of Revenue – Rs 40,250

The Statement of Arrears of Revenue for the fiscal year 2011, as submitted by the Ministry, amounted to Rs 40,250. This figure was highly understated by some Rs 7.7 million as arrears of revenue pertaining to refund and forfeiture of bonds, as stated below, were not accounted for.

14.1.2 Refund of Bond - Scholarship

Prior to departure, laureates and their sureties are required to sign a bond for the sum of Rs 500,000 to the effect that the laureates would return to Mauritius immediately after their studies. For fiscal year 2011, some Rs 5 million representing refund of bonds due by laureates who were in breach of their agreements, were not accounted for as arrears of revenue.

14.1.3 Forfeiture of Bond – Trainee Educators

Any officer following the course leading to Teacher's Diploma for a period of two years and until completion of the course is required to sign a bond of Rs 255,000. For fiscal year 2011, Trainee Educators whose bonds have been forfeited on ground of breach of agreements, amounting to some Rs 2.7 million, were not accounted for in the arrears figure.

Recommendations

There should be a proper system for monitoring and follow up of all forfeited bonds in respect of Scholarship and Trainee Educators. All arrears figure should be included in the Statement of Arrears of Revenue.

Cases of long outstanding arrears of revenue should be investigated and every avenue to recover the sums due should be explored, including the prompt action to trace the laureates/sureties and Educators.

Ministry's Reply

Arrears of Revenue – Rs 40,250

For a number of years, there has been no proper follow-up on refund of bond and forfeiture of bonds. Lately steps have been taken to approach State Law Office (SLO) to initiate legal action in cases of failure to honour commitment to refund. An exercise is underway and henceforth details in terms of refund of bond and forfeiture of bonds will be reflected as arrears of revenue.

Refund of bond – Scholarships

Actually, on award of scholarships, laureates need to conform to the condition to enter into a bond for an amount of Rs 500,000 that on completion of their studies they will get back and serve the country for five years. A number of laureates who proceeded overseas for studies since a number of years have not come back and have failed to reimburse the bond. With the assistance of the SLO, legal action is being initiated for the refund of the bond. In certain cases we cannot trace the laureates or the sureties of the bond. We have recently contacted Prime Minister's Office and Passport & Immigration Office to assist us to keep us informed of whereabouts to enable SLO to have recourse to legal action for reimbursement of the bond amount.

Forfeiture of bonds – Trainee Educators

Any Trainee Teacher enlisted and when enrolled for the Teacher's Diploma course at the MIE has to sign a bond for the amount of Rs 255,000. However, there are cases when Trainee Teachers fail to complete the Diploma course or on completion of the course do not honour their obligation to serve in the Teaching Sector for the bonded period. As they do not meet their undertaking under the provision of the bond, they are required to refund the bond. Although Trainee Teachers have reimbursed the bond, some of them have made requests for extension of facilities for refund of the bond. After consulting Ministry of Finance a reasonable delay has been granted for the refund of bond. With the collaboration of SLO, necessary measures are being taken to monitor the situation and the amount involved will be reflected in terms of arrears of revenue.

14.2 Extension Works to Secondary Schools – Rs 236.97 million

Three contracts for a total value of some Rs 236.97 million, inclusive of VAT, awarded by the Ministry of Education and Human Resources (MOE) to two Contractors, as shown in Table 14-1, were examined. Construction works were supervised by the Ministry of Public Infrastructure, National Development Unit, Land Transport and Shipping (MPI).

Table 14-1 Extension Works to Secondary Schools

Projects	Contractor	Contract Amount Rs million	Date of award	Contractual completion date	Date of handing over	Amount disbursed as of February 2012 Rs million
Project 1 Construction of New Primary School at Geoffroy Road, Bambous- Phase III	A	58.70	03.08.09	Phase IIIA: 06.01.10 Phase IIIB: 12.07.10	Phase IIIA: 11.01.10(Partial) & 16.08.10(Partial) Phase IIIB: 10.01.11(Partial) & 09.01.12(Partial)	37.36
Project 2 Extension of SSS at Hollyrood Vacoas (B) – Phase IV	A	68.30	17.06.10	Phase IVA: 24.11.10 Phase IVB: 24.01.11	Whole project not handed over as of March 2012	52.39
Additional works		8.67	16.06.11	Phase IVC: 25.03.11 Phase IVD: 24.05.11		
Project 3 Construction of State Secondary School at Goodlands (Boys) – Phase II	B	101.30	23.12.08	29.11.09	Practical handing over: 31.01.11	88.00
Total		**236.97**				**177.75**

The scope of works of the projects comprised, among others:

- Project 1 – Construction of computer laboratory/library block, toilet block, covered link, classroom block, pre-primary block, football ground, and site works. Construction works were to be executed in two sub-phases.

- Project 2 – Construction of administration block, computer/library block, workshop block, toilet block, covered passages, ramps in reinforced concrete, and associated works. Works were to be executed in four sub-phases.

- Project 3 – Construction of science block including six classrooms and a staff room, toilet block, covered link, basket ball pitches, volley ball pitches and football ground.

Execution of works was not satisfactory in all three projects. Construction works were considerably delayed due to lack of diligence, poor performance and non-compliance with contractual obligations by the Contractors.

14.2.1 Project 1

Extension of time of 15 working days was granted for Phase IIIA and 16 working days for Phase IIIB, bringing the new completion dates to 21 January 2010 and 26 July 2010 respectively. Partial practical handing over of the project was made on four occasions, as shown in Table 14-2, with delay of some six months after revised completion dates for Phase IIIA and some 17 months for Phase IIIB.

Table 14-2 Partial handing over of works

Phase	Date	Works handed over
IIIA	11.01.10	Two classrooms on ground floor of computer/library block
	16.08.10	First floor of computer/library block, part of courtyard, covered link
IIIB	10.01.11	Pre-primary block
	09.01.12	Classroom block

- As of March 2012, some 20 to 26 months after the new completion dates, works in respect of toilet block, main covered link, site works and football ground were still ongoing at the school. Despite instructions given by MPI, the outstanding and remedial works were not attended to by the Contractor.

- No qualification information and documentation on a sub-Contractor working on site was provided to MPI and MOE, contrary to Section 15(1) of Public Procurement Regulations 2008. The non-completion of works within the time schedule was also attributed to the sub-Contractor not performing works properly.

As per Clause GCC 46.1 of the Standard Bidding Documents for Procurement of Works, the total amount of liquidated damages "*is not to exceed between 5 per cent and 10 per cent of the Contract Price.*"

- According to conditions of contract, liquidated damages at the rate of Rs 15,000 per calendar day were to be charged to the Contractor to a maximum of four per cent of the final contract price. As of April 2011 damages, as computed by MPI, totalled some Rs 4.83 million based on delays of 445 and 259 days for Phase IIIA and Phase IIIB respectively. As per contract, the Ministry had charged maximum damages of Rs 2.34 million based on the rate of four per cent of the final contract price. The rate of four per cent applied by the Ministry did not fall in the range of five per cent to ten per cent of the contract price, as stipulated at Clause GCC 46.1 of the Standard Bidding Documents.

14.2.2 Project 2

In November 2007, MOE proposed the construction of six additional classrooms on top of the computer/library block and the workshop. MPI was accordingly informed in December 2007. On 16 June 2011, MOE approved the construction of only five additional classrooms for an amount of Rs 8.67 million.

The construction of these additional classrooms was not included in the preliminary designed layout plan of Phase IV of the project submitted by MPI in February 2008. The additional works involved a major redesign which resulted in delay in the submission of structural drawings for the second floor extension.

On 30 June 2011, following instructions to go ahead with the additional works, the Contractor submitted the revised program of works. In August 2011, the revised program was approved by MPI and the completion dates for the toilet block (Phase IVA) was revised to 15 September 2011 while that of the computer/library block (Phase IVB) to 30 November 2011.

As of March 2012, some four months after the new completion dates, works were still in progress. Construction of the toilet block, being a priority of the MOE, was still not handed over.

14.2.3 Project 3

Progress of work on site was not satisfactory and was far behind the scheduled contractual completion date of 29 November 2009. At several site meetings, the Contractor was requested to submit revised programmes of works to catch up with the delay, to increase labour force, to review the implementation programme and to have the classrooms ready prior to resumption of studies in January 2010. The Contractor had, however, reduced the number of workers on site as from January 2010. In March 2010, the Architect reported that construction activities were completely disrupted and there was no progress on site.

Due to additional works, the completion date was extended by 51 days, bringing the new completion date to 2 February 2010. Despite extension of time, the project was practically handed over with a delay of one year, on 31 January 2011. As per contract, liquidated damages of Rs 25,000 per day up to a maximum of four per cent of the final contract price were to be charged to the Contractor. In April 2011, the maximum liquidated damages totalling some Rs 4 million were charged to the Contractor. The rate of four per cent applied by the Ministry is contrary to Clause GCC 46.1 of the Standard Bidding Documents.

Recommendations

A mechanism should be worked out to look into the issue of determination of contract of defaulting Contractors in collaboration with all parties concerned namely the MPI, MOE and Procurement Policy Office.

Defaulting contractors should be reported to the Procurement Policy Office so that these are taken into consideration when awarding future contracts.

Past history of Contractors should be considered prior to selection of a Contractor for future capital projects.

The rate of liquidated damages should be reviewed in line with the Particular Conditions of Contract of the Standard Bidding Documents.

Ministry's Reply

Project 1

- Outstanding works are being completed. The expected completion date is scheduled for end of July 2012.

- The onus is on the main Contractor to notify the Project Architect of the Ministry of Public Infrastructure, National Development Unit, Land Transport & Shipping (MPI) of his intention to have recourse to any sub-contractor. It is very difficult for the Architect to identify and to obtain confirmation from a third party (sub-contractor) on site.

Projects 1 and 3

Bidding documents in respect of both projects were prepared in years 2008 and 2009 respectively. At that point in time, there was no specific guideline from the Public Procurement Office on how to apply the Liquidated & Ascertained Damages clause and quantum.

The guidelines were posted at a later stage when updates and revisions were subsequently brought forward. In the circumstances, after consultation with the Public Procurement Office and as stated by the MPI, four per cent of the contract price as maximum Liquidated Ascertained Damages as deterrent was considered to be reasonable.

Project 2

MPI has been requested to finalise all outstanding works by end of July 2012. The toilet block has already been completed and will be handed over together with all the other three blocks.

Recommendations

- The mechanism for the determination of the contract of defaulting contractors would be put in place and led by the Public Procurement Office which has the requisite legal jurisdiction.

- The Ministry will ensure that the maximum liquidated damages for future contracts be in the range of five per cent to ten per cent of the Contract sum as stipulated recently under Clause GCC 46.1 of the Standard Bidding Documents.

-

NAO's Comments on Ministry's Reply

According to clause GCC 49.1 of the Standard Bidding Documents issued by the Public Procurement Office in February 2008, the total amount of liquidated damages "*is not to exceed between 5 per cent and 10 per cent of the Contract Price*".

15 - MINISTRY OF AGRO-INDUSTRY AND FOOD SECURITY

15.1 Land Use Division

The Land Use Division (LUD) manages all agricultural state land falling under the aegis of the Ministry of Agro Industry and Food Security. It is thus responsible for drawing up agricultural leases and collecting rents accruing therefrom.

15.1.1 Status of Agricultural State Land

Of the 9,012 arpents of land under the control of LUD, only 6,539 arpents were occupied. 1,554 arpents were reported to be abandoned whilst the field status of 919 arpents was not known as shown in Table 15-1.

Table 15-1 Status of Agricultural State Land

Lease Status	**Occupied** **Arpents**	**Abandoned** **Arpents**	**Not Input in database** **Arpents**	**Total** **Arpents**
Lease signed	6,048	935	620	7,603
Lease expired & not renewed	406	372	84	862
Lease not signed	85	247	215	547
Total	**6,539**	**1,554**	**919**	**9,012**

Source: Compiled by LUD in November 2011

Observations

- Out of the 6,539 arpents of occupied land, lease agreements were not signed for 491 arpents for which the Ministry is presently foregoing a minimum annual rental of Rs 491,000.
- There were some 1,554 arpents of abandoned land, of which there were signed leased agreements for 935 arpents. Action has still not been taken by the Ministry to retrieve the land and cancel the lease.
- In respect of the 919 arpents referred to in above table, it was not known whether the land was occupied or not. For the 299 arpents, for which lease agreements were not drawn, the Ministry could also be foregoing rent.

Recommendations

- Rent is collectible only if a lease agreement has been duly signed. The Ministry should thus ensure that there is a duly signed lease agreement for all cases of occupied land.
- The Ministry should ensure that beneficiaries adhere to the conditions of the lease. In case of default, prompt action should be taken by the Ministry to retrieve the land.

15.1.2 Illegal Construction on Agricultural State Land

Twelve lessees were reported to have illegally constructed buildings on agricultural state land leased to them at Petit Sable, Grand Sable, Pointe aux Feuilles , Elysee and Terre Rouge. The size of the residential buildings constructed varied between 90 m^2 and 1140 m^2. They had paid an annual rent till the expiry of their lease agreement in 2002, after which the LUD did not renew their lease agreements.

As of May 2012, these lessees were still occupying land illegally.

Recommendation

Regular visits need to be carried out. This would act as a deterrent against any illegal construction.

State Land leased to Irrigation Authority

In 2007, 746 arpents of agricultural state land was leased to the Irrigation Authority at an annual rental of Rs 746,000 for a period of seven years.

The special conditions of the lease agreement signed between the LUD and the Irrigation Authority stipulates the following:

- *Article I* - The land is leased in connection with the Bel Ombre, Belle Mare/Palmar and Plaisance (North) Small Scale Irrigation Projects and should it cease to be so used, the lease shall be determined and the land shall revert to the Lessor without payment of any indemnity.
- *Article II* - The Lessee is authorised to sublet the land to Cooperative Societies or to individual planters for the sole purpose of cultivating food crops under irrigation.
- *Article III* – No residential building is to be erected on the land.

From records kept at the LUD, it was noted that part of 746 arpents of agricultural state lands leased to Irrigation Authority for the Bel Ombre and Belle Mare/Palmar Small Scale Irrigation Projects have been released to promoters for tourism and development project. However, the extent of land so released was not available at the Ministry. This excision is contrary to Article I, II and III of the lease agreement between the LUD and the Irrigation Authority.

Total rental due by the Irrigation Authority as of 31 December 2011 was Rs 1,169,610. The computation of this sum was based on the original 746 arpents of leased land.

The lease agreement between the LUD and the Irrigation Authority should be cancelled and a new lease agreement should be drawn.

15.1.3 Lease of former Agricultural Stations

The Ministry started leasing former agricultural stations to public beneficiaries from June 2006 onwards. Some 480 arpents of land had been leased as of March 2012. 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.

Observations

- Out of the 480 arpents leased, some 90 arpents were found to be abandoned. Some of these abandoned plots had never been occupied since the allocation of the lease. In 2011, the LUD had identified and recommended the retrieval of some 71 arpents of abandoned leased land. However, as of April 2012, the Ministry has not yet given its approval for same.

- Thirty two beneficiaries of Arsenal and Bois Marchand are still paying an annual rent of Rs 120 instead of the prescribed yearly rate of Rs 1,500 for 'irrigation' land.

- Some 4,700 m^2 of concrete buildings, previously used as offices, had been leased together with 141 arpents of state land to nine beneficiaries. The Ministry informed that the issue for additional rent to be charged where structures had been included in the land leased would be taken on board on a case to case basis. However, as of May 2012, no additional rent had been charged.

15.1.4 Arrears of Revenue - Rs 6,106,546

In 2011, the LUD collected Rs 9,377,262 as rental for lease of agricultural state land, of which Rs 2,792,498 were in respect of previous years' arrears. Arrears of revenue for the last three years were as shown in Table 15-2

Table 15-2 Arrears of Revenue

	Fiscal Year ending 31 December 2009 Rs	Fiscal Year ending 31 December 2010 Rs	Fiscal Year ending 31 December 2011 Rs
Ex Tea lands	5,637,391	6,008,936	5,904,360
Vegetable Growers	515,650	346,855	336,242
Land Settlements	624,340	616,203	704,394
Newly Leased Land	131,385	165,962	132,381
Other State Lands	166,280	246,480	277,078
Miscellaneous	2,485,175	1,832,542	1,920,221
Less Expired Lease wrongly included in computation of arrears			(3,168,129)
Total	**9,560,221**	**9,216,978**	**6,106,546**

Observations

- At paragraph 17.12 of the Audit Report for the year ended 31 December 2010, I drew attention that the arrears figure could be overstated to the extent that rent due on account of lease agreements which had already expired, not renewed and land being no longer occupied, were still included therein. An exercise had, subsequently, been carried out by the Ministry and it was found that the arrears figure had been overstated by an amount of Rs 3,168,129. Adjustment had been made in 2011.

- Article 7 of the signed lease agreement stipulates that if rent is not paid within one month after falling due, it shall automatically bear interest at the rate of 2 per cent above Repo Rate as from date when due. Rather than calculating interest for the whole period due, the LUD had raised interest for only one year. Interest charged had, thus, been wrongly computed and the arrears of revenue had been understated. However, the extent of the financial impact is not known.

- An age analysis of arrears was also not available. Debt recovery is quite slow. Out of the Rs 6,048,849 due as of 31 December 2010, only Rs 2,792,498 were recovered in 2011.

- Since 6,000 individual lease files were kept at the LUD, the exercise regarding retrieval of information for the computation of arrears is time-consuming.

Recommendations

- Interests should be computed at the rate of two per cent above repo rate as from date when due**.**
- Debt recovery should be improved. Claims and reminders should be raised promptly.
- Computerisation of the lease section would facilitate the computation of arrears.

Ministry's Reply

Status of Agricultural Land

- In respect of the 406 arpents where lease agreements have expired and not renewed, reminders were sent to planters but they did not turn up. The plots were recommended for retrieval after the final reminders were sent.
- Regarding the 85 arpents whereby lease agreements were not signed, actions are being envisaged by the Ministry for regularization.
- Reminders are sent to tenants of abandoned plots and subsequently these plots are recommended for retrieval.
- The status of the 919 arpents of land was not updated in the database due to limited staff. Also, the number of field staff to effect site visits is largely insufficient to monitor closely and regularly the 9,000 arpents of land. Arrangements will be made to remedy the present staffing position at the LUD.

Illegal Construction on Agricultural State Land

- The cases of illegal occupation are being dealt with and prompt actions for retrieval are being envisaged. The Ministry of Housing and Lands is also being solicited for certain cases.
- It is contemplated to strengthen the staffing position at the LUD in order to carry out regular visits and report cases of illegal construction at the very start of the construction so that timely action may be taken.

State Land Leased to Irrigation Authority

- Reminders were sent to the Irrigation Authority for the payment of dues.
- As regards the cancellation of the existing lease agreement and the drawing up of a new lease agreement, action may be envisaged.

Lease of Former Agricultural Stations

- For cases of abandoned land on agricultural stations, arrangements will be made for retrieval.

- The Ministry will consider reviewing the annual rental payment of Rs 120.

- As regards the rent of the nine beneficiaries having buildings on the rental land, a policy decision is envisaged to claim additional charges and amend their leases accordingly. The advice of the Valuation Office will be sought to determine the value of the buildings.

Arrears of Revenue

- As regards the computation of interests, actions are being envisaged for the necessary adjustments.

- A system to carry out an age analysis of arrears will be set up by the Finance Division at the Lease Section.

- A more efficient system of sending claims and reminders may be devised following advice from Finance Division and the State Law Office.

- The Ministry is reviewing the payment of rent for new leases to avoid delays in payment of rental. The new lease agreement is being vetted by the State Law Office.

15.2 Relocation of part of the Ministry to the Garden Tower Building

In May 2010, the Prime Minister's Office approved the allocation of levels 9 to 11 of a total area of 1,656 m^2 of the Garden Tower Building to the Ministry of Agro-Industry and Food Security. At paragraph 17.3 of the Audit Report for the year ended 31 December 2010, I commented that the relocation of part of the Ministry to that building was being unduly delayed.

In October 2010, bids were invited for consultancy services for the design of false ceiling, partitioning, electrical and plumbing works, air conditioning systems, flooring and associated works. Only one of the six bidders responded. In March 2011, the Bid Evaluation Committee recommended that the sole bidder be invited for negotiations. The contract was awarded on 6 May 2011 for a total amount of Rs 3,737,500.

Within a period of five months, the Consultant was to submit the preliminary layouts, prepare the bidding documents, evaluate tenders and draft the letter of award of contract for the works. Further, during execution of works, the Consultant would be responsible for the technical inspection, supervision and monitoring of all the engineering, architectural, mechanical and electrical works.

Delays were further encountered. It was only in April 2012, that is nearly one year after the award of contract for consultancy services, that tenders for execution of works were launched. The closing date for submission of bids was 30 May 2012.

Meanwhile, the Finance and Personnel Sections of the Ministry, which were to move to the Garden Tower Building, were still occupying 'rent-paid' premises. The Ministry is disbursing some Rs 446,225 monthly for the above two Sections although Government-owned building had been put at its disposal since two years.

Recommendation

Evaluation of bids and the award of contract for the execution of works should be carried out at the earliest.

Ministry's Reply

- The Consultant prepared the cost estimates amounting to around Rs 40 million. Approval of the Project Planning Committee (PPC) from the Ministry of Public Infrastructure (MPI) had to be sought before proceeding with the project. The project was considered at a meeting of the PPC in October 2011 and the project was approved for implementation in November 2011. Funds were then sought from the Ministry of Finance and Economic Development and the cost estimates was brought down to Rs 36 million.

- Tenders for the execution of the works were launched in April 2012 with the closing date of 30 May 2012. The bids received are presently being evaluated and it is expected that works would start in August 2012.

- The Ministry is committed for driving this project to completion in time.

15.3 Food Technology Laboratory

15.3.1 Accreditation of the Food Technology Laboratory

At paragraph 17.6 of the Audit Report for the year ended 31 December 2010, I reported that due to the delay in the accreditation of the Food Technology Laboratory (FTL), certain tests had to be contracted out to a private laboratory to satisfy the requirement of the European Union for the export of fish and fish products. I also stated that a total of Rs 11.1 million had been paid to the Laboratory during the period November 2007 to December 2010. An additional amount of Rs 3,425,047 had been disbursed during the year 2011.

The contract for consultancy services for the accreditation of the FTL was awarded to a private Consultant in September 2010 for an amount of Rs 852,000. The target date for accreditation, scheduled for June 2011, was subsequently extended to February 2012 at no extra cost.

The FTL was to be accredited with the Mauritius Accreditation Service (MAURITAS), a Government Body. However, the latter is not yet an 'International Laboratory Accredited Council (ILAC)' signatory body for accreditation of laboratories to ISO 17025; and as such, tests results from FTL may not be acceptable for export to European Union.

Recommendation

A time frame should be set for the final accreditation

Ministry's Reply

Arrangements have been made for launching international tender for institutions which are internationally recognized by the International Laboratory Accredited Council (ILAC) for the accreditation of FTL to ISO 17025 for the seven tests under the scope of accreditation.
In June 2012, it was agreed that the FTL would register with MAURITAS and once the latter would be accredited, the FTL would automatically become a member of ILAC.

15.3.2 Genetically Modified Organism (GMO) Testing Laboratory

I have, at paragraph 17.6.1 of the Audit Report for the year ended 31 December 2010, stated that the GMO testing laboratory was not fully operational since its setting up in June 2006 and that equipment purchased to the tune of Rs 4.3 million had been lying idle.

I was informed by the Ministry that the laboratory could not be fully set up as only part of the GMO Act had been proclaimed and regulations for the remaining sections of the Act were still being vetted by the State Law Office.

As of May 2012, no further development had been noted.

Recommendation

Action should be taken to make the GMO testing laboratory fully operational.

Ministry's Reply

It is considered that the GMO Unit under the FTL should have the proper mandate, staffing, budget and organizational structure within a proper regulatory framework to be legally recognized in order to implement all testing of imported products and surveillance at national level.

The National Biosafety Committee is mandated to look into the regulations and to recommend on the 'modus operandi' of the GMO Unit to make it operational.

15.4 Stock Control System

The Procurement and Supply Division of the Ministry is responsible for the procurement of stores items for all sections of the Ministry. Procurement during the year 2011 totalled some Rs 58 million.

The Stock Control System of the Ministry, developed in 1999, was a host based one with four dumb terminals and operating on a server.

The server crashed in August 2011 and was beyond repairs.

A physical stock take had not been carried out soon after the crash to determine the exact quantity of each item held in stock as of that date. Opening balances of each stores item were not available as postings of transactions in the system were one year in arrears and the back up could not be restored.

The opening balances were therefore taken from the last available printed report held by Procurement and Supply Division of the Ministry, dated March 2010. Postings of receipts and issues were thereafter recorded manually in ledgers.

Based on the above, misappropriation of stores items or shortages, if any, would have remained undetected and the extent of the financial impact would be unknown.

Further, the Officer responsible for warehousing was replaced by another one in February 2012. Proper handing over had not been made in accordance with Financial Regulations. In March 2012, the incoming officer carried out a survey to take stock of the exact physical quantities of each stores item. It was obvious that there were discrepancies in stock. In several cases, negative ledger balances were noted.

Ministry's Reply

- The one year backlog in postings of stores transactions in the system was due to an acute shortage of staff;
- The crash of the server, which was beyond control, unfortunately further worsened the situation prevailing at that time;
- Since a backup could not be restored, all outstanding postings were effected manually, thereafter a survey of all store items was carried out; and
- Every effort is being made to remedy the present chaotic situation.

15.5 Human Resource Division

The Human Resource Division is responsible for managing the human resources of the Ministry which comprise some 3,000 employees.

The workmen's group and the manual grade represent a sizeable proportion of the total labour force of the Ministry and a multiplicity of grades. The records of attendance of three divisions of the Ministry were examined and the following were noted:

15.5.1 Frequent absences from work

Frequent and long absences from work were noted. In certain cases, employees have heavy record of absences over several years, without submitting reasons for their absences. This definitely has an impact on the performance of the sections where these employees were posted.

The reasons for long unauthorized absences should be investigated and where necessary, appropriate action, as stipulated under Public Service Commission (PSC) regulations, should be taken against officers making abuse of unauthorized absences.

Ministry's Reply

The case of employees with heavy record of absences is being closely monitored. Appropriate action is being envisaged to deal with frequent and long absences as per the provisions laid down in the PSC regulations.

15.5.2 Hours of Work

The prescribed hours of work for the workmen's group and manual grades, putting in 40 hours, are as follows:

- Monday to Friday : 7.00 a.m to 3.15 p.m with one hour for lunch
- Saturday : 7.00 a.m to 10.45 a.m

It was noted that, as a regular feature, employees of the above group leave sites of work at 2.15 p.m.

No official document was produced regarding changes to the prescribed hours of work.

Ministry's Reply

The hours of work of workmen's group will be rationalized taking into consideration the specificity of the respective Division with a view to making the Division more performing and also to instill more discipline at work.

15.5.3 Overpayment of Salaries

Due to poor communication among the various Units of the Ministry, overpayments of salary had occurred in several instances. In eight cases identified by my Officers, overpayments arising during the period October 2009 to December 2011 totalled Rs 314,784 and had not yet been recouped as of April 2012.

Ministry's Reply

Action has been taken to recoup the salaries overpaid as far as practically feasible. An amount of Rs 88,000 was recouped on 22 March 2012.

Recommendation

Head of Units/Divisions should be reminded that returns of unauthorized absences should be submitted within a set time frame. The Human Resource Division should promptly advise the Finance Section for necessary action at its end.

Ministry's Reply

- A circular has already been issued to ensure better coordination between the different divisions namely the Human Resource Section and the Finance Section to ensure that returns of unauthorized absences are submitted within the set time frame.

- Actions are being followed for timely implementation of the measures.

16 - MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

16.1 Contracts for Consultancy Services and Coastal Protection Works and Infrastructural/ Landscaping Works

16.1.1 Introduction

In April 2010, contract for 'Consultancy services for Coastal Protection, Landscaping and Infrastructural works' was awarded by the Ministry for the amount of Rs 5,973,000 (excl. VAT) to a Consultancy firm. Projects estimated to cost some Rs 80 million were to be implemented under the Consultancy contract. The contract between the Ministry and the Consultant was signed on 16 February 2011, some ten months after award of contract.

The scope of works of the Consultant included the Presentation of concept designs and inception reports for approval; Preparation of engineering designs and tender documents; Evaluation of tenders and assisting in tender procedures/award of construction contracts; Supervision of construction works, certification of payment and management of construction contracts, and Preparation of reports for (physical and financial) monitoring of projects.

For the design of major projects, the Consultant was to proceed in three stages, namely, Inception, Preliminary Design and Detailed Design stages and reports were to be submitted to the Ministry at each stage.

16.1.2 Terms of Payments to Consultant

Inconsistencies were noted regarding payment terms as specified in the bid documents and the contract signed for the Consultancy works.

In the 'Instructions to Bidders Data Sheet' of the bid documents, bidders were requested, in their Financial Proposals, to quote "*Fixed Sum Fees for each type of projects*" detailed in the Terms of Reference (TOR). It was also stated that the eventual fees payable to the Consultant shall be limited to the Consultancy fee under the contract *irrespective of the value of the works which shall be designed by the Consultants and executed under their supervision.*

However, in the contract signed between the Ministry and the Consultant on 16 February 2011, it was stated that the Consultant shall, on satisfactory completion of the stages, receive fees to be calculated on the basis of the appropriate *Fixed Percentage Fee* and as per schedule of payments. For any project, the fee shall be a function of stage reached and the project value. No mention was made as to the "*Fixed Sum Fees*" as per the bid documents.

Total payments to the Consultant up to end of January 2012, amounted to Rs 2,137,157 as detailed in Table 16-1. Payments made to Consultant were on basis of the percentage fee of 7.5 (contract value of Rs 5.9 million/ total project value of Rs 80 million) of the pre-tender estimates of costs of projects made by the Consultant or Value of works executed. For instance, for the Baie du Cap project, an amount of Rs 403,022 was paid to the Consultant in June 2011, that is, 10 per cent of the Consultant's fee calculated as 7.5 per cent of the revised estimated cost of project of Rs 46.7 million, which was initially estimated at Rs 1 million.

Table 16-1 Payments to Consultant

Works	**TOR Estimated cost of Works Rs**	**Consultant Pre Tender Estimates (excl VAT) Rs**	**Contract value (incl VAT) Rs**	**Amount Paid to Consultant (incl. VAT) Rs**	**Payment certificate**
Pte des Lascars	15,000,000	17,000,000	Not allocated	439,875	No. 1
Baie du Cap	1,000,000	46,727,189	Not allocated	403,022	No. 1
Grand Baie	15,000,000	15,253,493	19,215,850	848,449	No. 1 to 3
Pte aux Sables	3,000,000	9,167,015	12,046,194	237,197	No. 1
Flic en Flac	3,000,000	3,718,000	2,406,030	106,980	No. 1 & 2
Mont Choisy	15,000,000	1,969,924	1,814,872	101,631	No. 1 & 2
Total Payments as of January 2012				**2,137,154**	

Source: Ministry's Contract Register

16.1.3 Time Frame for Consultancy Services

Contract for the Consultancy services was to be for a duration of 18 months for all types of projects. As per contract conditions, works under the last project were to be completed within this time frame after commencement of the Consultancy services. It was also stated that contract period would, *in no case*, be extended beyond the period of 18 months and that delays on construction projects due to Contractors would also *not* entail extension of the contract period of the Consultancy services.

In the Special Conditions of Contract, it was again stated that '*one of the main considerations of the Consultancy Services shall be the time factor*' and '*Extensions to construction contracts shall only be allowed on the condition that the contract period for the Services is not exceeded*'

Date of commencement of the Consultant's contract was 16 April 2010 and therefore contractual completion date was 15 October 2011. However, as of January 2012, only four works contracts had been awarded and works at Grand Baie Beach were still on-going under the supervision of the Consultant. Other projects were not carried out, namely, Creation of green spaces, leisure parks and embellishment of public areas, Infrastructural Works at Pointe des Lascars and Minor Rehabilitation Works at Baie du Cap.

16.1.4 Performance of Consultant

Shortcomings regarding Consultancy services delivered were noted by the Ministry and in July 2011, the Consultant was requested to comply with terms and conditions of the contract and that appropriate action would be taken by the Ministry in case of recurrence of shortcomings. The attention of the Consultant was drawn to, inter alia, the lack of precise quantifiable information in progress reports, considerable delays in submission of deliverables and inadequate supervision and monitoring of projects. Also, the Consultant was responsible for providing timely notifications and proposals for remedial actions in case it was anticipated that the contract duration would be exceeded and was liable for poor contract management resulting in delays to complete works, unnecessary increase in project costs and projects being completed below acceptable standards.

In August 2011, the Ministry informed the Procurement Policy Office (PPO) that "*there was considerable delays in the execution of the works contracts and it was felt by the Ministry that the Consultant had not taken appropriate remedial measures to minimise the delays due to lack of proper supervision. Moreover, the Ministry is not being properly advised on contractual issues'*. Regarding procedures to be followed to enable the Ministry not to invite the Consultancy firm in bidding exercises, the PPO advised that in case of poor performance of a Consultant, measures may be taken as per conditions of contract. Furthermore, the Ministry can make proposal for disqualification of the Consultant as per Public Procurement (Disqualifications) Regulations 2009.

16.1.5 Implementation of Projects identified in Consultancy Contract

Projects categorised under four types and estimated to cost some Rs 80 million were to be carried out under the Consultancy contract. Details as per the Consultant's TOR are given in Table 16-2.

Table 16-2 Projects as per Consultant's Terms of Reference

	Projects as per TOR	**Estimated Cost Rs million**
1	Creation of green spaces, leisure parks, children play areas, jogging tracks and embellishment of public spaces	20.0
2	Infrastructural works at Pointe des Lascars	15.0
3	Coastal Protection/Rehabilitation works at Grand Baie, Mon Choisy, Pointe aux Sables, Bras D'eau Beaches	36.0
4	Minor Rehabilitation Works at Flic en Flac, Palmar, B. du Cap Beaches and Jetty and amenities at Ilot Bernaches	8.5
	Total	**79.5**

Only four contracts for Coastal Protection/Rehabilitation works at public beaches were awarded and considerable delay was noted in the execution of some of them as detailed in Table 16-3. Works under the other types of projects were not carried out.

Table 16-3 Delay in Works Contracts Awarded

Coastal Protection/ Rehabilitation Works	**Date Contract Awarded**	**Order to Commence Date**	**Contractual Completion Date**	**Completion Date**
Grand Baie	18.01.2011	08.03.2011	06.07.2011	06.02.2012
Pte aux Sables	01.12.2010	09.03.2011	07.07.2011	20.10.2012
Mon Choisy	10.11.2010	30.11.2010	29.01.2011	01.09.2011

More details regarding implementation of the projects are given below.

Creation of Green Spaces, Leisure Parks

Projects included works for the Creation of green spaces, leisure parks, children play areas, jogging tracks and Embellishment of public spaces. Included in the total estimated projects cost of Rs 80 million to be implemented under the Consultancy contract, an amount of Rs 20 million was provided for this particular project, that is, 25 per cent as per Table 16-2. As of end of February 2012, no project was identified by the Ministry and no works were carried out under this category.

Infrastructural Works at Pointes des Lascars

The project at Pointe des Lascars was identified as a priority one by the Ministry and was estimated to cost Rs 15 million in the Consultant's TOR as per Table 16-2. The Consultant was to review the status and prepare a revised plan for this ex-Sand Landing Station where infrastructure and landscaping works previously carried out by the Ministry were left unfinished by the previous Contractor. Following approval by the Ministry of the scope of works, the Consultant was requested on 19 August 2010 to submit the Preliminary Design drawings and bid documents within 15 days. The project was estimated by the Consultant to cost Rs 19.55 million.

Revised draft bid documents, submitted by the Consultant in October 2010 were approved by the Ministry in January 2011. An open bidding exercise was launched only on 16 March 2011. On 6 April 2011, that is less than one month later, the Consultant following a pre- bid site visit, revised its cost estimate for the project to Rs 21.2 million and Rs 22.2 million for two options proposed, Options 1 and 2, respectively. This represented an increase of some 25 and 31 per cent over the pre tender estimate of Rs 17 million, respectively. No explanations were received by the Ministry from the Consultant regarding the variation in cost estimates.

The Technical Evaluation Committee (TEC), chaired by the Consultant, submitted its report on 6 May 2011 to the main Tender Committee of the Ministry, named Bid Evaluation Committee (BEC). Out of seven bids received, the TEC found only one bid responsive and recommended award of contract to this Contractor for an amount of Rs 25,298,340, for Option 2. However, in July 2011, BEC decided not to endorse this recommendation since the recommended price exceeded the initial estimated project costs by 48 per cent and the recommendations of the TEC had not fully convinced the BEC members of the reasons for rejection of other lower quotes. On 15 August 2011, some five months after launching of bids, the Ministry decided to cancel the bid exercise under Section 39(1)(b) of PPA and bidders were informed accordingly.

In January 2011, payment of Rs 439,875 was effected to the Consultant. It represented 30 per cent of the consultancy fees calculated on basis of the fixed percentage fee of 7.5 of the Pre tender estimated project cost of Rs 17 million.

Construction works for the project which were to start in October 2010 and be completed in April 2011, as per Consultant's work schedule, had not yet started as of end of February 2012. The Ministry is now proposing to carry out the proposed works in-house and by the National Development Unit of the Ministry of Public Infrastructure with all costs to be borne by the Ministry of Environment.

Coastal Protection/Rehabilitation Works at Beaches

Several beaches affected by erosion were identified by the Ministry as requiring Coastal protection/Rehabilitation works. In the Consultant's TOR, details of works to be carried out at eight public beaches were given and estimated to cost some Rs 44.5 million as per Table 16-2. Five beaches were identified by the Ministry as priority ones, namely, Grand Baie, Pointe aux Sables, Mont Choisy, Flic en Flac and Baie du Cap. Observations in respect of works at Baie du Cap, Pointe aux Sables and Grand Baie beaches are given hereunder:

<u>Baie Du Cap Beach.</u>

At Baie du Cap beach, minor rehabilitation works estimated to cost Rs 1 million were to be carried out as per the Consultant's TOR. However, in its Preliminary Design report, the Consultant proposed works to the order of Rs 46.7 million (excl. VAT). This represents a major change in the scope of works for this beach.

An amount of Rs 403,022 was paid to the Consultant in June 2011 following submission of the Preliminary Design Report. As of end of February 2012, works at the above site had not started. I was informed that since the contract completion date of the Consultant was October 2011, the Ministry did not intend to carry out the works under this Consultancy contract. In January 2012, new bidding process was launched by the Ministry for Consultancy services for Coastal Protection landscaping and Infrastructural Works and these works were included in the new tender documents.

Works at Grand Baie Beach – Rs 19,215,850

Award of Contract. In September 2010, bids were invited for Coastal Protection and Rehabilitation works at Grand Baie Public Beach. The TEC chaired by the Consultant and including two members of the Ministry found only one of the five bids received, substantially responsive. On 25 November 2010, BEC approved the award of contract for the amount of Rs 19,215,850. Letter of Acceptance, awarding contract to the selected bidder, was issued on 18 January 2011.

*Scope of Works***.** The works which were to be carried out under this contract consisted essentially of :

- the construction of a rock revetement along the beach - Rs 10,677,625
- the construction of a jetty - Rs 2,398,300
- the construction of a slipway - Rs 637,000

Payments. As of December 2011, payments totalling Rs 12,777,512 were made to the Contractor for the certified amount of Rs 13,381,240. An amount of Rs 603,727 representing liquidated damages for period 7 July to 31 August 2011, that is, 54 days were deducted from interim payment effected in October 2011.

Delay in Completion of Works. The *c*ontractual start date was 8 March 2011, date of site possession by the Contractor and was to be completed within 120 days, that is, on 6 July 2011. However, works were severely delayed and the programme of works and the completion date were revised several times. Works were still on-going in January 2012.

Approved Extension of Time. In October 2011, following claims for extension of time by the Contractor, the Consultant recommended a total of 67 days extension of time, on basis of several events, some of which were concurrent. Table 16-4 refers. These included problems relating to the evacuation of hawkers off site; delay in finalisation of location of slipway and jetty and approval by Ministry and delay in the award of the contract for the supply of coral sand by the Ministry.

Table 16-4 Approved Extension of Time

Events	**Scheduled Start Date**	**Actual Start Date**	**Delay Days**
Evacuation of Hawkers off site	1 April 2011	7 April 2011	7
Start point for setting out of slipway & jetty	16 April 2011	16 May 2011	30
Instruction for collection of sand	19 April 2011	15 June 2011	57

Ministry's approval was given in January 2012 since the delay could not be imputed to the Contractor. The completion date for the project was revised from 6 July 2011 to 11 September 2011.

Progress of Works. According to the Consultant's progress reports, the overall progress of works as of end of September 2011 and December 2011 were only 54 per cent and 69 per cent respectively. Other main factors affecting the progress of works were: delays in submission of the final geotechnical report to finalize the design of the Jetty; delay in submission of alternative design for construction of Jetty; rerouting of electric cable; poor planning by Contractor and inadequate deployment of plant and labour and delay by the Contractor to correct the final level of rock revetment

The Consultant noted that the contract could be terminated as per conditions of contract since even after allowing for the approved extension of 67 days, the maximum allowable delay of 100 days had already elapsed. However, it was recommended that the Contractor be allowed to complete the remaining works by end of January 2012. Reasons were the time required to obtain another Contractor to carry out all the correction works and the cost implication; the extended time beach users would not have access to this part of the beach.

Change in Scope of Works - Construction of Jetty. Included in the works contract was the construction of a Jetty at the cost of Rs 2,398,300 (excl.VAT). As per revised programme of works submitted by the Contractor in August 2011, its construction was to start in September 2011 and be completed on 4 November 2011. As of end of December 2011, construction of the Jetty had not started. Only the Geotechnical investigation had been carried out (cost as per BOQ – Rs 411,400 (excl. VAT)) and the relevant investigation report submitted to the Consultant on 7 July 2011.

Following the Preliminary survey carried out by the Consultant and the Geotechnical investigation, it was found that the sea bed consisted of rocks. In August 2011, the Contractor's specialist sub-Contractor stated that the concrete piles proposed by the Consultant to replace the timber piles, as stated in the BOQ for support of the Jetty, were inappropriate and made an alternative proposal at the cost of Rs 9.7 million (excl. VAT). However, in September 2011, the Consultant informed the Ministry that they were of the opinion that the Contractor did not have the proper knowledge of how to execute this part of the works and could not appoint a sub-Contractor accordingly. They suggested that the Ministry considered removing the construction of the Jetty from the scope of works of the Contractor.

The Project Manager of the Ministry also drew attention to certain constraints amongst others, the cost of Rs 9.7 million was a major variation and could not be accommodated in the same contract and the funding for the construction of the Jetty under the Local Infrastructure Fund would lapse at the end of year 2011. Further, the construction of the Jetty would result in considerable delays in the project and might not serve its purpose in the event that the fish landing station was not relocated.

Following discussions with the Consultant, the Ministry proposed in October 2011 that the Contractor would have to complete the rock revetment works and a partial handing over of site be done so as to enable the public to use the beach. In the meantime, the Contractor would proceed with the construction of the Jetty based on the revised design of the Consultant.

In March 2012, the Ministry informed the Consultant that it was agreeable that the construction of the Jetty be removed from the scope of works of the Contractor since the Ministry of Fisheries was not in favour of its construction at the suggested location.

Coastal Protection Works at Pointe aux Sables Public Beach – Rs 12,046,194

Award of Works Contract. An open advertised bidding exercise for Coastal Protection and Rehabilitation Works at Pointe aux Sables was launched on 16 September 2010. At the revised closing date, 26 October 2010, seven tenders were received. On 25 November 2010, following recommendation made by the Evaluation Committee chaired by the Consultant, the BEC approved the award of the contract for the cost of Rs 12,046,194. Letter of acceptance was issued by the Ministry on 1 December 2010.

Works as per Contract. The main activities to be performed under the contract included Beach reclamation works on an area of 2,940 square metres; Construction of 210 meters of rock revetment; Construction of a slipway and Demolition of existing boundary wall. Additional works, namely, construction of two stairs and an extension of 26 metres rock revetment were also carried out.

Change in Scope of Works. As per Consultant's TOR of February 2010, Coastal Rehabilitation works at Pointe aux Sables would comprise a mini rock revetment and beach recharge of 75 metres which were estimated to cost Rs 3 million. However, in the Preliminary Design Report (PDR) submitted in July 2010, the Consultant proposed works to the order of Rs 9,167,015 (excl. VAT.), that is, an increase of some 205 per cent over the original estimated cost. As for the cost of the awarded contract (Rs 12,046,194), it represented an increase of some 12 per cent over estimated cost as per the PDR.

The construction of 210 metres of rock revetment represented a major change as compared to the 75 metres proposed in the Consultant's TOR.

Start Date. According to Section V – Special Conditions of Contract, the start date shall be the date fixed by the Project Manager and shall not be later than 28 days of the issue of the letter of acceptance. The letter of acceptance was issued on 1 December 2010 so that the start date should not be later than 29 December 2010. The start date as per the Consultant's reports was 9 March 2011, that is some 98 days after the issue of letter of acceptance.

Completion Date and Extension of Time. The scheduled completion date was to be 120 calendar days from the start date, that is, 7 July 2011. The contract was extended on two occasions for a total of 45 days, on grounds of protests by fishermen, high surge waves and weather and contract completion date was revised to 20 August 2011. This was approved by the Ministry on 25 January 2012. According to the Consultant, all works under the contract were completed on 20 October 2011. Works were therefore delayed by 61 days and as per the terms of contract, the Contractor was liable to pay liquidated damages.

Liquidated Damages and Payments to Contractor. As of December 2011, payments totalling Rs 9,117,984 were made to the Contractor. An interim payment of Rs 2,825,556 was made in December 2011, following certification by the Consultant that value of works executed up to November 2011 amounted to Rs 10,204,769 (incl. VAT) and Rs 887,371 (excl VAT) were kept as retention money. An amount of Rs 152,213 representing 31 days' liquidated damages was deducted on an interim payment made in September 2011. The remaining liquidated damages were not yet applied as of January 2012. It should be noted that the taking over certificate was issued on 21 October 2011.

Recommendations

There is a need for the payment terms specified in bid documents to be clearly spelled out and for the contract terms to be consistent with bid documents so as not to cause any prejudice to other bidders and to avoid any ambiguity/dispute at time of payment to the Consultant.

Contractual terms and conditions need to be enforced by the Ministry so as to safeguard the interests of Government and to ensure that value for money is obtained.

The Ministry should closely monitor contracts (Consultancy services and Works) to ensure that services and projects, considered by the Ministry as priority ones, are completed in a timely manner.

Ministry's Reply

Terms of Payment to Consultant. Payment has been done in line with the conditions of contract based on the percentage, the stage reached and updated cost estimate. The statement in the instruction to bidders data sheet refers to a ceiling of the total fees payable under the contract to be limited to the Consultancy fee quoted, that is, Rs 5,973,000 and does not apply for individual projects under the contract.

Time Frame for Consultancy Services. In view of major unforseen delays during the project implementation, the Ministry in the absence of required capacity to supervise the works, had no alternative than to continue with the services of the Consultant as it was not cost- effective to stay action and seek new consultancies.

Performance of Consultant. The Ministry noted that there was improved performance of the services provided. Additional resources were deployed on site and deliverables were submitted on a regular basis which was acceptable to this Ministry.

Implementation of Projects. For important and large projects, Technical Committees have been set up to monitor progress.

Creation of Green Spaces, Leisure Parks. Rs 20 million were earmarked in the event that unforeseen major projects of this nature would have to be implemented and services of Consultant would be needed. Ministry implemented several similar projects using its own expertise and resources thus savings were perceived on the consultancy services.

Baie du Cap. During site visits, Consultant drew attention of Ministry on the issue associated with coastal protection. A more in-depth study would be required to identify the root causes.

Grand Baie Beach. The Ministry initiated action for procurement of sand upon confirmation received by the Consultant on 18 March 2011 for the volume of sand required.

Pointe aux Sables Beach. The 75 metres of rock revetment was determined through visual assessment by the Ministry well before 2010. After, detailed assessment by the Consultant it was found that about 210 metres revetment had to be considered.

The order to commence was to be fixed once joint survey would start. The methodology for the bathymetry survey was not approved. The Ministry of Housing and Lands requested that a letter of consent be obtained from lessees prior to start of works.

Following final assessment by the Consultant, liquidated damages were applied in the pre final payment certificate of 20 April 2012.

Recommendations. They are fully being taken into consideration.

16.2 Procurement of Equipment for the National Environment Laboratory

16.2.1 Introduction

The National Environment Laboratory (NEL) of the Department of Environment of the Ministry has the following core activities:

- Perform routine and non routine physiochemical analyses of organic and inorganic compounds from the environment and submit reports
- Perform adhoc monitoring and submit reports
- Perform quality monitoring programmes and submit temporal trend reports
- Performing projects in environmental fields and submit project reports

An Ambient Air Monitoring System and a Total Organic Carbon Analyser were acquired by the Ministry in October 2010 and November 2011, respectively, so as to enable NEL to meet its objectives. Cost of these equipment amounted to Rs 5,945,500 and Rs 1,353,435 respectively.

16.2.2 Supply of an Ambient Air Quality Monitoring System – Rs 5,945,500

In August 2010, the Ministry invited bids using the restricted bidding method for the supply of an Ambient Air Quality Monitoring System - Caravan Type (AAMS), comprising an Ambient Air Monitoring Mobile Station (Caravan) and accommodating internationally approved Analyzers together with the meteorological devices and other accessories (Equipment). The AAMS is to be used by NEL for the assessment of Ambient Air Quality (Particulate Matter, Sulphur Dioxide, Oxides of Nitrogen and Carbon Monoxide) across the island.

On 20 October 2010, the letter of award was issued to Supplier A for the amount of Rs 5,945,500. Letter of acceptance was sent by Supplier A on 26 October 2010.

Payments to Supplier A

As per terms of payment of the contract, full payment was to be made following delivery of the supplies. On 24 December 2010, an amount of Rs 5,053,675, representing 85 per cent of the contract price, was paid following certification on the relevant Store Form, by the Officer in Charge of NEL Stores that the '*stores have been received in good order, taken on charge and that the goods purchased have been inspected and compared where appropriate with sample*'. Nevertheless, the Caravan and several items of equipment were not yet delivered by Supplier A at time of payment. The remaining 15 per cent of the contract price was retained for *'minor testing not effected'*.

Contrary to Section VII of bid documents, the pricelist submitted by Supplier A did not show the unit price per item but instead, a single figure for all the items. In that case, the cost of items not delivered was not known. Hence, it could not be ascertained on what basis the retention of only 15 per cent of the contract price was computed.

On 8 December 2011, an amount of Rs 871,825 was released as final payment, after deduction of only a discount of Rs 20,000 for the use of black steel instead of galvanized steel. Contrary to Clause 27 of the General Conditions of Contract (GCC), no liquidated damages at the rate of 0.5 per cent per week of delay up to a maximum of ten per cent of the final contract price were deducted from payment although the Caravan was finally delivered in May 2011, some 26 weeks after the Supplier's acceptance of the award.

Delivery and Commissioning of AAMS

<u>Delivery of AAMS.</u> In the letter of award, the Ministry stated that the delivery period should be 30 days, after acceptance of award, that is, by 26 November 2010 as per conditions of contract. However, in its acceptance letter, Supplier A reiterated that delivery would only be effected in 10-12 weeks as per its bid. No response from the Ministry was seen on this issue. The Equipment and Caravan were delivered to the Ministry on 21 December 2010 and in January 2011, respectively.

<u>Commissioning of AAMS.</u> Commissioning of the AAMS started on 10 January 2011, but major issues relating to the Caravan and Air Monitoring equipment were raised.

- *Equipment.* During commissioning of equipment in January 2011, several items were found not to have been delivered, namely, Zero air cylinder, Calibration certificate of Analyser, Temperature and humidity logger; Adapter for flow meter for range 0.5 -1.0 L; Microsoft Software Office and anti-virus, Permeation tubes compatible to the calibrator's 146i temperature. Moreover, the span gas that was delivered was not as per specification. T-pieces for the Teflon tubing for analysers were also not installed and the logger programming to perform automatic calibration was not yet done by the Supplier.

- *Caravan*. Regarding the delivery of the Caravan in January 2011, the Scientific Officer noted various discrepancies namely, labelling on the panel on the Caravan was not done and cupboards, drawers, stepper for door entrance and other miscellaneous items were not supplied. In February 2011, various non-conformities/deviations from the specifications on the Caravan's works were also noted by an Officer of the Mechanical Engineering Section of the Ministry of Public Infrastructure (MPI) namely:

- Suspensions were not fitted with shock absorbers
- The four stabilizer jacks required for levelling were not fitted
- Steel channels, main frame, box sections and angle sections used were of black steel instead of galvanized steel
- Side access ladder to roof and door were located on the offside panel instead of nearside
- Spare wheel, fire extinguisher, triangular reflectors and standard tools were not provided

Thereafter, reworks were carried out on the Caravan by Supplier A. After further inspection of the Caravan in May 2011, the MPI proposed that Supplier A provides a warranty for at least three years on all metal works and a discount of Rs 20,000 be requested for the use of black steel channel instead of galvanized steel.

Final commissioning of the AAMS was completed only in July 2011 such that the Ministry could make use of the AAMS only after that date.

Since no mention was made in the warranty and commissioning certificates regarding the Particulate Matter Analyzers (PM 10, PM 2.5 and TSP), it could not be ascertained that these equipment had been commissioned as required as per terms of the contract.

Damages to AAMS

In November 2011, during a routine "manoeuvre" by the MPI for positioning the Caravan, the two front stabilizers of the Caravan were damaged. The MPI stated that the stabilizers to be replaced by Supplier A should be more robust than the existing ones. In January 2012, during another Air Monitoring exercise at Port Louis, the jockey wheel of the Caravan also broke down.

Performance Security

As per Clause 18 of the GCC, a performance security in the form of a bank guarantee representing ten per cent of the final contract price was required. The bank guarantee submitted by Supplier A expired on 31 January 2011 but was not renewed up to the final commissioning of the AAMS, that is July 2011.

16.2.3 Supply, Installation and Commissioning of a Total Organic Carbon Analyser- Rs 1,353,435

On 5 October 2011, Request for Sealed Quotations was sent by the Ministry to six suppliers for the Supply, Installation and Commissioning of one Total Organic Carbon (TOC) Analyser in order to replace the existing one which was out of order. The equipment is to be used by NEL for the determination of organic load in water which is an indicative of the level of pollution.

The Departmental Tender Committee approved the purchase of the equipment from Supplier B at the cost of USD 45,832 (equivalent to Rs 1,353,435) on 4 November 2011, upon the recommendations of the Bid Evaluation Committee.

Payment to Supplier B

The full contract price of the TOC Analyser was paid in December 2011 on the delivery date of the equipment although, on that date, Installation and Commissioning of the equipment as well as Training had not yet been carried out as required in the contract. Included in the contract price was the cost for Installation, Commissioning and Training amounting to some USD 6,000 (Rs 177,180).

Delay in Delivery and Commissioning of Equipment

As per bid conditions, delivery was to be made within 30 days but Supplier B stated in its bid that delivery would be within 25-45 days from order confirmation. Equipment was received at NEL on 29 December 2011 that is after 49 days. A signed delivery note in respect of shipping of equipment was not seen.

Contrary to the certificate issued by the Officer in Charge of the Stores at NEL in December 2011, certifying that all items have been received, in mid January 2012, following installation and commissioning of the equipment, an Officer of NEL reported several discrepancies as detailed below.

- The equipment was delivered without a built-in computer and a printer
- The Gas compressor unit and the Gas generator unit delivered were not compatible in terms of voltage (110V instead of 240V).
- The TOC Analyser was installed and commissioned using an old computer and Gas compressor system already available at NEL in order not to delay training.

Supplier B proposed to replace the Gas compressor by a different brand but with same specification requirement for the TOC Analyser. The proposal was accepted by NEL. The outstanding equipment was received at NEL only at the end of February 2012. Final installation and commissioning were completed on 30 March 2012, that is, some 140 days after order confirmation.

Performance Security

Contrary to the contract, Supplier B did not submit a performance security in the form of a bank guarantee representing ten per cent of the value of contract and valid for a period of three months after commissioning of equipment.

Maintenance Agreement

No provision was made in the contract regarding maintenance, repairs, troubleshooting, support devices and after sales services to be covered by supplier in spite of the high cost of the equipment. It is to be noted that the previous TOC Analyser acquired in 2004 at the cost of some Rs 1.1 million had to be repaired several times. In 2011, the Ministry decided to write it off and replace it by a new one due to the high cost of repairs, the price quoted for the last breakdown being some Rs 700,000.

Recommendations

Payments to suppliers should be effected only after all the items have been received and commissioned as per terms of payment of contract, in order to ensure that value for money is obtained.

The Ministry should ensure that terms and conditions of the contract are complied with. Any delay in delivery/commissioning of equipment has a negative impact on NEL's services in performing analyses of organic and inorganic compounds from the environment.

The Ministry should consider having a maintenance agreement given the importance and high cost of the equipment.

Ministry's Reply

The bidder quoted for an all-inclusive Ambient Air Monitoring Analyser including the Caravan. The price of the Caravan was not quoted separately.

The items of equipment listed as not delivered and/or not installed were received beginning March 2011 except for Zero air cylinder which was obtained in May 2011.

All discrepancies regarding the Caravan were rectified and all non conformities have been addressed.

Tenders have been launched for the maintenance of the AAMS.

Regarding the Total Organic Carbon Analyser, the cheque to the Supplier was withheld at the office of the Accountant General and was remitted in February 2012.

In the future, an appropriate clause is being included relating to maintenance in the bid documents.

17 - MINISTRY OF INFORMATION AND COMMUNICATION TECHNOLOGY

17.1 ICT/BPO Conference 2011

In July 2011 Government approved the hosting of the first ICT/BPO Conference in Mauritius with the aim to showcase Mauritius as a preferred destination for ICT/BPO activities and thereby attract potential investors for high value added BPO activities. The event was scheduled to be held on 5 and 6 October 2011. It was sponsored by Information and Communication Technology Authority (ICTA) for an amount of Rs 4 million, a private firm for an amount of USD 29,000 and various local organizations for a total amount of Rs 2,915,000. Amounts received from sponsors totaling Rs 7,747,529, were credited to a deposit account and a Committee under the chairmanship of an Assistant Secretary (AS) was set up for the organization of the conference. As of 31 December 2011, a total amount of Rs 6,248,152 was spent and as of early April 2012, a further sum of Rs 825,631 was disbursed from the deposit account leaving an unspent balance of Rs 673,746 only.

17.1.1 Level of Chairmanship

Such a high level conference where Mauritius was to be projected as a showcase should in my opinion be chaired by the Permanent Secretary (PS) himself or at least a Principal Assistant Secretary. This is confirmed by the way the Conference has been mishandled by the AS, as noted during our audit.

17.1.2 Intimidation of NAO staff

The AS has been incessantly interfering in the audit exercise. He has been frequently trying to know what the officers of NAO were doing and what were their findings and then intimidating them. He behaved as if he knew our job better than us. He has even been to the extent to argue that funds for the Conference provided by sponsors were not Government funds.

Furthermore, he did not provide us with information requested such as:

- A complete list of foreign delegates and associated costs.
- The detailed plan for the event.

The AS was not aware of, or ignored, the provisions of Section 110(4) and 110(2) of the Constitution of Mauritius and Section 20.5.15 of the Financial Management Manual (FMM) which are as follows:

Section 110 (4) - 'In the exercise of his functions under this constitution, the Director of Audit shall not be subject to the direction or control of any person or authority.'

Section 110 (2) - 'The public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit and for that purpose the Director of Audit or any person authorised by him in that behalf shall have access to all books, records, reports and other documents relating to those accounts.'

FMM 20.5.15 - 'All money raised or received for the purposes of the Government shall be paid into and form part of the Consolidated Fund.'

17.1.3 Other

- There was no evidence that a proper planning of the event was made. No estimate of the various expenses which would be involved for the holding of the conference was seen.

- Notes of the meetings held by the Organizing Committee were not always available. There was no evidence that covering approval was received from the PS for decisions taken.

  The Chairman has substituted himself as the Organising Committee and initiated the tendering exercise, made the evaluation and awarded the various contracts.

- An amount of Rs 1,733,760 (including Gala dinner) was paid to a hotel where the Conference was held and a further amount of Rs 227,410 was paid to another hotel for accommodation of delegates. Proper procurement procedures were not followed for selection of the venue for the conference and accommodation for the delegates. Records in respect of formal and informal quotations were not kept, except for fax quotations for purchase of bags. The Procurement Section of the Ministry was not involved in the various procurements. No reasons were given for the method of selecting bidders.

- Items purchased (bags and other stationery distributed to participants, alcoholic beverages) were not taken on charge by the Procurement Section of the Ministry. Therefore, control over the receipt and issue of these items was not exercised as per the appropriate regulations prescribed in the Financial Management Manual.

- Balance of above mentioned items purchased and which were not used was not known.

- The authority of the Ministry for Civil Service Affairs (MCSA) was sought on 19 September 2011 for payment of allowances to staff. Additional information as requested by the MCSA on 28 December 2011 such as level at which each officer has performed, the number of extra hours of work put in by each officer and the quantum proposed by the Ministry of Information and Communication Technology (MICT) as well as the basis of the proposal, were not forwarded to the MCSA. Instead, the chairman of the Organizing Committee gave authority for payment of an amount of Rs 362,000 as allowance to officers of the MICT, as well as Rs 183,000 to officers of other Ministries/ Departments and Rs 45,000 to officers of the NCB all involved with different tasks for the Conference.

- A list of staff members who would be required to assist in the preparation and execution of the event and the responsibilities assigned to each member, not available at time of audit, was produced at the beginning of May 2011. No supporting record was available to evidence the number of hours put in by staff members who were paid an allowance. Only an attendance sheet where staff signed upon arrival on the days of the Conference and reports from the attendance management system were available. Therefore the reasonableness of the quantum paid could not be ascertained.

- An amount of Rs 66,000 was paid to a hotel for a get together at Ile Des Deux Cocos on 22 October 2011 in favour of staff members who serviced the ICT/BPO Conference 2011 as well as sponsors.

- During our audit, all files in respect of the conference were kept in the office of the AS instead of the Registry. In view of the above shortcomings which concern the AS, there is the risk that documents may have been tampered with to cover up the matter.

Ministry's Reply

Notes of meetings were available on the Local Area Network of the Ministry.

17.2 Rental of building

The Central Informatics Bureau (CIB) entered into an agreement with a private company to rent the third floor of a building for a period of three years from 01 December 2009 to 30 November 2012 at Rs 21.32 per square feet for an area of 4,456 square feet. Monthly rent amounted to Rs 109,252 (Rs 95,001 plus VAT). This space was to be occupied in the proportion of 60 per cent by CIB and 40 per cent by the IT Security Unit of the Ministry. For the fiscal year 2011, a total amount of Rs 1,311,025 (Rs 524,410 and Rs 786,615 under programmes 66201 and 66203 respectively) was paid as rent for the third floor of Belmont House by the Ministry.

The contract for partitioning works in the building was signed on 30 September 2010 and works, which were scheduled for completion by 1 December 2010, were handed over on 8 March 2011. The third floor remained unoccupied although rent had been paid for the whole year 2010. Following a visit in March 2012, it was observed that partitioning and other cabling works were completed. However, the entire space was still unoccupied. Upon investigation we were made to understand that only two offices, of approximately 627 square feet, were occasionally used to conduct meetings and group work.

Since the effective date of the contract, an amount of Rs 4,148,674 has been disbursed by the Ministry as rent, partitioning and cabling works whereas only 14 per cent of the space rented has been used occasionally as from March 2011 for holding meetings.

The Ministry should make use of the available office space for the remaining period of the contract.

Ministry's Reply

Attempts would be made to see how matters could be expedited so that the rented space is occupied within the least delay.

18 - MINISTRY OF FISHERIES

18.1 Fish Auction Market Project

At paragraph 24.1 of the Audit Report for the year ended 31 December 2010, I drew attention that there were delays in the construction and operation of the Fish Auction Market (FAM) at Les Salines.

The contract for the construction of the FAM was awarded to a private Contractor in March 2010 for an amount of Rs 23,771,782 inclusive of VAT. Works started on 11 May 2010 and were completed on 6 June 2011 instead of the revised completion date of 10 March 2011. Total payments to the Contractor as at April 2012 amounted to Rs 21,074,342 after deducting Rs 450,000 as liquidated damages, that is the maximum amount deductible as per contract.

In the Audit report for the year ended 31 December 2010, I also stated that for the market to be operational, certain electronic and associated equipment were required. Bids were invited a first time in September 2010 but none complied with the requirements of the bidding documents. Specifications were reviewed and tenders were launched again in March 2011. The contract was finally awarded to a private Contractor on 1 June 2011 for the fixed sum of Rs 6,113,422 inclusive of VAT. In the course of installation and commissioning, the Contractor drew attention that certain additional components were required and he submitted a quotation in December 2011 for a total amount of Rs 918,595. In January 2012, the Ministry requested the assistance of the Agricultural Marketing Board to assess whether the amount quoted by the Contractor is fair and reasonable. A reminder to that effect was sent on 21 May 2012 and a reply is being awaited.

Regarding the operation of the FAM, I was informed by the Ministry that discussions were being held with the private sector. However, in February 2011, the latter rejected the proposal of the Ministry and decided not to participate in the operation and management of the electronic FAM. Consequently, the Ministry opted for the formulation of an Expression of Interest (EOI) through international bidding.

The EOI for the leasing of the FAM was launched locally as well as internationally on 18 November 2011. However, by the closing date of 19 December 2011, no response had been received for the project. I was informed that Invitation for EOI has been re-launched on 18 May 2012.

Conclusion

The construction of the FAM, completed in June 2011, has cost Government some Rs 30 million up to now. In May 2012, one year later, EOI for the leasing of the FAM is still being launched. Based on the above, it is not known when the FAM would be operational. In the meantime, security services are being provided - the amount paid since the handing over of the building up to May 2012 amounted to some Rs 520,000.

Ministry's Reply

The EOI has been re-launched on 18 May and the closing date is 2 July 2012. Should this second exercise be not responsive, the matter would be brought to the attention of Government.

18.2 Balaclava Marine Park Centre

At paragraph 24.2 of the Audit Report for the year ended 31 December 2010, I commented, that part of the land vested in the Ministry for the setting up of the Balaclava Marine Park Centre (BMPC) was allocated to a hotel promoter in 2007. A lease agreement between the Ministry of Housing and Lands (MHL) and the promoter was signed in February 2008 wherein the promoter, in exchange of the land, undertook to build the BMPC with all its related amenities at its own cost, estimated at that time at some Rs 12 million.

In May 2009, a request was made to the MHL for a larger plot of land to set up the BMPC. In October 2009, the promoter was informed that the lease agreement was cancelled and that a new one would be drawn subject to the promoter's agreement to finance the construction of the BMPC on the alternative plot of land.

There were delays in the identification of an alternative site for the construction of the BMPC. It was only in May 2010 that MHL informed the Ministry of Fisheries that a portion of land of an extent of 1,428m^2 had been de-proclaimed as public beach and vested in the Ministry.

As of May 2012, two years later the BMPC had not yet been set up.

I was informed by the Ministry that the new lease agreement between the MHL and the promoter had not yet been drawn. As such, it is not known whether the undertaking made by the promoter to finance the construction of the BMPC still stands good.

Ministry's Reply

Following several correspondences, the MHL has in April 2012 officially informed the Ministry of Fisheries that the lease agreement has not been signed yet.

The construction of the BMPC forms part of a condition in the lease agreement and so long as the lease agreement is not signed between the MHL and the promoter, the condition would not be enforceable.

19 - MINISTRY OF YOUTH AND SPORTS

19.1 Overtime

Further to paragraph 19.6 of the Audit Report for the year ended 31 December 2010, total overtime incurred in fiscal year 2011 amounted to some Rs 20.2 million of which some Rs16.9 million were paid in that year and the remaining Rs 3.3 million in early 2012.

In June 2011, I was informed that the following measures, inter alia, were being taken to curb overtime:

- action was initiated for the approval of the Scheme of Service of Driver on roster (day and night), into which the 25 existing drivers would be absorbed ;

- consideration was being given to amend the Scheme of Service of Swimming Pool Attendant to insert the duties of Boiler so as to implement a roster system.

The proposals to amend the Scheme of Service of Driver on roster (day and night) and of Swimming Pool Attendant (Roster) were submitted to the Ministry of Civil Service and Administrative Reforms (MCSAR) in August 2009 and January 2010 respectively. However, after more than two years the approval of the two abovenamed Schemes of Service was still being awaited. MCSAR has informed my Office that the delay is due to representations received from the staff associations.

19.2 Passage Costs for Sport Delegations

Further to paragraph 19.1 of the Audit Report for the year ended 31 December 2010, the Ministry again did not follow formal quotation procedures for the procurement of air tickets.

A total amount of some Rs 28.9 million, representing passage costs of delegations participating in international sporting events, was spent in the fiscal year 2011. No competitive bids were invited by the Ministry in two cases totalling Rs 1.7 million which were paid to a private firm.

Ministry's Reply

In view of late receipt from Federations, no quotations were sought. Instead, the Ministry confirmed the provisional bookings were made by the Federations so as not to penalize the athletes.

However, with a view to avoiding such recurrence, the Ministry has, in the guidelines issued to Sports Federations invited them, among others, to strictly follow quotations procedures in respect of passage costs for delegations.

19.3 Capital project-Rehabilitation and Upgrading of Football Ground at New George V Stadium

At paragraph 19.3.1 of the Audit Report for the year ended 31 December2010, I mentioned that:

- the Ministry awarded the above contract to a private firm in September 2009 for the fixed sum of Rs 5.2 million (inclusive of VAT and contingencies of Rs 900,000) and works were expected to be completed by 31 December 2009. Out of the contract sum, a total amount of Rs 3.5 million was already paid to the firm as of December 2010.

- in April 2011, the Ministry revoked the contract awarded to the private firm because the latter had abandoned the site with 13 items of uncompleted works.

Following the abandonment of the site by the firm, these uncompleted works were estimated at Rs 2 million by the District Contractor of the Ministry of Public Infrastructure.

The Contractor had furnished a performance bond, which was guaranteed by an insurance company and was valid up to 30 June 2011, for the sum of Rs 521,207. As a consequence of the termination of the above contract, in May 2011 the Ministry preferred a claim of Rs 521,207 on the insurance company but, the latter has not yet honoured the performance bond.

Ministry's Reply

The Attorney General's Office has advised in May 2012 that:

- the performance bond could not be forfeited as it was valid up to 30 June 2011;

- the Ministry can consider to proceed with the claim against the Contractor and the insurance company .

19.4 Capital Project-Mare D'Albert Swimming Pool

At paragraph 19.4 of the Audit Report for the year ended 31 December 2010, I mentioned that:

- the above project reckoned significant delays due mainly to deficiencies in the performance of the Contractor and also due to its complete demobilization from the project site for nine months from July 2006 to March 2007;

- in December 2007, Government decided to waive Liquidated and Ascertained Damages (LAD) amounting to Rs 10.1 million as of December 2007, based on a rate of Rs 15,000 for each day of uncompleted works on the contract, so that payment of outstanding claims could be effected to the Contractor and the latter undertaking to complete all outstanding works without further delay;

- payment of Rs 6.2 million was released in June 2008 bringing the total payments as of June 2008 to Rs 38.7 million to the Contractor on the Rs 41 million project;

- a snag list of some 16 significant items of outstanding works ,including major items of defective equipment like boiler, generator and filtration plant, drawn up since September 2008 were not yet attended to by the main Contractor and the latter continued to default in spite of repeated requests .

In November 2010 the Ministry outsourced the remedial works to three other firms for a total amount of Rs1.2 million and the Swimming Pool was put to operation as from May 2011.

In June 2011, I was informed that the Ministry would liaise with the Ministry of Public Infrastructure, NDU, Land Transport and Shipping and the Attorney General's Office to initiate action regarding the enforcement of the LAD clause against the main Contractor.

However, the matter has still neither been referred to the Attorney General's Office for the enforcement of the LAD clause nor to the Ministry of Public Infrastructure as a defaulting Contractor.

Ministry's Reply

A meeting has now been convened with the Attorney General's Office and the Ministry of Public Infrastructure regarding the enforcement of the LAD clause**.**

20 - MINISTRY OF LABOUR, INDUSTRIAL RELATIONS AND EMPLOYMENT

20.1 Computerisation Project

At paragraph 26.2 of the Audit Report for the year ended 31 December 2010, it was mentioned that:

- A project for the computerisation of the Ministry (MOL) started in 1996.
- The project was to consist of nine modules. However, only two modules were retained for implementation.
- In 2010, a 'Gap Analysis' was carried out. Major changes to the Enterprise Monitoring System (EMS) were reported to be required and a new system to be implemented.
- Any amendments to the EMS or implementation of a new system would result in further costs to the Ministry.

Electrical installation started almost two years after acquisition of computers and well before the finalisation of the software module.

Since 2010, the MOL has contemplated to replace the computers on the basis that *it would not be cost effective to repair/upgrade* them.

Optimum use of computers to meet objectives of the project was not derived by the Ministry.

The project for the computerisation of the MOL was not fully implemented since its inception in 1996 despite investment of some Rs 15 million.

Given the new orientation, further investment would be required. Value for money had not been obtained.

A Project Manager was not seen delegated to assist the Ministry to ensure that the aims of the computerization project be achieved and that proper decisions be taken with respect to design and procurement planning (both software and hardware).

Ministry's Reply

In its reply to the report at paragraph 26.2 of the previous Audit Report, the Ministry stated that the delay in implementation of the computerization project was due to relocation of the Ministry to new premises in 2000, infrastructural and other works that resulted, as well as problem encountered with the coming into operation of the Government Online Centre and modifications required in view of new requirements.

With regard to the new orientation, the Ministry now stated that following advice received from the CIB and working sessions with latter's officers, tender documents for the computerization of the Workfare Programme of the Labour and IR Division and the Lodging Accommodation Unit of the Occupational Safety and Health (OSH) Division for which funds have been provided in the current Budget were prepared and that procurement exercise for these two divisions has already been launched. Regarding the computerization of the Registry of Associations, tender documents were being worked out in collaboration with the Project Manager of the CIB.

21 - MINISTRY OF TOURISM AND LEISURE

21.1 Rental of Building – Rs 2.5 million

In June 2008, the Ministry entered into a lease agreement for office space of some 2,202 square feet on the third floor of Victoria House for a period of three years with effect from January 2008 at the following monthly rental:

- Rs 57,230 for the period January to April 2008.
- Rs 52,383 for the period May 2008 to December 2010.

In November 2011, the lease was renewed with effect from January 2011 for another period of three years at a monthly rental of Rs 52,383.

Approximately half of the office space is being occupied by two Leisure Officers, six Officers of the Statistical Office and a storeroom while the other half has remained unoccupied. The Ministry disbursed a total amount of Rs 2.5 million for the period January 2008 to December 2011 as rent for the office space. Therefore half of the amount, that is Rs 1.25 million which had been paid for unoccupied space, may be considered as nugatory expenditure.

Ministry's Reply

The Leisure Unit which is accommodated at Victoria House is currently manned by two Leisure Officers. Provision has been made there for the accommodation of a Leisure Organiser, a Senior Leisure Officer and one Leisure Officer. The Ministry is proposing to fill these posts in the course of the year.

The Statistics Unit has at present six full time Officers. This Unit periodically conducts surveys of outbound tourists for which it enlists the services of some 10 to 15 trainees who also have to be accommodated there for a minimum period of one year.

22 - MINISTRY OF HEALTH AND QUALITY OF LIFE

22.1 Procurement of Goods and Services

22.1.1 Contract for the Procurement of Cleaning Services for Hospitals

At paragraph 21.5.1 of the Audit Report for the year ended 31 December 2010, mention was made that the contracts for the Procurement of Cleaning Services for eight Hospitals, awarded to four contractors in February 2009, were extended on a month to month basis as from 1 February 2010, after the end of the first year contract, until further notice at the same monthly rate and on the same terms and conditions as spelt out in the previous contracts. With the introduction of new Bidding Documents making provision for minimum wage, no responsive bids were received for a first tender exercise carried out in 2010.

On 1 November 2010, the Ministry invited bids again in respect of “Cleaning Services for Toilets, Bathrooms and Sluices for all Hospitals”. On 9 March 2011, the Departmental Tender Committee (DTC) endorsed the recommendation of the Bid Evaluation Committee (BEC) to award the contract to a Contractor, other than the actual four, for a period of one year, with a trial period of three months, for a total amount of some Rs 43 million. The contract should only be renewed for a further period of one year upon satisfactory performance.

On 23 March 2011, the matter was referred to the Central Procurement Board (CPB) for consideration and approval, as the total contract value would exceed the prescribed ceiling of Rs 50 million in case of renewal of contract.

The CPB, in a correspondence dated 5 May 2011 informed the Ministry that it could not approve any award of contract under the procurement exercise in view of several shortcomings in the bidding documents and bids submitted. This tender exercise was therefore cancelled.

On 27 October 2011, another bidding exercise was carried out by the Ministry in respect of the “Procurement of Cleaning Services for Toilets, Bathrooms and Sluices for all Hospitals”. The contract would be for an initial period of one year starting from January 2012 and renewable for a further period of one year upon satisfactory performance of the service provider.

On 23 December 2011, the BEC recommended that the contract be awarded to three bidders for a total amount of some Rs 23 million for the first year and Rs 25 million for the second year. The DTC approved the recommendation of the BEC on 5 January 2012.

Following some allegations on the award of contracts for cleaning services for all Hospitals made in the press on 8 January 2012, the advice of the Solicitor General was sought and the Police Department was requested to conduct an enquiry to identify the source of leakage. An Independent Team was also set up to scrutinise the whole tender exercise, and to make appropriate recommendations.

The Team, in its report dated 2 February 2012, recommended the Ministry to carry out once again the Technical Evaluation after discussion with the Public Procurement Office (PPO) on the methodology to award marks on the Technical Evaluation Sheet. The PPO was requested to carry out a compliance audit of the present tender exercise, and issue appropriate guidelines for the BEC to re-evaluate the bids.

In April 2012, given that the validity of the bids had lapsed, and following reservations from the PPO, the Ministry decided to cancel the tender exercise, and to call for fresh tenders.

At time of audit (end of April 2012), some three years after award of the initial contract, the contracts for Procurement of Cleaning Services for the eight Hospitals were still on a month to month basis.

22.1.2 Security Services

At paragraph 21.5.2 of the Audit Report for the year ended 31 December 2010, mention was made that the contract for security services in Public Health Institutions awarded to Company X (three sites) and Contractor Z (14 sites), were being renewed on a month to month basis since 15 January and 1 November 2008 respectively despite the fact that the Central Procurement Board (CPB) had since January 2008 advised that a new contract be put in place within three months.

On 15 November 2010, after three unsuccessful tender exercises, bids for the Procurement of Security Services for Victoria Hospital, Dr A.G Jeetoo Hospital and Orthopaedic Workshop, Beau Bassin for the period January to June 2011, renewable for another period of six months upon satisfactory performance of the service provider, were again invited. Eight bids were received at the closing date on 8 December 2010.

The contract was awarded to Company A on 2 June 2011 for a total amount of Rs 5,154,300. The initial contract would be for a period of six months, renewable thereafter for an additional period of six months subject to satisfactory performance of the service provider. Meanwhile, Company X and Contractor Z continued to provide security services to the other Health Institutions on a month to month basis.

During the period July to December 2011, several complaints were received against Company A, but no action was taken by the Ministry against the Company. The first contract with the Company came to its end in December 2011. However, on 29 December 2011, the Ministry extended the contract for security services with the Company for a further period of six months as from 1 January 2012 on the same terms and conditions, implicitly accepting that the level of performance was satisfactory despite the contrary. In addition, this would also preclude the Ministry from excluding the Company from further awards.

In the meantime, on 28 November 2011, quotations were launched through Open Advertised Bidding for the Procurement of Security Services for all Hospitals and other Health Institutions. As of the closing date of 19 January 2012, six bids were received. On 14 March 2012, the CPB recommended that the contract be awarded to Contractor Z (Region 1 to 4 and other Health Institutions) and Company A (Region 5).

At date of audit, on 13 April 2012, Letters of Award were not yet issued to the successful bidders as the original bids were awaited from the CPB.

Recommendations

This temporary situation where contracts are renewed on a month to month basis has lasted for more than three years now, without a permanent solution having been found. On the other hand, the Ministry has not been able to obtain satisfaction from any service provider so far. Yet, it has been compelled to renew their contracts in the absence of an alternative option.

Company A, against whom several complaints had already been received, had been awarded the contract for the Procurement of Security Services for Health Institutions in Region 5. The Ministry should work out a "Plan B" to face the situation where when a contractor defaults, it needs not renew the contract with it.

Ministry's Reply

- *General Remarks*

  Since several years, the Ministry is having recourse to the services of private contractors for the provision of cleaning and security services in Hospitals and Health Institutions. However, over the years, there have been several complaints with regard to the poor service provided by service providers of cleaning and security services. This situation is not unique to this Ministry; it is the same in other Ministries/Departments.

  Some of the main complaints are that:

  - Cleaners and security guards absent themselves very often without appropriate replacement;

  - Cleaners and security guards are frequently changed, and the new comers are not properly trained.

  One of the reasons put forward for this state of affairs is that the contractors are not paying decent wages to their employees which causes dissatisfaction and high rate of turnover among them.

  Consequently, in 2010, the PPO decided to come up with a new set of Standard Bidding Document with specific clauses relating to payment of wages according to the relevant Remuneration Orders.

- *Contract for Cleaning Services*

  The Ministry had not been able to put into place new contracts for cleaning services for reasons beyond its control, and in order not to disrupt this essential service, has been compelled to renew the existing contracts.

- *Security Services*

  It is a fact that in January 2008, the CPB recommended that new contracts for security services should be put in place within three months. However, it is to be noted that the contract for security services falls in the category of Major Contract which has to be approved by the Board. Yet, despite the fact that bidding documents were submitted to the Board for launching of tenders, three tender exercises were unsuccessful, and CPB did not approve any award of contract. Consequently, in order not to disrupt the service, the Ministry had no alternative than to renew the contracts on a month-to-month basis.

  Meanwhile, one of the contractors providing security services at three sites expressed his inability to continue providing the services. Hence, a tender was launched for the three sites, and a new contract was awarded in June 2011 for a period of six months.

  New tenders for provision of security services for all sites were launched through the CPB on 28 November 2011. As the new contracts would not be in place by 1 January 2012, (that is, at the end of the six month period), the contract has again been renewed.

  The Ministry has no control over these factors. However, it has to continue providing an essential service for the benefit of both the patients and health personnel.

  The procedures laid down in the Public Procurement Act are lengthy and time consuming. Moreover, bidders now have the opportunity to make challenges and appeals to the Independent Review Panel. In addition to the above, dissatisfied bidders make allegations to the Independent Commission Against Corruption as well as in the Press.

  In the circumstances, how can the Ministry be held responsible when contracts are not put in place on time?

  At meetings held with the PPO, the Ministry has been given to understand that the present legislation is being reviewed with a view to addressing these issues.

22.2 Procurement of Non Medical Products

22.2.1 Purchase of Inappropriate Pallets – Rs 1.8 million

During a survey carried out at Coromandel Stores in January 2012, it was found that more than 900 pallets costing some Rs 1.8 million were stored, and not being used. It was explained that these were meant to be used with forklifts, and not transpallets. As the Central Supplies Division (CSD) did not have forklifts, the pallets were lying dormant and were occupying valuable space at the Stores.

An urgent request was received from Sections A and C of the CSD in March and April 2011 for the purchase of 930 pallets for stacking of cartons of medicines. Requests for Sealed Quotations were made for the supply of plastic pallets on 11 July 2011. Six offers were received from five bidders.

According to documents, the size of the pallets should be 1200 x 1000 x 150 mm.

A Bid Evaluation Committee (BEC) was held on 9 September 2011. The BEC recommended the second lowest offer at the rate of Rs 1,995 per unit and for a total amount of Rs 1,855,350. The lowest offer was rejected as the size offered was 1200 x 1000 x 145 mm.

Award was made on 7 October, and delivery was effected on 13 December 2011.

Observations

- The specifications provided were incomplete. The fact that the pallets would be used with transpallets was not stated.

- The pallets were under the responsibility of Section D, but were stored with items of another Section, where no staff of Section D was posted. No control could therefore be exercised on the pallets.

The Ministry should consider ways and means of optimizing the use of these pallets.

Ministry's Reply

As at 12 June, 2012, out of 930 pallets received in December 2011, 500 pallets have already been put to use. The remaining pallets are being issued to Sections as and when required.

In accordance with the provisions of the Public Procurement Act, bids were evaluated as per the specifications, and the lowest evaluated substantially responsive bid was selected.

The specifications for the pallets were as per standard norm.

The pallets have been kept in the warehouse for Section B, and the Officer in Charge of Section D was exercising control over them.

NAO's Comments on Ministry's Reply

The pallets to be used with forklift and transpallets are different so that the specifications would be different even if the size is the same.

An officer cannot exercise effective control on items stored at a different location accessible to another section.

22.2.2 Dormant Complete Toilet Sets, Wash Hand Basins and Sinks – Rs 4.8 million

The Ministry had acquired 222 complete toilet sets, 183 wash hand basins and 40 sinks for some Rs 4.8 million. These had been delivered to Regional Hospitals in August 2010.

At end of April 2011, the attention of the Ministry was drawn to the fact that these items were lying idle in the stores of four Regional Hospitals. In its reply, the Ministry stated that the toilet sets would be installed in Hospitals where reticulation works had been carried out and water pumps are used, and according to the Ministry of Public Infrastructure (MPI), the toilets and valve system can be installed at the Victoria Hospital.

However, it would appear that the toilets at the Hospital would need modifications to enable these toilet sets to be installed.

A follow-up was made in February 2012. Only one complete toilet set, 15 wash hand basins and three sinks were issued. This has led to capital being tied-up, and storage space being unnecessarily occupied in keeping these items, while it was still unclear where all these would be used.

At all new constructions, the water reticulation was using the pressure system. I have suggested that the MPI should be consulted to see if modifications can be brought to the designs of these new constructions for the installation of these toilet sets, and negotiate with contractors if need be, for contracts already awarded.

Ministry's Reply

As of 25 June 2012, one complete toilet set, 35 wash hand basins and four sinks have been installed at the Hospitals. Only Victoria Hospital has signified its intention for the installation of eight toilet sets at the Hospital. Other Hospitals have indicated that they do not require them as such.

Following a joint visit at Victoria Hospital in October 2011 with the MPI (Engineering & Architect Sections) regarding the installation of the above equipment, this Ministry was advised to request the MPI (Mechanical Section) to carry out a survey and submit its recommendations in view of the implementation of the work in the Hospitals. The MPI has not yet carried out the survey. The Ministry has been verbally informed by the Mechanical Engineering Section of the MPI that the survey would be effected soon at Victoria Hospital and a report would be submitted thereafter.

22.2.3 Methadone Dispensing Machines not Adapted to Local Context

At paragraph 21.4 of the Audit Report for the year ended 31 December 2010, mention was made that five of the eight Methadone Dispensing Machines acquired in November 2010 at a total cost of Rs 7,772,822 were not being used, namely at J Nehru Hospital, Dr A G Jeetoo Hospital, Mahebourg Hospital, Bouloux AHC Methadone Unit and Victoria Hospital.

These machines are high quality ones, specially designed for dispensing Methadone, with several features relating to statistics, stock control, etc. However, they are not adapted to the

Mauritian context, as they are not meant to be used in Centres where more than 500 people come within three hours.

An update of the situation was carried out on 23 and 27 April 2012 to take cognisance of the operation of the machines. The observations are given below:

- In April 2012, some 17 months after its acquisition, the machine at J Nehru Hospital has not yet been put to use.

- The machine at Bouloux AHC Methadone Unit was temporarily out of use and Methadone preparation for all patients was being done manually. The Central Processing Unit (CPU) has been sent for repairs since 26 December 2011.

- At Dr AG Jeetoo Hospital, Victoria Hospital and Brown Sequard Mental Health Care Centre, each of the machines was used to prepare Methadone for only about 400 out of about 1,000 to 1,200 patients falling within the catchment area of each of the Hospital/ Health Care Centre. According to information gathered at the Hospital, the preparation of Methadone using the Machine was time consuming. Methadone preparation for the remaining patients had to be done manually which was less time consuming.

It would appear that the main objective of the project which was to implement a modern, safe and efficient system of Methadone distribution to a larger number of patients that keeps increasing and to save time was not being attained.

Ministry's Reply

The Automatic Dispensing Machine at Brown Sequard Mental Health Care Centre is being used successfully. More than 600 doses of Methadone are being prepared daily by the machine. There were requests for more machines to speed up the preparation of Methadone doses for Beau Bassin Prisons where the number of clients is increasing rapidly following the introduction of induction at the Prisons. The machine is used for preparation purposes.

Direct dispensing from the machine is not suitable at peak hours as its processing time is lengthy and can lead to the building up of long queues. The main objective of the project is to reduce pressure on the Pharmacy Department in the preparation of Methadone, which has been attained.

NAO's Comments on Ministry's Reply

When only about one third to one half of preparation was being done on the machine at three hospitals with 1,000 to 1,200 patients, it cannot be said that the pressure on the Pharmacy Department has been reduced.

22.3 Procurement of Pharmaceutical Products

22.3.1 Supply of Pharmaceuticals and Ingredients from Company A

At paragraph 21.7.1 of the Audit Report for the year ended 31 December 2010, mention was made that previously the Ministry was encountering a lot of problems due to the unsatisfactory performance of Company A in the supply of pharmaceuticals and ingredients. However, after the Company had entered into a partnership with an Indian company, it started delivering outstanding orders from previous tender exercises, and the contracts with it were closely monitored.

As for the additional amount spent on the procurement of drugs on the local market due to delays in supply by the Company and totalling some Rs 25 million during years 2008 and 2009, the Ministry was contemplating legal action to recover the amount.

On 5 July 2011, the Company was requested to refund to the Ministry additional expenditure incurred due to non supply of orders as provided in the conditions of the award totalling some Rs 23.7 million. The figure of Rs 23.7 million had been recalculated by the Ministry. As no response was received from the Company, the advice of the Solicitor General was sought on 9 September 2011, on the course of action to be followed to recover the additional amount spent.

On 14 September 2011, the Solicitor General requested for details and relevant conditions of contract for the preparation of a “mise en demeure”. The Pharmacy Section of the Ministry submitted all workings on 15 February 2012.

At date of audit on 23 April 2012, the figures were still being reconciled with supporting documents submitted by all Hospitals.

Ministry’s Reply

The exercise of retrieval of figures concerning these purchases from the different Regional Hospitals was complex and tedious as it covered the period 2008 to 2009.

Figures have been updated and reconciled with supporting documents submitted by all Hospitals and a letter has been sent to the Solicitor General.

22.3.2 Dialysis Products

Orders in Kits

All consumables for Dialysis are ordered in kits, theoretically with one kit for each session. Each kit is comprised of, amongst others, needles, syringes, clamps, dialyzers, gloves, Sodium Chloride solution, Dialysis Bicarbonate solution, and blood lines. The purchase of Dialysis item in kits was not warranted, as all the items in the kit were not used, some not being required.

As a result, items worth some Rs 4 million had expired before use between April 2008 and January 2010, resulting in waste of public funds, while other surplus items of the kit had been issued to be used in other Sections.

Although I had previously recommended the Ministry that these items should not be ordered in kits, the practice was maintained. The two orders made in 2011, namely a bridging order for 36,000 kits in November 2011, and the other for the next two years for 252,000 kits in December 2011, were both in kits.

Overstocking of Certain Dialysis Items

The consequence of ordering in kits was that stocks of certain items were building up, while only those used on a one to one basis were regularly and consistently used up. If the two litres of Sodium Chloride solution was used for each session, the five litres of Dialysis Bicarbonate solution in each kit was not. Hence, the Dialysis Bicarbonate Solution has been accumulating over time, without any corrective measures taken.

The balances of a few items were taken on 22 March 2012. These are shown in the Table 22-1, as well as their expected duration based on the average consumption over the past two years.

Table 22-1 Stock Balances at Central Supplies Division as of 22 March 2012

Item	**Quantity**	**Estimated Duration of Stock**
Dialysis Bicarbonate Solution w/1 gm Dextrose (litres)	649,274	15 months
G22 Disposable Syringe 10ml with Needle Nipro (units)	131,283	9 months
G23 Syringes Nipro 3ml with Needle (units)	129,413	10 months
Sodium Chloride 0.9 % * 2000 / 3000 ml (Pouches of 2 litres)	5,407	½ month

Note: Duration of stock was computed for only a few items used for dialysis.

From the Table 22-1, and based on the estimated duration, there was overstocking of some items, while stock of Sodium Chloride solution was running out. Stock for syringes with needles was expected to last about 10 months, and for Dialysis Bicarbonate Solution, it was 15 months. The latter item is one of the bulkiest, if not the bulkiest, at the Central Supplies Division. Hence, the space occupied by the stock was considerable, and the item had to be stored at different places due to acute shortage of space. This item needs to be kept below 25^{o}C, which was rarely the case at these different places.

In October 2011, the Ministry noted that the stock of Sodium Chloride was expected to last about two months only. However, the supplier was requested to supply 36,000 complete kits, when only Sodium Chloride was required, and also without keeping in mind that the last consignment of the last award made in 2009 was not yet received. In December 2011, all outstanding quantities from the 2009 award and the bridging 36,000 kits were received within days.

In the meantime (December 2011), the award for the next two years was made with the first consignment to be delivered in January 2012. Actual delivery was received in March 2012. The above has resulted in the present stock.

There was no monitoring of stock and stock position was never assessed before a consignment was expected to be shipped. Neither was the situation evaluated before the award for 2012 and 2013 made.

I have recommended that there should be close monitoring of stock, with items in kits being reviewed to exclude those not used on a one to one basis, especially Dialysis Bicarbonate solution. Stock on hand should be taken into consideration before a new order is placed, and the supplier requested to delay delivery of the Bicarbonate solution and other items with excessive stocks until further notice.

Ministry's Reply

- *Orders in Kits*

  Dialysis Consumables are ordered in kits with a view to preventing an out of stock situation of items which are life saving and not available locally. The number of kits requested is based on the expected number of Dialysis sessions to be performed yearly.

  One dialysis kit is composed of the 10 items which are all required during each dialysis session.

  Through the purchase of Dialysis Consumables by kits, a more competitive price is obtained as opposed to purchasing the items individually. Furthermore, purchasing the items, which are specific for Dialysis treatment, on a separate basis may lead to a shortage or an out of stock of any of these items necessary in the kit. Such a situation will render the other items useless.

  The sum of Rs 4 million mentioned included the following:

  - *Heparin Injections* - The Physicians had either reduced or halted the dosage for the drug during the dialysis treatment according to the patients' medical conditions. For example, for patients with bleeding tendencies the dosage was reduced and for cases of diabetic retinopathy and post surgery the dosages were omitted.

    This has caused the slow movement and the expiry of the drug during that period.

    Heparin injection, dosage of 5000 units, is no more included in the Dialysis kits since 2009.

  - *Acetate Solution* - Less consumption of Acetate Solution resulted with the purchase of new machines using Bicarbonate Solution in Government Hospitals in the years 2006-2008 as Bicarbonate Solution has less side effect and are better tolerated by the patients than Acetate Solution.

The decrease in the consumption of Acetate Solution has led to the expiry of some of the stock of this item during that period.

The quantity ordered in the new contract for Acetate solution has been reduced, to be supplied to private Clinics only.

- *Overstocking of Certain Dialysis Items*

According to established procedure, five litres of Bicarbonate solution have to be used for each dialysis session. The use of Bicarbonate Solution is being closely monitored to avoid any expiry of same.

Dialysis Solutions are bulky items which occupy large storage spaces.

In view of the above, the supplier has already been informed since February 2012 for more staggered deliveries as regard both Acetate and Bicarbonate solutions.

The above is being closely monitored with the Stores to prevent overstocking and any further expiry of both solutions.

Any excess or overstocking of Bicarbonate Solution following the bridging exercise would be taken into consideration and appropriate readjustment will be made in the next tendering exercise.

The bridging exercise of 36,000 Dialysis kits which was requested in October 2011 was urgently required, as the tendering exercise for 2011-2013 which was under process had been delayed due to challenges received from other bidders. Furthermore, there was no indication if the exercise would be completed in time. Therefore, there was the risk of an out of stock situation of the main items like Dialyzers, Blood Lines, A.V. Fistula Needles not only for Normal Saline. The stock for Dialyzers available at CSD at that period was only 26,057 for all sizes which was for 9-10 weeks consumption only. The above bridging exercise for 36,000 Dialysis kits was made on the same terms and condition as per the current contract of 2009-2011 and had to include all the items in the kits, as well as the Bicarbonate Solution. It was not possible during that period to launch tenders for only some of the items included in the kit, which would have been a lengthier process than by direct purchase, with the risk of running out of stock of the main items. It is also to be noted that most of the important items which are required for dialysis are not available locally.

The Standing Technical Committee will shortly review the purchase of all consumables for dialysis.

NAO's Comments on Ministry's Reply

The main issue that I raised was the absence of stock monitoring which had led to overstocking of bulky items occupying valuable space at the CSD. The Ministry has given a long reply without providing explanation as to why no stock monitoring was carried out. However, corrective measures have been taken following my report with the close monitoring of stock and the Supplier being requested to adjust future supplies.

No explanation has been given as to why a bridging exercise was carried out when the last consignment from the previous order was not yet delivered. Any delay in the award of the Tender for 2011-13 would not have paused a problem, as one consignment represented about three to four months' consumption.

As for the bridging exercise of 36,000 kits, the statement of the Ministry to the effect that items had to be ordered in complete kits does not hold. From the recent arrangement to modify the delivery schedule of some items only, it is obvious that the supplier would have accepted supplying only some items in the kit. It should be pointed out that the Ministry has a long working relationship with the Supplier which has been supplying dialysis products to the Ministry for nearly a decade. Also, all the items in the kit are not manufactured by the Supplier which takes them from other manufacturers and then constituted the kit.

The quantities ordered under the bridging exercise have already been adjusted in the order for 2011-13 so that the question of readjustment in the next tender does not arise.

22.4 Local Purchases of Drugs at Hospital Level

22.4.1 Amount Spent in 2011

During the year, the Central Supplies Division (CSD) had run out of stock of several items on several occasions. The Procurement Unit of the Ministry, together with the Hospitals had to purchase from the local market to palliate for the shortage.

In 2011, there was a decrease in the total amount spent on local purchases of drugs at Hospital level as compared to 2010. Some Rs 38.9 million were spent during the year, with Rs 31.6 million for Listed and Rs 7.3 million for non-Listed Items, and Rs 54.2 million in 2010. The major part of the cost in 2010 was for Atorvastatin totalling some Rs 21 million, which was not the case in 2011.

Ministry's Reply

Requirements are based on figures submitted by user departments which are prepared one year in advance. Stock out results from several factors, such as, late deliveries, defaulting suppliers, inability to supply due to price increase, inability for manufacturer to source out raw materials, and change in consumption trends

The decrease in amount spent in the year 2011 was due to the fact that there was adequate stock available as orders were received in time.

22.4.2 Additional Amount Paid For Listed Items

The price paid by the individual Hospitals on the local market for a sample of 18 listed items, which made up of about 67 per cent of the total amount, was compared with what the Ministry would have paid if the items had been centrally procured. The additional amount paid for the selected sample was Rs 14,113,014 for purchases amounting to Rs 21,093,509 as compared to what would have been paid if the items had been centrally procured.

Other Observations

Observations made on a few of the purchases are listed below.

Gemcitabine 200mg/1g Injections and Capecitabine 500 mg tabs – Rs 4.7 million

These two items are used for the treatment of certain cancer, and were considered as listed items since 2010. However, Victoria Hospital (VH) has continued to purchase these items as those purchased by the Ministry were not enough to satisfy its increasing demand as shown in Table 22-2 where the quantity purchased by the Ministry was compared with that purchased by VH.

Table 22-2 Gemcitabine Injections and Capecitabine Tabs Purchased by Ministry and Victoria Hospital

Item	Purchases in 2010		Purchases in 2011	
	Ministry	VH	Ministry	VH
Gemcitabine 200 mg Inj	100	148	200	235
Gemcitabine 1 g Inj	100	229	200	328
Capecitabine 500 mg tabs	30,000	7,524	30,000	32,070

As these were items newly introduced, the consumption should have been closely monitored so that corrective measures are taken promptly. Some Rs 2.6 million could have been saved.

Sulphasalazine 500 mg tab – Rs 1 million

These tablets were out of stock from November 2010 to April 2011 at CSD. Hospitals purchased some 217,000 tabs worth about Rs 1 million from local pharmacies, and also from a local manufacturer which was also the same supplier from whom the last order was received, as well as the next order in April 2011. Additional expenditure on this item of about Rs 600,000 was incurred. This situation was the result of delay in finalising the Annual Tender for 2011. After approval from the Central Procurement Board on 15 December 2010, award was made on 7 February 2011 with delivery to be within 10-12 weeks. By this time, there was already a stock out and the manufacturer could have been requested to deliver as soon as possible. In fact, one Hospital purchased the same tablets from the manufacturer in January 2011.

Ministry's Reply

Hospitals resort to purchases on the local market for reasons spelt out above. This cannot be avoided totally. Prices obtained against tenders launched centrally are cheaper as compared to prices on the local market because tender supplies are effected directly from the manufacturers, whereas purchases on the local market are effected off the shelf.

The increase in the consumption of Gemcitabine and Capecitabine was attributed to a substantial increase in the prevalence of cancer. The estimates for 2012-13 are being worked out, and will be ratified by the Committee of Needs.

22.4.3 Atorvastatin - Stock Out at CSD and Excess Expenditure Incurred (Rs 3.4 million)

The CSD was out of stock of the Atorvastatin 10 mg tablets over a period of two and a half months from July to October 2011 and from September to November 2011 for the 40 mg tablets.

A procurement exercise was initiated by the Ministry on 26 April 2011 for 10 million Atorvastatin tabs 10 mg and 8 million of Atorvastatin tabs 40 mg. Delivery requested was to be ex-stock, within eight weeks and/ or at the earliest from the date of Purchase Order. 17 bids were received. Awards made on 18 August 2011were split among three suppliers, with delivery being within eight weeks, except one which was between four and six weeks.

By the time awards were made, there was already stock out for 20 mg tabs, and within about two weeks, the 40 mg tabs were also out of stock.

Observations

- No bid was received for ex-stock items. All orders were expected to be completed by mid October 2011, with the earliest being end September 2011. The requested delivery was too long compared to actual stock position, and ex stock was not a condition, but an option.

- For the previous award made to Supplier A in December 2010 for the same item, delivery was effected with six weeks delay - in mid March 2011 instead of end January 2011. This element was not considered at evaluation of the present exercise. The whole of the quantity required for 40 mg of 8 million tabs was awarded to this company on the wrong assumption that the existing stock would last for four months, as periods of stock out at CSD had not been taken into account in the calculation of average consumption.

  Again, delivery by Supplier A was effected with considerable delay (one month for 40 mg and almost three months for 10 mg tabs).

- Purchases were effected at Hospital level and the total amount spent was about Rs 3.8 million for about 615,000 - 10 mg tabs, 158,400 - 20 mg tabs and 222,250 - 40 mg tabs. Based on the above order, the amount paid would have been some Rs 340,000, thus resulting in additional expenditure of some Rs 3.4 million.

- Necessary measures (including close monitoring of stock and trend of consumption) were not taken to ensure continuity of supply and avoid local purchases at Hospital level.

Recommendations

- The importance of stock monitoring cannot be overemphasized and all factors which had an impact on the calculation of duration of stock at CSD, such as quantities purchased by hospitals and period of stock outs, should be taken into consideration

- The time offered by bidders should be viewed critically, and past performance taken into consideration. If time is of essence, this should be mentioned in the bid documents as a determinant factor.

Ministry's Reply

The reasons leading to the stock out situation were beyond the control of the Ministry. Bidders were given several options regarding delivery of the products in order to maximise responsive bids. If the Ministry had indicated only ex-stock delivery, it ran the risk of not obtaining any bid. In fact, of the 17 bids received, none was for ex-stock delivery.

Prices paid by Hospitals for local purchase are always higher for several reasons, namely

- Purchases are effected from retail pharmacies;

- Quantities purchased are relatively small;

- Hospitals are bound to purchase whatever is available on the market and comparison of prices is not always possible.

The excess expenditure is based on hypothetical figures as there was no contract during most of the time that Hospitals had recourse to local purchases.

Stock out of drugs is outside the control of the Ministry. This occurs for various reasons, which are not always predictable. The Ministry always endeavours to provide a quality service in the interest of the patients.

Requirements are based on figures submitted by user departments which are prepared one year in advance.

22.4.4 Absence of Procurement Procedures at Victoria Hospital

If all the other Hospitals applied some form of request for informal quotations, this was not the case at VH, where large purchases were effected without any form of quotation. I raised the issue in 2010, but there was no improvement. Purchases per Store Form 1 were limited to just below Rs 100,000. However, there were cases where two Store Forms 1 were issued for the same item on the same day, each for an amount of less than Rs 100,000. There were also several instances with one or two days between purchases.

Ministry's Reply

Remedial action was being taken, and the attention of officers has already been drawn to adhere to the procedures.

22.5 Expired Drugs

22.5.1 AH1N1 Vaccines – Rs 15 million

A Technical Committee on AH1N1 Vaccines, which met on 13 October 2010, reviewed the strategy on options for influenza vaccination, and proposed the introduction of Trivalent Vaccine by March 2011. The Vaccine was meant to minimize the consequences of influenza on public health, and avert deaths among high risk groups, such as the health workers, individuals with chronic conditions, pulmonary illness, and renal dysfunction. Citizens above 60 years old would be covered by the Immunization Program of the Ministry of Social Security, National Solidarity and Reform Institutions.

As the acceptability rate of vaccination amongst the Mauritian population was noted to be low in year 2010, and in view of the high cost implications, it was proposed to procure, in the first instance 25,000 doses of the seasonal influenza vaccine, with an option to increase or decrease the order by 25 per cent. This was approved on 14 December 2010.

In December 2010, action was initiated for the procurement of 25,000 doses of Trivalent Influenza Vaccine. The figure was based on 30 per cent acceptability by health workers, individuals with chronic conditions, AIDS patients, cancer patients and pregnant women. As for children 0-2 years, acceptability was assumed at 50 per cent.

The purchase of 31,250 doses of Trivalent Vaccine (a 25 per cent increase on the original quantity) for € 96,875 was approved on 9 February 2011.The Vaccines were received on 16 March and sent to Victoria Hospital on 23 March 2011. The expiry date of this batch was December 2011.

Another meeting of the Technical Committee was held on 14 January 2011 to reconsider the original recommendations of procuring 25,000 doses. It recommended that the initial target group be extended to include all diabetic subjects below 60 years old and all cardiovascular patients. The acceptability rate should also be extended to 80 per cent for all risk groups, instead of 50 per cent for children 6 months - 2 years, and 30 per cent for other risks groups. The total number of doses required would therefore be around 150,000 and would cost about Rs 44 million. As 31,250 doses had already been ordered, an additional 109,000 should be procured.

There were no figures to support each category of risk groups so that it was not possible to determine how the figures had been worked out. No such information was available at the Medical Records Section, the Non Communicable Disease or the Statistics Unit of the Ministry.

On 4 March 2011, approval was obtained for the purchase of 109,000 doses of vaccines for some Rs 14.3 million from the sole bidder and same supplier as for the previous order (also, the manufacturer). The consignment was received on 24 March 2011, but due to unavailability of storage space in the cold room of Central Supplies Division (CSD), it was kept in the cold room of Agricultural Marketing Board (AMB). The expiry date of this consignment was November 2011, that is one month earlier than the first order. This is surprising when it is the manufacturer itself which had supplied the orders.

From this consignment, 20,000 doses with expiry date November 2011 were sent to Victoria Hospital on 1 April 2011, and 6,000 to Queen Elizabeth Hospital in Rodrigues. The other vaccines, not issued to Hospitals and Vaccination Centres, remained at AMB, Moka. Hence, out of 140,250 doses purchased, 57,250 had been issued by CSD.

At time of audit in January 2012, Victoria Hospital had 25,621 doses from both consignments which had expired. In addition, there were 631 expired doses still at Saint Pierre Vaccination Centre, and 5,340 expired doses at Queen Elizabeth Hospital in Rodrigues. There were 83,000 expired doses at the CSD, and these had been removed from the cold room at AMB, and were at the warehouse of Ex-DWC Compound, Guibies. A total of 114,592 doses of Trivalent Influenza Vaccines worth some Rs 15 million had thus expired.

The quantity actually used was only 25,658, out of which 660 doses in Rodrigues. The total doses used in Mauritius was therefore 24,998. From the return submitted by the Medical Records Section for 2011, the number of persons vaccinated against AH1N1 was 21,313. This leaves an unexplained difference of 3,685 doses, worth some Rs 490,000.

Conclusion

The quantities arrived at were not supported by any statistics concerning cardiovascular and diabetic patients under 60 years of age. Forecasts should have taken into consideration that those 88,000 persons who had been vaccinated in 2010 included citizens above 60 years. This category would be catered for by the Ministry of Social Security, National Solidarity and Reforms Institutions in 2011. Hence, the 140,250 doses procured appeared to be on the high side.

Ministry's Reply

It was proposed to procure trivalent vaccines in line with World Health Organisation (WHO) recommendations as they offer maximum protection against all currently circulating influenza viruses. The target group was identified on the basis of WHO guidelines.

It is the policy of the Ministry of Social Security, National Solidarity and Reforms Institutions to cater for flu vaccination for citizens above 60 years.

In 2010, the acceptability rate of vaccination amongst the Mauritian population was low as at that time the vaccine was novel, and there was global reservation in accepting the vaccine, resulting in a low acceptance rate across the globe.

The figure of 25,000 was arrived at on the basis of the expected acceptability rate amongst the target group. The shelf life of the vaccine is one year usually.

Another meeting of the Technical Committee was convened in January 2011 following reports of high morbidity and mortality associated with Influenza in the temperate regions. There were many patients suffering from the disease who had to be admitted to the Intensive Care Unit especially across the U.K. With a view to preventing such an impact on the population and considering the fact that acceptance rate could be much higher in such a situation, a decision was taken to review the previous estimation, while expanding the target population for vaccination to include diabetics and patients suffering from cardio vascular diseases.

The Epidemiology Unit calculated the expected number of deaths in the Mauritian population based on the fatality rate of the prevalent Influenza in other countries. Our aim was to immunise maximum vulnerable population so as to avert the expected number of deaths.

The vaccines have limited life span and should be used for only one season, as the strain composition changes every year, depending on the circulating virus. These vaccines cannot be used during the next season, and vaccines with expiry date beyond 2011 were therefore not available for that specific season.

Figures were available for some high risk group while others were estimated. During this exercise, information was sought from the Ministry of Social Security, National Solidarity and Reform Institutions, and at all times, the issue of Senior Citizens was taken into consideration.

The issue of expiry date did not have any significant impact on the vaccination campaign.

Action was taken to ensure that vaccines were deployed to be available in each of the pre-determined Immunisation Centres (Regional Hospitals, Area Health Centres and Community Health Centres) as per advertisement to the public.

The policy of the Ministry, in such a situation, is based on precautionary principles to avert the number of expected deaths due to Influenza which had to be balanced against the cost of the vaccines

Logistics arrangements were made for the storage and conveyance of the vaccines as required.

Uncertainties surrounding the impact that a specific infectious disease could have on a population, as well as those related to acceptance of vaccines make it very difficult to predict with accuracy the vaccine acceptance rate at a particular point in time.

With a view to offering protection to a large population of vulnerable individuals, it is always wise and advisable to prepare for the worst case scenario with respect to any particular public health event, which in this particular case would be to consider a vaccine acceptance rate of 100 per cent.

However, based on previous acceptance rates, and later on the global scene with respect to Influenza - like illnesses, provisions had been made for a reviewed acceptance rate of 80 per cent.

With regard to the number of doses used, the discrepancy highlighted in the report is explained by the following

- Figures have been compiled at the Medical Records Department till 4 September 2011, whilst the vaccination campaign ended on 26 November 2011, and

- Vaccines given to Hadj pilgrims and to a private Clinic have not been included.

While figures were available for the number of individuals forming part of some of the high risk groups, the rest had to be estimated to the best of our abilities, due to lack of specific relevant data.

Furthermore, uncertainties surrounding the impact that a specific infectious disease could have on a population, as well as those related to acceptance of vaccines make it very difficult to predict with accuracy the vaccine acceptance rate at a particular point in time.

NAO's Comments on Ministry's Reply

The whole quantity of the second order has expired, with some from the first order as well. In the absence of figures to prove the number of diabetic and cardiovascular patients below 60 and other risk groups or an estimate of the numbers concerned, the quantity required cannot be justified.

Vaccination campaigns have to be carried out ideally four weeks before the onset of winter so that having a campaign all through the winter and into the next summer is unrealistic. Several of the Hadj pilgrims are above 60 and would already have been vaccinated. The number thus vaccinated, as well as the number issued to a private clinic was not available so that the discrepancy has not been fully explained.

22.5.2 Oseltamivir – Rs 18 million

The total value of Oseltamivir (capsules and powder) that has already expired in March 2012 was Rs 18.2 million. This stock was at Victoria Hospital (VH) and the Pharmaceutical Laboratory. In addition, another stock of the same items worth some Rs 33.6 million is expected to expire before use in 2014, given the low consumption in 2010 and negligible consumption in 2011.

In May 2009, the stock of all Oseltamivir items at the CSD was sent to the Pharmacy of VH. It included 97 kg of Oseltamivir crude powder, 23,726 capsules of 75 mg and 270,000 doses of Oseltamivir powder.

499,960 capsules of 30 mg, as well as 350,000 capsules of 75 mg, were purchased from August to November 2009, together with 42 kg crude powder on 9 June 2010. All were kept at VH.

The available stock at VH and at the Pharmaceutical Laboratory was surveyed on 5 March 2012. At that date, there were 320,695 capsules of 75 mg worth some Rs 9.4 million which had expired at VH. Some 24,200 capsules were issued in 2010, and only 4,755 capsules in 2011.

Of the 499,960 capsules of 30 mg purchased, there were 492,760 capsules worth some Rs 6.2 million which were in stock. The expiry date has been extended to August 2014. The number of capsules issued since 12 April 2010 was only 7,200, with the last issue made in July 2010. No issue was made in 2011.

As for crude powder, 139 kg worth some Rs 42.4 million had been sent to VH from May 2009 to June 2010. On 5 March 2012, there was 77 kg usable powder worth Rs 26.3 million at VH. Of this stock, 42 kg (Rs 14.6 million) purchased in June 2010 will expire in December 2014, and the expiry date of the other 35 kg valued at Rs 11.7 million has been extended to August 2014. There were 30 kg which have been removed from the ledger balance as it had expired in February 2011. The value of this expired stock is Rs 7.8 million.

In addition, there was 4 kg crude powder worth some Rs 1 million that had expired and 4.5 kg costing about Rs 1.17 million with extended expiry date of August 2014 at the Pharmaceutical Laboratory.

It is agreed that the Ministry should have kept a stock to face a peak in 2010. However, in the absence of statistics, it has not been possible to ascertain the reasonableness of the stocks of capsules purchased in 2009 and the 42 kg of powder in 2010 when there was already a stock of more than 60 kg powder. Moreover, the seriousness of the AH1N1 epidemic had been overemphasised. The number of cases had considerably fallen in 2010, and was hardly felt in 2011.

Ministry's Reply

The objective of the Ministry was to procure a stock of this item to cater for at least 25 per cent of the population during the threat of the H1N1 Pandemic according to the WHO guidelines. Subsequent purchases were effected to achieve this target.

Oseltamivir powder has a longer shelf life than the finished product (Seven years plus extension of two years after retest, compared to an average of three years for the finished product).

No countries in the world could predict the evolution of the Pandemic and it was thought wise to stockpile this item for 25 per cent of our population in line with WHO guidelines.

22.5.3 Amoxycilin 250mg (as Trihydrate) + Clavulanic Acid 62.5mg (as Potassium Salt) – Rs 3.9 million

Out of 120,000 flasks of this new item ordered in May 2010, some 80,000 flasks (67 per cent) worth about Rs 3.9 million have expired before use in April 2012.

Introduction of the Antibiotic

This paediatric antibiotic, in the form of powder for reconstitution, first appeared in the Annual Tender of Antibiotics for 2008-09. Bids issued on 8 July 2009 included 120,000 flasks of Amoxycillin 250mg + Clavunalic Acid 62.5mg powder.

However, it was not possible to trace back where and when the decision to introduce same was taken, and if any protocol was put in place for its introduction. It was also not possible to determine how the requirement of 120,000 flasks was arrived at.

Procurement

The contract for the above item was awarded for US $ 163,200, equivalent to some Rs 5.8 million on 26 May 2010. Delivery as per award was to be as follows:

- 60,000 flasks: 8 -10 weeks from award or earlier (6 August 2010 at latest)
- Balance: three months after delivery of first instalment (6 November 2010 at latest)

Expired Item

None of the three batches, each of 40,000 flasks, received had the required 18 month shelf life at time of receipt. The first batch received on 5 October 2010 was due to expire on 31 December 2011. The other two batches received on 24 February 2011 were to expire on 31 January and 3 April 2012 respectively.

The Ministry had accepted shorter shelf life without ensuring that items would be used before their expiry date. Stock position and trend of consumption were not taken into consideration when it accepted the consignment with short shelf life.

On 6 October 2010, the supplier had agreed to replace any quantity unused three months before the expiry date, which was estimated to be about 8,000 flasks. The basis of this estimate was not known.

At 22 February 2011, the duration of existing stock based on trend on consumption since October 2010 was 41 months. This increased to 132 months (11 years) when the second consignment was received on 24 February 2012. The fact that this item would expire before use was already obvious. The Ministry has not availed itself of the offer of the supplier, and although it was evident that a considerable quantity was to expire, the supplier had not been contacted to replace expiring quantities.

At 3 April 2012, 80,222 flasks worth some Rs 3.9 million had expired. The expired stock was from all three batches received, and it was occupying valuable space at the CSD, and causing problems to the officers when new shipments of drugs were received.

Poor estimation of requirements had led to wastage of Rs 3.9 million of public funds.

Tender for Annual Requirements Issued in 2010

Tenders for the Annual Requirements issued on 27 May 2010 included 60,000 flasks of the above item. Award was made on 29 October 2010. Delivery was to be from 8-12 weeks from award, hence, at latest by end January 2011.

At the time of this award, 40,000 flasks from a previous order had just been received, and another 80,000 flasks were expected within two months. These factors appeared to have been ignored when award was made.

10,000 flasks, expiring in February 2013, from this order were received on 16 June 2011, well after the expected time. The supplier did not supply the balance due to unexpected rise in cost of raw materials. The balance of the order was cancelled. If the supplier had honoured its contract and supplied all the 60,000 flasks, the Ministry would have ended with an additional stock expiring before use.

Ministry's Reply

A Technical Committee comprising Consultants Paediatrics and Senior Pharmacist-Procurement Unit recommended the purchase of Co-Amoxycillin at a projected monthly consumption of 10,000 per month to treat Amoxycillin-resistant strains of bacteria that produce β-lactamase. This Committee was held prior to 11 February 2009.

The acceptability of Co-Amoxycillin was low due to bad taste and smell as reported by the National Committee of Pharmacovigilance.

The Ministry was in process of requesting the supplier to refund in cash, the amount representing the cost of 88,000 flasks.

- *Protocol for Introduction of New Drugs*

  A Technical Committee has been set up for the introduction of new drugs, comprising the Director Health Services (Curative), the Consultants in each discipline, higher officers of the Pharmacy Division and Pharmacists from Hospitals, Procurement Unit and CSD.

22.5.4 Timolol 0.5% Eye Drops – Rs 640,000

At paragraph 21.7.5 of the Audit Report for the year ended 31 December 2010, mention was made of excessive quantities of Timolol 0.5% Eye Drops purchased during the years 2009 and 2010. The annual consumption of Timolol which was some 43,700 vials in 2007 had dropped to 37,600 vials in 2009. Furthermore, with Carteolol being dispensed for all renewal of Timolol, it was forecasted that the consumption of Timolol would be further reduced. It was expected that Timolol drops worth about Rs 685,000 would expire before use.

In fact, 63,428 vials of Timolol drops expired on 31 October 2011 at the CSD as a result of absence of proper management of phasing out of drugs and had resulted in a loss of some Rs 642,000 by the Ministry.

Ministry's Reply

Carteolol eye drops have a better therapeutic outcome in the treatment of Glaucoma than Timolol eye drops. This has caused the decrease in consumption of the latter leading to part expiry of the product. Following this situation the Ministry has taken appropriate remedial measures, namely

- Committee of Needs has been set up at the level of the Ministry.

- Drugs and Therapeutics Committee is consulted to ratify introduction of better medicines and exclusion of older/obsolete medicines in the formulary.

22.5.5 Chlorpheniramine Cough Expectorant – Rs 1.2 million

At paragraph 21.7.2 of the Audit Report for the year ended 31 December 2010, mention was made that on 9 June 2011, the stock of Chlorpheniramine Cough Expectorant as per the Inventory System at the CSD was 979,140 flasks. Based on trend of consumption for 2010 of some 18,000 flasks monthly, the stock was expected to last some 54 months. For 697,005 flasks, the latest expiry dates are May to July 2013, out of which some 400,000 flasks worth about Rs 3 million were expected to expire before use.

Corrective measures were then proposed by the Ministry to maximise use of the present stock before their expiry date, and hence, reduce any expired syrups to a minimum. The measures proposed were to stop/ reduce considerably the production of Expectorant Paediatric and Adult at the Pharmaceutical Laboratory, and to request all user departments to maximise use of the Expectorant wherever possible. A circular was issued in that sense on 10 June 2011.

As of 30 November 2011, some six months later, the stock as per the Inventory System was 799,866 flasks. Based on the new trend of consumption from June to November 2011 of some 30,000 flasks monthly, the stock was expected to last some 27 months. Out of the 697,005 flasks whose latest expiry dates are May to July 2013, some 159,000 flasks worth about Rs 1.2 million are expected to expire before use.

Ministry's Reply

As at date the present stock of Chlorpheniramine Cough Expectorant is 645,687 Flasks. The use of this item is being maximised at a rate of 27,000 flaks per month. As from June 2011, the Pharmaceutical Laboratory had ceased the production of Cough Syrups to maximise usage of the present stock at the CSD. With change to winter season, the consumption of this item would most probably increase.

On the other hand, the vaccination campaign at this Ministry and elsewhere may unexpectedly impact on the prevalence of influenza, and this may in turn lead to a decrease in consumption of cough preparations.

This situation will be closely monitored in future.

22.6 Capital Works

22.6.1 Plaine Verte Medi Clinic – Construction

The contract for the construction of the Plaine Verte Medi Clinic was awarded to a private company in March 2009 for the sum of Rs 53,412,624, inclusive of a Contingency Sum of Rs 850,000 and VAT. The site was handed over to the Contractor on 10 and work started on 24 April 2009 to be completed on 4 March 2010. The Practical Handing Over was effected on 13 December 2010, with some nine months delay. Maintenance Liability Period was 365 days from Practical Completion, that is, up to 12 December 2011. Final Handing Over was not yet effected at 26 March 2012 as rectification works were not yet carried out to the satisfaction of the Ministry of Public Infrastructure, Land Transport and Shipping (MPI).

A first site visit to the Plaine Verte Medi Clinic was effected on 15 April 2011 and the defects and poor quality of works observed were mentioned at paragraph 21.10 of the Audit Report for the year ended 31 December 2010.

Another site visit was effected on 16 March 2012. Although the building was completed, it was not operational. Defects noted during the previous site visit had not been attended to.

I have recommended that the Ministry should ensure that all defects are made good by the contractor before the final payment is effected.

Ministry's Reply

The Ministry is responsible for the delivery of health services. As for infrastructural projects, it is the responsibility of the MPI to supervise and ensure timely implementation of the projects.

All the issues raised in the report have been forwarded to MPI, and several reminders have been sent to MPI to request the contractor to attend to those issues.

However, as at 7 June 2012, some works were still pending and MPI has been requested to follow up with the contractor for remedial actions before final payment is effected.

Final Handing over exercise would take place as soon as all issues raised have been addressed.

Regarding the telephone connection, Mauritius Telecom was attending to the works and these are expected to be completed soon.

22.6.2 *Extension to Flacq Hospital – Block C*

The contract for the extension to Flacq Hospital – New Block C was awarded to a private company for the sum of Rs 125,077,203, inclusive of Preliminary Costs and Provisional Sums in the amount of Rs 5,800,000, and Contingencies (Rs 3,500,000) and VAT. The site was handed over to the Contractor on 14, and work started on 28 July 2009, to be completed on 3 May 2010. This was later extended up to end of May 2011.

As of March 2012, some Rs 108,729,512, inclusive of VAT, had been paid to the Building Contractor.

A site visit to the Flacq Hospital - New Block C was effected on 6 April 2012. Three Wards were already occupied since some three months, except the Cardiac Ward 1-3. Arrangements were being made to open the Ward the next day, on 7 April 2012.

Several problems were noted only after a few months. False ceilings were missing at several places. There was accumulation of rain water at several places on the roof and canopy of the building. The mechanism of the flush tanks was already broken, and become faulty after just a few days of use. Ward 1-3 was not yet operational, but toilet seat has already cracked. The toilet seat covers in a few other toilets were also broken. A new table just received in Ward 1-3 was broken. The same type of furniture was provided in all the Wards. New drip stands were received broken.

The expansion joint between Block C and Block B has not been properly done, especially where all wires are located. In this area, rain water had reached a high capacity UPS on Level 1, meant to back the Cardiac Monitoring System. There were also leaks on other levels, especially at Level 3. Ventilation in the Wards was inadequate. There were only two small narrow side windows in each bay, and as for the top windows, four were fixed and four were open.

I have recommended that users report all problems to the Administration, which should in turn refer them to the Consultant for remedial action. The Ministry's Headquarters should be kept informed of the situation, as well as the MPI. All snags should be attended to during the maintenance period. The Ministry should ensure that all defects are made good by the Contractor before final payment is effected.

Ministry's Reply

Action was being taken to repair faulty /broken items.

All the problems have already been communicated to the representative of the contractor of Block C, and remedial actions have already been taken. There were some major shortcomings, such as inadequate bathroom facilities for patients and staff, as well as poor quality of workmanship concerning the false ceiling and luminaries fixed to it. These have already been reported to the MPI, and they were in the process of addressing these problems.

22.6.3 Extension to Cardiac Unit Victoria Hospital– Phase II

This project for the Extension to Cardiac Unit – Phase II was originally awarded to a private Contractor in August 2003 for a sum of Rs 24,573,750, and was scheduled for completion by September 2004. It could not be completed, and was taken over from the Main Contractor on 12 September 2008. On 31 March 2011, the site was handed over to a District Contractor to complete all outstanding works at the New Cardiac Unit.

Some nine years after the first contract was awarded, Phase II of the extension works was still not completed.

An update of the position as of mid March 2012 was carried out.

Mechanical Works

The mechanical works started in May 2010 and had been practically completed on 24 January 2011. The Defects Liability Period ended on 23 January 2012. As of mid March 2012, handing over had not yet been effected as final touching had to be made after the District Contractor had completed his work. The Performance Security had not been renewed after its expiry on 30 September 2011.

Electrical Works

The keys and site were handed over to the Electrical Contractor for completion of works outstanding since September 2008 by 29 February 2012.

At date of audit on 15 March 2012, the Contractor was still working on site, and there were still wiring and fittings to be fixed in certain places.

There was no evidence of any Performance Security having ever been submitted.

Ministry's Reply

Electrical Works have been completed since 21 March 2012. Testing and Commissioning for electrical works in the presence of Energy Service Division have been completed at the end of March 2012.

Letter of Award for the supply and installation of medical gas was issued by the Ministry to the supplier on 21 March 2011, and this would be completed within six to eight weeks. Medical gas installation was in progress. Only internal piping of medical gas has been completed.

After completion of medical gas, the District Contractor would complete all snag list, such as re-fixing of false ceiling, minor painting works, fixing of burglar proofing and cleaning of the building.

All works in the building were expected to be completed by end of June 2012, except the room accommodating the Angiography machine which would be completed after receipt of the equipment.

The Procurement Unit had already placed order for movable furniture with supplier.

As regards the mechanical and electrical works, all outstanding works would be completed as the building was expected to be operational as from mid August 2012.

22.7 Underutilisation of IT Equipment

As of February 2012, there were about 320 Personal Computers (PCs) and 270 Printers in use at the Ministry's Headquarters. There were also about 80 Laptops/ Notebooks distributed to officers at the Ministry's Headquarters and Regional Hospitals and other outstations.

On 7 March 2012, two Letters of Award for a sum of Rs 6,834,300 were issued by the Ministry to three suppliers for the procurement of IT equipment. Amongst the items of equipment being purchased, there were 220 PCs, 200 A4 Laser Printers, and 36 Notebooks. These items were to be distributed at the Headquarters, and other Units of the Ministry.

A sample of IT equipment at the Ministry's Headquarters, including photocopying machines, was surveyed on 28 February and 20 March 2012.

- Most high officials, as well as a number of middle management officers, have been provided with a laptop, in addition to a desktop, instead of a laptop in lieu of a desktop as mentioned at Section 6 (Misuse/Abuse of Government Assets) of the Audit Report for the year ended 31 December 2010.

  It would appear that the Ministry has not taken any action to retrieve those desktops from officers already in possession of both a desktop and a laptop, and redistribute them to other computer users in need.

- Of the four Heavy Duty Multifunctional Machines in use at the Ministry**,** two were acquired in 2007 and 2009 respectively, and the other two in 2010. These heavy duty machines, having 40 GB and 160 GB memory respectively, though capable of doing a multiple range of tasks, such as printing, copying, scanning (including double sides in full colour in one pass) and faxing were being used for photocopying only. Other features include printing from a PC, and also from a USB memory stick. The machines are designed for multitasking as well.

- In three of the eight Sections surveyed, a Laserjet Three-in-One machine, with three functions, namely printer, fax and copier was installed. It has not been possible to find out the reason for the purchase of the Three-in-One machines and the multifunctional A3 equipment, and to determine why items of equipment with so many features were purchased, and not all features used. If a fax was needed, why a three-in-one printer/fax/copier was purchased and not a dedicated fax machine only. The printers use colour cartridges as well, so that more has to be spent to replace them when these are hardly needed. Fax machines use longer lasting toners.

- While some units of the Ministry were underequipped with IT equipment, several IT equipment were being underutilised at the Ministry's Headquarters. The Ministry could have considered the possibility to redistribute these items of equipment to the other Units.

Recommendations

- In offices where Three-in-One machines have been installed, printers should not have been provided as these should be used as printers also, wherever possible.

- The Ministry should review its policy and redistribute its IT equipment in a better way so as to optimise the use of desktops and laptops, and at the same time reduce its future expenditure on desktops.

Ministry's Reply

Laptops have been provided to units, and not specifically to individual users. However, for the sake of accountability, the Head of the Unit is given the charge of the equipment. Laptops are used by officers who also have to continue working at their place of residence, or for use when outside office, when on mission overseas, for lecturing, or presentation purposes, etc. It is not practical for officers, who are not all conversant in installation issues, to connect and disconnect their laptops, with associated peripherals on a daily basis, with the inherent risk of physical and drivers related damages.

Furthermore, with regard to the security of the device, wherein the officer has to ensure the personal custody of same, and make good in case of loss, it would also be impractical that officers have to disconnect, and connect same throughout the day, and each time one has to leave office for obvious reasons.

Desktop computers have been provided on the other hand also for use as the main working tool during office hours, in as much as it has larger disk storage capacity, security of information is ensured, chances of the device being lost or stolen is very much reduced, and intervention is minimal once the device has been installed.

The heavy duty photocopy machine has a monthly turnover of 100,000 copies. It is considered not practical to use the equipment for other purposes in view of security and confidentiality of documents.

The Three-in-One fax machines have been issued to other units/ outstations, where it is more convenient to have a machine with fax, print and copy. Moreover, the Three-in-One functions have been evaluated taking into consideration the cost benefit. The only sore point is that the colour cartridge costs more, and thus increasing the cost of maintenance. However, this has been remedied now, and all the software of the fax machine has been modified to accommodate only black cartridge.

IT equipment is not under-utilized at the Headquarters of the Ministry. Same is being made use of optimally, and this information can be counter checked with the number of typed memos, minutes, letters, reports, drafts etc at the Headquarters. An informal survey has been carried out on the volume of transactions at the level of Headquarters, and it came to light that around 60,000 correspondences had been issued during the year 2011.

The possibility of not providing printers in offices where the three-in-One machines have been installed is being explored, especially in offices where no high speed or heavy duty printing is required because of the fact that the three-in-one machine has low printing speed and capacity.

The recommendation made regarding the redistribution of the Ministry's IT equipment in a better way so as to optimise the use of desktops and laptops, and at the same time reduce its future expenditure on desktops would be looked into.

NAO's Comments on Ministry's Reply

The reasons put forward by the Ministry for providing senior staff with a desktop and a laptop are not valid as the only additional connections that the officer would be required to make are the power supply, to a printer and the network cable - three connections which may not always be required but easy to make. As for disk storage, laptops, these days, have high disk storage, even more than desktops.

As for security and other points raised, all of them would not hold if the Ministry had a proper network, and all were connected to a server where all data would be secure with proper backup which was not done when data are held on desktops.

As for having a printer with each desktop, this implies that in an office with five officers, there were five desktops and five printers which is not cost effective as not all printers were used at all times. The possibility to share printers in most offices through a network should be looked into.

22.8 Excessive Mobile Telephone Bills

Certain officers of the Ministry were provided with a mobile telephone so that they could be contacted at any time as the Ministry provides a 24 hour service. During the year 2011, some Rs 900,000 were spent on bills relating to the mobile telephones of officers of the Ministry's Headquarters, the Health Office, Central Health Laboratory, Government Analyst Division, Transport Division and the Orthopaedic Unit.

The monthly bills of the mobile telephones allocated to officers of these Units for the year 2011 were scrutinised.

For several officers, a monthly bill of more than Rs 1,200 was a recurrent feature. In one case, the average monthly bill over the period January to August 2011, reached as high as Rs 7,632.

The bills of a few officers were also on the high side due to international calls and roaming services. For one officer, amount paid for international calls and roaming services in August 2011 was Rs 19,195, whereas for another officer, a sum of Rs 16,288 was paid in May 2011.

Officers should be reminded to use the mobile telephones issued to them in emergency situations only, or if other means of communication are not readily available.

The Ministry should consider imposing a ceiling as is done in many Ministries and Departments so as to prevent abuse.

22.9 Arrears of Revenue

22.9.1 Refund of Students' Bonds

At paragraph 21.15.1 of the Audit Report for the year ended 31 December 2010, mention was made that most of the cases in respect of the Students' Bond that were forfeited and where no payment at all was effected, had been referred to the Attorney General's Office for legal action, or arrangements had been made for bonded officers and their sureties to refund the bond in instalments. Though close monitoring was being effected by the Ministry, of the 12 cases where no refund at all was made up to 31 December 2010, only two debts of Rs 46,000 and Rs 20,354 respectively were settled, and a part payment of Rs 10,205 was received from another bonded officer during the year 2011.

Of the balance of Rs 8,591,548 at 31 December 2011, a sum of Rs 2,752,416 related to the nine cases of no refund at all.

Ministry's Reply

Officers are bonded to ensure that they serve the Ministry for a certain period which varies from three to seven years depending on the duration of formal training. The bond represents the amount equivalent to the full cost of the training expenses incurred on the trainee.

The bond is enforceable where an officer fails to comply with the conditions of the bond. The officer is required to settle the bonded amount within a period of two years. The Ministry of Finance and Economic Development determines whether the bonded amount should be refunded in toto or on a pro-rata basis. In case the bonder fails to refund the bond or fails to inform the Ministry of his intention to settle payments by instalments, the Ministry issues reminders. After two reminders, the case is referred to the Solicitor General for legal actions.

Presently, Nursing Officers, Student Nurses, Students Medical Laboratory and Health Officer/Senior Medical and Health Officers, Trainee Health Inspectors, Community Health Nursing Officers are bonded since their training lasts for a period exceeding one year on full time basis. The bond varies in the range of Rs 81,000 up to Rs 2,000,000.

Six cases have been referred to the Solicitor General, out of which one has been taken pro forma on 16 May 2012, and another has been lodged before the Intermediate Court.

In one case, the advice of the Solicitor General was being sought as to whether the bond should be enforced being given that the officer was still serving the Ministry in another capacity to which he is bonded.

The terms and conditions of refund were being negotiated in one case, while for another case which was outstanding since 1978, the bonded officer was unknown at the Ministry.

One case was being investigated.

The Ministry was sparing no effort to recover the bonded amounts in line with existing regulations.

22.9.2 Debt Taken Over from the National Trust Fund for Community Health

Mention was made at paragraph 21.15.2 of the Audit Report for the year ended 31 December 2010 of a sum of Rs 457,588 due by two contractors. The debt was taken over by the Ministry following the winding up of the National Trust Fund for Community Health since November 2007, and had not yet been recovered.

With regard to an alleged overpayment of Rs 265,538 to one of the contractors, no action for recovering the amount overpaid was taken by the Ministry as there was a court case still ongoing.

In the case of the other contractor, it was alleged that an overpayment of Rs 192,050 was made. This sum had been written off during 2011, as there was no documentary evidence to substantiate the overpayment, and the persons responsible at that time were no longer in the service.

Ministry's Reply

The first case was still pending before Court, and a reply was awaited from the Supreme Court. As for the second case, the "Write-off" was done in line with existing procedures

22.10 Acquisition of Building

At paragraph 21.13 of the Audit Report for the year ended 31 December 2010, mention was made that the project for the creation of the National Geriatric Hospital could not be examined as the originals of the Main File and all related files and documents were not available at the Ministry. Again, the project could not be examined, as all the relevant files and documents were still in the possession of the Independent Commission Against Corruption. The investigation on the acquisition of the building meant for the project was not yet completed.

23 - Ministry of Social Integration and Economic Empowerment

23.1 Transfers to Non-Financial Public Corporations

23.1.1 Introduction

The Ministry of Social Integration and Economic Empowerment (MSIEE) is responsible for the implementation of projects enunciated under the National Empowerment Programme. The National Empowerment Foundation (NEF), a company incorporated as a private company, is the delivery unit of MSIEE for the Programme 363 - Socio Economic Empowerment and Widening the Circle of Opportunities.

During the fiscal years 2010 and 2011, Rs 328.7 million and Rs 533.2 million were respectively transferred to NEF by MSIEE for implementation of this Programme. Table 23-1 shows the total budgeted and actual amount transferred to NEF under this Programme.

Table 23-1 Budgeted and actual expenditure transferred to NEF under Programme 363: Socio-Economic Empowerment and Widening the Circle of Opportunities

Activities	2010 Original Budget Rs million	2010 Actual Expenditure Rs million	2011 Original Budget Rs million	2011 Revised budget Rs million	2011 Actual Expenditure Rs million
Other Current transfers					
Child Welfare and Family Development Programmes for Vulnerable Groups	-	-	30.0	50.0	50.0
Eradication of Absolute Poverty Programme	77.2	15.0	108.0	65.8	65.7
Training and Placement for Unemployed	-	-	95.0	81.2	81.0
Transfers to Households – Decentralised cooperation Programme	-	-	-	0.7	0.7
Empowerment Programme	225.0	111.9	-	-	-
Rodrigues (Other Projects)	55.0	-	15.0	15.0	15.0
Corporate Services	37.2	30.0	50.0	72.2	72.2
Decentralised Cooperation Programme for Socio Economic Empowerment(*)	11.0	-	60.0	1.8	1.8
Corporate Social Responsibility	8.0	2.8	-	-	-
SMEs & Micro-enterprise Development	-	-	15.0	10.0	10.0
Community Projects under Trust Fund	94.5	41.0	30.0	30.0	30.0
Capital Transfers - National Empowerment Foundation	364.0	128.0	285.0	207.0	206.8
Total	**871.9**	**328.7**	**688.0**	**533.7**	**533.2**

Source: Budgeted Estimates and Abstracts 2010 and 2011

Implementation of these activities were made by NEF and through other institutions such as the Development Bank of Mauritius (DBM) to manage loan schemes, the National Development Unit (NDU) for minor infrastructural projects and the Ministry of Education (MOE) for the construction of a Pre-Primary School at Chamarel.

23.1.2 Inadequate Control Mechanism at the MSIEE

Memorandum of Understanding (MOU)/Agreement

The Constitution of NEF provides that it shall enter into a MOU with the Ministry Finance and Economic Development (MOFED) for the provision of funds in connection with the implementation of programmes and administrative costs. However,

- Copy of an approved MOU between MOFED and NEF was not seen.

- There was no MOU between NEF and MSIEE for the provision of funds to the former.

A MOU containing the modus operandi for transfer of funds from MSIEE to NEF was signed on 13 June 2012 following observations raised during audit review of the Ministry.

Transfers of funds made to implementing agencies by NEF

A copy of the agreement and the modus operandi for transfers between NEF and MOE, NDU and DBM was not available at MSIEE. Therefore, it was difficult to assess whether implementation of these activities was being carried out in accordance with the parameters set for each activity.

Project monitoring

- The MSIEE was requested to submit progress reports on the implementation of Government projects by the Ministry itself or any institution falling under its purview to the Project Monitoring Unit of the Prime Minister’s Office. Only one report was submitted, in September 2010, for the period 2010 and 2011. The MSIEE did not have sufficient details about the status of projects being implemented by NEF.

- In 2010, Rs 84.3 million were transferred to DBM for implementation of the Pig Sector Restructuring Project under the empowerment programme. This project was not realized and it was in 2011 that Rs 81 million were transferred back to MSIEE.

- Progress Reports on the implementation of projects undertaken by NEF were not always submitted to the MSIEE when applying for funds. Therefore, it was difficult to assess how efficiently and effectively the projects were being implemented.

Excess expenditure incurred by NEF

- NEF had incurred expenses under three activities in excess of the budgeted provisions under Programme 363 without seeking prior approval of MSIEE. During the implementation of the approved projects, NEF had incurred the following expenditures not provided in the budget:

- *Welfare of Children from Vulnerable Groups*: The procurement of school materials for distribution in 2012 to needy students. The project was estimated at around Rs 30 million.

- *Emergency Housing:* Construction of additional 309 housing units, 717 applications for the construction of concrete houses "carried forward" from 2011 and 200 new applications approved for Mauritius and 175 pending cases for Rodrigues. Additional funds of Rs 81 million were needed for this project.

- *Corporate services:* The setting up of the Multi-purpose Unit and the restructure of NEF. An additional budget of Rs 24 million was required to meet this expenditure.

➢ MSIEE had to reallocate funds within the items of expenditure under Programme 363 and approval was sought from MOFED to enable NEF to meet its commitments up to December 2011.

  MOFED gave its no financial objection to the request for reallocation of funds to the tune of Rs 135 million. However, NEF was informed that financial clearance should be sought from MOFED prior to any reallocation of funds within Programme 363, as expenses under such main programme of NEF were clearly spelt out at Appendix K of PBB Estimates 2011. Actual reallocation amounted to Rs 122.7 million.

➢ The CSR contribution expected to be received should be used to finance the Welfare of Children from Vulnerable groups amounting to Rs 70 million and Rs 200 million for Social Housing. However, the total actual CSR contribution received was neither communicated to MSIEE by NEF nor had MSIEE requested for this information. As such, MSIEE was not always aware of the level of CSR contribution received and the extent applied for the implementation of the activities.

23.1.3 Disbursement for Activity Eradication of Absolute Poverty Programme

The main area of intervention under the Government Programme 2010-2015 was the Eradication of Absolute Poverty and the immediate area of intervention was to extend assistance under the Eradication of Absolute Poverty Programme to the totality of families identified in 229 pockets of poverty across the country. Besides, the main objective under the Programme 363 was to Eradicate Poverty within ten years.

A total amount of Rs 834 million was budgeted for the activity Eradication of Absolute Poverty Programme for the years 2010 and 2011. Rs 465.5 million were transferred to NEF as current transfers for the two periods. It represents 55.8 per cent of the budgeted amount disbursed to NEF for the implementation of this activity.

An amount of Rs 100 million was also expected to be received from CSR contribution for which no details was made available by NEF.

The reasons for the slow progress in implementation of projects were attributed by NEF as being due to:

➢ Lack of in house technical capability to design, develop, implement and monitor projects.

- Delay in outsourcing project management consultancy.

- Absence of a full fledged Programme Manager to drive and follow up projects earmarked in budget.

- Delay in the identification of needs at grass root level and the mounting of projects for the Cooperative Credit Union Rodrigues.

Implications

In the absence of a MOU in respect of funds transferred to NEF,

- Funds were released to NEF without any conditions and without detailed knowledge of the schemes, their modus operandi, whether funds were being spent for the purpose intended and the status of these schemes and the amount received from CSR contributions.

- NEF incurred expenditure in excess of the amounts approved in the Budget-Estimates for activities under Programme 363 - Socio Economic Empowerment and Widening the Circle of Opportunities without the prior approval of MSIEE and MOFED.

Recommendation

In view of

- the absence of a MOU between MSIEE and NEF for the transfer of funds and the conditions attached to the transfer,

- the substantial amount of funds transferred to NEF,

there is a need to finalise the MOU with NEF and to set up a control and monitoring mechanism at MSIEE.

Ministry's Reply

- A MOU had already been prepared and forwarded to NEF for views and comments. All disbursements to NEF would be based on the procedures and parameters outlined in the MOU. The obligation of NEF to prepare and submit an Annual Report had been included in the MOU. The report will provide detailed information on the operations of the NEF, its audited financial statements as well as its achievements.

- The MOU would include a requirement for NEF to communicate to MSIEE all contributions received through the CSR and progress report/status reports on project implementation.

- NEF had been instructed in writing to ensure that budgetary ceilings are in no case exceeded and any reallocation of funds should in the first instance, obtain the express approval of MSIEE. This would also form part of the MOU.

- A new organisational structure for NEF was being finalised and would cover project management, internal audit and monitoring and evaluation. It was expected that once this structure would be in place, the capacity of NEF to fully utilise budgeted provisions would be enhanced and strengthened. In this regard, the staff complement is being reviewed to enable NEF to achieve its objectives of eradication of absolute poverty.

- NEF is in the process of constituting a fully equipped project management unit to design, plan, implement and monitor all its projects. This unit will ensure timely execution of projects as well as quality control and cost sustainability. The practice of having recourse to direct funding will stop and NEF will assume full ownership of all its projects.

- Transfers of funds to NEF for DBM to manage loan schemes have now been taken over by MOFED.

24 - MINISTRY OF CIVIL SERVICE AND ADMINISTRATIVE REFORMS

24.1 Interdicted Officers

At paragraph 25.1 of the Annual Audit Reports for the fiscal year ended 31 December 2010, as well as paragraphs 12.1 and 30.1 for the fiscal years 2007-2008 and 2008-09 and for the semester ended 31 December 2009 respectively, I reported on significant costs inherently being incurred on interdicted officers and the time taken to finalise cases of interdiction.

- Effectiveness of the Fast Track Mechanism**.** There has not been much improvement during the past six years.

  Of the 255 cases of interdicted officers, reported in March 2011, 13 have been settled and 26 new cases were reported during the period April to December 2011. Thus, the total number of interdicted officers as of 31 December 2011 was 268. Some Rs 182.9 million have been paid to these officers since their interdiction.

- There is still no coordinated effort amongst the Judiciary, the Director of Public Prosecutions, the Police Department, the Public Service Commission, the Disciplined Force Service Commission and Ministries/Departments to produce a proper database of all interdicted officers and to follow up cases. There was a lack of essential information that limited the scope of our audit.

- Of the 31 cases settled during the past two years, only seven officers have been dismissed (23 percent). Of these cases, 19 have taken between 2-5 years, seven have taken between 5-8 years, while one has taken around 12 years. Table 24-1 refers.

Table 24-1 Age Analysis of the 31 Settled Cases

No of years taken	No of cases	Amount Rs
0 to 1	2	150,000
1 to 2	2	823,117
2 to 3	8	2,840,508
3 to 4	2	1,947,134
4 to 5	9	4,716,140
5 to 6	4	3,651,293
6 to 7	2	2,031,544
7 to 8	1	761,420
11 to 12	1	1,015,905
Total	**31**	**17,937,061**

- An age analysis of cases at the Police Department under enquiry is shown in Table 24-2. There are at least 26 cases that are outstanding from 2-11 years.

Table 24-2 Age analysis of cases at the Police Department

No of years of Interdiction	No of officers under police Enquiry	Amount Rs
2 to 3	11	4,679,662
3 to 4	6	4,673,813
4 to 5	4	3,348,105
5 to 6	4	4,588,720
10 to 11	1	1,374,430
Total	**26**	**18,664,730**

Ministry's Reply

- In January 2011, Government decided that the Solicitor-General should look into how the lengthy procedures could be simplified.

- This Ministry considers that a Committee could be set up under the Chairmanship of the Solicitor General with representatives of the National Audit Office, Police Department, Public Service Commission and this Ministry to devise a mechanism to review and simplify the lengthy procedures regarding the settlement of criminal cases involving public officers, with a view to reducing the delays/excessive duration of interdiction of public officers.

25 - STATUTORY BODIES

A statutory body is a body created by statute. Statutory bodies are 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, the Government is still responsible to ensure that taxpayers funds expended in the operations of statutory bodies are spent in the most efficient, effective and economic manner.

Statutory bodies are subject to varying degrees of Ministerial control which are specified in the legislation establishing the statutory body. 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 the year 2010 provides :

- that every statutory body shall cause to be prepared **an annual report**.
- that 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.
- the following timeline with respect to submission of the annual report:
  - 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.
  - After approval by the Board, the chief executive officer shall, not later than **four months** after the end of every financial year, submit the annual report to the auditor.
  - The auditor shall, within **6 months** of the date of receipt of the annual report pursuant to subsection (2), submit the annual report and his audit report to the Board.

- 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.

- 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.

- 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 123 Statutory Bodies. Appendix III A refers.

21 Statutory Bodies have not yet submitted a total of 48 financial statements. Appendix III B refers.

34 Statutory Bodies submitted a total 70 financial statements for fiscal years 2010 and prior years in the period April 2011to June 2012 to my Office after the statutory date limit. Appendix III C refers.

A total of 192 financial statements in respect of 68 Statutory Bodies have been certified but have still not been laid before the National Assembly. Appendix III D refers.

26 - LOCAL AUTHORITIES

The Local Government Act 1989, repealed and replaced by the Local Government 2011, provided inter alia,

- that every local authority should submit its financial statements for audit within 4 months of the end of every financial year;
- the audited accounts and the report of the Director of Audit shall be published by the local authority in the Gazette within 14 days after their receipt by the authority.

Seven local authorities have not yet gazetted a total of 23 financial statements that have been certified. Appendix IV A refers.

27 - OTHER BODIES

As regards other bodies, the status of financial statements was as hereunder:

- Four organisations have not yet submitted a total of 12 financial statements to my Office for audit purposes. Table 27-1 refers.

Table 27-1 Other Bodies- Financial Statements not yet submitted

Bodies	Fiscal year	Statutory Date Limit
Mental Health Care (Accounts Committee)	2002-03	30/09/2003
	2003-04	30/09/2004
	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
	01.07.09-31.12.10	31/03/2011
National Archives Research and Publication Fund	01.07.09-31.12.10	31/03/2011
National Empowerment Foundation	01.07.09-31.12.10	31/03/2011
National Savings Fund	01.07.09-31.12.10	31/03/2011
	2008-09	30/09/2009

APPENDIX I

Institutions that the NAO does not audit

1. Air Mauritius Ltd
2. Airport of Rodrigues Ltd
3. Airports of Mauritius Co. Ltd
4. Bank of Mauritius
5. Business Park of Mauritius Ltd -Freeport Services Ltd (BPML FSL)
6. Cargo Handling Corporation
7. Cyber Properties Investment Ltd
8. Development Bank of Mauritius
9. Discover Mauritius Ltd
10. Editions de L'Ocean Indien Ltd
11. Enterprise Mauritius
12. Events Mauritius Ltd
13. Financial Services commission
14. Independent Broadcasting Authority
15. Irrigation Authority
16. Mauritius Cooperative Union Ltd
17. Mauritius Council of Social Service
18. Mauritius Family Planning Welfare Association
19. Mauritius Freeport Authority
20. Mauritius Housing Company Ltd
21. Mauritius Port Authority
22. Mauritius Post Ltd
23. Mauritius Shipping Corporation Ltd
24. Mauritius Telecom Ltd
25. MEDCO Ltd
26. Multi Carrier (Mauritius) Ltd
27. National Investment Trust
28. National Federation of Young Farmers Club
29. National Housing Development Co Ltd
30. National Mutual Fund
31. National Real Estate Ltd
32. Rodrigues Educational Development Co
33. Rose belle Sugar Estate
34. SICOM
35. SICOM Financial Services Ltd
36. State Bank of Mauritius
37. State Informatics Ltd
38. State Investment Corporation Ltd
39. State Property Development Co. Ltd
40. Sugar Reform Trust

APPENDIX II A

List of Special Funds

1	Co-operative Development Fund
2	Curatelle Fund
3	De Chazal Maternity Home Fund
4	Food Security Fund
5	Francophone Summit Special Fund
6	Fund for the Promotion of Culture
7	Human Resource, Knowledge and Arts Development Fund
8	Local Infrastructure Fund
9	Maurice Ile Durable Fund
10	Morris Legacy Fund
11	National Environment Fund
12	National Parks and Conservation Fund
13	National Pensions Fund
14	Non-Governmental Organisation Trust Fund
15	Permanent Resident Investment Fund
16	Portable Pension Fund
17	President Fund for Creative Writing
18	Prime Minister's Children Fund
19	Prime Minister's Cyclone Relief Fund
20	Prime Minister's Relief and Support Fund
21	Residential Care Home Fund
22	Saving Jobs and Recovery Fund
23	Social Housing Development Fund
24	Special Fund for the Welfare of the Elderly
25	State of Jersey – Mauritius Self Reliance Fund
26	Students' Relief Fund
27	Tourism Fund
28	Treasury Foreign Currency Management Fund
29	Trust Fund for Excellence in Sports
30	Trust Fund for the Social Integration of Vulnerable Groups

APPENDIX II B

Special Funds- Financial Statements not yet submitted

Special Funds	Fiscal Year	Statutory Date Limit
Cooperative Development Fund	2006-07	30/09/2007
	2007-08	30/09/2008
	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011
National Pensions Fund	01.07.09-31.12.10	31/03/2011
President Fund for Creative Writing in English	01.07.09-31.12.10	31/03/2011
Trust Fund for the Social Integration of Vulnerable Groups	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011

APPENDIX II C

Special Funds-Financial Statements submitted after statutory date limit

Special Funds	Fiscal Year	Date Submitted
Curatelle Fund	01.07.09-31.12.09	20/05/2011
	Year ended 31.12.10	20/05/2011
De Chazal Maternity Home Fund	2007-08	28/03/2012
	2008-09	28/03/2012
	01.07.09-31.12.10	28/03/2012
Human Resource, Knowledge and Arts Development Fund	01 .07.09 -31.12.10	01/04/2011
Maurice Ile Durable Fund	01.07.09-31.12.10	10/05/2012
National Pensions Fund	2006-07	29/02/2012
Tourism Fund	Year ended 31.12.10	04/08/2011

APPENDIX II D

Special Funds – Financial Statements certified but not yet laid before National Assembly

Special Funds	Fiscal Year	Date Certified
Cooperative Development Fund	10.06.05 to 30.06.06	04/05/2009
Curatelle Fund	2007-08	20/08/2009
	2008-09	11/12/2009
De Chazal Maternity Home Fund	1993-94	31/10/1995
	1994-95	28/01/2008
	1995-96	28/01/2008
	1996-97	28/01/2008
	1997-98	28/01/2008
	1998-99	28/01/2008
	1999-00	28/01/2008
	2000-01	28/01/2008
	2001-02	28/01/2008
	2002-03	28/01/2008
	2003-04	28/01/2008
	2004-05	28/01/2008
	2005-06	28/01/2008
	2006-07	28/01/2008
Food Security Fund	20.06.08-30.06.09	14/05/2010
	01.07.09-31.12.10	23/04/2012
Human Resource, Knowledge and Arts Development Fund	01 .07.09 -31.12.10	13/10/2011
Maurice Ile Durable Fund	01.07.09-31.12.10	02/07/2012
	Year ended 31.12.11	02/07/2012

Special Funds	Fiscal Year	Date Certified
National Environment Fund	2000-01	18/02/2002
	2001-02	12/05/2003
	2002-03	20/09/2004
	2003-04	11/08/2005
	2004-05	11/08/2006
	2005-06	19/10/2007
	2006-07	07/07/2010
	2007-08	07/07/2010
	2008-09	07/07/2010
	01.07.09-31.12.10	12/06/2012
National Parks and Conservation Fund	1994-95	27/02/1998
	1995-96	26/08/1998
	1996-97	26/08/1998
	1997-98	19/04/1999
	1998-99	23/03/2000
	1999-00	03/07/2001
	2000-01	27/05/2002
	2001-02	25/03/2003
	2002-03	21/06/2004
	2003-04	07/06/2005
	2004-05	11/10/2006
	2005-06	29/10/2008
	2006-07	05/10/2009
	2007-08	08/03/2010
	2008-09	22/02/2011
National Pensions Fund	2001-02	27/11/2006
	2002-03	28/08/2009
	2003-04	28/08/2009
	2004-05	08/07/2010
	2005-06	30/03/2011

Special Funds	**Fiscal Year**	**Date Certified**
Non-Government Organisation Trust Fund	01.7.09-31.12.10	13/12/2011
Permanent Resident Investment Fund	28.04.00-30.06.01	19/02/2002
	2005-06	23/11/2006
Permanent Resident Investment Fund	2006-07	13/11/2007
	2007-08	30/10/2008
	2008-09	27/10/2009
	01.07.09-31.12.10	31/05/2011
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
Prime Minister's Relief and Support Fund	2008-09	02/03/2010
	01.07.09-31.12.09	06/01/2011
Regional Economic Zones Development Fund	09.12.99-30.06.00	26/01/2011
	2000-01	26/01/2011
	01.07.01-24.09.01	26/01/2011
Residential Care Homes Fund	2007-08	15/05/2009
	2008-09	24/06/2011
	01.07.09-31.12.10	17/10/2011
Saving Jobs & Recovery Fund	01.07.09-31.12.10	27/07/2011
Social Housing Development Fund	26.06.08-30.06.09	04/01/2011
	01.07.09-31.12.10	30/04/2012
Tourism Fund	2006-07	03/07/2009
	2007-08	03/07/2009
Treasury Foreign Currency Management Fund	2002-03	20/01/2004
	2006-07	30/11/2007
	2008-09	24/02/2010
	01.07.09-31.12.10	10/10/2011
Trust Fund for the Social Integration of Vulnerable Groups	2005-06	10/12/2009
	2006-07	10/12/2009
	2007-08	24/11/2011

APPENDIX III A

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 Procurement Board
8	Central Water Authority
9	Civil Service Family Protection Scheme Board
10	Competition Commission
11	Conservatoire de Musique François Mitterand Trust Fund
12	Construction Industry Development Board
13	Early Childhood Care and Education Authority
14	Employees' Welfare Fund
15	English-speaking Union
16	Export Processing Zone Labour Welfare Fund
17	Farmers' Service Corporation
18	Fashion and Design Institute
19	Financial Intelligence Unit
20	Financial Reporting Council
21	Financial Services Commission
22	Fishermen Investment Trust
23	Fishermen Welfare Fund
24	Food and Agricultural Research Council
25	Gambling Regulatory Authority
26	Hindi Speaking Union
27	Human Resource Development Council
28	Ilois Welfare Fund
29	Independent Broadcasting Authority
30	Independent Commission Against Corruption
31	Information and Communication Technologies Authority
32	Irrigation Authority

33	Islamic Cultural Centre Trust Fund
34	Law Reform Commission
35	Le Morne Heritage Trust Fund
36	Lois Lagesse Trust Fund
37	Mahatma Gandhi Institute
38	Malcolm de Chazal Trust Fund
39	Marathi-Speaking Union
40	Mauritian Cultural Centre Trust
41	Mauritius Broadcasting Corporation
42	Mauritius College of the Air
43	Mauritius Council of Registered Librarians
44	Mauritius Examinations Syndicate
45	Mauritius Ex-Services Trust Fund
46	Mauritius Film Development Corporation
47	Mauritius Institute of Education
48	Mauritius Institute of Health
49	Mauritius Institute of Training and Development
50	Mauritius Marathi Cultural Centre Trust
51	Mauritius Meat Authority
52	Mauritius Museums Council
53	Mauritius Oceanography Institute
54	Mauritius Ports Authority
55	Mauritius Qualifications Authority
56	Mauritius Research Council
57	Mauritius Revenue Authority
58	Mauritius Society of Authors
59	Mauritius Sports Council
60	Mauritius Standards Bureau
61	Mauritius Sugar Authority
62	Mauritius Sugar Industry Research Institute
63	Mauritius Sugar Terminal Corporation
64	Mauritius Tamil Cultural Centre Trust
65	Mauritius Telegu Cultural Centre Trust
66	Mauritius Tourism Promotion Authority

67	Media Trust
68	National Adoption Council
69	National Agency for the Treatment and Rehabilitation of Substance Abusers
70	National Art Gallery
71	National Children’s Council
72	National Computer Board
73	National Council for the Rehabilitation of Disabled Persons
74	National Economic and Social Council
75	National Heritage Fund
76	National Human Rights Commission
77	National Institute for Cooperative Entrepreneurship
78	National Library
79	National Productivity and Competitiveness Council
80	National Solidarity Fund
81	National Transport Corporation
82	National Women Entrepreneur Council
83	National Women’s Council
84	National Youth Council
85	Nelson Mandela Centre for African Culture Trust Fund
86	Outer Islands Development Corporation
87	Private Secondary Schools Authority
88	Professor Basdeo Bissoondoyal Trust Fund
89	Public Officers’ Welfare Council
90	Rabindranath Tagore Institute
91	Rajiv Gandhi Science Centre Trust Fund
92	Ramayana Centre
93	Road Development Authority
94	Rose Belle Sugar Estate Board
95	Seafarers’ Welfare Fund
96	Senior Citizens Council
97	Sir Seewoosagur Ramgoolam Botanical Garden Trust
98	Sir Seewoosagur Ramgoolam Foundation
99	Small Enterprises and Handicraft Development Authority
100	Small Planters Welfare Fund

101	St Antoine Planters Co-operative Trust
102	State Trading Corporation
103	Sugar Cane Planters Trust
104	Sugar Industry Labour Welfare Fund Committee
105	Sugar Insurance Fund Board
106	Sugar Planters Mechanical Pool Corporation
107	Tamil-Speaking Union
108	Tea Board
109	Technical School Management Trust Fund
110	Telegu-Speaking Union
111	Tertiary Education Commission
112	Tourism Authority
113	Tourism Employees Welfare Fund
114	Town and Country Planning Board
115	Trade Union Trust Fund
116	Training and Employment of Disabled Persons Board
117	Trust Fund for Specialised Medical Care
118	University of Mauritius
119	University of Technology, Mauritius
120	Urdu-speaking Union
121	Vallée d'Osterlog Endemic Garden Foundation
122	Waste Water Management Authority
123	World Hindi Secretariat

APPENDIX III B

Statutory Bodies - Financial Statements not yet submitted

Statutory Bodies	Fiscal Year	Statutory Date Limit
Fashion and Design Institute	09.07.08-30.06.09	30/09/2009
	01.07.09-31.12.10	31/03/2011
Industrial and Vocational Training Board (Now Mauritius Institute of Training & Development)	01.07.09-31.12.10	31/03/2011
Le Morne Heritage Trust Fund	2007-08	30/09/2008
	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011
Malcom de Chazal Trust Fund	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
	01.07.09-31.12.10	31/03/2011
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
	01.07.09-31.12.10	31/03/2011
Mauritius Ex- Services Trust Fund	01.07.09-31.12.10	31/03/2011
Mauritius Marathi Cultural Centre Trust	Year ended 31.12.10	31/03/2011
Mauritius Telegu Cultural Centre Trust	01.07.09-31.12.10	31/03/2011
Media Trust	2006	31/03/2007
	2007	31/03/2008
	2008	31/03/2009
	2009	31/03/2010

Statutory Bodies	Fiscal Year	Statutory Date Limit
Media Trust(continued)	2010	31/03/2011
National Adoption Council	01.07.09-31.12.10	31/03/2011
National Heritage Fund	01.07.09-31.12.10	31/03/2011
Nelson Mandela Centre for African Culture Trust Fund	2007-08	30/09/2008
	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011
Sir Seewoosagur Ramgoolam Botanical Garden Trust	2007-08	30/09/2008
	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011
Small and Medium Enterprises Development Authority	29.01.10-31.12.10	31/03/2011
SSR Foundation	2006-07	30/09/2007
	2007-08	30/09/2008
	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011
Sugar Cane Planters Trust	2007-08	30/09/2008
	2008-09	30/09/2009
	01.07.09-23.07.10	31/03/2011
Technical School Management Trust Fund	01.07.09-31.12.10	31/03/2011
Tourism Authority	01.07.09- 31.12.10	31/03/2011
Trade Union Trust Fund	01.07.09-31.12.10	31/03/2011
Training and Employment of Disabled Persons Board	2008-09	30/09/2009
	01.07.09-31.12.10	31/03/2011
University of Technology, Mauritius	01.07.09-31.12.10	31/03/2011

Statutory Bodies-Financial Statements submitted after statutory date limit

Statutory Bodies	Fiscal Year	Date Submitted
Agricultural Marketing Board	Year ended 31.12.09	02/07/2011
Bus Industry Employees Welfare Fund	01.07.09-31.12.10	26/09/2011
Central Electricity Board	2009	12/08/2011
	2010	13/04/2011
Centre for Development Corporation in Fisheries (NORAD)	Year ended 31.12.10	13/05/2011
Conservatoire de Musique François Mitterand Trust Fund	01.07.09-31.12.10	08/09/2011
Financial Intelligence Unit	Year ended 31.12.10	02/05/2011
Ilois Welfare Fund (Now Chagossian Welfare Fund)	01.07.09-31.12.10	12/05/2011
Islamic Cultural Centre Trust Fund	2005-06	20/07/2011
	2006-07	20/07/2011
	2007-08	20/07/2011
	2008-09	26/04/2012
	01.07.09-31.12.10	26/04/2012
Mauritius Broadcasting Corporation	2008-09	23/06/2011
	01.07.09-31.12.10	01/06/2012
Mauritius Marathi Cultural Centre Trust	2005-06	03/05/2012
Mauritius Oceanography Institute	01.07.09-31.12.10	15/04/2011
Mauritius Sports Council	01.07.09-31.12.09	25/04/2011
	Year ended 31.12.10	21/10/2011
Mauritius Sugar Authority	2007-08	14/11/2011
	2008-09	06/12/2011
	01.07.09-31.12.10	23/02/2012
Mauritius Sugar Terminal Corporation	01.7.09-31.12.10	07/04/2011
Mauritius Tamil Cultural Centre Trust	2005-06	05/03/2012
	2006-07	05/03/2012
	2007-08	05/03/2012
	2008-09	05/03/2012
	01.07.09-31.12.10	30/04/2012

Statutory Bodies	Fiscal Year	Date Submitted
Mauritius Tourism Promotion Authority	01.07.09-31.12.10	04/05/2011
National Agency for the Treatment and Rehabilitation of Substance Abusers	01.07.09-31.12.10	20/07/2011
National Art Gallery	2008-09	17/10/2011
	01.07.09-31.12.09	17/10/2011
National Children's Council	2004-05	05/12/2011
	01.07.09-31.12.10	23/11/2011
National Computer Board	2006-07	13/04/2011
	2007-08	14/07/2011
	2008-09	29/07/2011
	01.07.09-31.12.10	24/02/2012
National Heritage Fund	2007-08	17/05/2012
	2008-09	17/05/2012
National Transport Corporation	01.07.09-31.12.10	26/05/2011
National Women Entrepreneur Council	2008-09	17/05/2011
	01.07.09-31.12.10	25/07/2011
National Women's Council	01.07.09-31.12.10	31/10/2011
National Youth Council	2008-09	28/09/2011
Outer Islands Development Corporation	01.07.09-31.12.10	28/06/2011
Pre-School Trust Fund (now Early Childhood Care and Education Authority)	2006-07	24/11/2011
	2007-08	24/11/2011
	2008-09	24/11/2011
Pre-School Trust Fund (now Early Childhood Care and Education Authority)	01.07.09-31.12.10	24/11/2011
Sir Seewoosagur Ramgoolam Botanical Garden Trust	30 June 2000	01/06/2012
	30 June 2001	01/06/2012
	30 June 2002	01/06/2012
	30 June 2003	01/06/2012

Statutory Bodies	Fiscal Year	Date Submitted
Sir Seewoosagur Ramgoolam Botanical Garden Trust(continued)	30 June 2004	01/06/2012
	30 June 2005	01/06/2012
Small Enterprises and Handicraft Development Authority	01.07.09-28.01.10	13/04/2011
SSR Botanic Garden	05.06.99-30.06.00	29/05/2012
	2000-01	29/05/2012
	2001-02	29/05/2012
	2002-03	29/05/2012
	2003-04	29/05/2012
	2004-05	29/05/2012
	2005-06	29/05/2012
	2006-07	29/05/2012
State Trading Corporation	2003-04	01/04/2011
	2005-06	01/04/2011
	01.07.09-31.12.10	01/04/2011
University of Technology, Mauritius	2006-07	10/04/2012
Vallée D'Osterlog Endemic Garden Foundation	01.07.09-31.12.10	01/04/2011

Statutory Bodies – Financial Statements certified but not yet laid before National Assembly

Statutory Bodies	Fiscal Year	Date Certified
Aapravasi Ghat Trust Fund	2002-03	15/05/2007
	2003-04	15/05/2007
	2004-05	02/07/2008
	2005-06	19/05/2009
	2006-07	23/09/2009
	2007-08	23/09/2009
	2008-09	31/01/2011
	01.07.09-31.12.10	13/04/2012
Agricultural Marketing Board	Year ended 31.12.09	28/06/2011
	Year ended 31.12.10	13/04/2012
Agricultural Products Export Promotion Authority	period ended 30.06.98	19/06/2000
	1998-99	19/06/2000
	1999-00	20/08/2002
	period ended 25.10.01	20/08/2002
Beach Authority	01.7.09-31.12.10	17/02/2012
Central Water Authority	01.07.09-31.12.10	11/04/2012
Centre for Development Corporation in Fisheries (NORAD)	01.01.09 to 31.12.09	30/06/2010
	Year ended 31.12.10	01/07/2011
Civil Service Family Protection Scheme Board	2007-08	02/04/2009
	2008-09	30/08/2010
	01.07.09-31.12.10	21/07/2011
Conservatoire de Musique François Mitterand Trust Fund	2006-07	20/10/2009
	2007-08	25/02/2011
	2008-09	25/02/2011
Employees' Welfare Fund	01.07.09-31.12.10	08/05/2012
Export Processing Zone Labour Welfare Fund	2005-06	30/08/2007
	2006-07	05/02/2009
	2007-08	02/04/2009
Farmers' Service Corporation	01.07.09-31.12.10	13/12/2011

Statutory Bodies	**Fiscal Year**	**Date Certified**
Financial Reporting Council	2007-08	04/11/2008
	2008-09	30/12/2009
Fishermen Investment Trust	01.07.09-31.12.10	04/05/2012
Food and Agricultural Research Council	1997-98	10/02/2000
	1998-99	04/10/2001
	1999-00	03/12/2001
	2000-01	06/11/2003
	2001-02	09/03/2004
	2002-03	24/11/2005
	2003-04	18/07/2006
	2004-05	15/06/2007
	2005-06	13/11/2007
	2006-07	19/10/2009
	2007-08	01/04/2010
	2008-09	05/07/2011
Human Resource Development Council	2008-09	05/08/2011
Ilois Welfare Fund (Now Chagossian Welfare Fund)	2007-08	12/06/2009
	2008-09	09/07/2010
	01.07.09-31.12.10	09/12/2011
	Year ended 31.12.11	21/06/2012
Information and Communication Technologies Authority	01.07.09-31.12.10	13/03/2012
Islamic Cultural Centre Trust Fund	2005-06	26/07/2011
	2006-07	26/07/2011
	2007-08	26/07/2011
Le Morne Heritage Trust Fund	2004-05	30/03/2010
	2005-06	30/03/2010
	2006-07	30/03/2010
Mahatma Gandhi Institute	01.07.09-31.12.10	26/01/2012
Mauritian Cultural Centre Trust	2002-03	30/03/2005
	2003-04	22/01/2007
Mauritius Broadcasting Corporation	2008-09	30/04/2012
	2007-08	20/10/2009

Statutory Bodies	Fiscal Year	Date Certified
Mauritius Council of Registered Librarians	01.07.09-31.12.10	17/08/2011
Mauritius Ex- Services Trust Fund	2007-08	20/10/2009
	2008-09	20/04/2011
	2006-07	18/03/2009
Mauritius Examinations Syndicate	01.07.09-31.12.10	28/05/2012
	2008-09	04/03/2011
Mauritius Film Development Corporation	2008-09	20/01/2012
	2007-08	25/10/2010
	01.07.09-31.12.10	20/01/2012
Mauritius Institute of Education	01.07.09-31.12.10	31/10/2011
Mauritius Marathi Cultural Centre Trust	2001-02	11/05/2004
	2005-06	11/06/2012
	2004-05	24/11/2006
	2003-04	24/11/2005
	2002-03	24/11/2005
Mauritius Meat Authority	01.07.09-31.12.10	20/01/2012
Mauritius Museums Council	2008-09	06/09/2010
	01.07.09-31.12.10	04/06/2012
Mauritius Qualifications Authority	1.07.09.09-31.12.10	20/01/2012
Mauritius Research Council	2008-09	01/07/2010
	01.07.09-31.12.10	19/01/2012
Mauritius Sports Council	2006-07	04/11/2008
	2007-08	30/06/2010
Mauritius Sugar Authority	2006-07	03/12/2009
	2008-09	13/12/2011
	2007-08	13/12/2011
Mauritius Telegu Cultural Centre Trust	2008-09	21/05/2012
	2007-08	21/05/2012
	2006-07	21/05/2012
	2005-06	07/10/2011
	2004-05	13/05/2011
Media Trust	2005	15/06/2012

Statutory Bodies	Fiscal Year	Date Certified
National Agency for the Treatment and Rehabilitation of Substance Abusers	01.07.09-31.12.10	28/03/2012
National Children's Council	2004-05	08/12/2011
National Computer Board	2005-06	30/08/2007
	2006-07	12/05/2011
National Council for the Rehabilitation of Disabled Persons	2002-03	13/01/2005
	2003-04	13/01/2005
	2004-05	23/11/2005
	2005-06	23/02/2007
	2006-07	06/02/2008
	2007-08	20/04/2009
	2008-09	04/01/2010
	01.07.09-31.12.10	18/11/2011
National Economic and Social Council	2007-08	30/10/2008
National Handicraft Promotion Agency	01.07.04 -16.06.05	16/01/2009
National Heritage Fund	Period ended 30.06.99	03/08/2001
	1999-00	03/08/2001
	2000-01	02/07/2002
	2001-02	24/02/2004
	2002-03	24/02/2004
	2003-04	26/07/2005
National Library	01.07.09-31.12.10	11/03/2011
National Transport Corporation	2006-07	28/08/2009
	2007-08	11/12/2009
	2008-09	09/09/2010
	01.07.09-31.12.10	18/11/2011
National Women Entrepreneur Council	2006-07	19/04/2011
National Women's Council	01.07.97-31.12.97	22/02/2001
	2005	31/08/2009
	2006	31/08/2009
	2007	31/08/2009
	2008	10/05/2010
	2009	28/10/2010

Statutory Bodies	Fiscal Year	Date Certified
National Youth Council	Period ended 30.06.00	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	27/06/2011
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
	2006-07	25/04/2012
Pre-School Trust Fund (now Early Childhood Care and Education Authority)	2000-01	11/11/2004
	2001-02	11/11/2004
	2002-03	27/11/2007
	2003-04	29/11/2007
	2004-05	11/11/2008
	2005-06	11/11/2008
Private Secondary Schools Authority	01.07.09-31.12.10	13/04/2012
Rabindranath Tagore Institute	01.07.09-31.12.10	03/02/2012
Rajiv Gandhi Science Centre Trust Fund	2006-07	23/06/2009
	2007-08	11/03/2010
	2008-09	11/03/2010
	01.07.09-31.12.10	13/04/2012

Statutory Bodies	**Fiscal Year**	**Date Certified**
Road Development Authority	2007-08	28/06/2012
Seafarers' Welfare Fund	01.07.09-31.12.10	13/03/2012
Senior Citizens Council	1991-92	14/02/2001
	1992-93	14/02/2001
	1993-94	14/02/2001
	1994-95	14/02/2001
	1995-96	14/02/2001
	1996-97	14/02/2001
	1997-98	14/02/2001
	1998-99	14/02/2001
	1999-00	14/02/2001
	2001-02	28/11/2002
	2002-03	19/03/2004
	2003-04	30/09/2004
	2004-05	04/07/2006
	2005-06	17/08/2007
	2006-07	29/07/2008
	2007-08	04/05/2009
	2008-09	20/01/2012
	01.07.09-31.12.10	20/01/2012
Small Enterprises and Handicraft Development Authority	2007-08	27/10/2009
	2008-09	04/03/2011
Small Planters Welfare Fund	2008-09	27/12/2010
	01.07.09-31.12.10	30/01/2012
St Antoine Planters Co-Operative Trust	01.07.09-31.12.10	18/11/2011
State Trading Corporation	2007-08	30/06/2009
	2008-09	03/03/2011
Sugar Cane Planters Trust	2006-07	20/10/2008
Sugar Insurance Fund Board	2010	01/09/2011
Tea Board	01.07.09-31.12.10	14/10/2011
Tourism Authority	2008-09	17/02/2012
Town and Country Planning Board	01.07.09-31.12.10	23/05/2012

Statutory Bodies	**Fiscal Year**	**Date Certified**
Training and Employment of Disabled Persons Board	2006-07	23/02/2010
University of Mauritius	2007-08	07/10/2009
	2008-09	28/12/2010
	01.07.09-31.12.10	26/01/2012
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

Local Authorities – Financial Statements certified but not yet gazetted

Local Authorities	Fiscal Year	Date Certified
Grand Port-Savanne District Council	2001-02	19/02/2009
	2002-03	19/02/2009
	2003-04	19/02/2009
	2004-05	19/02/2009
	2005-06	19/02/2009
	2006-07	19/02/2009
	Year ended 31.12.10	06/09/2011
Moka-Flacq District Council	2007-08	03/02/2010
	2008-09	29/11/2011
	01.07.09-31.12.09	29/11/2011
Municipal Council of Curepipe	2004-05	13/11/2008
	2005-06	13/11/2008
	2006-07	13/11/2008
	2007-08	20/10/2009
	Year ended 31.12.10	26/03/2012
Municipal Council of Port Louis	2006-07	12/01/2009
	2007-08	07/10/2009
	Year ended 31.12.10	22/05/2012
Municipal Council of Quatre Bornes	2006-07	24/12/2008
	2007-08	31/07/2009
	Year ended 31.12.10	24/04/2012
Pamplemousses-Riviere du Rempart District Council	2006-07	27/01/2009
	2007-08	27/01/2009
	Year ended 31.12.10	27/06/2012