INTRODUCTION

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

The National Audit Office

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

Mandate of the Director of Audit

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

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

Section 16 of the Finance and Audit Act requires the Director of Audit to satisfy himself that:

- All reasonable precautions have been and are taken to safeguard the collection of public money;
- All laws, directions or instructions relating to public money have been and are duly observed;
- All money appropriated or otherwise disbursed is applied for the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it; and
- Adequate directions or instructions exist for the guidance of public officers entrusted with duties and functions connected with finance or storekeeping and that such directions or instructions have been and are duly observed.

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

Audit Methodology

At the core of the external audit function is the responsibility to ensure accountability of public funds. To discharge this responsibility NAO’s approach to audit involves the following:
Planning the audit to obtain relevant information in the most efficient manner and to
determine the audit procedures to be employed.

Evaluation and testing of the accounting and internal control systems.

Testing of control to ensure that procedures have been applied and that the relevant laws
and regulations have been complied with. Included is the testing of the validity,
completeness and accuracy of the accounts.

Reporting the audit findings based on the audit procedures performed.

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

Accounting Officer’s Responsibility

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

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

- the safe custody of assets and stores.

This Report to the RRA summarises the results of the audit work undertaken by the NAO
over the past twelve months, from 1 July 2006 to 30 June 2007 and highlight key issues
arising from it. Audit findings are discussed with the management of the entities being
audited. In addition, Accounting Officers are given the opportunity of commenting on the
“true and fair” view of those audit findings, which my Senior Officers and myself deemed to
be of significance and of a nature to be brought to the attention of the National Assembly.
The comments received by 15 November 2007 have been included in the Report.

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

DR R. JUGURNATH
Director of Audit

30 November 2007
2.1 Introduction

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

The accounts of the RRA for the year ended 30 June 2007 were closed on 31 July 2007 and the approved Financial Statements were submitted to the National Audit Office on 23 August 2007.

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 2007, were approved by the Regional Assembly on 4 April 2006. They were submitted to the Minister on 19 April 2006 and approved by Government on 22 May 2006.

2.2 Statement of Assets and Liabilities of the Rodrigues Regional Assembly

The figures of assets and liabilities of the RRA for the four financial years to 2006-07 are shown in Table 1.
### Table 1  Assets and Liabilities for the four financial years to 2006-07

<table>
<thead>
<tr>
<th></th>
<th>2003-04 Rs</th>
<th>2004-05 Rs</th>
<th>2005-06 Rs</th>
<th>2006-07 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>31,161,587</td>
<td>13,174,330</td>
<td>15,350,176</td>
<td>14,361,830</td>
</tr>
<tr>
<td>Advances</td>
<td>11,926,853</td>
<td>16,910,656</td>
<td>16,702,814</td>
<td>18,900,529</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,088,440</strong></td>
<td><strong>30,084,986</strong></td>
<td><strong>32,052,990</strong></td>
<td><strong>33,262,359</strong></td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2003-04 Rs</th>
<th>2004-05 Rs</th>
<th>2005-06 Rs</th>
<th>2006-07 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Fund</td>
<td>6,531,934</td>
<td>3,826,903</td>
<td>238,838</td>
<td>2,171,545</td>
</tr>
<tr>
<td>Capital Fund</td>
<td>2,718,152</td>
<td>39,227</td>
<td>121,300</td>
<td>121,536</td>
</tr>
<tr>
<td>Deposits</td>
<td>18,410,848</td>
<td>9,240,472</td>
<td>14,307,361</td>
<td>11,774,137</td>
</tr>
<tr>
<td>Loan from Government of Mauritius</td>
<td>15,427,506</td>
<td>16,978,384</td>
<td>17,385,491</td>
<td>19,195,141</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,088,440</strong></td>
<td><strong>30,084,986</strong></td>
<td><strong>32,052,990</strong></td>
<td><strong>33,262,359</strong></td>
</tr>
</tbody>
</table>

The Statement of Assets and Liabilities are prepared on a cash basis in accordance with government policy. I must point out that Statements prepared on a cash basis do not reflect all the resources available and all commitments of the RRA at end of period. Fixed assets purchased are not included and the pension liabilities and the passage benefits payable as of 30 June 2007 are not stated therein.

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

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

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

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

#### 2.3.1 Out-turn

The revenue of the Rodrigues Consolidated Fund for the year ended 30 June 2007 amounted to Rs 883,926,238 while expenditure totalled Rs 881,993,532, resulting in a surplus of Rs 1,932,706.

Table 2 shows the Recurrent Revenue and Expenditure for the four financial years to 2006-07.
Table 2 Recurrent Revenue and Expenditure for the four financial years to 2006-07

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Recurrent Revenue (Rs)</th>
<th>Recurrent Expenditure (Rs)</th>
<th>Surplus/(Deficit) (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>772,242,089</td>
<td>767,557,036</td>
<td>4,685,053</td>
</tr>
<tr>
<td>2004-05</td>
<td>819,547,475</td>
<td>822,252,507</td>
<td>(2,705,032)</td>
</tr>
<tr>
<td>2005-06</td>
<td>879,040,519</td>
<td>882,628,583</td>
<td>(3,588,064)</td>
</tr>
<tr>
<td>2006-07</td>
<td>883,926,238</td>
<td>881,993,532</td>
<td>1,932,706</td>
</tr>
</tbody>
</table>

Surplus for the year has been constantly decreasing being more pronounced in 2005-06 with a deficit of Rs 3,588,064. Nevertheless, a surplus of Rs 1,932,706 resulted in 2006-07. This surplus arose mainly due to an overall increase in revenue by 27.14 per cent compared to 2005-06, as shown in Table 3.

Table 3 Increase in Revenue in 2006-07

<table>
<thead>
<tr>
<th></th>
<th>2005-06 Rs</th>
<th>2006-07 Rs</th>
<th>Increase Rs</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences</td>
<td>1,744,123</td>
<td>2,131,220</td>
<td>387,097</td>
<td>22.19</td>
</tr>
<tr>
<td>Receipts from Public Utilities</td>
<td>231,464</td>
<td>393,875</td>
<td>162,411</td>
<td>70.16</td>
</tr>
<tr>
<td>Receipts from Public services</td>
<td>6,192,043</td>
<td>8,767,637</td>
<td>2,575,594</td>
<td>41.59</td>
</tr>
<tr>
<td>Rental of Government property</td>
<td>6,463,201</td>
<td>7,310,320</td>
<td>847,119</td>
<td>13.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,630,831</strong></td>
<td><strong>18,603,052</strong></td>
<td><strong>3,972,221</strong></td>
<td><strong>27.14</strong></td>
</tr>
</tbody>
</table>

2.3.2 Recurrent Revenue

As shown in Table 4, actual contribution from the Central Government has exceeded the budgeted amount by Rs 36,403,177. Though revenue from licences and rental of Government property have been increasing over the past three years, still a shortfall in collection against the budgeted amount was noted. The total shortfall in revenue for the year 2006-07 amounted to Rs 1,018,970.
Table 4  Budgeted and Actual Recurrent Revenue for 2006-07

<table>
<thead>
<tr>
<th>Items</th>
<th>Budgeted (Rs)</th>
<th>Actual (Rs)</th>
<th>Increase (Rs)</th>
<th>(Decrease) (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution</td>
<td>828,920,010</td>
<td>865,323,187</td>
<td>36,403,177</td>
<td></td>
</tr>
<tr>
<td>Licences</td>
<td>2,200,500</td>
<td>2,131,220</td>
<td>(69,280)</td>
<td></td>
</tr>
<tr>
<td>Receipts from Public Utilities</td>
<td>250,180</td>
<td>393,875</td>
<td>143,695</td>
<td></td>
</tr>
<tr>
<td>Receipts from Public services</td>
<td>5,619,280</td>
<td>8,767,637</td>
<td>3,148,357</td>
<td></td>
</tr>
<tr>
<td>Rental of Government property</td>
<td>8,260,010</td>
<td>7,310,320</td>
<td>(949,690)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>845,249,980</td>
<td>883,926,239</td>
<td>39,695,229</td>
<td>(1,018,970)</td>
</tr>
</tbody>
</table>

Revenue collections for the four financial years ending to 2006-07 are shown in Table 5.

Table 5  Revenue collections for the four financial years to 2006-07

<table>
<thead>
<tr>
<th>Items</th>
<th>2003-04 (Rs)</th>
<th>2004-05 (Rs)</th>
<th>2005-06 (Rs)</th>
<th>2006-07 (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences</td>
<td>928,128</td>
<td>1,882,176</td>
<td>1,744,123</td>
<td>2,131,220</td>
</tr>
<tr>
<td>Receipts from Public Utilities</td>
<td>331,550</td>
<td>236,932</td>
<td>231,464</td>
<td>393,875</td>
</tr>
<tr>
<td>Receipts from Public services</td>
<td>6,393,705</td>
<td>6,082,597</td>
<td>6,192,043</td>
<td>8,767,637</td>
</tr>
<tr>
<td>Rental of Government property</td>
<td>8,505,241</td>
<td>6,309,433</td>
<td>6,463,201</td>
<td>7,310,320</td>
</tr>
<tr>
<td>Interest, Royalties</td>
<td>266,576</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>16,425,200</td>
<td>14,511,138</td>
<td>14,630,831</td>
<td>18,603,052</td>
</tr>
</tbody>
</table>

Total revenue collected for the year 2006-07 has increased by 13.25 per cent compared to the year 2003-04. Revenue collected by the RRA in 2006-07 represented only 2.11 per cent of the total recurrent expenditure. Central Government’s contribution is therefore increasing year by year, as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>2003-04 (Rs)</th>
<th>2004-05 (Rs)</th>
<th>2005-06 (Rs)</th>
<th>2006-07 (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Contribution</td>
<td>755,816,889</td>
<td>805,036,337</td>
<td>864,409,688</td>
<td>865,323,187</td>
</tr>
</tbody>
</table>
2.3.3 *Recurrent Expenditure*

On the establishment of the RRA in October 2002, recurrent expenditure is showing an increasing trend year by year up to 30 June 2006 and stabilising in 2006-07. Table 6 refers.

*Table 6 Trend of Recurrent Expenditure*

<table>
<thead>
<tr>
<th>Period</th>
<th>Recurrent Expenditure Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2002 to June 2003</td>
<td>524,101,261</td>
</tr>
<tr>
<td>2003-04</td>
<td>767,557,036</td>
</tr>
<tr>
<td>2004-05</td>
<td>822,252,507</td>
</tr>
<tr>
<td>2005-06</td>
<td>882,628,583</td>
</tr>
<tr>
<td>2006-07</td>
<td>881,993,532</td>
</tr>
</tbody>
</table>

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

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

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

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

2.4.1 *Out-turn*

The revenue of the Rodrigues Capital Fund for the year ended 30 June 2007 amounted to Rs 273,999,566 while expenditure amounted to Rs 273,999,331 resulting in a surplus of Rs 235.
2.5 Statement of Arrears of Revenue

The arrears of revenue for the four years to 2006-07 are given in Table 7.

Table 7  Arrears of Revenue for the four financial years to 2006-07

<table>
<thead>
<tr>
<th>Division/Unit</th>
<th>2003-04 (Rs)</th>
<th>2004-05 (Rs)</th>
<th>2005-06 (Rs)</th>
<th>2006-07 (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisheries</td>
<td>39,213</td>
<td>49,220</td>
<td>45,492</td>
<td>57,842</td>
</tr>
<tr>
<td>Judicial</td>
<td>86,670</td>
<td>44,220</td>
<td>228,270</td>
<td>238,694</td>
</tr>
<tr>
<td>Rental of Government property (State Land)</td>
<td>2,607,999</td>
<td>3,311,142</td>
<td>4,754,110</td>
<td>4,497,454</td>
</tr>
<tr>
<td>Water Unit</td>
<td>279,717</td>
<td>387,679</td>
<td>615,485</td>
<td>704,231</td>
</tr>
<tr>
<td>Health and Sanitary</td>
<td>14,700</td>
<td>19,250</td>
<td>30,000</td>
<td>2,430</td>
</tr>
<tr>
<td>Rental of Stalls</td>
<td>340,000</td>
<td>340,000</td>
<td>269,187</td>
<td>445,220</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,368,299</strong></td>
<td><strong>4,151,511</strong></td>
<td><strong>5,942,544</strong></td>
<td><strong>5,945,871</strong></td>
</tr>
</tbody>
</table>

During the past four financial years, the arrears of revenue figure are increasing year by year to reach Rs 5,945,871 as of 30 June 2007. The arrears figure as of 30 June 2007 has increased by 76.5 per cent compared to that of 30 June 2004.

No aged list of debtors making up the arrears figure of Rs 5,945,871 as of 30 June 2007 has been compiled from the Returns submitted by the Commissions.

2.5.1 Rental of Government Property (State Land)

- The arrears of revenue of Rs 4,497,454 for the year ended 30 June 2007 was not correct. The following cases of omissions were noted.
  - The amount of rent due by lessees of “year-to-year leases” of state lands as of 30 June 2007, was not included in Statement I (Statement of Arrears of Revenue) of the RRA’s Financial Statements 2006-07; and
  - The amount due by beneficiaries as of 30 June 2007 under the project “Construction of 108 Housing Units in Rodrigues” was also not included in Statement I.

- As of 30 June 2007, cases were noted where rent was lastly paid since year 1963. Though the recovering of the outstanding amount is remote, no proper debt collecting mechanism has been set up to prevent recurrence of same. Also, no legal action was initiated by the RRA to recover the arrears which are increasing year by year.
CHIEF COMMISSIONER’S OFFICE

3.1 Advances – Rs 18,900,529

3.1.1 Advances Motorcar (RRA Members) - Rs 4,484,056

Advances amounting to Rs 403,800 and Rs 715,806 were granted to two former RRA members in May 2003 and July 2004 respectively. In both cases, the monthly instalments were last paid in August 2006. Amount due by both of them at June 2007 were Rs 121,296 and Rs 429,483 respectively.

In August 2005, a sum of Rs 360,000 was granted to another former RRA member for the purchase of a motor car. No vehicle was purchased. Instead, the advance was used to repair his old vehicle. As of June 2007, no action was initiated to have the whole sum advanced refunded with interest.

3.1.2 Advances Motorcycles - Rs 3,376,920

In September 2004 and October 2005, the sum of Rs 70,000 and Rs 45,853 were advanced to two Officers for the purchase of motorcycles. As of June 2007, no motorcycles were purchased. In the first case, the Officer used the advance to repair his van.

3.2 Assistance to Professional Fishermen

An allowance is paid to all registered professional fishermen on days which are declared as bad weather day by the Meteorological Services. The rate of bad weather allowance (BWA) was Rs 155 per day in 2006-07. As of June 2007, there were some 2,000 professional fishermen registered at the Fisheries Services. BWA paid to lagoon and off-lagoon fishermen during 2006-07 amounted to Rs 27,447,571

In June 2006, Government decided to change the payment criteria of BWA to fishermen. For that purpose, the island of Rodrigues has been divided into four zones, namely north, south, east and west, for the assessment of state of sea in the lagoon. As regards the off-lagoon, the state of the sea was to be the same everywhere. Other criteria for payment of the BWA, among others, are as follows:

- A bad weather day is defined as a day when the sea is rough, rough to moderate or moderate to rough.

- Computation for payment of BWA is done on a daily basis, excluding Sundays and public holidays.

The Government decision concerning the payment of BWA was to be applied with effect from June 2006.
Payments of BWA not in line with Government decision

Payments of BWA by the RRA were not made according to criteria decided by the Government. The Chief Commissioner’s Office has instead, devised and applied other various criteria for the computation and payment of BWA.

➢ BWA for period July 2006 to December 2006

Based on the criteria decided by the Government, most of the lagoon fishermen were eligible to a maximum of Rs 465 per month and some were not even eligible for BWA. However, in August 2006, the Executive Council decided to grant a supplementary assistance to fishermen to top up their allowance to Rs 1,000 for the six months ending December 2006. For instance, a supplementary assistance of Rs 845 was given to those fishermen eligible to a BWA of only Rs 155 in a certain month and Rs 1,000 for those who were not eligible at all. Consequently, for the period July 2006 to December 2006, an amount of Rs 11,619,365 was paid as supplementary assistance, contrary to Government decision. In fact, an amount of Rs 2,898,540 should have been paid in accordance with the criteria instead of Rs 14,517,905.

➢ BWA for period January 2007 to June 2007

Different criteria have been applied for the payment of BWA in each of the month of January 2007 to June 2007. The BWA have again been paid without taking into consideration the zones, off-lagoon fishing grounds and bad weather days declared by the Meteorological Services. Accordingly, the BWA totalling Rs 12,929,666 have been paid instead of only Rs 9,154,300, therefore resulting in an overpayment of Rs 3,775,366.

➢ Payment of End of Year Bonus 2006

BWA is payable to fishermen for bad weather days declared by the Meteorological Services. Hence, no end of year bonus is payable on this allowance.

In December 2006, bonus totalling some Rs 2 million was paid to the fishermen. Since bonus is not payable on BWA, this amount is therefore an overpayment.

Conclusion

The RRA has not paid BWA in accordance with the criteria decided by Government. An amount of Rs 27,447,571 has been paid as BWA to lagoon and off-lagoon fishermen for 2006-07. Had the BWA been paid on the basis of the new criteria the total amount payable would have amounted to Rs 12,052,840. An overpayment to an extent of Rs 15,394,731 has therefore been made in 2006-07.

3.3 Cadastral Office – State Lands

Prior to July 1989, state lands were leased on a year-to-year basis by the Agricultural Services for residential, commercial as well as for agricultural and farming purposes. These are referred to as “old leases”. As from 1 July 1989, state lands are leased on a 10-year period
for agricultural and farming purposes and 20-year period for residential and commercial purposes. These are referred to as ‘new leases’.

### 3.3.1 Year-to-year Leases (Old Leases)

Prior to July 1989, 3,692 year-to-year leases were granted. Different rates of leases from R 1 per perche to Rs 20 per arpent were charged annually.

- The revenue cards were disorderly kept and were not serially numbered. The completeness of all lessees could not therefore be ascertained.
- From a scrutiny of some revenue cards, cases were noted where rent was lastly paid since as far back as year 1963. In these cases, it is not known whether the lessees are still alive and whether they are still occupying the land or have abandoned it.
- As of August 2007, no survey was carried out to determine those lessees having passed away or left Rodrigues or have abandoned their leased lands. Thus, the recovery of rent in these circumstances was remote.

**RRA’s Reply**

A joint venture is undertaking a survey of all state land leases and their status. All heirs occupying the lands where the lessees have passed away or left Rodrigues or have abandoned their lease will be invited to submit fresh applications.

### 3.3.2 10 to 20 Year Leases for Residential/Commercial Purposes (New Leases)

In two cases, state lands at Pointe Cotton were leased for the construction of residential buildings. However, during a site visit effected by my Officers in July 2007, the houses were leased to foreigners, contrary to the spirit of the lease agreement.

**RRA’s Reply**

The two mentioned cases are referred to the Land Enforcement Unit for enquiry and actions.

### 3.3.3 Lease Agreements

As of 16 August 2007, the Cadastral Office had finalised a total of 8,550 lease agreements.

- As of August 2007, some 500 beneficiaries did not turn up for signature of lease agreements though letters of intent were sent to them since 1999.
- Only 7,900 out of 8,550 lease agreements were available at the Cadastral Office. As from 7 September 2006, only photocopies of the lease agreements were kept at this Office.
**RRA’s Reply**

The Land Enforcement Unit would be called to visit these beneficiaries to determine whether they are occupying the land and to arrange for the signing of the leases accordingly. Where the beneficiaries are not occupying the lands, these would be allocated to other applicants.

Lease agreements are being prepared in three copies since September 2007.

**3.3.4 Arrears of revenue**

- The rent due by ‘year-to-year’ lessees was not computed and included in the returns of state lands arrears as of 30 June 2007.

- No ageing analysis of the rent due was compiled at the Cadastral Office.

**RRA’s Reply**

The Revenue Collection Unit, recently set up by the RRA, is now enquiring on these cases and the arrears. The State Informatics Limited has been contacted to amend the Land Lease System for generating claims and for follow-up of arrears/ageing analysis.
DEPUTY CHIEF COMMISSIONER’S OFFICE

4.1 Construction of a Regional Cultural and Leisure Centre at Rodrigues
– Rs 48,197,728

In June 2005, contract for the construction of the Regional Cultural and Leisure Centre at Malabar was awarded to a Joint Venture for the sum of Rs 48,197,728, inclusive of VAT. The project started on 26 July 2005 and was scheduled for completion on 22 May 2006.

The Consultant was to be paid a fee of eight per cent of the contract value for management and supervision of the project.

- The works were actually completed on 31 October 2006, i.e. after a delay of 162 days. As of August 2007, the Commission has not approved the extension of time and has not claimed liquidated damages at the rate of Rs 10,000 per day from the Joint Venture. Also, no practical completion certificate was issued by the Consultant.

- The project was taken over by the Commission on 5 April 2007, i.e five months after completion date. Reason for the delay in taking over the building by the Commission was not known. As a result, the Contractor has applied for additional cost of Rs 257,363 plus VAT, for staying on site up to 5 April 2007.

- The performance bond for an amount of Rs 4,819,772 which had expired in October 2006 was not renewed as of August 2007 to cover the defects liability period.

- Contract for the consultancy services was awarded in June 2003 and that for the construction works in June 2005, i.e after two years. Based on the contract value of Rs 48,197,728, fees payable to the Consultant amounted to Rs 3,855,818. However, as of August 2007, an amount of Rs 4,206,020 has been paid to the Consultant. The excess amount of Rs 350,202 has not yet been recovered by the Commission.

RRA’s Reply

- The Commission has already approved the extension of time and claimed the liquidated and ascertained damages of Rs 300,000.

- There were delays in taking over the building because there were Regional Assembly elections in December last and direct contracts (curtains and amphitheatre) were being installed on site. The main Contractor was requested to keep the site for security insurance and safety purposes.

- Action is being initiated with the Consultant to refund the excess amount paid.
4.2 Kitchen/cafeteria equipment at Human Resource Centre (HRC) – Rs 856,793

In May 2003, equipment for the kitchen/cafeteria at the HRC were purchased for the sum of Rs 856,793. However, the equipment could not be installed mainly due to lack of space. Nevertheless, it is only two years later, i.e in May 2005 that modification works amounting to Rs 199,180 were carried out to the building to accommodate the equipment. Worse, as of August 2007, the equipment were still found in their packing state, more than four years after their purchase. No decision has been taken by the Commission for their eventual use. The warranty period has already expired and the risk of these equipment not functioning properly could be high.

RRA’s Reply

Most of the equipment have been handed over to the Industrial and Vocational Training Centre at Le Chou since September 2007.
5.1 Upgrading of Public Beach at St Francois – Rs 7,693,500

Contract for the upgrading of public beach at St Francois was awarded to a Contractor on 18 November 2005 for the amount of Rs 7,693,500, inclusive of VAT.

As of August 2007, total payments made to the Contractor amounted to Rs 6,885,132.

- No written approval from the Engineer of the Commission was seen for 21 variation works amounting to Rs 714,249. One item of variation works, construction of the stone masonry walls, has increased by more than two and a half times the billed quantity.

- Works were completed on 21 November 2006. The Project Consultant had drawn the attention of the Commission to take over the site on three instances. The site was finally taken over on 5 February 2007. No reasons were stated as to why the Commission has delayed in taking over the site by two and a half months.

- In July 2007, the Contractor intended to claim additional costs for the period 21 November 2006 to 5 February 2007 due to delay in taking over the site by the Commission.

- No practical completion certificate was seen and therefore the defect liability period could not be ascertained. No snag list was prepared by the Engineer of the Commission.

- The performance bond submitted by the Contractor has expired on 11 July 2007. This was not renewed to cover any defects liability period.

Extension of time

On 19 July 2007, the Contractor submitted an application for extension of time for the period 14 July 2006, when the works should have been completed, to 21 November 2006, when works actually completed. Approval for extension of time by the Commission was not seen as of August 2007. Liquidated damages at the rate of Rs 2,000 per day were also not claimed from the Contractor for delay in completion of works.

RRA’s Reply

A snag list has been drawn by the Architect. The claim for extension of time has already been assessed by the Consultant.

The shortcomings arose mainly because of a lack of technical staff for close monitoring at the level of the Commission during the implementation of the project.
5.2 Self-Help Low Cost Housing Scheme

In September 2006, the Executive Council approved the construction of 100 low cost housing units under the above scheme for the vulnerable groups. The scheme was on a self-help basis where the Commission was to provide construction materials to the beneficiaries, classified into six zones and to supervise the works while the beneficiaries were to provide labour. The beneficiaries had to construct the housing units of an area of 43.875 m² each as per the sets of drawing provided.

- At July 2007, 157 beneficiaries were selected under this scheme. The approval of the Executive Council to increase the number of beneficiaries from 100 to 157 was not seen.

- No criteria were defined for eligibility of construction materials under this scheme. Also, the basis for selecting the beneficiaries was not known.

- No agreement existed between the Commission and the beneficiaries to the fact that the materials supplied, estimated at Rs 138,218 per beneficiary, should be used exclusively for building housing units as per sets of drawing provided. Also, no time frame to complete the housing units was set.

- Payments to suppliers were effected before delivery of materials on sites. For instance, in June 2006 amounts of Rs 181,125 and Rs 1,748,853 were paid for the supply of 11,250 units of block 4” and materials for beneficiaries of zones I and III respectively.

As of end of July 2007, these materials had still not been delivered.

- Supervision by the Commission was not adequate. Construction materials were delivered by the suppliers in the absence of a representative of the Commission. The site record books were not signed by the Assistant Inspectors of Works and an Officer of the Stores section, as decided by the Housing Committee at its meeting held in October 2006. There was no evidence of any site visit effected by the Assistant Inspectors of Works responsible for the six zones and of any report thereof.

- Materials delivered appeared to be in excess of requirements in some cases because of the way the estimated quantity were calculated.

- Materials were delivered to a beneficiary before start-up of excavation works. These materials were found lying in the yard of the beneficiary and that of his mother.
5.3 Review of Past Audit Reports

5.3.1 Construction of Roads and Resurfacing Works

Further to paragraph 3.1 of the 2005-06 Audit Report the following were noted:

- Extension of time, ranging from 2 to 20 weeks, in five works orders were not yet approved by the Commission as of August 2007.

- In a sample of 17 works orders, 11 were completed after the contractual completion date and the delays varied from 1 to 32 weeks. Liquidated damages at the rate of 1/2000 of the value of the works order per day were not claimed from the Company.

- As of August 2007, no practical completion certificates were seen for six works orders which were completed since period May 2006 to November 2006.

Works Order No. 11: Variation Works – Rs 15,713,868

The works order was issued to the construction Company in November 2005 at an estimated cost of Rs 28,862,732. As of August 2007, amount paid to the Company totalled Rs 44,576,600. Payments to the tune of Rs 15,713,868, i.e 54 per cent related to variation works. This is not acceptable. According to the Central Tender Board (CTB) Act, any variation in a contract price that causes the total contract amount to exceed the prescribed amount by more than 20 per cent should be referred to the CTB for approval. The Commission should have to review the contract to ensure that the overall variation works do not exceed 20 per cent. However, if the variations were to exceed this limit, prior approval of the CTB should be obtained.

RRA’s Reply

The Commission will ensure that all variation works are confirmed in writing by the Engineer. Henceforth, the Commission will ensure that additional works does not exceed prescribed percentages. Variations have occurred due to omission or changes which have not been accounted for at the initial stage.

5.3.2 Construction of Offices and Library

(a) Office Block/Library at Port Mathurin: Project A

(b) New Administrative Block at La Ferme: Project B

With reference to paragraphs 3.2 and 3.6 of my 2005-06 Audit Report, the following were noted:
As of August 2007, extension of time was not yet approved by the Commission for the period 5 April 2005 to 21 September 2005 for project A and for period 12 November 2004 to 19 May 2005 in respect of the supply and laying of ceramic tiles for project B.

Regarding the fixing of wooden openings for project B, works were not completed at August 2007, although the contractual completion date was scheduled for 1 January 2005.

Liquidated damages were not charged to the Contractors for delay in completion of works for both projects.

The Contractors had not attended to most of the defects for project B as highlighted in my Report.

5.3.3 Government Grant for Casting of Roof Slab Scheme

The scheme is to financially support needy families for the construction of their houses on their private lands or lands leased from the Rodrigues Regional Assembly. Financial support in the form of a grant is provided to needy families having difficulties to purchase building materials, to cast the roof slabs of their houses and to meet the cost of demolishing old roof slabs and cast new roof slabs thereon.

The scheme existed since December 1997 with an initial financial assistance of up to Rs 30,000 per beneficiary. Since 5 April 2005, it was increased to a maximum of Rs 55,000. The grant is subject to the following conditions, among others:

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

In the absence of an office of a Housing Company in Rodrigues, the Commission for Public Infrastructure acts as the agent of the said company for the implementation of this scheme. An agreement is made between the beneficiary and the Housing Company upon the receipt of financial assistance.

During the period January 2004 to July 2007, assistance amounting to Rs 23,203,225 has been disbursed to 727 beneficiaries.

With reference to paragraph 3.3 of my 2005-06 Audit Report, the following were again noted:

- Cheques received from the Housing Company in favour of beneficiaries of the scheme were not taken on charge in a register at the Commission for control purposes.
- No register was introduced to record relevant information such as area of roof slab, date application approved, amount of financial assistance and date cheque issued.
Once the cheques were issued to beneficiaries, no monitoring was effected by the agent to ensure that the financial assistance has effectively been used for the intended purposes and in the prescribed delay.

**Agreements not produced**

27 beneficiaries had received financial assistance in May 2007 totalling Rs 944,955 for casting of roof slabs. None of the agreements, signed between these beneficiaries and the Housing Company was produced to my Officers.

**Certificate for roof slabs needing pulling down**

In cases where financial assistance was provided for demolition of old roof slabs and putting new roof slabs thereon, Engineer’s certificates to the effect that the applicants’ old roof slabs needed to be pulled down were not available.

**Roof slab area exceeding 150 m²**

The financial assistance to a maximum of Rs 55,000 is for roof slabs of area up to 100 m², provided that the total area, as per building permit, does not exceed 150 m². For roof slabs with total area exceeding 150 m², the applicants are therefore not eligible for the grant.

In five instances, financial assistance totalling Rs 195,585 was provided to applicants despite roof slabs area exceeded 150 m² as per building permit.

**Site Visits**

The following were noted during two site visits carried out by my Officers in July 2007.

- Nine beneficiaries have not pulled down their old roof slabs and not cast new ones thereon, seven to 28 months after the receipt of the financial assistance totalling Rs 203,300.

- Financial assistance of Rs 55,000 was provided in October 2005 to a beneficiary whose house was occupied by his relative while he was residing in his old house.

- The houses of two beneficiaries who had received financial assistance of Rs 50,000 and Rs 50,600 in July 2005 and October 2005 respectively were leased to foreigners while they were themselves residing elsewhere.

- In December 2006, financial assistance of Rs 38,060 was provided to a beneficiary to cast roof slab on the extension of his house. However, the extended part was covered with corrugated iron sheets.

- Two beneficiaries having received financial assistance of Rs 22,110 and Rs 27,200 in December 2006 and April 2002 respectively, have demolished part of their old roof slabs instead of the whole roof and new roof slabs were cast on that part only.
In December 2006, three beneficiaries had received financial assistance totalling Rs 100,100 to demolish their old roof slabs and put new ones thereon. The old roof slabs were not demolished. Instead, part of their old roof slabs was plastered.

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

At paragraph 3.4 of my 2005-06 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.

The contract for the construction works was awarded in March 2004 to a Contractor for the sum of Rs 9,194,250, inclusive of VAT. The contract was for a duration of five months. Works started on 2 July 2004 and was to be completed on 2 December 2004.

However, it was noted that extension of time on three instances for a total of 211 days, i.e seven months (and hence longer than the original time duration allotted), was granted to the Contractor, bringing the new completion date to 30 June 2005. Approval of the Central Tender Board (CTB) for granting of extension of time was not sought.

As from 1 July 2005, the Commission did not authorise the Contractor access to the sites. In November 2005, the Contractor was granted extension of time for three weeks starting from 17 November 2005.

In May 2006, covering approval was sought by the Commission for extension of time up to the final completion of the project. The CTB considered the request to be unrealistic and unacceptable and therefore turned it down.

In June 2006, following the non-approval of extension of time from the CTB, the Commission requested the Contractor to stop works. Nevertheless, in November 2006, extension of time of six weeks was granted by the Commission to allow the Contractor to complete the works. Works started on 8 January 2007 and were expected to be completed on 19 February 2007. At July 2007, total payment made to the Contractor amounted to Rs 6,591,340.

As of July 2007, i.e some 32 months after the initial completion date, the construction works which were to be completed in five months, were still on-going.

Instead of sanctioning the Contractor for not completing the works, the contract was extended by the Commission on five instances for some nine months.

No liquidated damages at the rate of Rs 1,000 per calendar day were charged against the Contractor for the delay in completion of works.

The performance bond of Rs 919,425 provided by the Contractor was not forfeited by the RRA. The bond has expired on 15 September 2007.

As per status report July 2007, out of 65 housing units, only 37 were fully completed and in the remaining 28, works were in progress.
Out of the 65 housing units fully/partly completed, 58 were already occupied by beneficiaries. No handing over of the housing units to the beneficiaries and no deed of transfer were made by the RRA prior to these being occupied.

Site Visit

The following were observed during a site visit carried out by my Officers in July 2007 at four different locations, namely Cité Patate, Petite Butte, Mt Cabris Corail and Rivière Coco.

- No identification number was allocated to each of the housing unit.
- 10 housing units stated to have been fully completed in the status report were, in fact, incomplete.
- Contrary to the status report, no one was occupying the housing unit at Mt Cabris Corail already allocated to a beneficiary. It was stated that the beneficiary had never occupied this housing unit as she was living with her spouse at Grande Montagne.
- No boundary marks for each plot of land allocated to the beneficiaries were seen.

RRA’s Reply

Deed of transfer- The family moved to the houses as soon as the roof structure and openings were completed in most cases, hindering a proper transfer.

5.3.5 Construction of 108 Low Cost Housing Units in Rodrigues – Rs 20,217,153

At paragraph 3.5 of my 2005-06 Audit Report, mention was made about the construction of 108 low cost housing units each of an area of 28.31 m², complete with both external and internal renderings in ten selected regions. In January 2003, contract for the construction of 108 housing units was awarded to a Contractor for the sum of Rs 18,478,600. In September 2004, the contract value was revised to Rs 20,217,153 as the provision of sewerage disposal was not made in the contract.

The Executive Council of the RRA decided to reduce the number of houses from 108 (old layout) to 83 (new layout) to meet the additional costs of variation works without causing an increase in the revised contract value. The area of each of the 83 housing units was increased from 28.31 m² to 33.09 m².

- Since 21 units were already constructed as per old layout at three sites, only 62 out of 83 units were constructed as per new layout at the remaining seven sites.

- The contract was to construct 108 housing units of 28.31 m² each, i.e a total floor area of 3,057.48 m². Since the total floor area actually constructed was 2,646.09 m², i.e 21 units as per old layout and 62 units as per new layout, the contract value should have been revised downwards.
The contract value was increased by Rs 1,738,553 to cater for fibre glass septic tanks to all housing units. In March 2006, the Contractor had expressed its intention not to proceed with the fixing of septic tanks on the remaining sites. As of July 2007, only three sites out of 10 had this utility. No action was taken against the Company to have these works completed.

Total amount paid to the Contractor as of 30 June 2007 was not available as record of payments was not kept at the Commission. Audit could not verify whether payments were effected on the actual works done.

Allocation of housing units

In 2005, a selection committee was set up to make recommendation for the allocation of the housing units. Eligibility criteria were, among others, as follows:

(a) At least one spouse should be in employment (Public and Private)
(b) Repayment capacity should not exceed 33 per cent of the income

As of August 2007, only 70 beneficiaries were identified for the 83 housing units. Out of the 70 beneficiaries identified, four beneficiaries' files were not produced. It could not be ascertained whether these beneficiaries have satisfied all the eligibility criteria.

In two cases, housing units were allocated at Terre Rouge to beneficiaries in receipt of social aid, hence not in employment. At August 2007, in both cases the deposit and monthly instalments were not paid.

In six cases, the repayment capacity exceeded 33 per cent of the income of the beneficiaries, contrary to the eligibility criteria. Four of them have not paid any instalment while the other two have paid only one instalment each, at July 2007.

The recovery of the amount due by beneficiaries not in employment and those with repayment capacity exceeding 33 per cent of their income are remote. However, the Commission should ensure that these beneficiaries settle their account at the due date.

Amount due by beneficiaries

Details of deposits and monthly instalments paid by beneficiaries were not kept at the Finance Section of the Commission. At August 2007, the sum outstanding by the 70 beneficiaries was not available and, therefore, not included in the statement of arrears of revenue.

As of August 2007, out of sixty-six beneficiaries whose deeds of sales were finalised, only four had settled their accounts while 18 had not made any monthly instalment.

Site Visit

The following observations were made during a site visit effected by my Officers in July 2007 at Montagne Cabris and Patate Théophille.
At Montagne Cabris

- Out of 12 housing units, only five were occupied, of which three were not provided with septic tanks.

At Patate Théophile

- Out of the nine housing units, only one was occupied and none of the units was provided with septic tanks.

- The water discharge pipes of four housing units were missing and the windowpanes of a unit were broken.

- Entrance to steps was not constructed to seven housing units.
6.1 Integrated Family Centre at Malabar – Rs 15,713,780

Contract for the construction of an Integrated Family Centre at Malabar was awarded to a Contractor on 19 January 2006 for the sum of Rs 15,713,780, inclusive of VAT. The project started on 1 March 2006 with completion date 28 February 2007.

As of July 2007, total amount disbursed by the RRA amounted to Rs 15,257,978.

- The building was handed over to the Commission on 16 May 2007. No practical completion certificate was issued and hence, the defects liability period could not be ascertained.

- The completion date was extended to mid-April 2007, i.e some six weeks beyond the completion date. Approval for the extension of time by the Commission was not seen. Liquidated damages, at the rate of Rs 5,000 per day, were not claimed from the Contractor.

*Site Visit*

The following shortcomings were noted during a site visit effected by my Officers in August 2007.

- The Contractor did not provide and install the looping boxes, cable trays, trunking and telephone outlets.

- The control panel and a water pump costing Rs 8,100 and Rs 27,000 respectively were not in good running condition.

- Only three out of 15 offices were occupied.
7.1 Construction of Reservoirs/Water Supply Project

7.1.1 Construction of Reservoirs at Anse Baleine, Anse Quitor and Union
- Rs 23,781,534

Contract for the construction of three reservoirs of capacity 1,000 m³ each in reinforced concrete at Anse Baleine, Anse Quitor and Union was awarded to a Contractor on 4 April 2006 for the total sum of Rs 23,781,534, inclusive of VAT. Works started on 1 June 2006 and were scheduled for completion on 31 May 2007.

Reservoir at 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 construction of Pavé La Bonté dam was turned down by the Central Tender Board in June 2006, the Contractor was informed not to go ahead with the construction of the Union reservoir only in July 2007, i.e after more than one year. A sum of Rs 49,667 was already paid to the Contractor for site clearance.

- As of July 2007, the Commission has not taken a decision on the future use of materials purchased for Rs 706,060 for the Union reservoir.

- As the Commission was aware that the reservoir at Union would not go ahead at the very start of the contract, the scope of works and the project value were not reviewed.

Reservoirs at Anse Baleine and Anse Quitor

- As of July 2007, the practical completion certificates were still not issued by the Project Consultant although the project was practically handed over in June 2007. Testing and commissioning were also not done for the two reservoirs.

RRA’s Reply

Materials for the non-constructed Union reservoir will be either taken over by the Water Resources Unit or removed from the Contractor whichever will be more advantageous to the RRA.
7.1.2 Water Supply Project at Accacia - Rs 12,151,940

Contract for water supply project at Accacia was awarded to another Contractor on 4 June 2005 for the sum of Rs 12,151,940, inclusive of VAT. Works started on 7 July 2005 and were scheduled for completion on 11 May 2006.

- Works were completed on 22 September 2006, i.e. after a delay of more than four months. No liquidated damages at the rate of Rs 5,000 per day for late completion of works were charged to the Contractor. Also, no practical completion certificate was seen.

- No test certificate confirming that the water was suitable for consumption was issued by the Contractor.

7.2 Purchase of Pumps at Mourouk Pumping Station – Rs 2,282,589

Tender for the supply, installation and commissioning of one surface pump at Mourouk pumping station was launched in September 2006. On 13 October 2006, the Technical Evaluation Committee recommended for the lower quote of Rs 720,613, VAT inclusive. However, on 25 October 2006, on approval of the Executive Council three pumps were purchased for a total amount of Rs 2,282,589, VAT inclusive. This is against the norms of best practice and Central Tender Board Act as any expenditure exceeding the prescribed amount of Rs 1 million needs to have approval of the CTB.

Two pumps were delivered and installed on 13 March 2007 instead of 7 February 2007, i.e. with a delay of 34 days. Liquidated damages at the rate of two per cent of the delivered price per week of delay were not claimed from the supplier.

**RRA’s Reply**

This procurement exercise was carried out in a last attempt to remedy an already precarious situation at Mourouk pumping station. In September 2006, as soon as the Senior Inspector of Water Unit drew the attention of the Departmental Head that there was an urgency to purchase an additional pump to support the only two pumps still running, tendering procedures were initiated. Under these circumstances immediate actions have to be taken to avoid that the critical status is reached to worsen the already catastrophic situation.
7.3 Review of Past Audit Report

7.3.1. Construction of New Pipelines

(a) From Petit Brule Reservoir to Montagne Piquant Reservoir: Project A

(b) From Coromandel Reservoir to Montagne Cabris Reservoir: Project B

With reference to paragraphs 4.1 (a) and (b) of my 2005-06 Audit Report:

- The works for project B were to be completed on 9 January 2006 but the site was officially handed over to the Commission on 22 November 2006. No practical completion certificate was seen and there was no indication of any extension of time granted.

- As of August 2007, liquidated damages for late completion of works at the rate of Rs 2,000 per day were not charged to the Contractor for the period 2 March 2006 to 12 September 2006 for project A and for period 10 January 2006 to 22 November 2006 for project B.

- No test certificates of the pipelines were seen for both projects.

- The performance bonds were not extended to cover the defects liability periods ending 13 September 2007 for project A and 21 November 2007 for project B.

- In respect of project B, only seven marker posts type II were fixed along the pipe route instead of 20.

RRA’s Reply

Project A- The Consultant and the Engineer have been requested to apply in toto appropriate penalty for late completion of the project.

Project B- Instructions have been issued to the Consultant and the Engineer to charge liquidated damages to the Joint Venture. In addition, the Consultant is to press upon the Contractor to carry out all outstanding works.