Rodrigues Regional Assembly

Annual Financial Statements

13.1 Introduction

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

The accounts of the RRA for the year ended 30 June 2008 were closed on 11 August 2008 and the approved Financial Statements were submitted to the National Audit Office on 19 August 2008.

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

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

- Ensuring that public funds are only used to the extent and for the purpose intended by the National Assembly; and

- The safe custody of assets and stores.

The draft estimates, for the year ended 30 June 2008, were approved by the Regional Assembly on 26 March 2007. They were submitted to the Minister on 03 April 2007 and approved by Government on 27 April 2007.

13.2 Assets and Liabilities of the Rodrigues Regional Assembly

The figures of assets and liabilities of the RRA for the four fiscal years to 2007-08 are shown in Table 13-1.
Table 13-1  Assets and Liabilities as of 30 June of the four fiscal years to 2007-08

<table>
<thead>
<tr>
<th></th>
<th>2004-05 Rs</th>
<th>2005-06 Rs</th>
<th>2006-07 Rs</th>
<th>2007-08 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>13,174,330</td>
<td>15,350,176</td>
<td>14,361,830</td>
<td>64,706,292</td>
</tr>
<tr>
<td>Advances</td>
<td>16,910,656</td>
<td>16,702,814</td>
<td>18,900,529</td>
<td>19,117,947</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,084,986</td>
<td>32,052,990</td>
<td>33,262,359</td>
<td>83,824,239</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated Fund</td>
<td>3,826,903</td>
<td>238,838</td>
<td>2,171,545</td>
<td>25,210</td>
</tr>
<tr>
<td>Capital Fund</td>
<td>39,227</td>
<td>121,300</td>
<td>121,536</td>
<td>30,479</td>
</tr>
<tr>
<td>Deposits</td>
<td>9,240,472</td>
<td>14,307,361</td>
<td>11,774,137</td>
<td>63,177,372</td>
</tr>
<tr>
<td>Loan from Government of Mauritius</td>
<td>16,978,384</td>
<td>17,385,491</td>
<td>19,195,141</td>
<td>20,591,178</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,084,986</td>
<td>32,052,990</td>
<td>33,262,359</td>
<td>83,824,239</td>
</tr>
</tbody>
</table>

In accordance with Government Policy, the Statement of Assets and Liabilities is prepared on a cash basis. In such an accounting framework all the resources available at end of fiscal year and all commitments as at that date are not reflected. For examples, fixed assets purchased are not included and the pension liabilities and the passage benefits payable as of 30 June 2008 are not stated.

13.3  Deposits: Miscellaneous – Rs 45,515,348

In June 2008, RRA has transferred a total amount of Rs 45,503,017 from Capital Vote of two projects, “Desalination Project – Sea water desalination plants” and “Desalination Project – Brakish water purification plants” to the Deposits Account.

This accounting treatment is not correct and gives a wrong picture of Statement E1 “Detailed Statement of Expenditure of Rodrigues Capital Fund” and of the “Rodrigues Capital Fund” as accounted for in the “Statement of Assets and Liabilities as at 30 June 2008”. Thus the Detailed Statement of Expenditure of Rodrigues Capital Fund is overstated by an amount of Rs 45,503,017 which represents expenditure which has not actually been incurred by the RRA, but instead transferred to Deposits Account to meet future payments under the two projects. The practice of retaining funds in deposits account is not in accordance with good financial management principles.
13.4 Revenue and Expenditure of Rodrigues Consolidated Fund

Out-turn

The revenue of the Rodrigues Consolidated Fund for the year ended 30 June 2008 amounted to Rs 938,472,849 while expenditure totalled Rs 940,619,184, resulting in a deficit of Rs 2,146,335 for 2007-08.

13.5 Recurrent Revenue

The actual contribution from the Central Government (Rs 920,834,486) exceeded the budgeted amount (Rs 895,360,010) by Rs 25,474,476. In addition, revenue from licences, receipts from public utilities, receipts from public services and rental of Government property showed a shortfall of Rs 7,001,607 in collection against the budgeted amount of Rs 24,639,970.

13.6 Arrears of Revenue

The arrears of revenue for the four years to 2007-08 are given in Table 13-2.

Table 13-2 Arrears of Revenue for the four fiscal years to 2007-08

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Arrears Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>4,151,511</td>
</tr>
<tr>
<td>2005-06</td>
<td>5,942,544</td>
</tr>
<tr>
<td>2006-07</td>
<td>5,945,871</td>
</tr>
<tr>
<td>2007-08</td>
<td>8,180,370</td>
</tr>
</tbody>
</table>

During the past four fiscal years, the arrears of revenue figure are increasing year by year to reach Rs 8,180,370 as of 30 June 2008. The arrears figure at 30 June 2008 has increased by 97 per cent compared to that of 30 June 2005. No concrete actions are being taken by the RRA to recover the amounts due.
13.7 Review of Past Audit Reports

13.7.1 Assistance to Professional Fishermen

At paragraph 13.7 of the 2006-07 Audit Report, it was highlighted that payments of bad weather allowance (BWA) by the RRA were not made according to criteria decided by Government and that the amount overpaid as of June 2007 stood at some Rs 15.39 million.

BWA paid to registered professional fishermen during the fiscal year 2007-08 amounted to Rs 21,475,300. During the period July to October 2007, the situation has not improved. The Chief Commissioner’s Office has continued to pay the BWA to fishermen, contrary to Government’s decision.

Payment of BWA for the period July to October 2007

Lagoon fishermen. The Island of Rodrigues has been divided into four zones for the assessment of the state of the sea in the lagoon.

BWA amounting to Rs 6,826,820 was paid to fishermen involved in fishing activities in the lagoon. However, payments were not effected in accordance with the zoning as established by Government.

The BWA was calculated on a fixed sum of Rs 1,085, representing 7 days’ allowance payable to all fishermen instead of the bad weather days declared by the Meteorological Services.

Off-lagoon fishermen. Off-lagoon fishermen are those involved in high seas fishing activities. For the purpose of payment of BWA to off-lagoon fishermen, Government had decided that the state of the sea was to be the same everywhere.

The number of bad weather days was not taken into consideration for the payment of BWA to the off-lagoon fishermen, contrary to Government’s decision.

Off-lagoon fishermen were underpaid. For the period July to October 2007, an underpayment of Rs 1,867,440 has been noted due to the non-application of payment criteria as established by Government.

RRA’s Reply

The single rate for bad weather allowance was worked out in a sense of fairness and equity towards all fishers and within the voted provision of the budget.
13.8 Cadastral Office – State Lands

At paragraph 13.8 of the 2006-07 Audit Report, mention was made of the existence of two types of leases, year-to-year leases (Old Leases) and 10 to 20 year leases (New Leases). Prior to July 1989, state lands were leased on a year-to-year basis by the Agricultural Services for residential, commercial, agricultural and farming purposes. As from 1 July 1989, state lands are leased on a 10-year period for agricultural and farming purposes and on a 20-year period for residential and commercial purposes.

13.8.1 Year-to-Year Leases

Different rates of leases from R 1 per perche to Rs 20 per arpent were charged annually.

- No action was initiated by the Cadastral Office for the conversion of 9,838 old leases, as of 30 June 2008, into new leases. Delay in their conversion implies a shortfall in rent collection since the annual rent of the new leases varies from Rs 100 to Rs 1,500.

- Cases were noted where rent had not been paid for several years as far back as year 1955. The probability of collecting the outstanding amount is remote.

- The revenue cards of lessees were not serially numbered. The cards might be misplaced or lost without being detected. The completeness of all lessees could not therefore be ascertained.

RRA’s Reply

As from 1 July 2008, arrangement has been made by the Cadastral Office not to accept payment for such leases. Since 1 July 2008, the old system of revenue cards will be gradually and automatically phased out. However, for record purposes the cards will be sorted out and serially numbered for completeness as well as for future inquiries.

13.8.2 10 to 20 Year Leases for Residential Purposes

Three cases were noted where state lands were leased for construction of residential buildings. However, the buildings were leased to foreigners, contrary to the spirit of the lease agreements.

RRA’s Reply

The RRA is presently in the process of seeking legal advice on actions that can be initiated against the lessees and whether the lease can be cancelled in such cases.

13.8.3 Arrears of State Land Rent – Rs 6,460,787

Rent due by year-to-year lessees was not included in the returns of arrears of state lands as of 30 June 2008. The arrears figure in respect of 5,785 lessees stood at Rs 1,692,676.
13.9 **Construction of Community Schools at Araucaria and Montagne Charlot – Rs 50,267,661**

Contract for the construction of two Community schools, each at Araucaria and Montagne Charlot, was awarded to a Contractor on 18 April 2006 for the amount of Rs 28,010,866 and Rs 22,256,795 (both VAT inclusive) respectively. For both schools, works started on 22 May 2006 and were scheduled for completion on 22 May 2007.

In July 2007, the Project Consultant reported that the project might not be completed by mid-November 2007 since progress of works was slow. On 28 August 2007, the Commission for Education decided to determine the contract. However, the Contractor continued the works on site until 20 February 2008 when the contract was terminated. On 6 February 2008, the completion rate of works at Araucaria and Montagne Charlot Community schools was estimated at 70 per cent and 40 per cent respectively.

In November 2007, the Contractor applied for extension of time for 243 days. However, the latter did not substantiate the application for extension of time as requested by the Consultant. Liquidated damages at the rate of Rs 5,000 per calendar day were not charged to the Contractor.

13.10 **Review of Past Audit Report**

13.10.1 **Construction of a Regional Cultural and Leisure Centre – Rs 48,197,728**

At paragraph 13.9 of the 2006-07 Audit Report, mention was made for the construction of a Regional Cultural and Leisure Centre at Malabar. The contract was awarded to a Joint Venture for the sum of Rs 48,197,728, inclusive of VAT. Works started on 26 July 2005 and was scheduled for completion on 22 May 2006. As of 30 June 2008, the amount paid totalled Rs 36,774,088, including VAT.

The works were completed on 31 October 2006 but was taken over by the Commission on 5 April 2007, i.e after a delay of five months. On 23 October 2007, an amount of Rs 295,967, including VAT, was paid to the Joint Venture for prolonged stay on site. This payment may be considered as nugatory.

The contract provided for stage lighting and public address systems under the prime cost sum for a total amount of Rs 1,797,500. On 24 March 2007, the Commission requested the Joint Venture not to go ahead with the supply and installation of the stage lighting and public address systems as there were proposals from foreign Embassies to supply same. In August 2008, the Centre was not yet equipped with these systems.

Except for the theatre room, the videotheque and the mediateque rooms were not being utilised due to lack of furniture and equipment since completion of works in October 2006.
**RRA’s Reply**

The other sections will be utilised as from December 2008 pending the receipt of equipment and furniture. Tenders have already been launched for the supply of same.
13.11 Review of Past Audit Reports

**13.11.1 Upgrading of Public Beach at St Francois - Rs 7,693,500**

With reference to paragraph 13.11 of the 2006-07 Audit Report, contract for the upgrading of public beach at St Francois was awarded to a Contractor on 18 November 2005 for the sum of Rs 7,693,500, inclusive of VAT. Works started on 14 December 2005 and were to be completed on 14 July 2006. The completion date was extended to 22 October 2006.

According to the Contractor, works were already completed on 21 November 2006. The Consultant advised the Commission to take over the site on three occasions. The site was finally taken over on 5 February 2007. On 18 December 2007, the Consultant issued a payment certificate for Rs 1,156,207, including an amount of Rs 836,780 as costs for prolonged stay on site. On 5 June 2008, the Contractor requested the Commission to effect that payment and also notified that interest at the rate of 15.5 per cent would be payable until date of payment, as per contract. As of 22 August 2008, no payment was effected by the Commission.

In August 2008, the Fish Landing Station was not yet handed over to the Fisheries Protection Services and was unoccupied.

**13.11.2 Construction of 65 Low Cost Housing Units in Rodrigues – Rs 9,194,250**

At paragraph 13.13.4 of the 2006-07 Audit Report, mention was made about the construction of 65 individual housing units with a floor area of 24 m² per unit, scattered over 36 regions around the island, for the victims whose houses were completely damaged during cyclone Kalundé. In March 2004, the contract for the construction works was awarded to a Contractor for the sum of Rs 9,194,250, inclusive of VAT. Works started in July 2004 and were to be completed in December 2004. The contract period was extended on six occasions for some 11 months, bringing the new completion date to February 2008.

As of 31 July 2008, an amount of Rs 7,111,173 has been paid to the Contractor.

- Construction works in all the housing units which should have been completed in December 2004 were not completed in July 2008, i.e more than four years since award of contract. Instead of sanctioning the Contractor for not completing the works, the contract period was extended by the Commission on six instances for some 11 months.

- Despite extension of time awarded, works were practically completed on 10 April 2008 on 64 housing units, except for one at Le Chou. The heirs of the beneficiary were awaiting completion of works to move in. It was reported that the Contractor has left the
site. No instruction was issued by the Commission to the Contractor to complete the outstanding works.

- As of 31 July 2008, the 64 housing units were already occupied by beneficiaries. No deed of transfer of the housing units to the beneficiaries was made.

- The performance bond which has expired on 15 September 2007 was not extended by the Contractor to cover the defects liability period which will end on 10 April 2009.

13.11.3 Self-Help Low Cost Housing Scheme

With reference to paragraph 13.12 of the 2006-07 Audit Report, the Executive Council had in December 2007, approved the construction of 157 low cost housing units for the vulnerable groups. The scheme is on a self-help basis where the Commission is to provide construction materials to the beneficiaries, in six zones and to monitor and supervise the works while the beneficiaries are to provide labour.

- As of 31 July 2008, no Monitoring Committee responsible for monitoring progress of works has been set up, contrary to the decision taken by the Commission in October 2006 and again in May 2008.

- As of 31 July 2008, 163 beneficiaries have been provided with construction materials. Approval of the Executive Council for the additional six beneficiaries was not produced. The basis for selecting the beneficiaries was not known. Also, no criteria were defined for eligibility of construction materials under this scheme.

- An amount of Rs 181,125 was paid to a Contractor in June 2006 for the supply of 11,250 units of blocks 4”. At July 2008, two years later, the materials have not been delivered.

- The quantities of materials distributed to beneficiaries of Zones I and III were not available due to absence of site record books for the two zones. Hence, it could not be ascertained whether all materials already paid for have actually been delivered to the beneficiaries.

- As of 31 July 2008, works in five housing units have not started, although materials had been delivered to the beneficiaries since November 2006.

- Out of 131 housing units in Zones II, IV, V and VI, construction works in 108 units were at beam level at July 2008. The beneficiaries were awaiting supply of cement and lagoon sand to proceed with the casting of their roof slabs, some since May 2007. The late delivery of materials by the Contractor would delay construction of the housing units.

- Concrete blocks 6” had been delivered in excess of requirements to some beneficiaries where the construction works had attained beam level.


Supply and delivery of lagoon sand

In September 2007, the Commission approved the quotation from a Contractor for the supply and delivery of 2,000 m³ of lagoon sand at the rate of Rs 358 per m³.

No security deposit of Rs 71,600 was furnished by the Contractor, contrary to the condition of the quotation.

As of 29 February 2008, the Contractor had delivered only 56 m³ of lagoon sand. In the same month, the latter requested the Commission to cancel the contract. The Commission called for a second quotation on 10 March 2008 for the supply and delivery of 2,000 m³ of lagoon sand. Instead of sanctioning the Contractor, the Commission, on 23 April 2008, approved the quotation from the same Contractor at the quoted rate of Rs 428 per m³, i.e Rs 70 per m³ higher than that of the first quotation.

13.11.4 Government Grant for Casting of Roof Slab Scheme

The objective of this scheme is to fiscally support needy families for the construction of their houses on their private lands or lands leased from the RRA. The fiscal support in the form of a grant is provided to purchase building materials, to cast the roof slabs of houses and to meet the cost of demolishing old roof slabs and casting new roof slabs thereon.

The scheme exists since December 1997, with an initial fiscal assistance of up to Rs 30,000 per beneficiary. Since 5 April 2005, it was increased to a maximum of Rs 55,000. During the period May 2007 to July 2008, assistance amounting to Rs 11,046,315 has been disbursed to 312 beneficiaries under the scheme.

The Commission for Public Infrastructure acts as the agent of a Housing Company for the implementation of this scheme.

With reference to paragraph 13.13.3 of the 2006-07 Audit Report, the following were noted:

- The register kept at the Commission did not include the National Identity Card (NIC) numbers of the beneficiaries as a means of control. In the absence of NIC numbers, double payments might be effected to one and the same beneficiary. For instance, a case was noted where two beneficiaries, each residing at Bigarade and Mangues, have the same name.

- During the month of July 2008, 93 beneficiaries had received financial assistance totalling Rs 2,922,590 for casting of roof slabs. None of the agreements signed between these beneficiaries and the Housing Company was produced.

- In some cases where the applicants’ old roof slabs needed to be pulled down, the Engineer’s certificates were not seen.

- Among the conditions set by the Housing Company, the payment of financial assistance of the maximum of Rs 55,000 applies for roof slabs of up to 100 m², provided that the total area does not exceed 150 m². Six cases were noted where financial assistance was
provided for houses having more than 150 m² as per building permit. No action was initiated to recover the financial assistance for which they were not entitled.

- One of the conditions for eligibility of the financial assistance is for vertical extension only. 16 out of a sample of 20 beneficiaries’ files examined have revealed that financial assistance was granted for horizontal instead of vertical extension of their housing units.

- Monitoring was not being effected by the Commission once cheques were issued to the beneficiaries, to ascertain that the financial assistance provided were effectively used for the casting of roof slabs or purchase of building materials.

- There was no evidence that the Commission has referred cases of defaulting beneficiaries to the Housing Company.

*Site Visits*

The following were noted during site visits carried out in July 2008:

- A total amount of Rs 407,435 was provided to 13 beneficiaries during April 2002 to December 2007 for demolition of the old roof slabs and casting of new ones thereon. No new roof slabs were cast after the receipt of the financial assistance.

- In December 2006, a sum of Rs 38,060 was granted to a beneficiary of Anse Aux Anglais to cast roof slab on the extended part of his house. No new roof slab was cast and the extended part was covered with corrugated iron sheets.

- The houses of four beneficiaries who had received financial assistance totalling Rs 196,795 during July 2005 to December 2007, were leased to third parties while they were themselves residing elsewhere.
13.12 Construction of Maternity Ward at Queen Elizabeth Hospital, Creve Coeur
Rs 39,045,950

Contract for the construction of a maternity ward at Queen Elizabeth Hospital at Creve Coeur was awarded to a Contractor in March 2006 for an amount of Rs 39,045,950, including VAT. Works started on 17 April 2006 and were scheduled for completion on 15 July 2007. The practical completion certificate was issued on 22 November 2007.

In August 2008, the new Maternity Ward was not operational as no furniture and equipment have been provided to the Ward, although such request was made by the Health Director since January 2008.

13.12.1 Extension of Time

On 5 July 2007, the Contractor submitted a first application for extension of time for 27 days. A second application for extension of time till 30 November 2007 was submitted to the Commission on 22 November 2007. The reasons advanced by the Contractor were that approval and instructions to execute some works were given with delay and also for additional works.

➢ No details were available for the first application of extension of time.

➢ In July 2008, i.e after nearly eight months, approval for the second extension of time was not seen.

➢ Liquidated damages at the rate of Rs 5,000 per day were not charged to the Contractor although pre-final payment of Rs 4,489,720 had already been effected in January 2008.

RRA’s Reply

Any liquidated damages will be duly applied upon advice of the Engineer.

13.12.2 Payments

As of 30 June 2008, total payments effected to the Contractor amounted to Rs 39,975,282, inclusive of VAT.

An amount of Rs 929,332 has been paid in excess of contract value of Rs 39,045,950. The payments excluded the remaining 50 per cent of retention money, amounting to Rs 850,000 that would be released in the final payment.
13.12.3 Variation works

64 variation orders for a total amount of Rs 2,561,607 were executed by the Contractor. Written approval of the Consultant for variation works was not seen. Consequently, it could not be ascertained whether all variation works performed by the Contractor were authorised.

13.12.4 Submission of Test Certificates

In November 2007, the Consulting Engineer requested the Contractor to submit test certificates regarding cold water distribution, air conditioning and electrical power circuits.

In August 2008, none of the test certificates was seen.

13.12.5 Warranty Certificate

According to contract, the Contractor should provide a ten year guarantee against leaks and other defects. No warranty certificate was seen in files.

13.13 Extension works at Mont Lubin Health Centre – Rs 10,465,000

Contract for the extension works at Mont Lubin Health Centre was awarded to a Contractor on 11 October 2005 for the sum of Rs 10,465,000, including VAT. Works started on 7 November 2005 and were scheduled for completion on 10 July 2006. Completion date was extended to 16 August 2006. According to the Contractor, works were completed on 19 December 2007.

As of 30 June 2008, an amount of Rs 10,421,770 was paid to the Contractor, including retention money.

Of the eight new wards constructed, six were unfurnished and unoccupied, one is being used as dental clinic and the remaining one as store for the pharmacy. The store was not equipped with an air conditioning unit to provide the required temperature for the storage of drugs. This might lead to their rapid deterioration.

The Contractor has not applied for extension of time for period 17 August 2006 to 19 December 2007. Liquidated damages at the rate of Rs 2,000 per day, up to a maximum of 10 per cent of contract value, were not charged to the Contractor.

The Contractor has informed the Commission that works were completed on 19 December 2007. No practical completion certificate was issued by the Consultant.

RRA’s Reply

Procedures for the purchase of furniture of the remaining rooms are under process. As regards to the pharmacy store, an air-conditioner has already been purchased and will be installed shortly.
13.14 Collection of Water Charges

The Water Resources Unit is responsible for the collection of water charges and for managing water development projects. As of June 2008, expenditure totalling some Rs 503 million out of a total project value of Rs 915 million, has been spent on water development projects in Rodrigues.

- No program of work has been worked out for the installation of water meters island-wide. As of August 2008, out of 1,520 units of water meters acquired since November 2002, 1,363 units were still held in stores at Malabar.

- The actual amount collected for the fiscal year 2007-08 was only Rs 48,693 compared to Rs 74,656 for the previous fiscal year, i.e a decrease of 34 per cent.

- The arrears of revenue for water rates for the past five years ending 30 June 2008 are on the increase as shown in Table 13-3.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Arrears Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>279,717</td>
</tr>
<tr>
<td>2004-05</td>
<td>387,679</td>
</tr>
<tr>
<td>2005-06</td>
<td>615,485</td>
</tr>
<tr>
<td>2006-07</td>
<td>704,231</td>
</tr>
<tr>
<td>2007-08</td>
<td>890,231</td>
</tr>
</tbody>
</table>

The arrears figure for 2007-08 compared to 2003-04 has increased by more than three-fold. No action was taken by the Commission to recover these debts.

**RRA’s Reply**

A labour contract for the installation of these flow meters has already been awarded on 19 September 2008 and the work is expected to be completed by 1 December 2008.
13.15 Supply, Installation and Commissioning of three Containerised Reverse Osmosis Brackish Water Purification Plants - Rs 15,006,895

On 23 August 2007, the Commission floated tender for the supply, installation and commissioning of three containerised reverse osmosis brackish water purification plants at Camp du Roi, Fond La Digue and Baie Topaze borehole sites. On 30 November 2007, the Technical Evaluation Committee (TEC) recommended the lowest technically acceptable offer from a Contractor for the total amount of Rs 15,006,895, including VAT.

The Commission decided not to go ahead with the project of brackish purification plant at Fond La Digue borehole since another project for desalination of seawater at Songes and Pointe Venus was underway. The Central Tender Board (CTB) was thus requested to consider awarding contract for only two purification plants at Camp Du Roi and Baie Topaze regions for the total cost of Rs 9,164,062, including VAT. Approval from the CTB was obtained on 14 December 2007.

13.15.1 Award of Contract

On 24 December 2007, contract for the supply, installation and commissioning of two containerised reverse osmosis brackish water purification plants at Camp Du Roi and Baie Topaze boreholes was awarded to the Contractor. The works were to be carried out within 12 weeks as from date of award of contract. However, the Contractor in its acceptance letter dated 28 December 2007 stated that the contract would be completed within 12-16 weeks from signature of the contract, as per delivery terms in its offer. The contract was signed on 16 January 2008.

On 15 April 2008, a new contract for the purchase of the purification plant for Fond La Digue borehole, as decided at the start of project, was awarded to the Contractor for an amount of Rs 5,842,833, including VAT, on the ground of availability of funds. The Contractor agreed to execute the contract within 12-16 weeks from date of signature of contract, 18 April 2008.

In August 2008, the contract period for the supply, installation and commissioning of the water purification plants was not yet finalised with the Contractor, whether it being 12 weeks or 16 weeks, for the purpose of charging liquidated damages.

13.15.2 Training

As per contract, four weeks’ training were to be provided to staff of the Water Resources Unit on the purification plants. However, in August 2008, no personnel has been selected to follow the training.

13.15.3 Transfer of Funds

No payment has been made to the Contractor in August 2008. However, on 30 June 2008 an amount of Rs 13,701,948 was transferred from Capital Vote to Deposit Account as amount payable to the Contractor. This transfer of funds is contrary to financial regulations.
13.16 Review of Past Audit Reports

13.16.1 Construction of Reservoirs at Anse Baleine, Anse Quitor and Union – Rs 23,781,534

With reference to paragraph 13.15.1 of the 2006-07 Audit Report, mention was made for the construction of three reservoirs at Anse Baleine, Anse Quitor and Union. The reservoir at Union was to act as a service reservoir for the region around it with water coming mainly from the proposed Pavé La Bonté Dam. Since the project for construction of Pavé La Bonté Dam was turned down by the Central Tender Board in June 2006, the Commission did not go ahead with the construction of the reservoir at Union.

As of 18 July 2008, a total amount of Rs 15,968,557 was already paid to the Contractor for two reservoirs at Anse Baleine and Anse Quitor. The practical completion certificates were not issued by the Project Consultant although the reservoirs were practically handed over in June 2007. Testing and commissioning were not done for the Anse Baleine reservoir.

RRA’s Reply

The Commission has decided to withhold payment of the Project Consultant’s final claim unless he submits the required document. As regards to the reservoir at Anse Baleine testing cannot be carried out as water is still not available.

13.16.2 Liquidated Damages not Charged to Contractors for Water Supply Projects

With reference to paragraphs, 13.16 and 13.17.1 of the 2006-07 Audit Report, mention was made of the delay in completion of works for water supply project at Accacia, for the construction of new pipelines and in the supply of two pumps at Mourouk pumping station.

Liquidated damages, as per contract, totalling Rs 933,710 were not charged to the Contractors as of August 2008 for late completion of works for three projects as given in Table 13-4.
Table 13-4  Liquidated Damages

<table>
<thead>
<tr>
<th>Project</th>
<th>Contract value VAT incl.</th>
<th>Contractual completion date/supply date</th>
<th>Actual completion date/supply date</th>
<th>Rate of LD</th>
<th>No of days/weeks delay</th>
<th>Amount of LD</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10,272,049</td>
<td>01.03.06</td>
<td>12.09.06</td>
<td>Rs 2,000/day</td>
<td>195 days</td>
<td>Rs 390,000</td>
</tr>
<tr>
<td>B</td>
<td>4,140,000</td>
<td>09.01.06</td>
<td>22.11.06</td>
<td>Rs 2,000/day or max. 10% CV</td>
<td>317 days</td>
<td>Rs 414,000</td>
</tr>
<tr>
<td>C</td>
<td>1,521,726</td>
<td>07.02.07</td>
<td>13.03.07</td>
<td>2% of delivered price/week</td>
<td>4.5 weeks</td>
<td>Rs 129,710</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>933,710</td>
</tr>
</tbody>
</table>

Note: LD - Liquidated Damage  CV – Contract Value

➢ For projects A and B, no liquidated damages were charged to the Contractors in spite of instructions given by the Commission to the Consultant and the Engineer in October 2007 to apply the appropriate penalty.

➢ For project B, although the site was officially handed over to the Commission on 22 November 2006, no practical completion certificate was issued. The retention money of Rs 129,018 was released in January 2008 to the Contractor without charging liquidated damages.

➢ For project C, the retention money of Rs 163,507 was released in June 2008, without assessing and charging liquidated damages to the Contractor.

RRA’s Reply

Project A: Any liquidated damage will be charged on the final payment and release of retention money.

Project B: Final payment was effected upon the recommendation of the Civil Engineer.

Project C: Necessary action is being taken to recover the cost of liquidated damage.