

**REPORT**

**OF THE**

**DIRECTOR OF AUDIT**

**ON THE ACCOUNTS OF THE**

**RODRIGUES REGIONAL ASSEMBLY**

**FOR THE YEAR ENDED 31 DECEMBER 2014**



# CONTENTS

<b>Chapter</b>		<b>Page</b>
1	Introduction	1
2	Annual Financial Statements	3
3	Chief Commissioner's Office	15
4	Commission for Public Infrastructure, Housing, Transport and Water Resources	27
5	Commission for Health and Sports	43
6	Commission for Environment, Forestry, Tourism, Marine Parks and Fisheries	49



## LIST OF TABLES

<b>Table</b>	<b>Description</b>	<b>Page</b>
1	Assets and Liabilities of RRA as of 31 December	4
2	Cash and bank balances as of 31 December	4
3	Balance of Advances as of 31 December	5
4	Balance of Deposits held as of 31 December	7
5	Transfers from Rodrigues Consolidated Fund to Deposit Accounts	9
6	Revenue Collected by RRA during the Past Three Financial years	10
7	Expenditure of the RRA	10
8	Investments of RRA in Private Companies as of 31 December 2014	11
9	Arrears of Revenue for the Past Three Financial Years	12
10	Arrears of Revenue as of 31 December	13
11	Disbursements to Private Companies Still in Operation	15
12	Budget Forecast as per Strategic Plan 2013-2015	17
13	Crop Production at the Crop Stations	22
14	List of Works Orders Examined	29
15	Amount Spent on Desalination Project	33
16	Comparison of Offers	33
17	Contract Values and Amounts Paid as of 31 December 2014	39



# INTRODUCTION

The National Audit Office (NAO) is the Supreme Audit Institution (SAI) of the Republic of Mauritius and is headed by the Director of Audit.

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

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

The Finance and Audit Act requires that the Director of Audit shall satisfy himself that:

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

## **Accountability**

### *Accounting Officers*

An Executive Council has been set up, under the RRA Act, for carrying out the functions of the Regional Assembly. Seven Commissions, under the responsibility of one or more Departmental Heads, have been set up. The Island Chief Executive is the administrative head of the RRA and is responsible for the efficient administration of all the functions of the Executive Council.

Departments that do not fall under the responsibility and administrative control of RRA include, among others, the Judiciary, the Police Department, the Mauritius Revenue Authority and the National Transport Authority. The respective functions are exercised by the Government of Mauritius

## ***Financial Statements***

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

The financial statements of the RRA for the year ended 31 December 2014, duly signed, were submitted to my Office for audit on 31 March 2015. These statements were prepared on a cash basis and in line with the requirement of the Programme Based Budgeting (PBB) system.

## ***Reporting***

The Finance and Audit Act also requires the Director of Audit to submit to the Minister, responsible for finance, within eight months of the close of every financial year, copies of annual financial statements together with a certificate of audit and a report upon his examination and audit of accounts of the RRA.

## ***Public Accounts Committee***

The RRA Standing Orders and Rules provide for the setting up of a Public Accounts Committee, which shall examine the audited accounts showing the appropriation of the sums granted by the Regional Assembly to meet the public expenditure and other accounts laid before the Assembly, together with the Director of Audit's report thereon.

The Committee shall satisfy itself, amongst others, that the monies shown in the accounts as having been disbursed were legally available for, and applicable to, the services or purpose to which they have been applied or charged; and that cases involving negative expenditure and financial irregularities wherever they have occurred in the financial year under study, having regard to the financial report and the estimates as approved by the Assembly, are subjected to scrutiny

## **Acknowledgement**

My sincere thanks go to the Acting Island Chief Executive, the Departmental Heads, and all their staff for their cooperation and collaboration. I would also like to express my appreciation to the staff members of the NAO who have been involved in the audit of the accounts of the RRA. They have shown serious commitment to work and have performed their duties with professional dedication and goodwill.

**Kwee Chow TSE YUET CHEONG (Mrs)**

Director of Audit

Head of SAI Mauritius

6 August 2015



## **2 - ANNUAL FINANCIAL STATEMENTS**

### **2.1 Submission of Financial Statements**

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

The financial statements of the Rodrigues Regional Assembly (RRA) for the financial year ended 31 December 2014, duly signed, were submitted to the National Audit Office on 31 March 2015. These Statements were 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.

### **2.2 Annual Report**

Section 33 of the RRA Act provides that the Chief Commissioner shall, not later than three months after the end of every financial year, forward to the Minister, for presentation to the President, a report reviewing the activities of the Regional Assembly during that financial year. However, no such report was prepared.

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

The report is under preparation and it is expected to be completed by the end of July 2015.

### **2.3 Estimates of the RRA**

The draft estimates of expenditure of a total amount of Rs 1,973 million for the financial year ended 31 December 2014 were approved by the Regional Assembly on 2 September 2013 and were submitted to the Prime Minister's Office. On the other hand, revenue was estimated at around Rs 23 million.

On 23 September 2013, the Ministry of Finance and Economic Development (MOFED) informed the RRA that it would support financial allocation up to a ceiling of Rs 1,950 million, including Rs 400 million as capital grant.

The Programme-Based Budget Estimates 2014 of Mauritius were approved by the National Assembly in October 2013, providing, under Programme 311: 'Rodrigues Development', a total amount of Rs 1,950 million for current and capital grants.

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

Assets and Liabilities of the RRA for the past three financial years are as shown in Table 1.

*Table 1 Assets and Liabilities of RRA as of 31 December:*

	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>Rs</b>	<b>Rs</b>	<b>Rs</b>
<b>Assets</b>			
Cash and Bank balances	97,019,777	100,800,095	69,439,712
Advances	53,969,406	54,868,870	35,101,442
<b>Total</b>	<b>150,989,183</b>	<b>155,668,965</b>	<b>104,541,154</b>
<b>Liabilities</b>			
Rodrigues Consolidated Fund	19,739,195	43,166,517	14,805,181
Deposits	78,321,286	59,759,671	53,401,718
Loan: Government of Mauritius	52,928,702	52,742,777	36,334,255
<b>Total</b>	<b>150,989,183</b>	<b>155,668,965</b>	<b>104,541,154</b>

The accounts of the RRA were prepared on a cash basis. As such, current assets, such as arrears of revenue amounting to Rs 30,521,656 as of 31 December 2014; and current liabilities, such as pension liabilities, passage benefits and the monetary value of accumulated sick leaves were not disclosed in the Statement of Assets and Liabilities.

### 2.4.1 Cash and Bank Balances - Rs 97,019,777

Cash and bank balances as of 31 December 2014 were as shown in Table 2.

*Table 2 Cash and Bank balances as of 31 December:*

<b>Details</b>	<b>2014</b>	<b>2013</b>
	<b>Rs</b>	<b>Rs</b>
Bank of Mauritius	81,335,541	84,704,813
State Bank of Mauritius Ltd (Main Account)	79,678	709,469
Barclays Bank	5,215	4,531
State Bank of Mauritius Ltd (Other Balances)	15,599,343	15,381,282
<b>Total</b>	<b>97,019,777</b>	<b>100,800,095</b>

*State Bank of Mauriius Ltd : Main Account*

Cheques for a total amount of Rs 349,897, drawn since November 2012, were still outstanding as of 31 December 2014. I was informed that, if same were not cleared as at 30 June 2015, they would be credited to the respective items.

**2.4.2 Advances - Rs 53,969,406**

The above figure represents outstanding balances on advances made to, amongst others, Members, Officers, a Company of the RRA and Cooperative Societies as of 31 December 2014, as shown in Table 3.

*Table 3 Balance of Advances as of 31 December*

<b>Details</b>	<b>2014 Rs</b>	<b>2013 Rs</b>
Advances to Members of the RRA	5,327,600	4,827,800
Motorcar loan to Officers of RRA	20,477,354	21,631,781
Motorcycle loan to Officers of RRA	10,606,682	10,851,519
Advances to Cooperative Societies	14,847,000	14,847,000
Advance Account Personal	88,800	88,800
Advance to Rodrigues Trading and Marketing Company Ltd	2,621,970	2,621,970
<b>Total</b>	<b>53,969,406</b>	<b>54,868,870</b>

*Advance to Members of the RRA - Rs 5,327,600*

At paragraph 2.3.1 of the Audit Report for the year ended 31 December 2013, I reported that a former Member of the RRA, who was granted an advance for an amount of Rs 1.6 million in September 2011 for the purchase of a motor car, had stopped payments of amount due in January 2012.

Legal action was initiated and the vehicle was seized and sold in November 2012 for Rs 1.5 million. The net proceeds amounting to Rs 832,757 were remitted to the RRA and the advance account was credited accordingly, leaving a balance of Rs 743,976 as of 30 November 2012. The recovery of this amount, together with relevant interests, was initiated through legal proceedings and I was informed that the decision of the Court is being awaited.

***RRA's Reply***

A date is being awaited by the Courts for hearing.

*Advances to Cooperative Societies - Rs 14,847,000*

I have, repeatedly, commented on the issue of the five fibre glass boats which were acquired for an amount of Rs 54,208,250 in December 2011 under the 'Promotion of Outer lagoon Fishing Development Scheme'.

Each of the five Cooperative Societies was granted a loan of Rs 2,969,400 to purchase a fibre glass boat, satellite phones, hooks and other accessories.

As stated in the Audit Report for the year ended 31 December 2013, loan agreements were signed for only Rs 2,641,550 and the loans were not secured in the form of a lien in favour of the RRA.

I was informed that a new management plan was being implemented, which was expected to sort out the recovery of the advance made to the five Cooperative Societies. However, no repayments have yet been made as of 30 April 2015.

***RRA's Reply***

The Commission for Environment, Fisheries and Others is implementing the new management plan. An amount of Rs 10,000 representing first repayment of the loan has been paid on 10 May 2015 by each Cooperative Society.

*Advances to Rodrigues Trading and Marketing Company Ltd (RTMC) - Rs 2,621,970*

According to the contract signed in November 2013 between the RTMC and the RRA, in the event of delay in repayment of advances, the RRA reserves the right to seize the building, equipment and machinery by serving a memorandum of seizure on the company in compliance with all applicable statutory provisions.

Following my comments last year, the RRA informed that the RTMC was working on a business plan to strengthen its financial situation in order to salvage it from the current precarious situation. As of April 2015, neither reimbursement of the advance had been effected nor the right for seizure had been exercised, as stipulated in the contract.

***RRA's Reply***

- Covering approval has been obtained by the Executive Council, at its meeting of 27 June 2014, to extend the delay for one additional year which expired on 17 February 2015.
- The RTMC has now worked out its strategic plan to review its structure and revigorate its activities to render itself sustainable.
- The RTMC has received guaranteed price from the Agricultural Marketing Board for onions, lemons, garlic, red beans and turmeric powder.

### 2.4.3 Deposits - Rs 78,321,286

The total balance of deposits held at the RRA, under different Commissions, amounted to Rs 78,321,286 as of 31 December 2014, and is as shown in Table 4.

*Table 4 Balance of Deposits held as of 31 December*

<b>Commission</b>	<b>2014 Rs</b>	<b>2013 Rs</b>
Chief Commissioner's Office	56,892,273	53,566,829
Deputy Chief Commissioner's Office	259,453	267,065
Commission for Public Infrastructure, Housing, Transport and Water Resources	16,868,144	2,811,047
Commission for Social Security, Employment, Labour and Industrial Relations, Consumer Protection and Trade, Commerce and Licensing	451,482	176,228
Commission for Health and Sports	2,447,874	307,812
Commission for Environment, Forestry, Tourism, Marine Parks and Fisheries	1,368,784	2,607,974
Commission for Youth, Community Development, Library Services, Archives and Others	33,276	22,715
<b>Total</b>	<b>78,321,286</b>	<b>59,759,670</b>

#### *Chief Commissioner's Office - Rs 56,892,273*

Deposit Account : Food Security Fund - Rs 14,447,415. During the years 2009 to 2014, a total of some Rs 89 million was provided by the Ministry of Agro Industry and Food Security to the deposit account of the Commission for Agriculture for implementing various agricultural projects. This deposit account was operated through an interest bearing bank account.

Over the years, interests accumulated to Rs 310,521 as of 31 December 2014. Section 8 of the Finance and Audit Act provides that any interests or dividend received in respect of a deposit shall, as soon as possible thereafter and unless the Minister of Finance otherwise directs, be credited to the Consolidated Fund. Interests had remained in the Deposit Account.

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

The interest will be transferred to the Consolidated Fund.

Deposit Account- Severe Tropical Cyclone Amara : Rs 3,184,635. Following the passage of cyclone Amara on 21 December 2013, approval was conveyed by MOFED, in March 2014 for the release of an additional grant of Rs 5 million to the RRA to meet expenditure in connection with the procurement of an anemometer and for the support of the agricultural sector, amongst others.

An automatic weather station was acquired in September 2014 for an amount of Rs 1,725,000 out of the deposit account. However, the equipment had still not been installed as of 31 March 2015.

As of 31 December 2014, there was still a balance of Rs 3,184,635 standing to the credit of the deposit account.

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

- A site has been identified for the installation of the automatic weather station, the cost estimates for the fencing of the site are being worked out. It is expected to launch tender by mid-June.
- The balance standing to the credit of the deposit account will be used for the provision of water tanks to planters of Riviere Banane which were affected by sea water during cyclone Amara.

Contribution from NSF - Rs 17,526,350. The Ministry of Social Security, National Solidarity and Reforms Institutions remitted amounts of Rs 14,044,779 and Rs 3,481,571 to the RRA on 18 December 2012 and 11 April 2014 respectively. These amounts have been kept in a deposit account. No repayment has been effected as of 30 April 2015.

The purpose for which these amounts had been received and for which they should be repaid was not known. Financial regulations provide that *'In cases where circumstances preclude a direct credit to revenue, receipts may be placed on deposit, but officers should take care that no amounts are accepted as deposits unless fully justified. In cases of doubt, reference should be made to the Accountant-General'*.

A deposit should not be retained for a longer period than is necessary and should either be repaid at the first opportunity or transferred to revenue. Before transferring to the Consolidated Fund, the RRA needs to ensure that the purpose for which the amount was placed on deposit had been fulfilled.

### ***2.4.4 Rodrigues Consolidated Fund (RCF) - Rs 19,739,195***

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

During 2014, the RRA had transferred funds for a total amount of Rs 27,761,500, standing to the credit of the RCF, to a Deposit Account. Thereafter, payments were made from the deposit account in the same year. Details are as in Table 5.

*Table 5 Transfers from Rodrigues Consolidated Fund to Deposit Accounts*

<b>Date</b>	<b>Description</b>	<b>Amount Transferred Rs</b>
24.07.2014	Acquisition of CT scan	23,161,500
21.07.2014	National Empowerment Foundation	3,600,000
23.07.2014	Assistance for housing to needy families	1,000,000
<b>Total</b>		<b>27,761,500</b>

I was informed that:

- the transfer of an amount of Rs 23,161,500 was necessary to finance the acquisition of a CT scan for which funds had been provided in the PPB Estimates of 2013 and for which payment had not been made as of the close of that financial year.
- the RRA had recourse to this practice as there were no budgetary provisions for the current year against which the payments could be made.

However, the attention of the RRA was drawn to the fact that those payments neither appear in the Statement D1: 'Detailed Statement of Expenditure' for the year 2013 nor in that of 2014.

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

In order to be transparent and accountable, RRA is in the process of ensuring that in the forthcoming amendment to the RRA Act, provision would be made for a motion to be approved by the RRA for any supplementary expenditure.

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

### ***2.5.1 Financial Allocation to RRA***

In September 2013, Government approved a budget allocation to RRA in the sum of Rs 1,950 million, comprising Rs 1,550 million for recurrent grant and Rs 400 million for capital grant. The actual amount of grant received was Rs 2,170,913,800, including an amount of Rs 220,913,800 as additional contribution from the Programme 311- '*Rodrigues Development*' of the Prime Minister's Office. Revenue collected by the RRA amounted to Rs 25,356,042, thus bringing total revenue to Rs 2,196,269,842.

## 2.5.2 Revenue

Revenue for 2014 has decreased substantially when compared to the previous year. The total amount collected under various Items was Rs 25,356,042. Details are as shown in Table 6.

*Table 6 Revenue Collected by RRA during the Past Three Financial Years*

<b>Item</b>	<b>2014 Rs</b>	<b>2013 Rs</b>	<b>2012 Rs</b>
Taxes	2,850,524	2,237,875	2,263,250
Social Contributions	470,393	618,705	181,869
Other Revenue	22,035,125	27,285,671	24,653,891
<b>Total</b>	<b>25,356,042</b>	<b>30,142,251</b>	<b>27,099,010</b>

Property Income constitutes the main source of revenue of RRA and includes income from the lease of lands for agricultural, commercial, residential and industrial purposes. There was a decrease of some 23 per cent in revenue from Rs 13,630,026 in 2013 to Rs 10,374,939 in 2014.

### *RRA's Reply*

Legal notice is being sent to all lessees having arrears of more than Rs 100,000.

## 2.5.3 Expenditure

Total expenditure of the RRA over the past three financial years is as shown in Table 7.

*Table 7 Expenditure of the RRA*

<b>Fiscal Year</b>	<b>Recurrent Expenditure Rs</b>	<b>Capital Expenditure Rs</b>	<b>Total Expenditure Rs</b>
2012	1,399,776,229	402,980,917	1,802,757,146
2013	1,581,492,739	392,500,382	1,973,993,121
2014	1,706,610,735	485,324,929	2,191,935,664
<b>Total</b>	<b>4,687,879,703</b>	<b>1,280,806,228</b>	<b>5,968,685,931</b>

During the financial year 2014, total expenditure amounted to Rs 2,191,935,664 which exceeded the budgeted amount of Rs 1,973,000,000 by Rs 218,935,664. The additional expenditure of Rs 218,935,664 was financed from additional contribution/funds made available by the Prime Minister's Office to the tune of Rs 220,913,800.



Total expenditure incurred during 2014 excluded an amount of Rs 27,761,500, for which no provision was made in the budget, but which was paid out of the RCF through deposit accounts. In addition, payments of pension, gratuities and passage benefits totalling some Rs 92 million in 2014 were met by the Accountant General's Office for employees of the RRA.

### *Control over Expenditure*

Control over expenditure is the responsibility of the respective Accounting Officers, that is the Departmental Heads. A scrutiny of payments vouchers for December 2014 drawn by different Commissions revealed that authority for payment was not always quoted on the payment vouchers and payrolls were not always approved by the Accounting Officers. As such, there is a risk that payments may not have been authorized and any inaccurate data on the payroll might have remained undetected.

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

A circular has been issued to all Accounting Officers for them to approve monthly payrolls.

## **2.6 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 2014 is shown in Table 8.

*Table 8 Investment of RRA in Private Companies as of 31 December 2014*

Company	Date of Incorporation	Total investment as of 31-Dec-14 Rs	Winding up in process since
Discovery Rodrigues Co. Ltd	15-Nov-06	2,000,000	
Rodrigues Water Co. Ltd	29-Oct-07	17,000,000	Aug-2012
Rodrigues Trading and Marketing Co. Ltd	30-Jun-06	4,000,000	
Rodrigues General Fishing Co. Ltd	08-Jun-07	6,400,000	Apr-2012
Rod Clean Co. Ltd	19-Sep-07	10,188,590	
Rodrigues Housing & Property Development Co. Ltd	12-Jan-10	3,000,000	Mar-2012
<b>Total</b>		<b>42,588,590</b>	

Five of the six companies are fully owned by the RRA whilst the RTMC has the State Trading Corporation as a minority shareholder in the proportion 60:40.

### 2.6.1 Winding Up of Three Companies

Three companies, namely, Rodrigues General Fishing Company Ltd, Rodrigues Water Company Ltd and Rodrigues Housing and Property Development Company Ltd have been in the process of winding up since 2012. RRA had invested some Rs 26.4 million in the shares of these three companies, as of 31 December 2014.

As of 30 April 2015, the three companies had still not been wound up. The process of winding up the three companies, which involves selling all the assets, paying off creditors, and distributing any remaining assets to the RRA as sole shareholder, and then dissolving the companies, has not been completed yet.

#### *RRA's Reply*

Liquidation for two companies, Rodrigues General Fishing Co. Ltd and Rodrigues Housing and Property Development Co. Ltd, has been completed. Action is now being initiated to pay the creditors.

### 2.7 Arrears of Revenue - Rs 30,521,656.

There has been an increase of 20 per cent in arrears compared to the previous year. Management of debts and recovery mechanism put in place may not be effective and needs to be revisited. Arrears of revenue as at 31 December 2014 exceeded revenue generated by the RRA in financial year 2014 by some 20 per cent. Table 9 shows arrears of revenue for the past three financial years.

*Table 9 Arrears of Revenue for the Past Three Financial Years*

<b>Division/Unit</b>	<b>2014 Rs</b>	<b>2013 Rs</b>	<b>2012 Rs</b>
Fisheries	82,694	78,526	68,476
Judicial	302,700	153,600	1,103,927
Rental of Government Property	24,535,816	20,118,769	23,392,403
State Land - Old leases	1,469,834	1,469,834	1,469,834
Water Unit	2,245,404	2,021,972	1,893,287
Health and Sanitary	139,585	81,025	720
Rental of Snacks Stalls	594,203	594,203	627,203
Rental kiosk	-	19,000	63,750
NHDC Houses	1,123,340	881,025	745,670
Sand Removal	12,080	12,887	12,686
Tourist Enterprise	16,000	-	-
<b>Total</b>	<b>30,521,656</b>	<b>25,430,841</b>	<b>29,377,956</b>

An analysis of arrears accumulated over the years revealed that the slow recovery rate was due, to a large extent, to ineffective enforcement measures. The following were noted:

- Claims in respect of water rates were not made on time.
- The issue of reminders and statements of accounts appear not to be effective in recovery of arrears.
- The penalties and surcharges levied on claims did not serve as deterrent to defaulters.
- Certain fees, rates, and dues were so low that they may not represent a priority for recovery.

There is an urgent need to review not only the fees, dues and rates, but also the mechanism for collection and enforcement.

### **2.7.1 Rental of Government Property – Rs 24,535,816**

Table 10 shows arrears of revenue for the four different types of lease of lands.

*Table 10 Arrears of Revenue as of 31 December*

<b>Type of Lease</b>	<b>Number of Leases</b>	<b>Arrears of Revenue 2014 Rs</b>	<b>Arrears of Revenue 2013 Rs</b>	<b>% Increase</b>
Residential	13,400	14,087,987	11,914,940	18
Agricultural	608	435,264	397,535	9
Commercial	553	2,128,545	1,292,742	65
Industrial	342	7,884,020	6,513,552	21
<b>Total</b>	<b>14,903</b>	<b>24,535,816</b>	<b>20,118,769</b>	<b>22</b>

In respect of arrears on rental of Government Property, there was an overall increase of 22 per cent over the previous year. The increase for commercial leases was the most significant. It is recommended that the RRA devotes more time and effort in devising efficient and effective recovery methods.

### **2.7.2 State Land - Old Lease Rs 1,469,834**

The above amount, which represents irrecoverable arrears on old leases due by 5,524 lessees as of 30 June 2008, still appears in the Land Management System, despite approval for write off was obtained in April 2013. The arrears of revenue figure had, thus, been overstated to that extent.

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

The advice and support of the IT Section is being sought for write-off of the irrecoverable arrears of revenue in respect of the 5,524 lessees.

#### ***2.7.3 NHDC - Rs 1,123,340***

The above figure represents amounts owed by beneficiaries of the Low Cost Housing Unit Project in 2006-07.

Arrears had increased by 27 per cent from Rs 881,025 in 2013 to Rs 1,123,340 in 2014. The increase could be attributed to the fact that 35 beneficiaries did not pay their dues in 2014.

Measures need to be taken to enforce payment. Legal means should be contemplated against defaulters

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

Reminders were sent to debtors in January/February and 30 debtors out of 48 have responded positively. Fresh reminders will be sent to those who have not cleared their accounts.

#### ***2.7.4 Water Unit - Rs 2,245,404***

Arrears of water rates had been increasing constantly over the years. I was informed that recovery of arrears is time consuming and involves much administrative work. It is to be noted that the same rate of Rs 22 per year is being applied for years. High investment has been made in the water sector in Rodrigues, and the Rodrigues Water Rates Regulations of 1928 may no longer be appropriate in the actual context and needs to be reviewed.

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

The Legal Adviser has been requested to draft new regulations but being given that water is not supplied on a regular basis, it was decided not to review the water rates for the time being.

## 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 2013, I had commented on the private companies set up by the Rodrigues Regional Assembly (RRA). I mentioned, amongst others, that an amount of Rs 149.1 million had been disbursed up to 31 December 2013 to six private companies since their incorporation in 2006 to enable them to meet their operating costs. Investments in equity totalled Rs 42.5 million. In view of the fact that the RRA had continuously injected funds in these private companies and as all of them, except one, were not self-financing and sustainable, my Office recommended that RRA needed to consider the winding up of these companies.

The winding up of three of these companies, namely the Rodrigues Water Company (RWC), the Rodrigues Housing and Property Development Company Ltd (RHPDC) and the Rodrigues General Fishing Company Ltd (RGFC), were approved by the Executive Council in 2012.

#### *RRA's Reply*

A Liquidator has been appointed and it was decided to pay only the creditors of the two companies, Rodrigues Housing Property Development Company Ltd and the Rodrigues General Fishing Company Ltd; and same has been effected in June 2015. Necessary action is being made to deregister the two companies.

#### *3.1.1 Disbursements*

During financial year 2014, RRA had disbursed an additional amount of Rs 26,632,241 to two companies, namely Discovery Rodrigues Company Ltd and Rod Clean Company Ltd to finance their operating costs instead of considering their winding up.

In addition, an amount of Rs 4,715,019 was disbursed to the Rodrigues Trading and Marketing Company Ltd (RTMC), as subsidy on onions, onions seeds, potatoes, local red beans and garlic seeds, amongst others.

Details are as in Table 11.

*Table 11 Disbursements to Private Companies Still in Operation*

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<b>Company</b>	<b>Amount Rs</b>
Discovery Rodrigues Company Ltd	5,119,198
Rod Clean Company Ltd	21,513,043
Rodrigues Trading and Marketing Company Ltd	4,715,019
<b>Total</b>	<b>31,347,260</b>

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### ***3.1.2 Lack of Accountability***

The RRA (Investment Management) Regulations (IMR) require that the company shall cause the annual financial statements to be examined and audited not later than four months after the end of every financial year.

Contrary to the above Regulations, audited financial statements for years ended 31 December 2011, 31 December 2012 and 31 December 2013 for Rod Clean Company Ltd were not submitted.

Further, the Regulations require that the Board of Directors shall publish a report 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 six months after the end of the financial year. The Annual Reports for the three companies, listed in Table 4-15, were not laid at the Regional Assembly.

### ***3.1.3 Winding Up of Companies***

As of 30 April 2015, the process of winding up the three companies had still not been completed.

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

The liquidator has been appointed and two of the company creditors have been paid and procedure is ongoing.

## **3.2 Food Security**

One of the objectives of Government, in so far as ensuring food security is concerned, is to increase food crop production as well as livestock production. In this context, the Food Security Fund (FSF) was set up in June 2008 under the Finance and Audit (Food Security Fund) Regulations 2008 with the objective of increasing the country's food self-sufficiency level and build resilience in case of food crises in the future.

A three year Strategic Plan (2008-2011) was elaborated and concurrently an implementation plan was worked out whereby a certain number of projects was to be undertaken both in Mauritius and Rodrigues.

In April 2009, a FSF Implementation Committee (Rodrigues) was set up to supervise and monitor the implementation of projects to be undertaken by the Commission for Agriculture, Rodrigues. Another Strategic Plan was prepared for the period 2013 to 2015 as a continuation of the previous Strategic Plan, taking into account shortcomings experienced under the previous Plan and also the challenges facing the agricultural sector.

### 3.2.1 Strategic Plans and Project Financing

The Strategic Plan 2008-2011 provided for the implementation of 21 projects for a total value of Rs 187 million. Further, 18 projects were to be carried out during the period 2013-2015 for a total amount of Rs 171 million, as in Table 12.

Table 12 Budget Forecast as per Strategic Plan 2013-2015

<b>Sector</b>	<b>2013 Rs million</b>	<b>2014 Rs million</b>	<b>2015 Rs million</b>	<b>Total Rs million</b>
Crop and Agro Processing	36.6	23.3	17.0	76.9
Livestock	54.0	18.2	22.2	94.4
<b>Total</b>	<b>90.6</b>	<b>41.5</b>	<b>39.2</b>	<b>171.3</b>

Projects are financed under the item 'Food Security Fund' of the Ministry of Agro Industry and Food Security (MAIFS). In December 2014, an amount of Rs 8 million was credited to the FSF Deposit Account, maintained by the Rodrigues Regional Assembly (RRA). Some Rs 14.5 million stood to the credit of the Deposit Account as of 31 December 2014.

### 3.2.2 Slow Implementation of Projects

The implementation of projects in Rodrigues had been slow.

- Of the 21 projects mentioned in the Strategic Plan 2008-2011, only four projects had been implemented at a total cost of some Rs 69 million, representing only 37 per cent of the funds earmarked in the Strategic Plan.
- As for the 18 projects mentioned in the 2013-2015 Strategic Plan, only one project had been implemented in 2014 for funds amounting to some Rs 629,600.

The assistance of the Food and Agricultural Organisation (FAO) was sought for the preparation of project proposals which the RRA intended to present for funding to the FSF in Mauritius. Accordingly, a report on 'Strengthening the capacities of agricultural services in Rodrigues' was submitted in October 2014, where a series of proposals and recommendations was made. As of 30 April 2015, that is some six months after the submission of the report, no development was noted in that respect.

Most of the objectives set for Rodrigues, in the Strategic Plan 2013-2015, had not been met as of 30 April 2015. It is doubtful that these objectives would be attained as the second Strategic Plan would reach its terminal phase in some eight months' time, that is, in December 2015.

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

- As of 22 June 2015, the following schemes have already been approved by the Executive Council and are being processed:
  - Provision of subsidy in favour of eligible local planters for the purchase of power tillers
  - Assistance to 40 entrepreneurs for the setting up of chilli farms on 10 acres of agricultural land
  - Assistance to five entrepreneurs for the setting up of five black pig model farms
  - Assistance to cattle, goat and sheep breeders for the setting up of 10 integrated farms
  - Support for the creation of 10 commercial poultry farms.
- Three other schemes are being worked out, namely: 'Subsidy for the purchase of bird nets', 'Setting up of five model orchards' and 'Subsidy for the purchase of fencing by farmers'.
- A new Bulldozer has been procured and the Executive Council has already approved the purchase of six additional tractors to improve land mechanisation services over the island.
- Funds for these projects would be made available under the FSF Deposit Account and the RRA budget for 2015. The above projects will be completed by December 2015.

### ***3.2.3 Projects implemented under the Food Security Fund***

A review of some of the projects implemented under the FSF was carried out and the following were noted:

#### ***Construction of Slaughter House***

At paragraph 3.9.2 of the Audit Report for the year ended 31 December 2013, I reported that several files relating to the construction of the slaughter house and the supply of equipment were secured by the Independent Commission Against Corruption (ICAC) in March 2014 and this had hampered the detailed examination of the project. As of April 2015, these files were still in the custody of the ICAC.

Total payments made to the Contractor for the construction of the slaughter house amounted to Rs 44,169,585 as of 31 December 2013, out of the contractual sum of Rs 56.2 million. No payments had been effected in 2014.

The completion date of the project had been extended several times due to slow execution of works. I was informed that the building was finally handed over in 2014, but documents were not available to confirm the exact date of the handing over.

On 9 February 2015, during a site visit by a team comprising Members and Senior Officers of the RRA, it was decided to operationalise the slaughter house by end of March 2015, by equipping same to enable the slaughter of pig, cattle, sheep and goat for butchers operating at Port Mathurin market.



In that respect, a team of Technical Officers of the Commission for Agriculture was constituted to come up with a report, indicating amongst others, a list and specifications of equipment required for the running of the slaughter house, quantities of construction materials to be purchased, with specifications and a training programme for those who will be called upon to operate the slaughter house.

As of 31 March 2015, the slaughter house was still not operational.

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

The Team has already submitted a report on the operation of the slaughter house, which will now be converted into a SMEs Agro-Industrial Park, which is one of the measures for Rodrigues under the National Budget for 2015. The project is being implemented in collaboration with the Deputy Chief Commissioner's Office/Commission for Industrial Development.

### ***Setting up of Milk Pasteurization Unit***

The Milk Pasteurization Unit, which was set up at the St Gabriel Livestock Breeding Centre in 2010 at a cost of Rs 2,232,474, and having the capacity to pasteurize up to 1,500 litres of milk per day, had remained unutilised since August 2012.

During a survey carried out by my Officers on 26 March 2015, it was noted that all the items of equipment had started to rust. No benefits are being derived from the investment made in setting up that Unit.

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

Further to policy decision, the pasteurization equipment could be granted to an appropriate Cooperative Society which will make good use of the equipment.

### ***Breaking of Stones at Montagne Goyaves***

At paragraph 3.9.4 of the Audit Report for the year ended 31 December 2013, I reported that during a site visit effected on 8 April 2014, it was observed that no land terracing had been done although there were stacks of broken stones. I also stated that a claim for an amount of Rs 920,000 was received on 13 December 2013 but same had not been settled.

The full amount of the contract sum, that is, Rs 920,000 was paid to the Contractor in July 2014. However, as of April 2015, still no land terracing had been done. Stacks of broken stones were found here and there, and they were invaded with grass and creepers.

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

The farmers have faced financial constraints for the construction of their retaining wall. From now on, the Commission for Agriculture will ensure that the capacity of farmers to contribute financially in projects implemented by the Commission is taken into consideration at the very stage of project definition.

### *Harvesting of Rain Water at Roche Bon Dieu*

The contract for the Harvesting of Rain Water Project, comprised the:

- Construction of a pond for rainwater harvesting
- Supply and fixing of approved geo-membrane layer
- Construction of inlet, outlet and overflow structure with pre-treatment facilities
- Construction of perimeter boundary wall with provision of a 5 metre wide gate

The contract was awarded for an amount of Rs 7,327,720, inclusive of VAT on 9 October 2013. The site was handed over to the Contractor on 12 November 2013 and works were to start within seven days of the date of handing over of site and were due for completion on 24 March 2014. Works actually started on 2 December 2013.

Due to variation works and adverse climatic conditions, an extension of time of 117 days was granted to the Contractor without cost. The revised completion date was thus brought to 19 July 2014. Works were completed on 30 July 2014 and the site was handed over on 8 August 2014. Total payments as at 31 December 2014 amounted to Rs 6,855,795 after deduction of Rs 110,000 for liquidated damages.

A request was made on 22 July 2014 for irrigation fittings to convey water from the water harvesting structure of Roche Bon Dieu to the users at Anse Ally for irrigation of food crops. Same were purchased on 15 September 2014 for an amount of Rs 237,475.

During a visit carried out by my Officers, accompanied by Officers of the Commission for Agriculture on 16 March 2015, the following were noted:

- The site was provided with a boundary wall with a 5 metre wide gate. However, the gate was not secured.
- The land surrounding the pond was not levelled, thus rendering access difficult.
- Although the site was handed over on 8 August 2014 and irrigation fittings purchased on 15 September 2014, the outlet was not yet connected to the water pipelines.
- Water was flowing to the pond from a canal alongside a road, which was invaded with creepers, obstructing to some extent the entrance to the pond.
- The pond was nearly full. Potential users were not deriving optimum benefits from the harvested water meant for irrigation purposes.

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

- The Gate of the Rain Water Harvesting structure at Roche Bon Dieu has now been secured with a padlock.
- The levelling of the land surrounding the pond will be referred to the Consultant of the project.

- The Rain Water Harvesting structure has been connected to the irrigation line on 28 May 2015 and water is being distributed to the planters of Anse Ally. It is reported that as of June 2015, some 20 planters are connected. The planters have been trained on water distribution and are managing the network themselves.
- The yard and feeder canal will be cleared shortly.

### *Setting up of Chili Village*

A Chili Village was set up at Baladirou in 2013 which required land derocking/preparation of land, fencing, provision of seedlings and seeds, installation of the irrigation network, installation of a family drip with water tank, and the provision of technical advice to the planters. 50 persons benefited from the scheme and were allocated land for chili cultivation for an extent of 12,000 m<sup>2</sup>

### *Observations*

- According to a status report prepared by the Commission for Agriculture, dated 6 May 2014, of the 50 beneficiaries, only six were still involved in chili plantation. The number of chili plants owned by these six beneficiaries ranged from 2 to 10 plants making a total of 31 plants over a total area of land of some 1,000 m<sup>2</sup>.
- In July 2014, the Agricultural Services started the excavation of a pond to enable rain water harvesting for the chili planters. As the soil was rocky and the excavator of the Commission was not equipped with a hammer head, the excavation work had to be stopped. It was only in November 2014, that is some four months later, that a request was made to the Commission for Public Infrastructure, for the services of an excavator equipped with a hammer for the completion of the excavation work. As of 30 April 2015, the excavation work had not been completed.

### *RRA's Reply*

- Of the 50 beneficiaries, 35 suffered from plant losses with the passage of cyclone Bansi on the island in January 2015.
- The excavator of the Commission for Public Infrastructure was not made available to the Commission for Agriculture since it was involved in other works. Necessary actions are being undertaken to contract out the excavation works.

### **3.2.4 Support Facilities Offered by the Agricultural Services**

In order to provide certain facilities to the planters/farmers community to boost up crop and livestock production, the Agricultural Services are supported by its two main sections, namely Crop Section and Livestock Section.

## *Crop Section*

The crop production is serviced by four crop stations as listed in Table 13

*Table 13 Crop Production at the Crop Stations*

<b>Crop Station</b>	<b>Area</b>	<b>Main objective</b>
Citronelle	3,395 m <sup>2</sup>	Seed production, seed purification, research, demonstration and training/capacity building
Oyster Bay	3.2 hectares	Seed production , seed purification, fruits plants and ornamental production, queen bee production, research, demonstration and training/capacity building
Grande La Fourche - Mangues	4,523 m <sup>2</sup>	Seed production, seed purification, research, demonstration and training/capacity building
Port Sud Est	2,932 m <sup>2</sup>	Fruits plants and ornamental production, demonstration and training/capacity building

In addition to funds made available under the FSF, provisions were also made through the yearly budget. The budgeted expenditure for Programme 802: ‘*Crop Production*’ for 2014 was Rs 44.1 million and actual expenditure amounted to Rs 46.2 million.

### ***Observations***

- The land available was not fully utilised. A major portion of the land was either left idle or given on loan. For example, the area under seed production at Oyster Bay station was of an extent of 5,940 m<sup>2</sup>, out of which 4,609 m<sup>2</sup> were given to certain Cooperative Societies in July 2014.
- From records available, production of seeds/plants in the different stations was negligible for 2014.

### ***RRA’s Reply***

- The decrease in area ‘cropped’ on the four stations is mainly due to unavailability of manual labour to ‘crop’ the land available. Several staff members had retired from the service without replacement and most of the remaining ones have grown old.
- The question of giving on loan land on agricultural stations to Cooperatives is a policy decision of the RRA in view of reviving the agricultural plots, while at the same time providing a source of revenue to the beneficiaries.
- For 2015, the target is to crop 1.23 ha of land on these stations with an expected production of 1.75 tonnes of seeds with the assistance of 50 Employment Relief Programme labourers.

## *Livestock Section*

The budgeted expenditure for Programme 803: 'Livestock Production' for 2014 was Rs 32.3 million and actual expenditure amounted to Rs 30 million as at 31 December 2014.

In addition to certain facilities offered to breeders, the mandate of the Agricultural Services includes the production of animal species of improved breed for sale to breeders, either for fattening or milk production. To provide for the service, three Livestock Production Units (LPU) are in place, namely:

<b>LPU</b>	<b>Purpose</b>
St Gabriel	Production of dairy cattle, beef cattle and goat
Baie Topaze	Production of pig
Crab Island	Production of sheep

The following were noted:

- At St Gabriel LPU, there was a workforce of 23 staff, assisted by 36 workers employed under the Employment Relief Program. The strength of animals had considerably decreased from 92 heads in 2009 to 41 heads, comprising 18 milk cattle, 17 beef cattle and six goats as of March 2015. The number of lactating cows had also decreased to three and the milk produced by one cow per day has decreased from 12 litres four years back to 1.5 litres in February 2015.

Breeders were rarely provided with animals as the production rate was low. In 2014, only seven weaners were sold to breeders for fattening, three in the 'Cattle Section' and four in the 'Goat Section'.

- The Baie Topaze LPU has a labour force of 13 staff, and another 13 workers employed under the Employment Relief Program. The objective of the Unit is to produce piglets which are to be sold to breeders after weaning, (which normally takes place within 40 to 45 days after birth, representing an average weight of some 15 kg, at a weight price of Rs 40 per kg) for fattening and reproduction. However, as of 31 March 2015, there were 134 heads, of which some were even 10 months old and the average weight could have reached 100 kg.

The keeping of weaners for such a long time no doubt has a bearing on the Unit as,

- Due to limited space in the 'weaners' pen, some 80 of the 134 weaners had to be kept in the maternity pen
- About 134 kg of feed had to be provided for the weaners daily. This is an unnecessary cost to the organisation as if the weaners were already sold, there would have been no feeding cost.

There was a high demand for piglets/weaners. As of March 2015, there were requests for some 300 piglets, some dated as far back as 2013. The last sale of weaners took place in September 2014, where out of 22 weaners sold at a weight price of Rs 40 per kg for Rs 49,080, seven were of some 100 kg and 15 were of an average of 35 kg. This defeats

the objectives of the Unit since instead of selling piglet/weaners to breeders, mature pigs were being sold.

- The Crab Island LPU has, as objective, the production of sheep to be sold to breeders. 15 staff members, including six Watchmen, were in post as of 4 April 2015 and the strength of animals as at that date consisted of 146 heads, comprising three reproductive rams, 77 reproductive ewes, 23 young rams, 38 young ewes, three male lambs and two female lambs. Conditions noted were not conducive for achieving the objectives, as shown hereunder:
  - The 146 heads were left together in the open shed after grazing. This could have a bearing on the type of breed produced. Thus, production of animal species of improved breed for sale to breeders for their breeding requirement may not be attained.
  - There was an increasing trend in the number of heads kept at the LPU due to sale not being effected. The last sale dated as far back as September and October 2014 where 36 young rams and five female weaners were sold for a total amount of Rs 73,650 and Rs 4,200 respectively. The average weight of the rams sold was 41 kg, which was some 173 per cent above the normal average weight of 15 kg. This situation gave rise to additional cost to the LPU in terms of feeding the animals beyond schedule.
  - The Strength Book prior to 20 May 2014 was not made available. It was reported to be untraceable.
  - In addition to grazing, the animals were fed with ruminant feed. However, since January 2013, no ruminant feed was provided and the animals were fed entirely from grazing. The grazing area was in a neglected state and was not segregated into different lots so as to keep the animals separately. Wild grasses had invaded the grazing area. Accacia trees were tall, not properly maintained and pruned to enable the animals to feed themselves. Access to the acacia plantation was also difficult for the animals.

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

- The stock of milk cattle at St Gabriel LPU has grown old. Consequently, the milk production capacity of these animals has decreased. The Commission for Agriculture will soon buy a new stock of dairy cattle to replace the actual stock found at St Gabriel.
- For pigs, some 57 weaners were put on sale to applicants on 1 June 2015. The seven weaners having reached 50 kg live weight will be used as replacement stock for old sows requiring culling.
- The Sales Committee will ensure a monthly sale of animals as from June 2015, as far as possible. The possibility of putting the Baie Topaze LPU at the disposal of a Cooperative Society is being studied at Policy Level. The modus operandi for the operation of same by the Cooperative Society is under preparation.
- As regards Crab Island, the shortcomings are being noted for necessary remedial actions.

## ***Conclusion***

The time frame for the implementation of the 2013-2015 Strategic Plan is nearing its end. Measures proposed therein, which address the immediate need for an increase in the production of food commodities and prepare the way for a stronger food system, have still not been implemented.

### **3.3 Grant to Co-operatives Federations**

On 29 August 2014, the Executive Council approved the implementation of the Land Mechanization and Pasture Development Projects, through two Co-operative Federations in Rodrigues. On 4 December 2014, a one-off grant of Rs 2 million was given to one of the Federations for purchasing a tractor for land mechanization and Rs 1 million to the other Federation for pasture development.

However, a Memorandum of Understanding/Grant Memorandum, setting out the conditions of the grant and the responsibilities of each party, was not signed between the Commission and the two beneficiaries.

As of 30 April 2015, nearly five months after the amount of Rs 1 million had been disbursed for pasture development, same had not yet been utilized. A request made by the Federation, to obtain two plots of land of a total extent of 9.17 hectares for pasture development, had not yet been entertained by the Commission.

## ***Recommendation***

There is a need to properly draw a Memorandum of Understanding/Grant Memorandum between the parties concerned, setting out their respective responsibilities.

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

- Actions are being initiated for the drafting of the Memorandum of Understanding/Grant Memorandum.
- The request for land for pasture development is being given due consideration. The procedures are being delayed since the GPS of the Land Unit of the Commission has been damaged and same has been sent to the supplier for repairs.

### **3.4 Setting up of Mini Laboratories in Rodrigues**

At paragraph 3.9.3 of the Audit Report for the year ended 31 December 2013, I reported that three laboratories, namely the laboratory for testing soil, water, plants, pests and diseases, the laboratory for testing animals feed, fodder and silage and the laboratory for testing agro processed products were not fully operational although laboratory equipment for a total value of Rs 710,700 had been received and commissioned since April 2012 and that consumables for an amount of Rs 115,000 had been purchased in February 2013.

During 2014, no tests had been carried out. Tests were performed during the period 1 January to 8 April 2015 on seven different types of products on a total of 21 samples.

The various laboratories were still experiencing a shortage of staff. Further, the 'Modus operandi' for the functioning of the laboratories had not yet been finalized.

### ***Recommendation***

There is need to put in place a proper organisational structure, with a clearly defined regulatory framework.

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

- The reason for no tests being carried in the laboratories in 2014 is due to lateness in supplies of consumables to perform tests.
- A proper organizational structure for the mini laboratory has been proposed to the Pay Research Bureau during their recent visits in Rodrigues.
- Delivery of appropriate training programmes in favour of agro-processors in Rodrigues is being carried out.

### **3.5 Honey Processing and Bottling Unit and Accessories**

At paragraph 3.8.2 of the Audit Report for the year ended 31 December 2013, mention was made that several items of equipment costing some Rs 1.6 million were purchased in December 2009 by the then Commission of Agriculture for the setting up of a common Honey Processing and Bottling Unit.

These items of equipment had still not been used since their acquisition. As of 15 April 2015, they were lying idle in one of the mini laboratories.

### ***Recommendation***

The Commission should ensure that economic benefits are derived from the investment made.

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

The Commission, in collaboration with the Centre de Cooperation Internationale en Recherche Agronomique pour le Developpement (CIRAD), is working on a quality approach for the promotion of the Rodriguan honey. The Honey Centre will be renovated and converted into a Honey Processing Unit to be managed by a Beekeeping Association. A business plan is being finalised for the operation of the Honey Processing and Bottling Unit by the Association and the honey processing equipment will be vested in the Association. An agreement will be entered between the Commission for Agriculture and the Association.



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

### **4.1 Programmes for the Construction and Maintenance of Roads and Bridges and for the Improvement of Public Infrastructure in Villages**

#### ***4.1.1 Construction and Maintenance of Roads and Bridges***

A total amount of some Rs 154.9 million was disbursed in 2014 under Programme 503: 'Construction and Maintenance of Roads and Bridges'. The sum disbursed exceeded the approved budgetary provision of Rs 39.6 million by more than 290 per cent. Additional expenditure of Rs 115.3 million was met from reallocations from projects of other Commissions, for which funds had been earmarked but which had not been implemented, and also from additional funds obtained from the Ministry of Finance and Economic Development (MOFED).

#### *Contract Awarded in 2014 - Rs 99.6 million*

A Rate Contract was awarded by the Commission for Public Infrastructure (CPI) for the Construction, Upgrading and Maintenance of roads on 24 April 2014 to Contractor A for an amount of some Rs 99.6 million. The duration of the contract would cover the period June 2014 to June 2015, that is 365 days from the date of issue of the first Works Order.

#### *Works Orders issued in Excess of Contract Value.*

As of 31 December 2014, 11 Works Orders totalling Rs 122.8 million were issued under the Rate Contract to Contractor A. Hence, Works Orders for a total value of Rs 23.2 million were issued over and above the maximum contract value.

For the past few years, the total value of Works Orders had consistently exceeded the respective contract value. This practice could indicate that a detailed list of works to be undertaken in a particular year, together with the estimated costs, had not been accurately worked out at the time of bid invitation.

#### *Inadequate Security*

Performance Security submitted by Contractor A did not cover for Works Orders in excess of the contractual amount of some Rs 23.2 million, since it was not adjusted to reflect the increase in contract value.

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

The Particular Condition of Contract does not make explicit provision for adjustment of performance bond for Works Order in excess of the contract amount. However, this will be reviewed in future contract to allow change in contract value.

### *Inadequate Funds to Execute Works Orders*

Due to insufficient funds after the implementation of the first Works Order, the CPI sought and obtained financial clearance on 10 June 2014, from the MOFED, to execute the next Works Order, which was for an amount of some Rs 87.62 million, on the condition that its cost be met from re-prioritizing and potential under-spending from other capital projects in the financial year 2014. It was also stated that no funds planned for future years would be made available. Yet, the project was not completed as of 31 December 2014. Amount spent in 2014 totalled Rs 67.15 million and the remaining balance of Rs 20.47 million had to be financed from the 2015 Estimates.

Two projects were implemented at the request of other Commissions which paid for their respective expenses. The remaining seven Works Orders for some Rs 33.2 million were issued without financial clearance, thus further committing the RRA for the disbursement of funds.

The above situation might indicate an absence of an Infrastructural Plan, whereby a list of new roads and resurfacing of existing roads, based on their urgencies in the short, medium or long term, had been worked out.

### *Examination of Works Orders*

A sample of six Works Orders issued, as shown in Table 14, was examined and the following were noted:

Table 14 List of Works Orders Examined

Works Order No	Project	Value ( Rs)	Contractual Start Date	Contractual Completion Date
2	Construction/Upgrading of road from Graviers to Coromandel Phase 2	87,622,957	23 June 2014	8 Dec 2014
3	Road maintenance around the Island	2,516,890	21 July 2014	21 Sep 2014
4	Road repairs around the Island	3,777,768	15 Sep 2014	28 Nov 2014
5	Upgrading of road from P.Gabriel to St Gabriel	12,284,553	8 Oct 2014	28 Nov 2014
6	Resurfacing of road from Fond Baie aux Huitres towards Fond La Bonte	9,052,063	28 Oct 2014	25 Nov 2014
9	Upgrading of Access road at Pointe L'Herbe	4,393,216	13 Nov 2014	20 Dec 2014

- (a) No Feasibility Study. The Construction of the road, from Graviers to Coromandel was of a length of 3.8 km. The project was split into two phases. Phase I involved resurfacing works for a contractual amount of Rs 37,959,191. Works started on 17 October 2013 and were scheduled for completion on 27 December 2013. Works Order No 2, for Phase II of the project, was issued on 16 June 2014 for an amount of Rs 87,622,957. The Contractual Completion date was 8 December 2014.

According to the Investment Project Process Manual, any project exceeding Rs 100 million shall be subject to a feasibility study. The implementation of both phases could have been considered together; in which case a feasibility study would have been carried out highlighting amongst others, a clear, accurate and specific understanding of the need for the construction of the road.

- (b) Extension of Intended Completion Date. Of the 11 Works Orders issued, eight projects were delayed, of which three were still ongoing as of 30 April 2015.

For the: '*Construction and Upgrading of Road from Gravier to Coromandel*', works for the first phase of the project were practically completed on 6 May 2014, that is with a delay of 130 days. Final payment of Rs 5 million was made on 8 December 2014. As approval for the extension of time was not obtained, liquidated damages amounting to Rs 1,625,000 should have been applied.

Works Order No 5: ‘*Upgrading of Road from Petit Gabriel towards St Gabriel*’ was issued on 3 October 2014 to Contractor A for an amount of Rs 12,284,553. Works started on 8 October and were to be completed by 28 November 2014. Works were still ongoing as of April 2015. Neither an application nor approval for extension of time was seen. The delay could be due to the Contractor requesting the intervention of the CPI regarding several issues that were not cleared before issuing the Works Order.

In four Works Orders, Contractor A requested for the extension of the intended completion date due to bad weather. The Contractor submitted only letters informing the Commission about the inclemency of weather but no evidence was submitted to that effect, as stipulated in the Particulars Conditions of Contract. In two cases, materials were not available due to shipments not being made on time. Reasons thereof were not adequately supported.

- (c) Site Meetings. For Works Order No 2, the Engineer did not carry out regular meetings for proper supervision and monitoring of works. Although works were still ongoing as of April 2015, the last meeting was held on 15 December 2014. For Works Order No 4 ‘Road repairs around the island’, notes of site meetings were not seen in the relevant file. As such, issues arising during the execution of works were not known.
- (d) Variation Works. The scope of work, for Works Order No 2 and Works Order No 4, was not properly defined. During execution of works, the Contractor had recourse to variation works for which no prior written approval of the Engineer was seen. Variation works for total amounts of some Rs 4.8 million and Rs 693,280 respectively, were paid to the Contractor.
- (e) Ancillary Works. Works Order No 2 also included certain ancillary works, which could have been performed by ‘small’ and ‘medium’ (SM) Contractors, other than the Road Contractor. A comparison of the prices quoted for these ancillary works revealed that the amounts quoted by Contractor A were higher than those quoted by a particular SM Contractor.

Had road works only been entrusted to Contractor A and ancillary works to the SM Contractor, the CPI could have saved some Rs 4.4 million, in the cost of Works Order No 2.

- (f) Laboratory Tests. Testing of materials was only done at the Contractor’s laboratory. No comments from the Project Engineer was seen made on test results obtained from the Contractors’ own laboratory to ascertain that the quality of material supplied complied with the requirements of the bidding documents. There was also no evidence whether tests done for ascertaining the quality of works undertaken, were as per standard.

#### ***4.1.2 Improvement of Public Infrastructure in Villages***

A total amount of some Rs 18.9 million was disbursed in 2014 under Programme 506: ‘*Improvement of Public Infrastructure in Villages*’.

On 4 August 2014, the CPI entered into a contract with Contractor B for the construction of 4.75 km track roads and minor civil works in five local regions in Rodrigues for an amount of Rs 12,392,417, inclusive of VAT. Each region was allotted an equal amount of Rs 2,478,483.

However, five Works Orders were issued under the above contract for a total amount of Rs 15,434,334 which represented an increase of 24 per cent over the original contract value.

The Performance Security, again, did not cover for Works Orders in excess of the contractual amount, that is Rs 3,041,917 since it was not adjusted to reflect the increase in contract value.

### ***Recommendations***

Projects should be implemented within available budget and variances need to be justified. Test results from Contractor's laboratory should be duly approved by the Engineer. The specifications for materials used in road works should be tested to ensure that quality was according to specifications. Core testing on completed Works Orders should be done at an independent laboratory approved by the Engineer. The Contractor should justify bad weather conditions and should take necessary precautions so as not to run out of materials during the implementation of projects. Ancillary works could be awarded to small and medium Contractors whenever the prices quoted are lower than the Road Contractor.

## **4.2 Revetement Wall**

At paragraph 4.2 of the Audit Report for the year ended 31 December 2013, I commented on the construction of a 'Revetement wall' at Oyster Bay, for containing the dredged materials arising from the desilting works at Oyster Bay and Pointe Monier, which was undertaken by the Mauritius Ports Authority.

I also stated that the wall was completed on 30 June 2008 but dredging materials had not been deposited within the wall structure. Payments amounting to Rs 26,325,949 had been made to the Contractor but follow up of the project could not be made, as the files and all related documents were in the custody of the Independent Commission Against Corruption (ICAC) for enquiry.

As of 30 April 2015, all documents were still with ICAC.

## **4.3 Installation of four Reverse Osmosis Desalination Plant**

### ***4.3.1 Introduction***

On 11 October 2013, the contract for the installation of four Reverse Osmosis Desalination Plant, with a designed capacity of 1,000 m<sup>3</sup>/day each, with associated civil works in four different locations in Rodrigues, namely at Pointe Venus, Baie Malgache, Pointe Coton and Caverne Bouteille, was awarded to a Contractor for an amount of Rs 156,101,613, inclusive of VAT.

The Contractor was, in fact, a joint venture between two contractors in the same line of business, incorporated on 7 August 2013.

The Contractor was to design, supply, install and commission the Reverse Osmosis Desalination Plant, including training of personnel to operate the Plant and maintaining of

same during an initial compulsory period of six months following their successful commissioning.

The works were to be completed on 10 April 2014, that is a completion period of 20 weeks as from the date of commencement of work, which was 21 November 2013.

#### **4.3.2 Approval of Project by the Project Plan Committee (PPC)**

Initially, the installation of each Plant was considered as a separate project, and the Commission submitted four projects to the Project Plan Committee (PPC) for consideration. Approval of same was obtained in December 2012, for inclusion, in the Public Sector Investment Programme (PSIP) 2013-15, for the installation of the four Desalination Plant of capacity 500 m<sup>3</sup> per day for an amount of Rs 50 million each. The attention of the Commission was also drawn to the following ‘*A proper assessment needs to be conducted to develop a long term strategy for water sector in Rodrigues, incorporating other alternatives such as desilting of dams, improvement of water distribution network, setting up of appropriate framework for the regulation and management of water sector, together with the introduction of water pricing*’.

Had the desalination project been considered on an integral basis, a feasibility study should have been undertaken since the total cost of the project exceeded the threshold of Rs 100 million, as prescribed in the Investment Project Process Manual. Such study would have defined the scope of works, identifying the location and availability of sites, requirement in terms of infrastructure, risks associated with the project, financing of project, and ways to recoup the amount invested.

Further, on 26 September 2013, the Ministry of Finance and Economic Development (MOFED), requested an updated status for the finalisation of regulations for tariff to be effective by December 2013. MOFED also suggested, to consider as option, amongst others, the setting up of a body under the aegis of the Rodrigues Regional Assembly (RRA) to manage the water sector and apply the tariff. However, these measures had not been implemented as of 30 April 2015.

The PPC approved the project for the installation of Desalination Plant of capacity 500 m<sup>3</sup> per day, but the contract awarded was for Plant with a designed capacity of 1,000 m<sup>3</sup> per day. No documents were produced to explain this change in specification.

#### **4.3.3 Budgetary Provisions and Actual Expenditure**

Provisions of Rs 70 million and Rs 100 million were made in 2013 and 2014 respectively for the desalination project in Rodrigues, which included the following:

- Design and installation of four Reverse Osmosis Desalination Plant in four different locations in Rodrigues.
- Laying of water pipelines to operate the above mentioned four Plant for servicing their respective reservoirs. Total amount spent as of 31 December 2014 is shown in Table 15.

*Table 15 Amount Spent on Desalination Project*

	<b>2013</b> <b>Rs million</b>	<b>2014</b> <b>Rs million</b>	<b>Total</b> <b>Rs million</b>
Installation of Desalination Plant	31.2	68.2	99.4
Laying of Water Pipes	-	34.0	34.0
Others	0.4	9.0	9.4
<b>Total</b>	<b>31.6</b>	<b>111.2</b>	<b>142.8</b>

The amount of Rs 31.2 million, paid in 2013, represented an advance payment made to the Contractor for the installation of the four Reverse Osmosis Desalination Plant.

Expenditure incurred during 2014 had exceeded the initial budgetary provision by some Rs 11.2 million. The contract for the supply and installation of the four Reverse Osmosis Desalination Plant, as reported below, was terminated on 5 February 2015 due to non-performance of the Contractor. Had the contract been on-going, actual expenditure would have largely exceeded the budgetary provision.

#### **4.3.4 Bidding Process and Award of Contract - Rs 156,101,613**

Bids were invited on 13 June 2013, both locally and internationally, using the Open Advertised Bidding as method of procurement. Twelve bids were received, of which three were substantially responsive. These were evaluated on the basis of cost and discounted value of operational cost for five years. There was no clause in the bidding documents as to what course of action to take in case the successful Contractor could not contain the operation costs for the next five years, within the amount quoted. Table 16 shows a comparison between two bids.

*Table 16 Comparison of Offers*

	<b>Successful Bidder</b> <b>Amount</b> <b>Rs</b>	<b>Next Best Bidder</b> <b>Amount</b> <b>Rs</b>
Offer Price	156,101,613	150,570,777
Discounted value of operational cost	98,432,728	150,948,848
<b>Total</b>	<b>254,534,341</b>	<b>301,519,625</b>

In line with the Public Procurement Act, the successful bidder, as well as other bidders, were notified in writing of the name of the proposed successful bidder and the price of the contract.

Subsequently, one aggrieved bidder made an application for review to the Independent Review Panel (IRP) on 8 October 2013. The Commission issued a Certificate of Urgency to the Panel on 10 October 2013 under the Public Procurement Act, certifying that urgent public interest considerations required the 'procurement proceedings to proceed'.

The successful Contractor was then awarded the contract, on 11 October 2013, based on total least cost of Rs 156,101,613. Although a Certificate of Urgency was issued on 10 October 2013, works started only on 21 November 2013.

#### **4.3.5 Site Investigation**

Being a Design and Built contract, the scope of works included a site investigation and the gathering of all data necessary for the proper design of the Desalination Plant at the four locations/regions identified for their construction.

Site investigation had not been carried out effectively by the Contractor, thus delaying project implementation. In April 2014, according to the notes of site meetings, the exact locations for drilling of boreholes were not yet identified. Details were as follows:

- At Baie Malgache, it was difficult to find sea water on drilling of boreholes. Consequently, the Contractor proposed a 'sea intake' instead of a 'beach intake'.
- At Pointe Venus, the Contractor stated that there was lava rock on drilling, and thus had to drill at other places.
- At Caverne Bouteille, the Contractor was informed of the presence of iron in the 'raw' water. A firm solution was not found to this problem. As a temporary measure, the Contractor proceeded with the extraction of water from an existing well. The Contractor was, thus, paid an amount of some Rs 756,000 for the construction of a borehole, which was not actually being used.

Had a proper study been carried out to identify the location of drilling points before the launching of tenders, the contract could have been awarded on a 'built' only basis. This would have avoided, to some extent, the delay in the implementation of the project.

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

##### *Advances Not Recouped - Rs 14,829,653*

An advance payment of Rs 31,220,322, representing 20 per cent of the contract value, was made in November 2013. It was secured by an advance guarantee security, which 'remained valid until the date of completion or date of taking over or November 2014, whichever comes last'. This amount was to be recouped on successive interim payments based on the percentage of value of work certified.

As of date of termination of contract, an amount of Rs 14,252,756 (exclusive of VAT) had been reimbursed. This amount had been wrongly calculated at a percentage of 52.5 of amount advanced, instead of as a percentage of value of works certified. The amount to be recouped would have been Rs 16,346,263. The advance had thus been insufficiently recouped by an amount of Rs 2,093,507.



On 9 February 2015, the Commission for Public Infrastructure informed the Contractor's bank that it should credit the RRA account at the Bank of Mauritius with the sum of Rs 14,829,653 which represented balance outstanding as per the terms and conditions of the advance security issued by the Bank on 6 November 2013. As of 30 April 2015, the amount had not yet been recouped.

#### *Liquidated Damages*

Since the project was not completed on the due date of 10 April 2014 and the Engineer had not approved any extension of time, the Contractor was liable to pay liquidated damages at the rate of Rs 20,000 per calendar day, up to a maximum of two per cent of the contract value per site.

The Conditions of Contract states that '*delay damages shall be paid for every day between relevant Time for Completion and the date stated in the Taking-Over certificate*'. The Contractor had stopped works on two sites since June 2014. However, interim payments were being made during the period June to November 2014. Given that the contract had been terminated, Taking over Certificate will not be issued. Liquidated damages amounting to some Rs 2.8 million had not been applied to the maximum.

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

Liquidated damage could not be applied prior to the issue of the Taking Over Certificate. As the contract has been terminated, maximum delay damages as stated in the Appendix to Bid will be applied. The final account is being prepared by the Consultant and would include retention of liquidated damage as per the conditions of contract.

#### *Warranty Period*

The tender documents specified that the Reverse Osmosis Plant should have a warranty period of two years. The warranty certificate was not seen. I was informed that warranty certificate could not be issued as the contract was terminated before the successful commissioning of the plant. Nevertheless, in case of a breakdown/problem with any of the items of equipment, it would be difficult to determine who would bear the cost of repairs or replacement.

#### ***4.3.7 Termination of Contract***

The project, which was to be completed by 10 April 2014, had been seriously delayed. On 15 December 2014, the Consultant gave formal notice to the Contractor to complete all outstanding works by 31 January 2015. However, no works had been done as per the list of works submitted. Consequently, the Contract was terminated on 5 February 2015, in accordance with the Conditions of Contracts due to non-performance of the Contractor and failure to execute works as per terms and Conditions of the Contract. The Performance Security of Rs 15,610,161 was forfeited and credited to the RRA account.

As per the Conditions of Contract regarding 'Termination of Contract', the Contractor was to leave the site and deliver all documents made by or for him. No 'As-built' drawings and operational manual were submitted to the Commission.

### *Qualification and Experience Criteria*

According to the Instructions to bidders, the bidder should have carried out at least five projects in works to produce potable water, using Reverse Osmosis Technology, within the past five years, each with a value of at least Rs 20 million. However, the project value exceeded Rs 156 million and was in respect of the design and setting up of four distinct Plant of 1,000 m<sup>3</sup> in four different locations. As such, it was not known whether the qualification and experience of the Contractor were adequate enough, taking into account the wide scope of this particular project.

It appeared that the Contractor was facing cash flow difficulties. A Sub-Contractor complained that he had not been paid an amount of some Rs 4.6 million for building and civil works done for the Main Contractor.

### *Disqualification of Contractor*

On 24 March 2015, the Procurement Policy Office (PPO) was informed that the contract was terminated on 5 February 2015 due to poor performance of the Contractor. Proposal for disqualification of the Contractor, as per the Public Procurement (Disqualifications) Regulations 2009 was not seen.

### *RRA's Reply*

A recommendation will be submitted to the PPO to consider the disqualification of the Contractor.

### **4.3.8 Final Accounts Certificate**

More than five months have elapsed since the termination of the contract. The Commission had not yet determined the value of works executed as of date of termination of contract. A Final Accounts Certificate needs to be issued to assess the amount due by the Contractor, if any.

### *RRA's Reply*

The Consultant had been required to finalise the final accounts at the earliest convenience.

### **4.3.9 Rehabilitation of the Desalination Plant**

The Consultant advised that separate tenders be launched for the installation of the Reverse Osmosis Plant at Baie Malgache and Pointe Cotton; and for the completion of works at Pointe Venus and Caverne Bouteille. Cost estimates for completing works at Pointe Venus and Caverne Bouteille have been worked out. However, as of 30 April 2015, tenders had not yet been launched for the completion of works at the four sites/locations.

### **4.3.10 Additional Works -Electrical and Mechanical Works at Pumping Stations**

During the execution of the contract, the Contractor was requested to quote a price for electrical and mechanical works at two intermediate pumping stations at Mt Piquant and

Anse Goeland. On 14 April 2014, it quoted an amount of Rs 8,263,808 for the works, but the offer was not retained as it was found to be too expensive.

On 23 May 2014, 11 suppliers were invited to bid using restricted bidding as method of procurement. Only two bids were received.

On 19 June 2014, the Departmental Bid Committee approved the recommendation of the Bid Evaluation Committee (BEC), to cancel the procurement proceeding as both bids received were non responsive. The Consultant was required to negotiate with the Contractor. The same amount of Rs 8,263,808 was quoted by the Contractor and the contract was awarded on the same day. The offer had not been technically evaluated by a BEC. It was not known whether the pumps supplied by the Contractor, were according to specifications.

It was noted that, although the Contractor could not complete the main contract on time, it was awarded the contract for the additional works.

Moreover, no diligence had been observed as per the Public Procurement Regulations 2008 which states '*prior to awarding a contract by way of direct procurement under Section 25 of the Act, a Public Body shall ascertain that the provider possesses the qualification required to perform the contract*' and '*the quality and technical aspects of the provider's proposals meet the requirement of the Public Body*'

No Warranty Certificate was secured from the Contractor. Moreover, no 'Operating and Maintenance' manuals, and drawings of the electrical and mechanical works were provided by the Contractor. Problems that would be encountered at the time of repairs and maintenance of the pumps when the Desalination Plant at Pointe Cotton and Baie Malgache would be operational, would be difficult to address in the absence of these manuals.

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

- The proposal of the Contractor was assessed and recommended by the Consultant. The Contractor was executing similar works under the original contract and was therefore qualified to execute the additional works under the variation.
- It was urgent that these two stations be equipped on time to be ready for the commissioning of the two respective Desalination Plant.

#### ***4.3.11 Site Visits - Status of Projects***

My Officers, accompanied by Officers of the Water Unit, carried out a site visit on 18 March 2015. It was observed that the installation of the Desalination Plant at Pointe Cotton and Baie Malgache was far from being completed. It was estimated that 35 per cent of the equipment procured had already been delivered. Same were stacked in the building constructed for housing the Plant.

At the other two sites, Pointe Venus and Caverne Bouteille, the Plant had not yet been commissioned and were operating at less than 50 per cent of their capacity. According to records kept, the production of water was some 400 m<sup>3</sup> per day. This is low as compared to that mentioned in the condition of contract of the bidding documents. My Officers were

informed that the maximum capacity could not be achieved as a major component, namely the energy recovery device has broken down on one of the two trains at each plant.

Besides, the risk of operating equipment/plant which had not yet been commissioned, cannot be ignored.

### ***Conclusion***

It is a known fact that one of the main problems in Rodrigues is the shortage of water. There was an urgency on the part of the RRA to attend to this problem. Owing to the fact that an aggrieved bidder made an application for review at the IRP, the RRA issued a Certificate of Urgency certifying that urgent public interest considerations required 'the procurement proceedings to proceed'. The contract, awarded in October 2013 for an amount of some Rs 156 million, was terminated in February 2015 due to poor performance of the Contractor.

As of 30 April 2015:

- None of the four Desalination Plant had been commissioned. Two of them were not completely installed although some 35 per cent of the equipment procured had been delivered and were lying in the buildings constructed for housing these plant. As for the other two Plant, they were operating at some 50 per cent capacity each.
- Funds to the tune of some Rs 99.4 million have been disbursed up to 31 December 2014 for the supply and installation of the four Reverse Osmosis Desalination Plant. Advance payment of some Rs 14.8 million had not yet been recouped
- Action had not yet been taken to launch fresh tenders for the completion of the project. It was not known how much more the RRA would need to disburse to complete the Project. Cost estimates for completing the two Plant, which were operating at 50 per cent capacity, have been worked out. No cost estimates had been worked out for the other two Plant.
- In view of the fact that the problems of water shortage in Rodrigues had not been fully resolved, the Commission could not proceed with a revision of water tariff, which is being long awaited.

### ***Recommendation***

The shortage of water in Rodrigues needs to be given urgent attention. Action should be taken to complete all works at the four Desalination Plant in order to service their respective reservoirs for onward distribution of water to the inhabitants.

#### **4.4 Laying of Water Pipelines and Construction of Pumping Station at Anse Goeland**

Four separate contracts, for a total amount of Rs 36,914,321 were awarded to private Contractors for the laying of water pipelines to operate four Desalination Plant to service their respective reservoirs. Three of these contracts were awarded to one and same Contractor.

By splitting the contracts, which were of the same nature, bids were not referred to the Central Procurement Board for approval, the threshold being Rs 15 million. Economies of scale in

procurement and optimum use of administration resources in bid evaluations could also have been achieved, had the contract been awarded as a single project.

Further, a contract was also awarded for the construction of a Pump Station, including a 300 m<sup>3</sup> water tank and a pump house, at Anse Goeland, to act as an intermediate pumping station, for an amount of Rs 8,474,052.

The contract values and the amounts paid as of 31 December 2014 are as shown in Table 17

*Table 17 Contract Values and Amounts Paid as of 31 December 2014*

<b>Project No.</b>	<b>Project Name</b>	<b>Contractor</b>	<b>Date of Award of contract</b>	<b>Contract value (Rs)</b>	<b>Amount Paid (Rs)</b>
1	Water pipeline from Pointe Cotton Desalination Plant to Roche Bon Dieu Reservoir	A	20.1.14	12,767,546	8,869,777
2	Water pipeline from Pointe Venus Desalination Plant to Creve Coeur Reservoir	B	31.12.13	7,947,837	6,580,110
3	Water pipeline from Caverne Bouteille Desalination Plant to Vangasaille Reservoir	B	27.12.13	9,367,067	7,082,380
4	Water pipeline from Anse Goeland to Mt du Sable Reservoir	B	28.11.13	6,831,871	4,564,043
	<b>Sub-Total</b>			<b>36,914,321</b>	<b>27,096,310</b>
5	Pumping Station at Anse Goeland	A	02.12.13	8,474,052	6,937,561
	<b>Total</b>			<b>45,388,373</b>	<b>34,033,871</b>

#### **4.4.1 Project Financing**

Funds for a total amount of Rs 100 million were earmarked for the Desalination Project in 2014. Total expenditure incurred during the year was Rs 111.2 million, of which some Rs 34 million related to the laying of pipelines and the construction of the pumping station at Anse Goeland. Approval from the Ministry of Finance and Economic Development (MOFED) for the construction of the pumping station at a cost of some Rs 8.5 million was not sought.

#### **4.4.2 Cost Estimates**

A properly worked out cost estimate is an important yardstick used at the stage of bid evaluation, to gauge if the lowest responsive evaluated bid is fair and reasonable.

In respect of Project No 2, the lowest bid exceeded the cost estimates by some 29 per cent. Fresh tenders were launched.

For Projects No. 3 and No.4, the estimated costs exceeded the lowest evaluated bid by some 39 and 37 per cent respectively.

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

For the pipe laying projects, which are not common in Rodrigues, it was difficult to obtain accurate market rates. However, comments of the National Audit Office have been noted for future guidance.

#### ***4.4.3 Bid Evaluation Procedures***

##### *Constitution of Bid Evaluation Committee*

The Commission did not maintain a list of qualified Evaluators. Members of the Bid Evaluation Committee were selected mainly from the technical staff of the Commission for Public Infrastructure.

##### *Evaluation of Bids*

During bid evaluation, in one case, although qualification criterion was not met, contract was awarded to a particular bidder. In another case, clarifications were not sought from a competitive bidder and the bid was rejected due to an omission which was not clarified. These are illustrated in the two cases described below:

- Project 3 - Laying of Water Pipeline from Caverne Bouteille Desalination Plant to Vangasaille Reservoir. Tenders were invited through Restricted Bidding, for the above project. The responsiveness of the bids received was evaluated by the Bid Evaluation Committee (BEC). The successful bidder provided only one excavator instead of two, contrary to what was prescribed in the bidding documents. Although criterion was not met, this had been considered as a minor deviation during the bid evaluation stage. The bidder was awarded the contract on 27 December 2013 for an amount of Rs 9,367,067.
- Project 5 - Pumping Station at Anse Goeland. Tenders were invited using Open Advertised Bidding as method of procurement. Five bidders responded to the invitation, and on 2 December 2013, the successful bidder was awarded the contract for an amount of Rs 8,474,052. The works were to be completed within a period of 112 days from the date of start of contract.

During evaluation of bids, a competitive bid for an amount of Rs 7,590,000 was rejected by the BEC due to 'non submission of a programme of work'. This was considered as a major deviation since it was viewed that time was of essence for such contract.

I was informed that the bid was rejected in accordance with paragraph 2.5 of the Evaluation Guide issued by the PPO. However, the BEC could have had recourse to Section 37 of Public Procurement Act (PPA) which provides that a Public Body may seek clarification during the examination of bids from any bidder to facilitate evaluation.

#### **4.4.4 Compliance with Terms and Conditions of Contract**

##### *Performance Security*

General Conditions of Contract (GCC) stipulates that the performance security shall be valid until the Contractor has executed and completed the works and remedied any defects. In the Letters of Award issued to the Contractors, it was stated that the performance guarantee/security should be valid up to 28 days after the issuance of the Defects Liability Certificate. However, in respect of four projects, the Performance Security expired before the end of the Defects Liability Period.

##### *Insurance Policy*

According to the General Conditions of Contract, the '*Insurance shall be for at least the amount which is stated in the Appendix to Tender*', which is Rs 5 million for any occurrence or series of occurrences arising out of any event. However, with regards to Projects No. 2, 3 and 4, no mention was made of the amount insured for the 'Contractors All Risks and Third Party Insurance'.

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

The Contractor has initially submitted only covers of the certificate of insurance. The full insurance policy was submitted later on 6 August 2014, after completion of the projects. The Third Party liabilities are covered up to an amount of Rs 45 million.

#### **4.4.5 Delay in Completion of Work**

The completion of all five projects was delayed.

For Projects No. 2 and 3, liquidated damages had been applied. However, same had been understated to the extent that 'extension of time' of 21 days for delays on account of shipment of materials was allowed. No documentary evidence to that effect was available at the Commission.

As for the other three projects, liquidated damages had not yet been computed.

#### **4.4.6 Lack of Site Supervision**

In respect of the project '*Water Pipeline from Anse Goeland Desalination Plant to Mt du Sable Reservoir*', bids were invited on 18 September 2013 through Open Advertised Bidding. Seven bids were received, of which four were substantially responsive.

On 31 October 2013, the BEC approved that the contract be awarded to the Lowest Responsive Evaluated bidder, subject to the latter providing a Contract Manager and a full time Site Technician for supervising the works.

During the site meeting held on 21 May 2014, the Consultant stated that the Contract Manager had not attended site meetings since the start of the project and the necessary 'superintendence' for proper and timely execution of the Contractor's obligation was not provided. Consequently, an amount of Rs 196,879 was deducted from the Contractor's claim. This remedy for breach of a fundamental qualification criteria, as specified in the bidding

documents, might not be adequate. In the absence of supervision, it was not known whether works had actually been carried out as per design and specifications.

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

Supervision of works has been carried out by the Consultant's site technician, instead.

#### ***4.4.7 Laboratory Testing***

According to specifications for pipe laying works, laboratory tests concerning cement concrete and concrete aggregates, soil material for sub-base, aggregates for bituminous surfacing and bituminous materials shall be carried out by the Contractor. However, tests carried out in laboratories of the Contractor or nominated Sub-Contractor were not commented upon by the Engineer to confirm whether facilities available in these laboratories were adequate to carry out control tests on material or workmanship. According to the specifications '*if in the opinion of the Engineer, facilities of the laboratory are inadequate, such tests shall be carried out by a Testing Authority*'

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

On 6 April 2015, a site visit was carried out by my Officers, accompanied by Officers of the Water Unit, at the Pumping Station at Anse Goeland. It was observed that the pumping station could not be operated although having been practically handed over to the Commission since 10 July 2014. This was due to the non-completion of the Desalination Plant at Baie Malgache.

During another visit, it was observed that the water pipelines laid from Pointe Cotton to Roche Bon Dieu, having been practically completed on 11 June 2014, were also not being used for water distribution.

### ***Recommendations***

#### ***➤ Preparation of Cost Estimates***

Surveys should be carried out to assess the exact scope of works. The computation of costs should take into account all relevant components/accessories/parts required at the most competitive prices, following a market survey. A breakdown or workings of the cost estimate needs to be prepared.

#### ***➤ Procurement***

The advice of the Procurement Policy Office should be sought in cases of difficulties in applying the procurement laws and regulations

#### ***➤ Terms and Conditions of Contract***

The Commission should ensure that the terms and conditions of contract in respect of performance security and insurance cover are respected before recommending the release of any payments. Extension of time should be fairly given on the basis of documentary evidence. Laboratory testing should be done as per specifications.



## 5 - COMMISSION FOR HEALTH AND SPORTS

### 5.1 Underutilisation of Assets

The Commission for Health and Sports has under its control, assets, including buildings and items of equipment, valued at several million of rupees, in its endeavour to provide efficient and high quality health services to the inhabitants of Rodrigues.

It is essential that these assets are properly recorded, safeguarded and used for the intended purposes. Asset management was not adequate in that several items were either out of order, underutilised or idle for a significant period of time. The following were noted:

#### 5.1.1 CT Scanner

In the 2013 Budget Speech of the Rodrigues Regional Assembly (RRA), measures were announced to purchase a CT Scanner for the Queen Elizabeth Hospital. In that connection, in 2013, provision was made for an amount of Rs 30 million under Vote Item 702: '*Medical Equipment and Furniture*'.

Tendering procedures were initiated at the level of the Ministry of Health and Quality of life (MOHQL) and the contract for the supply, installation and commissioning of a CT scanner was awarded to a supplier for the sum of Rs 25,735,000 on 20 September 2013. The equipment was expected to be delivered during the period 19 to 27 December 2013. It was received in Rodrigues on 13 January 2014 and installed/commissioned successfully in March 2014.

After a few months of operation, the CT Scanner broke down. It was not available for use from 14 November to 6 December 2014. At time of audit in Rodrigues, in mid April 2015, the Scanner was again found to be out of order and this since 2 March 2015. Clause 28.5 of the General Condition of Contract (GCC) stipulates that, in case of breakdown of the equipment under warranty, the supplier should arrange for same to be repaired within 12 hours (on any day) from being so informed. This was not so.

For the operation of the CT scanner, it is important that the Air Conditioning (AC) Unit functions properly. On 22 January 2015, the attention of the supplier was drawn to the effect that the AC Unit was not functioning. An additional air conditioner was installed by the Commission on 27 February 2015, a month later, and the CT Scanner was operational again. After one week, the CT Scanner broke down once more and reported 'error code'. The supplier was informed accordingly.

For the period 2 March to 16 April 2015, when the equipment was out of order, four patients were referred to Mauritius for diagnosis. Moreover, 17 patients were officially registered on the waiting list for a CT Scan as of 16 April 2015.

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

The operation of the CT Scanner is being followed up very closely in collaboration with the Ministry of Health which administers the contract. A letter was addressed to the Ministry on 17 April 2015 to request that part of the performance security of the supplier of the equipment be withheld so as to cover for the prejudice caused to the Commission. As of 24 June 2015, the CT Scanner was fully operational and the number of CT scans performed was 273 for the period July to December 2014, and 150 for the period January to June 2015.

### ***5.1.2 Reconversion of Ex-Paediatric Ward into ICU/Cardiac Unit***

The Ex-Paediatric Ward at the Queen Elizabeth Hospital was to be converted into a modern ICU/Cardiac Unit. Following tender procedures, the contract was awarded to a private Contractor on 24 April 2014 for the sum of Rs 6,167,935, inclusive of Contingencies and VAT.

It was about a month later that the site was handed over to the Contractor, thus delaying the execution of the project. The works were completed at the end of 2014.

As of mid April 2015, four months after the completion of the contract, the ICU/Cardiac Unit was not yet operational, as only part of the medical equipment to be used therein had been procured. In the meantime, the infrastructure for the ICU/Cardiac Unit was not being used.

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

A first part of the medical equipment pertaining to the new ICU has been ordered and delivered. Furthermore, a second batch of equipment is under procurement process. Once all the main equipment are installed, necessary arrangements will be made for the shifting of the actual ICU in the new building.

### ***5.1.3 Supply, Installation and Commissioning of Medical Equipment***

Four firms were awarded the contract for the supply, installation and commissioning of various items of medical equipment at the Queen Elizabeth Hospital on 10 October 2014 for a total amount of Rs 5,816,430, inclusive of VAT.

Included in the above was a portable ultra sound scanner for the Cardiology Department costing Rs 635,000 which was supplied, installed and commissioned on 20 January 2015. It was reported that the printer included therein was not of the appropriate model and was not compatible with the equipment delivered. As of mid April 2015, that is some three months after commissioning of the equipment, a new printer though stated to have been received in March 2015, was not yet installed and put to use. The portable ultra sound scanner could, therefore, not be used since its acquisition. Further, three months in the warranty period had already lapsed.

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

The equipment is now fully operational.

#### **5.1.4 X- Ray Department**

The contract for the supply, installation and commissioning of a Heavy Duty X- Ray Film Processor was awarded to a supplier on 1 October 2014 for an amount of Rs 464,840, inclusive of VAT. The equipment was received on 31 December 2014.

On 11 February 2015, the Supplier stated that response was being awaited, as regards the requirements that need to be met before installation and commissioning, in order to adhere to the manufacturer's recommendation for the safe and optimal use of the X-Ray Film Processor.

As of 15 April 2015, the equipment was lying idle in the corridor leading to the X-Ray unit.

Of the three portable X-Ray machines available at the Hospital, only the one kept at the Nursery was in good working condition. The other two machines were reported to be defective since some six months. No action had been taken to repair same.

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

The supplier of Automatic Film Processor is proceeding to Rodrigues before end of June 2015 for the installation and commissioning of same.

#### **5.1.5 New Maternity Block**

At paragraph 5.1 of the Audit Report for the year ended 31 December 2013, I reported that a new Maternity Block, comprising an Operating Theatre, an Intensive Care Unit and various Wards and Units was constructed in 2007 in the compound of the Queen Elizabeth Hospital at a cost of Rs 39,045,950 to provide enhanced service and to alleviate space constraint.

Some eight years later, optimum use had still not been made of this new Maternity Block. The Intensive Care Unit, although provided with all its amenities and which can accommodate up to six patients at a time, had not been used. The Operating Theatre which was also equipped with the basic amenities such as sciallytic lamp, had remained unused. As for the various rooms, meant to be used as Wards and Units, these were in an abandoned state.

Medical apparatus/equipment, ordered in April 2009 for a total amount of Rs 5.8 million, had not been fully used as the Maternity Block was not operational. It was stated that these apparatus/equipment had been distributed to other Units and Health Centres.

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

Provision has been made in the 2015 budget for the procurement of equipment for the Operation Theatre at the Maternity Ward. Procurement procedures are under way for same.

## 5.2 Marechal Swimming Pool

The Marechal swimming pool, of size 50 metres by 35 metres, and having a capacity of some 2,500 m<sup>3</sup>, was constructed in 2005 at a cost of some Rs 75.8 million. Given its dimension, the swimming pool fits in the Olympic norms and can be used for national and international swimming competitions.

Since its opening in 2006, the swimming pool had not been optimally used. Reasons ascribed for such a situation were:

- Inadequate water supply
- The rapid drawdown of the water level in the swimming pool
- The high running costs of the swimming pool, more particularly the electricity charges which amounted to an average of some Rs 100,000 monthly.

During physical inspections carried out by my Officers in April 2015, it was found that the compound, housing the swimming pool, was no longer opened to the public.

The following were noted:

- (a) The pool was only half full and the water was invaded with organic stains.
- (b) Gutters were fixed in different places in the swimming pool compound to take advantage of the Rain Water Harvesting System. However, part of the gutters was damaged and in several places, they were invaded with grass, hence limiting the quantity of rain water collected at the reservoir where it is filtered before being pumped into the swimming pool.
- (c) Two of the six filter plant were out of order. Water was leaking heavily from the filter plant, even though the stop valves were closed. Due to high humidity, most of the fittings have started to rust. The boiler used to heat the swimming pool was stated to be out of order since some six years, and of the 14 fluorescent tubes available in the 'Technical Room', only three were in good working condition.
- (d) The swimming pool for children was also in a neglected state. The feeder pipe, bringing in filtered water from the reservoir, was broken since long and had not been repaired.
- (e) The compound was not properly maintained. Grass had not been trimmed, and the surrounding fencing, in some places, was burdened with creepers. Grass was also growing on the pavement leading to the pool.
- (f) In the absence of records, it was difficult to ascertain since when exactly the swimming pool had not been open to the public. The Swimming Coach left on 10 January 2014. The staff, comprising a Swimming Pool Technician, two General Workers and one Handyman was most of the time idle.
- (g) Total costs incurred in 2014 for the maintenance of the swimming pool amounted to some Rs 1 million, with no activities being carried out.

## ***Conclusion***

Spending such a huge sum of money on an infrastructure and deriving no benefit therefrom is a matter of concern. The Commission needs to seriously look into the matter and makes same operational at the earliest for the benefit of the public in general and more particularly for athletes.

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

- The cost of electricity has dropped by some 50 per cent, following intervention with the Central Electricity Board in August 2012. When the pool is not in use, the electricity cost is lowered to around Rs 5,000 per month.
- The filter plant need repairs. Private expertise is being sought to look into the matter.
- Owing to the drastic decrease in water supply and the level of the pool water, the general treatment of water both in the large and small pool, was suspended at some point in time to save on chlorinated powder given that it is an expensive commodity.
- The necessary was done for repairs of gutters. However some special spare parts were not available on the local market, explaining the works pending at the level of the small pool. Needful is also done for more regular grass trimming and maintenance of the compound.
- A Management Committee chaired by the Departmental Head will be set up to review all the issues pertaining to the swimming pool. A technical survey by private experts has been arranged by the Commission of Health and Sports. Actions will be initiated accordingly following the recommendations of the survey.



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

### **6.1 Rehabilitation of Six Outer Lagoon Fishing boats**

Six outer lagoon fishing boats were used for fishing activities under the management of Rodrigues General Fishing Company Ltd, a company fully owned by the Rodrigues Regional Assembly (RRA), until March 2012. The Executive Council approved the winding up of the company in May 2012 and all fishing activities ceased. The boats were taken over by the Fisheries Research and Training Unit in September 2013, that is more than 15 months later. The boats were grounded at Pointe Monier boatyard. According to a survey carried out by an independent surveyor in November 2013, these boats have deteriorated to a large extent and required costly repairs.

#### **6.1.1 Financing of Project**

In January 2014, the Executive Council approved that an assessment be carried out by a Marine Engine Expert for rehabilitation works to the fishing boats. The assessment was carried out more than two months later, that is in April 2014. However, it was not known whether the company which had carried out the assessment, was a 'Marine Engine Expert'.

The cost of rehabilitation works was estimated at Rs 5,992,200. Same was to be met from Programme 215: *Sustainable Fisheries Development* of the Commission for Environment, Forestry, Tourism, Marine Parks and Fisheries, Item 31113006 : *Fisheries Development* for which an amount of Rs 2.5 million was provided for in the financial year 2014.

As per instructions issued by the Ministry of Finance and Economic Development (MOFED) in April 2011, Accounting Officers are required to obtain prior financial clearance from MOFED on all proposals that would entail additional provision or commitment of public funds. The approval of MOFED was not sought.

Total expenditure incurred under the above Item was Rs 16,371,674, of which Rs 7,062,000 related to the rehabilitation works. Payments had thus largely exceeded budgetary provision. Reallocations were made from other Programmes/Items to provide for additional funds.

#### **6.1.2 Procurement Method**

The Commission had recourse to Restricted Bidding, as method of procurement. The threshold set by the Public Procurement Act (PPA) for this type of procurement is Rs 5 million. However, the cost estimates of rehabilitation works amounted to Rs 5,992,200, hence exceeding the threshold.

The Restricted Bidding method pre-supposes that the Public Body has a database or a list of potential suppliers. Such database/list was not available.

Five potential suppliers were invited to bid for the provision of rehabilitation works for the six fishing boats. Only two of them responded. As per the Public Procurement Regulations (2008) '*No decision as to the acceptance or rejection of any bid shall be taken or announced*

*in the bid opening session*'. Yet, the DBC decided to award the contract to company K, the lowest responsive bid for the sum of Rs 5,520,000 exclusive of VAT, on 26 June 2014 that is, same as the closing date for submission of bids and also on the day of the opening of bids.

### ***6.1.3 Delay in Completion of Works***

In the meantime, the contract for the rehabilitation works was awarded on 30 June 2014. The site was handed over to the Contractor on 15 July 2014. Works were scheduled for completion on 12 September 2014, after allowing for an extension of time of 15 days for additional works. On 3 October 2014, the boats were handed over. Liquidated damages had not been applied.

### ***6.1.4 Additional Works***

The Departmental Bid Committee (DBC) approved additional works for an amount of Rs 714,000 on 15 September 2014, based on a statement made by the Marine Engine Expert to the effect that additional works had to be carried out, as recommended by the Contractor itself. It was not known whether these additional works could have been foreseen at the time the assessment of work was carried out in April 2014.

### ***Conclusion***

The Commission proceeded with the rehabilitation of the six boats without considering whether it would have been more advantageous to replace the engines and auxiliary systems rather than repairing same.

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

The decision to go for the rehabilitation works was based on the report of the Consultant who recommended that the engines and auxiliary systems be repaired.

## **6.2 Assistance to Professional Fishermen**

I had, in the past, drawn attention to the fact that overpayments of Bad Weather Allowance for a total amount of Rs 15,394,731 arising in the year 2006-07, had not yet been recouped. During 2013, arrears of allowances amounting to Rs 15,706,562 had been paid to fishermen, without considering the possibility to recoup the overpayments at that point in time.

As of 30 April 2015, the overpayments of allowances had still not been recouped.

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

An investigation is being conducted into the issue of alleged overpayment and the circumstances to determine the future course of actions.



