

**REPORT**

**OF THE**

**DIRECTOR OF AUDIT**

**ON THE ACCOUNTS OF THE**

**RODRIGUES REGIONAL ASSEMBLY**

**FOR THE YEAR ENDED 31 DECEMBER 2012**



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# 1 - INTRODUCTION

**1.1** Mauritius gained independence in March 1968 and the island of Rodrigues became under the territorial and administrative control of Mauritius. The Island of Rodrigues became autonomous as from 1 October 2002 by the enactment of Rodrigues Regional Assembly Act 2001 and the internal affairs are dealt at the level of Rodrigues Regional Assembly. The main employer is the RRA while many people are involved in agricultural activities and small scale businesses. About 90 per cent of lands of the island are state owned.

## **1.2 Administrative Set Up**

For the purpose of the Rodrigues Regional assembly Act, an Executive Council has been established which is responsible for carrying out the functions of the Rodrigues Regional Assembly. Members of the Regional Assembly are elected through universal suffrage.

Seven Commissions has been set up under the Executive Council as follows:

- Chief Commissioner's Office
- Deputy Chief Commissioner's Office
- Commission for Public Infrastructure, Housing, Transport and Water Resources
- Commission for Social Security, Employment, Labour and Industrial Relations, Consumer Protection and Trade, Commerce and Licensing
- Commission for Health and Sports
- Commission for Environment, Forestry, Tourism, Marine Parks and Fisheries
- Commission for Youth, Community Development, Library Services, Archives and Museum

## **1.3 Accounting Officers**

The Island Chief Executive is the administrative head of the Rodrigues Regional Assembly and is responsible to the Chief Commissioner. Each Commission is under the responsibility of a Departmental Head.

There are departments that do not fall under the administrative control of RRA, among others, the Police Department and the Judiciary.

## **1.4 Accountability and Control**

### ***1.4.1 Financial Statements***

The financial statements of the RRA are prepared according to Section 19 (6) of the Finance and Audit Act. This Act also requires the Commissioner responsible for the subject of finance to sign and submit to the Director of Audit, within three months of the close of every fiscal year, annual financial statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

### ***1.4.2 Audit of accounts***

The Finance and Audit Act requires the Director of Audit to submit to the Minister responsible for finance within eight months of the close of every fiscal year, copies of annual financial statements together with a certificate of audit and a report upon his examination and audit of accounts relating to public money, securities, stores and other property of the Rodrigues Regional Assembly.

## ***1.5 Acknowledgement***

I wish to express my sincere thanks to the Island Chief Executive and the Departmental Heads, the Government Printer, and all their staff for their cooperation and collaboration. I would also like to express my appreciation to the Deputy Head of the Examiner Cadre and the staff who conducted the audit of the RRA. Without their support and cooperation the submission of this Report would not have been possible.



**Dr Rajun Jugurnath**  
*Director of Audit*  
*Head of National Audit Office*



## 2 - ANNUAL FINANCIAL STATEMENTS

### 2.1 Introduction

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

The accounts of Rodrigues Regional Assembly (RRA) for the fiscal year ended 31 December 2012 were closed on 29 March 2013 and the approved statements were submitted to the National Audit Office (NAO) on the same day.

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

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

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

On 20 September 2011, the Ministry of Finance and Economic Development approved financial allocation to the RRA for fiscal year 2012 to a ceiling of Rs 1,649 million including Rs 360 million as capital grant. The draft estimates of the RRA showing revenue for a total amount of Rs 1,670,054,000 as well as expenditure for an amount of Rs 1,670 million for the fiscal year ended 31 December 2012 were approved by the Regional Assembly on 23 September 2011. On 28 September 2011, these draft Estimates were submitted to the Minister of Rodrigues and Fisheries for consideration by Cabinet as required under Section 44(3) of the RRA Act. The Programme-Based Budget Estimates 2012 of Mauritius were approved by the National Assembly on 6 December 2011 providing financial grant under Programme 311- Rodrigues Development for an amount of Rs 1,649 million. The shortfall of Rs 21 million was to be met from revenue collected in Rodrigues.

## 2.2 Programme Based Budgeting

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

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

## 2.3 Statement of Assets and Liabilities of the Rodrigues Regional Assembly

A comparative statement of assets and liabilities for the past three fiscal years are shown in Table 1.

*Table 1 - Assets and Liabilities of RRA for the past three fiscal years*

	<b>2012 Rs</b>	<b>2011 Rs</b>	<b>2010 Rs</b>
<b>Assets</b>			
Cash and Bank balances	69,439,712	57,072,539	34,312,270
Advances	35,101,442	35,196,436	20,492,079
<b>Total</b>	<b>104,541,154</b>	<b>92,268,975</b>	<b>54,804,349</b>
<b>Liabilities</b>			
Rodrigues Consolidated Fund	14,805,181	13,940,916	9,877,792
Deposits	53,401,718	42,484,297	23,485,539
Loan from Govt. of Mauritius	36,334,255	35,843,762	21,441,018
<b>Total</b>	<b>104,541,154</b>	<b>92,268,975</b>	<b>54,804,349</b>

The accounts of the RRA were prepared on a cash basis. Non-current assets, such as arrears of revenue amounting to Rs 29,314,206 as of 31 December 2012, and liabilities, such as pension liabilities, passage benefits and the monetary value of accumulated sick leaves were therefore not disclosed in the Statement of Assets and Liabilities.

### 2.3.1 Advances - Rs 35,101,442

This amount represents total advances outstanding on motor-car, motor-cycle and other loans as of 31 December 2012, as detailed in Table 2.

Table 2 - Advances as of 31 December 2012

Details	2012 Rs	2011 Rs
Advances to Members of the Regional Assembly	2,396,246	3,907,700
Motorcar loan to RRA Officers	11,163,684	12,106,388
Motorcycle loan to RRA Officers	6,624,799	4,508,548
Advances – Cooperative Societies i.r.o. Fibre glass Boats	14,827,913	14,585,000
Advance Account – Personal	88,800	88,800
<b>Total</b>	<b>35,101,442</b>	<b>35,196,436</b>

#### *Advances to Members of the Regional Assembly - Rs 2,396,246*

In September 2011, an amount of Rs 1.6 million was advanced to a member of the Regional Assembly for the purchase of a car, the monthly repayment being Rs 32,766. Repayment of the advance was effected only up to January 2012. The outstanding capital and interest accrued thereon amounted to Rs 1,493,333. Legal action was initiated for non-payment of the advance and the vehicle was seized under a warrant to levy. The following were observed:

- the vehicle was found damaged and was sent to Mauritius for repairs at a cost of Rs 102,989 which was later brought down to Rs 25,028.
- In November 2012, the vehicle was auctioned in Rodrigues at a bid of Rs 1.5 million. After deduction of customs duty and other associated costs with the sale totaling Rs 667,243, the net proceeds of Rs 832,757 were remitted to RRA.
- After crediting the advance account with Rs 749, 357 (the difference of Rs 83,400 being interest), there remained an outstanding balance of Rs 743,976 still to be recovered.
- Other costs such as repairs, legal advice, and legal guardian fees amounting to Rs 101,411 were incurred by the RRA in connection with the auction of the vehicle. This amount should also be claimed alongside with the advance.

In April 2013, the Attorney of RRA was requested to initiate further legal action for the recovery of the unrecovered debt.

*Advance – Fibre Glass Boats - Rs 14,827,912*

The loans totaling Rs 14,585,000 made in December 2011 to five co-operative societies for the acquisition of five fibre-glass boats under the “Promotion of Outer Lagoon Fishing Development Scheme” as reported at paragraph 2.3.1 of the Audit Report 2011 was reviewed. Loan agreements with the cooperative societies were signed for Rs 13,207,750 that is Rs 2,641,550 for each society. Agreements in respect of the difference of Rs 1,377,250, that is, Rs 275,450 for each cooperative society representing the cost of Argos brackets and fishing vessel trackers have still not been signed as at March 2013.

In 2012, additional expenditure totalling Rs 242,912, that is Rs 48,582 for each cooperative society were incurred by the RRA for purchase of hooks and satellite phones. These items were issued to the societies in June 2012 and October 2012 respectively.

The following were noted

- The loan agreements for the additional amount of Rs 242,912 for the supply of satellite phones/hooks in 2012 were not yet signed by the societies as of 25 April 2013.
- Monthly interest amounting to Rs 11,006 is payable as from January 2012 by each society as per loan agreement made in December 2011. While principal repayment was due after a moratorium of one year that is in January 2013 none of the societies has so far made any repayment as of 31 March 2013. Further, the modalities of repayment by each society in respect of the loan for the fishing equipment amounting to Rs 324, 032 have yet to be defined.
- Inscription of a lien in favour of RRA on the boats has still not been done to safeguard the interest of both parties. The boats are registered with the Commission of Fisheries.
- As of 31 December 2012, RRA has advanced a total amount of Rs 2,965,582 to each society.

***RRA’s Reply***

The Commission for Fisheries is taking steps for signing the agreement in relation to the additional loan and the burden issue as well.

### 2.3.2 Deposits – Rs 53,401,718

The Deposits for the past two fiscal periods are given in the Table 3.

*Table 3 - Deposits for the Past Two Fiscal Periods*

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	<b>2012</b>	<b>2011</b>
	<b>Rs</b>	<b>Rs</b>
Security Deposits	10,950,429	11,491,656
Other Deposits	42,451,290	30,992,641
<b>Total</b>	<b>53,401,719</b>	<b>42,484,297</b>

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This figure represents total balances of various deposits held at the RRA and includes security deposits of Rs 10,950,429 which itself includes an amount of Rs 1,672,500 which have been accounted for as ‘Unidentified’. Also, cash balances totaling Rs 10,922 concerning four Decentralized Cooperation Programme projects which have been completed have still not been closed.

#### ***RRA’s Reply***

Of the unidentified deposits, five cases for an amount of Rs 1,642,500 have been identified and action is being taken to either credit to Revenue or refund to Depositor at the end of the 5 years period.

### 2.4 Rodrigues Consolidated Fund (RCF) - Rs 14,805,181

The Rodrigues Consolidated Fund (RCF) was established under Section 75D (b) of the Constitution and Section 42 of the RRA Act 2001 mentions the revenue that are to be credited to the Fund, namely money appropriated by the National Assembly and all revenue of the RRA.

Expenditure as authorised by the National Assembly and the Regional Assembly is met from this Fund. There was a credit balance of Rs 13,940,916 as of 1 January 2012 in the Fund. During the year 2012, an amount of Rs 12,436,833 was transferred from the RCF to two deposit accounts namely, “Temporary Closing of Octopus Fishing” – Rs 9,407,500 and “Winding up of Rodrigues Water Co. Ltd” - Rs 3,029,333 respectively, to meet expenditure not provided in the Estimates.

It was noted that

- Expenditure totalling Rs 9,380,575 was made for the payment of closed season octopus allowance. The Rodrigues Regional Assembly (Octopus Closed Season) Regulations 2012 came into effect on 7 July 2012 to manage octopus fishery.

- Expenditure of Rs 3,029,333 relating to operating expenses, compensation to employees and encashment of leaves not taken were made to Rodrigues Water Co. Ltd in connection with its winding up.

Both expenses are off-budget items which have not received the approval of the Regional Assembly. Such practice may lead to abuse in the use of surplus fund.

As at end of the fiscal year 2012, a balance of Rs14, 805,181 was standing to the credit of the RCF.

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

There being no specific provision in the law which prevents the RRA from using surplus fund of the RCF and the approval of the Executive Council was sought and obtained for these transfers.

### ***2.4.1 Abstract Account of Revenue and Expenditure of the RCF***

#### *Revenue*

The Revenue collected in Rodrigues amounting to Rs 27,099,010 in 2012 was credited to RCF. Table 4 shows the revenue collected by the RRA during the last three fiscal years.

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

<b>Item</b>	<b>2012 Rs</b>	<b>2011 Rs</b>	<b>2010 Rs</b>
<b>Taxes</b>	2,263,250	2,542,419	2,210,682
Other Social Contributions	181,869	537,497	635,040
Other Revenue	24,653,891	22,473,915	19,299,274
<b>Total</b>	<b>27,099,010</b>	<b>25,553,831</b>	<b>22,144,996</b>

#### *Expenditure*

For fiscal year 2012, total expenditure amounted to Rs 1,802,757,147 and exceeded the actual amount received of Rs 1,646,404,521 by Rs156,352,626. The additional expenditure of Rs 156,352,626 was financed from funds received from MOFED for an amount of Rs142,554,215 and Rs 13,798,411 drawn from revenue collected in Rodrigues out of the total revenue of Rs 27,099,010.

## 2.5 Statement of Investments

A total amount of Rs 42,588,590 was invested as equity in six private companies set up by the RRA. The position as of 31 December 2012 is shown in Table 5.

*Table 5 - Investment of RRA in Private Companies as of 31 December 2012*

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<b>Company</b>	<b>Date of Incorporation</b>	<b>Total investment as of 31 December 2012 Rs</b>	<b>Winding up in process since</b>
Rodrigues Trading and Marketing Co. Ltd	30 June 2006	4,000,000	
Discovery Rodrigues Co. Ltd	15 November 2006	2,000,000	
Rodrigues General Fishing Co. Ltd	8 June 2007	6,400,000	April 2012
Rod Clean Co. Ltd	19 September 2007	10,188,590	
Rodrigues Water Co. Ltd	29 October 2007	17,000,000	August 2012
Rodrigues Housing & Property Development Co. Ltd	12 January 2010	3,000,000	March 2012
<b>Total</b>		<b>42,588,590</b>	

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Five of the six companies are fully owned by the RRA as the sole shareholder whilst the Rodrigues Trading and Marketing Co. Ltd has the State Trading Corporation as a minority shareholder in the proportion 60-40 per cent.

### *2.5.1 Winding up of Companies*

Three companies, namely, Rodrigues General Fishing Co. Ltd, Rodrigues Water Co. Ltd and Rodrigues Housing and Property Development Co. Ltd were in the process of winding up. RRA has invested Rs 26.4 million in shares and Rs 41,141,946 as grants to meet the operating costs of these companies as of 31 December 2012.

### *2.5.2 Return on Investment*

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

## 2.6 Statement of Arrears of Revenue - Rs 29,314,206

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

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

<b>Division/Unit</b>	<b>2012 Rs</b>	<b>2011 Rs</b>	<b>2010 Rs</b>
Fisheries	68,476	62,661	57,959
Judicial	1,103,927	926,827	699,175
Rental of Government Property	23,392,403	12,247,832	14,247,116
State Land - Old leases	1,469,834	1,469,834	1,469,834
Water Unit	1,893,287	1,772,091	1,608,634
Health and Sanitary	720	1,170	780
Rental of Snacks/Market Stalls	627,203	594,203	594,203
NHDC Houses	745,670	545,260	498,850
Sand Removal	12,686	-	-
<b>Total</b>	<b>29,314,206</b>	<b>17,619,878</b>	<b>19,176,551</b>

The following were noted

- Arrears in respect of Rental of Government Property which represents about 80 per cent of total arrears has increased substantially by about 91 per cent.
- In April 2012, attention was drawn to the fact that rent due for leases of State Land amounting to Rs 1,469,834 was awaiting write off. The matter has not evolved further.
- A 20 years' industrial lease was granted in April 2004 to a hotel promoter and it 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. There is no evidence that any amount has been recovered so far.
- The RRA did not have recourse to legal action for the recovery of arrears for water rates amounting to Rs 1,893,287, as advised by its Legal Adviser since February 2009.
- The collection of arrears of Rs 627,203 in connection with rental of snacks and market stalls was entrusted to the Rodrigues Housing and Property Development Co Ltd with effect from January 2011, contrary to Section 42 of RRA Act. No remedial action has been taken to revert the collection of this revenue to RRA.

In January 2013, the Ministry of Finance and Economic Development issued a Circular (No.1 of 2013) stipulating that the Accounting Officer should ensure that:



- a proper management information system is maintained to generate information on arrears of revenue and
- a timely follow-up of enforcement action be made

There is no information that any corrective action has been taken.

***RRA's Reply***

The arrears of revenue relating to leases of state land amounting to Rs 1,469,834 have been written off on 19 April 2013 and that action is being taken to update the Lease Management System at the IT Unit.



## 3 - CHIEF COMMISSIONER'S OFFICE

### 3.1 Investment in Private Companies

At paragraph 3.1 of the Audit Report for the year ended 31 December 2011, I reported on a number of shortcomings relating to six private companies set up by Rodrigues Regional Assembly (RRA). These included among others the non-compliance with the RRA (Investment Management) Regulations (IMR) and the requirements of the Ministry of Finance and Economic Development (MOFED). A lack of accountability by the private companies was also noted.

In view of the fact that the RRA had continuously injected funds in the private companies since 2006 and as all the companies except one were not self financing and sustainable, I recommended that the RRA seriously consider winding up these companies.

### 3.2 Disbursements

During the year 2012, RRA has disbursed a further amount of Rs 31.9 million to meet the operating costs of three companies. These are the Rodrigues Discovery Co. Ltd (Rs 4.6 million), Rod Clean Co. Ltd (Rs 17.5 million) and Rodrigues Water Co. Ltd (RWC) (Rs 9.8 million).

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

In 2010, request for fund under the item "Grant to RWC" was made by the RRA for the year 2011. However, this was not approved by the National Assembly indicating that it was not in the intention of the National Assembly to allocate any amount from the RRA budget to the RWC. Nevertheless, the RRA disbursed a total amount of Rs 12.94 million to the RWC – Rs 11 million were charged to the item "Water Distribution" of the Commission for Water Resources and Rs 1.94 million to the surplus of the Rodrigues Consolidated Fund. No approval of Government was seen. The payment from the programme of the Commission was therefore unauthorised and against the intention of the National Assembly.

For the year 2012, again no item for disbursement of grant to the RWC was included in the RRA budget. Still, reallocations totalling Rs 6.8 million were made from the programmes of various Commissions of the RRA to finance the operating costs of the company with the approval of the Executive Council. Thus, the RRA continued to incur expenditure contrary to the authority given by the National Assembly.

Since the incorporation of the six companies up to 31 December 2012, the RRA had disbursed a total amount of Rs 116.5 million to enable them to meet their operating costs. Investments as equity totalled Rs 42.5 million.

### 3.3 Winding Up of Companies

During the year 2012, the Executive Council approved the winding up of three companies, namely the Rodrigues Housing and Property Development Co Ltd (RHPDC), the Rodrigues General Fishing Co Ltd (RGFC) and the RWC as from March, April and August 2012 respectively.

Procedures for the removal of the three companies from the Register of Companies were initiated as stipulated in the Companies Act. The requirements for the companies to be removed from the Register as set out in Section 309(2) of the Companies Act are that:

- the company has ceased to carry business and has discharged in full its liabilities to all its known creditors
- the company has distributed its surplus assets in accordance with its constitution and has no surplus assets after paying its debts.

#### 3.3.1 Assets and Liabilities of Companies in process of Winding Up

The position with respect to the assets of the three companies was as follows.

- *RHPDC*. In October 2012 a list of assets comprising furniture and computer equipment belonging to that company was submitted. These assets are awaiting valuation.
- *RGFC*. As per list of inventories submitted in July 2012, the total value of assets handed over to the RRA was Rs 1.3 million. The valuation of six outer lagoon fishing boats which were purchased at a cost of Rs 15.6 million belonging to the company is yet to be determined
- *RWC*. The book value of total assets comprising vehicles and other assets as of November 2012 was Rs 9.4 million. The vehicles were valued at Rs 3.2 million whereas the value of the other assets is yet to be determined.

All the assets need to be evaluated and distributed in accordance with the Companies Act.

On the other hand, on cessation of business of the companies, their total liabilities stood at Rs 4.8 million as detailed below.

- *RHPDC*. The company had a bank balance of Rs 22,333 at close of business and a debt of Rs 89,855. As such, it requested only Rs 67,522 from the RRA to meet its obligations.
- *RGFC*. This company has a nil balance at bank. The liabilities comprised mainly Rs 439,222 due for utility bills for the period ended 31 May 2012 and Rs 93,667 for wages for the period June to August 2012. The company was being sued for not being able to settle its creditors and a complaint was lodged for termination of employment.
- *RWC*. The creditors of the RWC as of date of cessation of operations in August 2012 amounted to Rs 4.2 million. In December 2012, RRA disbursed an amount of Rs 1.7 million to the company to meet expenditure in connection with compensation to

employees, leave not taken and bonus to staff. The sum due to creditors as of 31 December 2012 amounted to Rs 2.5 million. Expenditure incurred by the company for the period September 2012 to March 2013 amounted to Rs 289,726. The total debt of the company as of end of March 2013 was therefore Rs 2.8 million.

### ***3.3.2 Request for Fund***

The total debt of the three companies amounted to Rs 4.8 million of 31 August 2012. In November 2012, the RRA requested MOFED to make available enough funds to enable the winding up of the above three companies. The request was not acceded to. In February 2013, a further request for fund was made to MOFED emphasising the need for the companies to discharge all their liabilities as a first step in the process for removal from the Register of Companies.

In April 2013, MOFED agreed that the RRA proceeded with the winding up of the RHPDC and RGFC which have lower financial implications.

### **3.4 Audited Accounts and Annual Report**

Contrary to the Regulation 19 of the IMR, the accounts of four companies including the three companies in process of winding up had not yet been audited as of April 2013. The accounts of two companies related to the year ended 31 December 2011, the third one for the year ended 31 March 2012 and the fourth one for the year ended 30 June 2012. The Annual Reports of two companies namely, Discovery Rodrigues Co Ltd and Rodrigues Trading and Marketing Co Ltd, which have submitted their audited accounts for the years 2010 and 2011, were not seen to have been laid at the Regional Assembly as required by the Regulation 20 of the IMR.

### **3.5 Recruitment of General Workers**

At paragraph 3.3 of the Audit Report for the year 2011, I commented on the recruitment of 250 General Workers in July 2010 for the implementation of various capital projects in the fields of natural resources rehabilitation, desilting of dams, pipe laying networks and reforestation.

I reported that their employment on a temporary month-to-month basis, was done without obtaining the approval of the Executive Council, and that PSC Regulations were not duly complied with. Many of the workers were performing duties that were not at all associated with the approved projects or as those prescribed in the offer of appointment. Hence, it was not possible to assess to what extent the recruitment of the 250 General Workers has contributed to the improvement of the efficiency and effectiveness of projects implemented by RRA in 2011.

The employment of 248 General Workers, two having already left, was terminated on 31 December 2012.

On 30 November 2012, a batch of 75 General Workers was recruited on a casual basis by the RRA after a selection exercise in July 2012. The approval of the Executive Council, Prime Minister's Office and Ministry of Civil Service and Administrative Reforms as well as financial clearance from the Ministry of Finance and Economic Development was obtained prior to their employment. They assumed duty in the different Commissions of the RRA on 10 December 2012.

### **3.6 Review of Projects in the Education Sector**

At paragraph 4.1 of the Audit Report for the year 2011, I adversely commented on the funding and implementation of projects by the Commission for Education. Instances of over commitments of funds, non-compliance with Financial Regulations and Conditions of Contract as well as with instructions contained in the Investment Project Process Manual were noted.

A review carried out in April 2013 has shown that there have been improvements with respect to approval and funding of projects. However, Conditions of Contract were still not being duly complied with by the Contractors while projects were not properly supervised and monitored resulting in delays in completion and liquidated damages not adequately applied.

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

Infrastructural projects implemented at the Commission are supervised and monitored by the Commission of Public Infrastructure. With a view to ensure proper management of projects, a team has been recently set up comprising an Inspector of Works and an Executive Officer to deal with contract administration at the level of the Commission.

### **3.7 Disbursements**

During the fiscal year 2012, the Commission for Education disbursed some Rs 48.1 million in the implementation of a number of projects under the programmes "Education Infrastructure Development Project" and "Construction/Extension of Secondary Schools, Equipment and Furniture". The projects were supervised by the same private firm of Consultants as the previous year.

### **3.8 Non Compliance with Conditions of Contract**

The following four projects were reviewed.

#### ***3.8.1 Terre Rouge Secondary School – Rs 51,882,311***

In my last report, I mentioned that Phase 1 of the project of a contract value of Rs 42,595,184 was due to be completed on 16 November 2011.

The college was operational with effect from 12 January 2012 but as of that date, there were still several outstanding works such as electrical and plumbing works, toilet blocks and

painting of building. Payments as of 31 December 2012 totalled Rs 40,137,012. Liquidated damages amounting to Rs 350,000 were deducted from payments made but this could not be verified since the approval of extension of time could not be produced.

No Taking Over Certificate (Practical Completion Certificate) and Defects Liability Certificate (Final Handing Over Certificate) were seen to have been issued as of end April 2013. Hence, it was not possible to ascertain that all outstanding and defective works were duly completed and rectified.

With respect to Phase II of the project of a contract value of Rs 9,287,127 comprising the extension of existing schools by six additional rooms, the works started on 17 October 2012 and were due to be completed on 20 March 2013. Three classrooms were handed over on 15 February 2013 but the Practical Completion Certificate for taking over of part of the works was not seen. The works were still not completed as of end April 2013 but the approval was not seen for any extension of time. Total payments as of 31 December 2012 amounted to Rs 4,138,812.

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

According to the Consultant, the Commission requested in December 2011 that the school be handed over so as to enable it to be operational on the reception of the studies on 12 January 2012. Following a site visit on 9 January 2012, it was agreed to take over the building so as to enable necessary arrangements before the opening of school.

In accordance with Clause 48.2(b) and 48.3 of the conditions of contract, the building was deemed to be handed over to the client Commission on 9 January 2012.

Variations works such as relocation of staff toilet, relocation of rector's toilet and timber partitioning were given to the Contractor.

With respect to approval of extension of time, the Contractor has informed that there was delay to the completion of the project due to unavailability of cement and missing boundary pegs at the start of the project.

Subsequently, the Contractor was entitled to an extension of time of 59 days. The revised completion date which should have been 14 January 2012 was rescheduled for 9 January 2012 due to early taking over of the building by the Commission.

### ***3.8.2 Montagne Charlot Community School – Rs 26,945,259***

The works were due to be completed on 8 August 2011. On 24 October 2011, the Commission for Education requested that the Contractor proceed with variation works for an amount of Rs 6 million. However, the relevant variation order was not seen. The Commission for Education and that for Public Infrastructure agreed that all outstanding works should be completed before 23 April 2012. As per payment certificate issued in July 2012, an amount of Rs 450,000 was deducted as liquidated damages for a delay of 30 days in the completion of the works. The extension of time could not be ascertained. Payments as of 31 December 2012 totalled Rs 27,647,470.

As of end of April 2013, no Practical Completion/Final Handing Over Certificates were seen to have been issued although more than one year had elapsed since the agreed date for completion of the works.

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

Instructions were given to the Contractor to complete additional works by 9 December 2011.

The value of Rs 450,000 representing 30 days of delay was deducted on account as liquidated damages in Certificate No.6.

After assessment of application for extension of time, the Contractor was granted an extension of time without cost due to non availability of cement on local market and inclement weather.

The completion date was revised to 15 December 2011. The overall delay which is 14 days will be taken into account upon issuance of the final certificate. The final certificate will be released upon receipt test results.

### ***3.8.3 Mangues Government School – Rs 11,488,417***

The contractual completion date of the works at the above school was revised to 25 May 2010 but works were completed on 17 June 2010. Hence, there was a delay of 25 days in the completion of the works. In my last report, I mentioned that the Consultants stated that “*liquidated damages amounting to Rs 250,000 may be applied at the Client's discretion*” as per terms of contract. In the final payment certificate issued in October 2012, the Consultants again recommended that this amount “*could have been applied*”. Nevertheless, no deduction for liquidated damages was effected from the payment effected on 28 December 2012. Total payments amounted to Rs 10,336,367.

As per Practical Completion Certificate, the works were stated to have been substantially completed on 17 June 2010. Contrary to terms of the contract, the Consultants did not issue the Certificate within 21 days of date of delivery of notice from the Contractor but on 26 October 2012, that is, more than two years later. The Final Handing Over Certificate was issued on 20 November 2012 and was not signed by a representative of the Commission as required by Financial Regulations.

### ***3.8.4 Grand La Fourche Corail Government School – Rs 3,711,717***

The works were due to be completed on 17 January 2011. The Practical Completion Certificate was issued on 15 May 2011 stating that the works were completed and handed over to the Commission on that date. The Final Handing Over Certificate was issued on 20 November 2012, that is, more than 17 months later. However, as per notes of the site meeting held on 14 March 2011, “the contract period was revised to 28 February 2011 and the contract, including additional works was substantially completed on that date”



It is to be noted that the Final Handing Over Certificate was not signed by a representative of the Commission. Payments as of 31 December 2012 totalled Rs 3,478,606.

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

Instructions were given to the Contractor to complete additional works by 9 December 2011.

The value of Rs 450,000 representing 30 days of delay was deducted on account as liquidated damages in Certificate No.6.

After assessment of application for extension of time, the Contractor was granted an extension of time without cost due to non availability of cement on local market and inclement weather.

The completion date was revised to 15 December 2011. The overall delay which is 14 days will be taken into account upon issuance of the final certificate. The final certificate will be released upon receipt test results.

### **3.9 Consultancy Fees**

At paragraph 4.1.4 of the 2011 Audit Report for the year 2011, I reported that the Consultants for the provision of consultancy services for construction of the new Terre Rouge College were overpaid an amount of some Rs 990,000 since the payments were wrongly calculated on the original project value of Rs 100 million instead of the actual contract value of Rs 42.6 million. During the year 2012, an additional amount of Rs 1,035,000 was paid bringing total payments to Rs 3,450,000 as of 31 December 2012.

According to the Commission for Public Infrastructure, the payment figures were recomputed and excess consultancy fee was found to be Rs 444,289. It was also stated that there was a balance of Rs 300,000 to be paid to the Consultant and the amount to be recouped was Rs 144,000 only. The relevant details and correspondence were however not available for verification and follow up.

### ***Recommendations***

- Liquidated damages deducted from payments should be recomputed on the basis of the extension of time approved.
- Close supervision and continuous monitoring of projects are necessary to ensure compliance with financial procedures and contract conditions, and, in particular the timely completion of projects.
- Fees already paid to the Consultants relating to the construction of the secondary school at Terre Rouge have to be recomputed and any overpayment recovered.

### **3.10 Project for a Housing and Cadastral Survey in Rodrigues – Consultancy Services – Rs 35.2 million**

At paragraph 3.2 of the Audit Report for the year ended 31 December 2011, I mentioned that in April 2006, a contract for 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 was later increased to Rs 35.2 million due to additional works. A review of the project in 2012 revealed that the approval of the additional works was sought well after the execution of the works and that the cadastral survey was not completed in all zones.

Follow up of the project could not be effected as all the files and other related documents were secured by the Independent Commission Against Corruption and all attempts by RRA to retrieve the files at time of audit in April 2013 in Rodrigues have been unsuccessful.

### **3.11 Food Security Fund**

At paragraph 5.1 of the Audit Report for the year 2011, various shortcomings and discrepancies were noted in the implementation and monitoring of the projects which were co-financed by the Food Security Fund (Mauritius) and the RRA. The amount received from the Food Security Fund (Mauritius) in 2012 amounted to Rs 18,962,086 bringing the total contribution to Rs 66,349,458. The amount spent in 2012 was Rs 14,487,501 bringing total expenditure for Food Security Fund (FSF) projects to Rs 67,988,544. On-going projects have been reviewed as follows:

#### ***3.11.1 Improving Milk Production***

With reference to paragraph 5.1.5 of the Audit Report for the year 2011, the following observations have been made.

##### *Setting up of Milk Pasteurization Unit - Project Value - Rs 2 million*

In a view to improving the production of milk, the FSF approved to finance the setting up of a Milk Pasteurization Unit. In that respect, the Unit was duly set up at the St. Gabriel Livestock Breeding Centre (LBC) in 2010 at a cost of Rs 2,232,474. The Unit had the capacity to pasteurize up to 1,500 litres of milk a day. However, due to unavailability of milk, the Unit has been processing only about 60 litres of milk a day in 2010, an average of 34 litres a day in 2011 and an average of only 10 litres a day from January to July 2012.

In December 2011, there was a move by the Commission of Agriculture to sign a Memorandum of Understanding with the Rodrigues Trading and Marketing Co.Ltd (RTMC) for the management and operation of the Pasteurisation Unit but this has not materialised. Nevertheless, from information gathered at the LBC, the RTMC has been operating the Pasteurisation Unit from end of June 2011 to August 2012 when it handed back the keys to the officers of the LBC. Since that date, the Unit has remained idle and is not being used.

### **3.11.2 Increase in Meat Production**

#### *Construction of Slaughter House*

At paragraph 5.1.6 of the Audit Report for the year 2011, it was mentioned that in December 2011, the contract for the construction of the Slaughter House - Phase I was awarded to a private company for an amount of Rs 56,212,886 (inclusive of VAT). Works started on 14 January 2012 and was scheduled to be completed on 13 January 2013.

Scope of works. The works were to consist of:

- Two stand alone buildings as Slaughter House of about 390 m<sup>2</sup> gross floor areas.
- Administration building of about 90 m<sup>2</sup> gross floor area and 2 holding pen, each 50 m<sup>2</sup> gross floor area, all complete.
- Incinerator, Transformer and Generator rooms of about 75 m<sup>2</sup> gross floor areas.
- Mechanical and Electrical Installations.
- Site works, parking, guard post, boundary walls and associated works.

#### *Observations on the Project*

At the initial stage, it was decided that there would be a Phase II which would comprise the construction of a Cattle Slaughter House which would cost an additional Rs 15 million. However in April 2012, it was decided to review the project to re-organize the space of Phase I to cater for the Cattle Slaughter House with a view to reduce the cost of the whole project. The total projected cost after additional works to Phase I and the elimination of Phase II amounted to Rs 62,552,375 as of 31 May 2012.

In June 2013 the RRA has informed the NAO that 134 days as extension of time starting 14 January 2013 was approved and that liquidated and ascertained damages will be applied according to the conditions of the contract. At mid- June 2013, the project had still not been completed.

#### *Consultancy Services for Commissioning of Equipment for the Slaughter House*

In November 2011, the Commission for Agriculture awarded a contract for Consultancy services for the design, supervision and maintenance, and the preparation of tender documents for an incinerator, rail metallic structure for slaughter house, slaughter house equipment, and frozen house/ equipment to the same Consultant who was awarded the contract for consultancy services for the design, supervision and monitoring of the construction of the slaughter house at a cost of Rs 485,000 ( exclusive of VAT). In December 2011, the Consultant accepted the award. There has been no further development on this issue as the slaughter house is still under construction.

I am now informed that no fund has been provided in the Programme- Based Budget for the purchase of slaughter equipment and fresh request for such fund is being sought in the context of the new budgetary exercise.

### ***3.12.3 Emphasising on Capacity Building to enhance the Agro Industry Sector***

With reference to Paragraph 5.1.7 of the Audit Report for the year 2011, the implementation of the three projects mentioned were reviewed and the following were observed.

#### *Construction of three Community Kitchens – Project Value - Rs 12 million.*

The construction of three community kitchens was to cater for bulk manufacturing of products using local crops. Up to now, only one community kitchen has been set up and even this has not been funded by the FSF but by the Decentralised Cooperation Programme. It concerns the processing of lemons by LIMON D'OR and was being operated by the RTMC I am now informed that the project is being utilized by the Women Cooperative Societies for the processing of lemons and other agricultural produce.

#### *Design and construction of an Incubation Centre at Citronelle – Project Value - Rs 5 million*

In March 2010, a local firm was awarded the consultancy services for the construction of an incubation centre at Citronelle and was duly paid an amount of Rs 455,000. As the project has not been implemented, the payment of Rs 455,000 may be considered as nugatory expenditure.

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

In September 2009, the Ministry of Agro-Industry and Food Security delegated three officers on mission to Rodrigues with a view to set up three mini laboratories, namely

- Laboratory for testing soil, water, plants, pests and diseases.
- Laboratory for testing of animal feed, fodder and silage.
- Laboratory for testing of agro processed products.

The ex-Environment Building at Citronelle was found convenient to house the three mini-laboratories and the only concern was the equipment that has to be purchased. A contract for the supply of equipment was awarded to a supplier in November 2011 for Rs 794,148. The equipment were duly delivered and commissioned in April 2012. The final prices of the equipment were Rs 756,474 and after deduction of liquidated damages amounting to Rs 45,766 for 121 days delay, the final amount paid was Rs 710,707.

When the three mini-laboratories were set up, there were not enough qualified personnel to operate the units.

I am now informed that three officers have followed training courses at the Food Technology Laboratory in Mauritius and another two have been trained at the Institut Universitaire de Technologie of Reunion Island to operate the mini – laboratories.

#### ***3.12.4 Other projects of the Food Security Fund***

Of the projects identified for Rodrigues are the following which are ongoing.

- Improvement of agricultural land for staple food production – Project Value - Rs 10 million.
- Upgrading of facilities for onion production – Project Value - Rs 5 million.
- Setting up of chili farm – Rs 2 million.
- Rehabilitation of 250 arpents of abandoned agricultural land – Project Value Rs 17 million.

All these projects are ongoing and much progress has been achieved. However, it has not been possible for NAO to identify the expenses for each of the projects. Much abandoned land at Montagne Goyaves have been derocked and made available to some 80 vegetable growers. Several kilometres of track roads have been constructed and large areas of land have been fenced. However, at some places these have been damaged and the fencing is getting rusty. No chili farm was found at Baladirou with the exception of a few plants in the yard of an inhabitant. Several kilometres of track roads and fencing have also been done at Baie Malgache and are being used by planters.

However, no indicators or data are available at the level of Commission to assess the impact of these projects on the improvement in food production.



## 4 - COMMISSION FOR PUBLIC INFRASTRUCTURE, WATER RESOURCES, HOUSING AND TRANSPORT

### 4.1 Contracts for Maintenance, Upgrading and Construction of Roads

#### *Review of past projects*

With reference to paragraphs 6.1.3 and 6.1.4 of the Audit Report for the year ended 31 December 2011, matters raised were reviewed in April 2013. The situation is as follows:

#### *4.1.1 Roads Section*

The Roads Section is responsible for the survey, design, defining the scope of works, estimation of costs, supervision of works and certification of claims from Contractors for payment. Although there are one post of Senior Engineer and two posts of Civil Engineers in the establishment of the Commission, the Section is still manned by one Senior Engineer. A Quantity Surveyor has been recruited only in December 2012.

#### *4.1.2 Contract for Year 2011- Rs 120,249,405*

##### *Non compliance with contract conditions*

16 out of 30 Works Orders issued in the year 2011 under two contracts, namely CPB 14/2010 and CPB 4/2011 awarded to the same Contractor were reviewed. In the above Audit Report it was mentioned that the terms of the contract were not strictly followed and hence the Commission was not acting in the RRA's interest. Corrective actions had still not been taken in 2012 as shown below.

Handing over of Sites to Contractor. Notes of site meetings were not seen in respective files. As such the dates the sites of works were handed over to the Contractor could not be ascertained.

Non-Submission of Programme of Works. As per Works Orders, the Contractor was required to submit a programme of works within 15 days of their issue. No such programme was seen in the files for 13 cases.

Laboratory tests. According to a clause in the General Conditions of Contract (GCC) for the year 2010, tests should be carried out by an independent laboratory while for the contract for the year 2011, the laboratory should be approved by the engineer. However, it was observed that tests were being carried out at the Contractor's laboratory instead of an independent one and the approval of the Engineer was not seen.

Taking over Certificates. As of end April 2013, 26 Works Orders were completed while works were in progress under two others. Contrary to Clause 54 of the GCC, no taking over certificates were produced in respect of seven Works Orders although more than 16 months had elapsed since the issue, in November 2011, of the Practical Completion Certificates.

As Built Drawings and Operating and Maintenance Manuals. Clause 56 of the GCC stipulates that, “If, as built drawings and/or operating and maintenance manuals are required, the Contractor shall supply them by the dates stated in the practical completion certificate.” These are documents which are vital for the maintenance and repairs of government assets. However, no “as built drawings” were submitted by the Contractor. Regarding the operating and maintenance manuals, this was still not mentioned in the Practical Completion Certificates issued in respect of completed projects.

Delay in completion of works. The two Works Orders - Construction of road from Mont Limon to Nassola, Phases I and II of a total contract value of Rs 22,390,905 were still in progress as of April 2013 though the expected completion dates were 25 November and 10 December 2011 respectively. In Phase 1 the works were delayed due to encroachment on private land. Had proper planning been done prior to issuing of Works Order, the works would have been completed on time. The Principal Surveyor of the Cadastral Unit advised that it would take at least three months before the Commission could resume works.

Liquidated damages. Although extension of time was not approved for two Works Orders, namely Green Space at Cascade Jean Louis (Rs 2,038,244) and Green Space at Camp Pintade (Rs 921,325), liquidated damages have not been applied for delay in their completion.

### ***RRA’s Reply***

- Sites are officially handed over to the Contractor and the dates are ascertained through letter issued to the Contractor for each project;
- Submission of programme of works by the contractors is now strictly monitored;
- Tests are done at the Ministry of Public Infrastructure in Mauritius. Joint tests are also done by the Employer’s representatives and the Contractors. Quality control is being strictly adhered to prior to applications for payments are entertained;
- The issue of Certificate of Completion are strictly adhered to;
- As-built drawings are mandatory and it is ensured that same are provided for all projects. Operating and maintenance manual is not applicable.
- Concerning the completion of projects and liquidated damages, the Contractor is being charged liquidated damages by the Employer at the rate stated in the contract for each day that the completion date is later than the intended completion date.

### ***4.1.3 Contract for Procurement of Civil Works in Rodrigues – Rs12, 631, 519***

Seven Works Orders were issued during the fiscal year 2011 under a contract for Procurement of Civil Works in Rodrigues for a total sum of Rs 9,899,045. As of March 2013, all the projects were completed with delays ranging from 99 to 196 days. In two Works Orders, namely “Proposed green spaces at Mangues” and “Proposed green spaces at Jardin Mamzelle” of contract values of Rs 595,265 and Rs 2,297,869 respectively, extension of time was not approved and hence, liquidated damages should have been applied.



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

The final accounts for these two projects will take into account delays and liquidated damages and shall be adjusted accordingly.

#### ***4.1.4 Revetement Wall***

With reference to paragraph 6.1.5 of the Audit Report for the year 2011 regarding the construction of a "Revetement wall" at Oyster Bay for the deposit of the dredged materials arising from the desilting works at Oyster Bay and Pointe Monier which was to be undertaken by the Mauritius Ports Authority, I reported that dredging materials were not deposited within the wall structure and the contract was executed without any preliminary study having been carried out.

The construction of the wall was completed on 30 June 2008 and as of June 2009 payments amounting to Rs 26,325,949 were made to the Contractor. As dredging materials were not deposited within the wall structure, it could not be ascertained whether the structure was strong enough to withstand the retention of dredged materials.

Follow up of the project could not be done as the files and all the related documents were in the custody of the Independent Commission Against Corruption for enquiry.

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

Dredging materials have been deposited in the wall structure.

### ***Recommendations***

Projects should be properly administered, contract terms and conditions must be strictly complied with and the RRA should ensure that projects are completed within time. Liquidated damages should be applied for late completion of works and the RRA should take appropriate steps to ensure that the Contractors attend promptly to all defects noted during the maintenance period.

## **4.2 Water Resources Unit**

### ***4.2.1 Supply, Installation and Commissioning of two Seawater Reverse Osmosis Desalination Plant***

With reference to paragraph 6.2.6 of the Audit Report for the year ended 31 December 2011, the project for the "Supply, Installation and Commissioning of two Seawater Reverse Osmosis Desalination Plant" was reviewed.

The two sea water desalination plant were finally rehabilitated by a Contractor other than the one who supplied the plant at a cost of Rs 4,572,859 (inclusive of VAT) and are now functioning. The final handing over certificate was signed by both parties on 28 December 2012. However, the following observations arose.

- The commissioning after the rehabilitation works was delayed by more than nine months due to a submersible pump which broke down. In June 2013, I was informed that liquidated damages will be applied at the end of the defects liability period as half of the retention money has still not been released to the Contractor.
- The performance guarantee was not extended to cover the defects liability period up to 28 December 2013. In June 2013, I was informed that Rs 200,000 have been retained to that effect.

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

The commissioning after rehabilitation works was delayed by more than nine months due to an existing salt water submersible pump which broke down. The said pump was not available off the shelf.

Liquidated damage shall be levied at the end of the Defects Liability Period.

### ***4.2.2 Promotion of Rainwater Harvesting – Rs 16,780,110***

With reference to paragraph 6.3 of the Audit Report for the year ended 31 December 2011, the project relating to the promotion of rainwater harvesting through the construction of 360 domestic water tanks, later increased to 474, at beneficiaries' places were reviewed in April 2013. The works were practically completed on 13 April 2013 for a total increased cost of Rs 16,780,110 (inclusive of VAT). Payments made as of 31 March 2013 totalled Rs 14,745,687 (inclusive of VAT), excluding Rs 81,682 deducted as liquidated damages for late completion of works and Rs 1,433,780 withheld as retention money. However, the following observations were made:

- One of the conditions of the contract required that “as - built drawings and/or operating and maintenance manuals” were to be submitted to the Commission in default of which two per cent of the final contract price would be withheld. The amount involved is Rs 291,724 and has not been withheld. In May 2013, I was informed that as- built drawings shall be requested from the Contractor.
- Performance security for a value of Rs 180,918 pertaining to the value of 114 additional water tanks was not submitted by the Contractor.
- No certificate of testing and commissioning for a minimum of five days for each tank constructed was produced to audit. This was attributed to shortage of water during the drought season.
- A site visit effected in April 2013 revealed that at several places no gutters were installed to direct rain water from the roof of beneficiaries' houses to the tanks. Instead, tanks were being used to store water from the normal distribution system.

I have recommended that the Commission of Public Infrastructure and Others ensures that installation of gutters be made at each household which have benefited from a water tank and the beneficiaries be sensitized on the importance to capture rainwater.

## 5 - COMMISSION FOR ENVIRONMENT, FORESTRY, TOURISM, MARINE PARKS AND FISHERIES

### 5.1 Projects in Fisheries Sector

The projects in the Fisheries Sector as mentioned at paragraph 7.1 of the Audit Report for the year ended 31 December 2011 and relating to the acquisition and management of five fibre glass fishing boats and six outer-lagoon fishing boats costing Rs 52,831,000 and Rs 15,639,425 respectively by the Commission for Fisheries (the Commission) were reviewed in April 2013.

#### 5.1.1 Procurement of Five Fibre Glass Fishing Boats - Rs 52,831,000

##### *Contract Agreements between Five Cooperative Societies and Rodrigues Regional Assembly*

No signed Agreement was seen defining the terms and conditions of the repayment of the loan of Rs 14,847,000 contracted by the RRA in December 2011 from the Government of Mauritius to partly finance the purchase of the boats.

In December 2011, loan agreements were signed between the RRA and each Cooperative Society for the sum of Rs 13,207,750, that is, Rs 2,641,550 by each society. In 2011 and 2012, the RRA incurred expenditure totalling Rs 1,377,250 and Rs 242,912 respectively for the purchase of fishing equipment for the five societies. As of 12 April 2013, the relevant loan agreements for Rs 1,620,162 were not yet signed.

Contrary to the terms of the contract, more than 15 months after delivery of the boats to the societies, no liens, for example, in the form of a fixed charge on the boats and equipment, were yet inscribed thereon in favour of the RRA to safeguard its interest. None of the societies has so far made any repayment as of 31 March 2013. Capital due as of 31 December 2012 and interest as of 31 March 2013 by the five Societies totalled Rs 1,572,855, that is, Rs 314,571 for each society. These exclude the amount due on the loans of Rs 1,620,162 advanced to the Societies for the purchase of equipment.

##### *Memoranda of Understanding between Cooperative Societies and a Private Company*

On 2 August 2012, a meeting was held between the Cooperative Division of the RRA, the representatives of the Cooperative Societies and a Mauritian private company (the Company) incorporated in Rodrigues undertaking offshore fishing. The Company proposed to provide the Societies with know-how, equipment, marketing and credit facilities to meet their running costs. It was agreed to make a working arrangement between the Company and the Societies. It was also stated that "authorisation of all the authorities must be sought and a Memorandum of Understanding (MOU) must be signed by the parties concerned".

On 18 August 2012, MOUs were signed between the five fishing Cooperative Societies and the Company. According to the MOUs, the Company shall incorporate the Special Purpose Vehicle (SPV) which shall own, run, manage and operate a Fishing Business Project (the Project) on the terms and conditions detailed in the MOUs. On the other hand, the

Cooperative Societies will be the coordinators and facilitators for the Project by providing their fishing vessels to the Company.

The following shortcomings were noted.

- The contract agreements which the Societies signed in December 2011 with the RRA did not provide for the sub-letting of the vessels to a third party. These vessels are subject to a lien or privilege in favour of the RRA which can only be removed when the loan has been repaid in full. However, as per MOUs, the Cooperative Societies agreed to provide the fishing vessels to the Company.

The approval of the RRA, IFAD, the financing agency for supply of the boats, the Government and the Executive Council were not obtained before the signature of the MOUs.

- A Reserve account was to be created to offset loans borrowed from any financial institutions. However, the liability of the Cooperative Societies with respect to the loans totalling Rs 14,827,912 contracted from the Government for purchase of boats and equipment was not mentioned in the MOUs.
- The insurance of the vessels and personnel on board were to be borne by the Cooperative Societies and the Company. However, on 29 March 2013, the Executive Council approved that the RRA would provide for insurance cover amounting to Rs 227,613 for the five fishing vessels for a period of three months and for group personnel accident for twelve months. No payment was yet made by the RRA as of 12 April 2013.
- MOUs were valid for a period of 180 days as from the date of signature and had therefore expired since 14 February 2013.

#### *Utilisation of Boats and Renewal of Licences*

The five boats had remained idle since they were commissioned in December 2011 up to October 2012, upon receipt of the satellite telephones. In the absence of Reports on the activities, the number of outings effected by the fishing vessels thereafter, as well as catches could not be ascertained. As of 16 April 2013, the licences of the boats had already expired and the application for their renewal was being processed. The boats were seen moored at Pointe Monier.

#### **5.1.2 Procurement of six Outer Lagoon Fishing Boats - Rs 15,639,425**

##### *Handing over of Boats*

As of March 2012, the six outer lagoon fishing boats were operated by the Rodrigues General Fishing Co Ltd (RGFC). In May 2012, the Executive Council approved the winding up of the company and procedures were initiated for its removal from the Register of Companies.

No record was available concerning these six boats thereafter. None of the keys of the boats were produced to Officers of the NAO. I am informed that only two skippers handed over the keys of their vessels while the remaining four skippers refused to hand over the keys. A statement to that effect was stated to have been made at the Port Mathurin Police Station. The outcome of any Police inquiry was however not known.

### *Utilisation of Boats*

As of 19 April 2013, all the six boats were seen moored at Pointe Monier. The handpump of one boat was missing. The levers of the handpumps of two other boats were missing while that of a fourth boat was broken.

#### **5.1.3 Francois Leguat Fishing Vessel**

Following a contract agreement signed on 23 October 2012, the RRA agreed to put the fishing boat Francois Leguat whose current value was estimated at Rs 800,000, at the disposal of the Rodrigues Seafarers Cooperative Society Ltd. The clause mentioning that the boat remained the property of the RRA was not inserted in the Register of Boats at the Fisheries Protection Service.

The agreement provides that the Society shall pay the RRA a sum of money representing one per cent of its monthly revenue from fishing catches. The modalities of payment were not yet defined as of 26 April 2013.

### ***Recommendations***

The Commission should ensure that the loan agreements for Rs 1,620,162 in respect of fishing equipment supplied in 2011 and 2012, are duly signed by the five societies and repayment of loans contracted by the Societies for both the boats and equipment is made promptly.

The RRA should carry out an investigation regarding the six outer lagoon boats. The keys of all the six boats should be retrieved and handed over to the Commission. A physical survey of the boats should be done and their seaworthiness should be assessed.