REPORT

OF THE

DIRECTOR OF AUDIT

ON THE ACCOUNTS OF THE RODRIGUES REGIONAL ASSEMBLY

FOR THE YEAR ENDED 31 DECEMBER 2010
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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

In the course of an audit, I am required to form opinions on the efficiency of works and services that come under my review and to report cases where, in my opinion, there has occurred material waste, extravagance or lack of proper economy. 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. Planning involves understanding the business of the client, understanding the accounting and internal control, determining materiality and assessing risks.

- 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 together with appropriate recommendations.

The International Organisation of Supreme Audit Institutions’ (INTOSAI) Auditing Standards are used as guidelines in the conduct of the audit.

**Reporting**

Throughout the auditing process, audit findings are, as far as possible discussed with the management of the entities being audited. Following the discussion and having the concurrence of management, a Management Letter is issued. This consists of a formal, detailed report to the management of the audited organisation of NAO’s findings, conclusions, recommendations and audit opinions where appropriate.

After the end of the fiscal year, with my senior officers, I then discuss those matters that I deem to be of significance and of a nature to be brought to the attention of the National Assembly. These matters are brought to the attention of the respective Accounting Officers for their comments on the truth and fairness of my comments. Following their responses, I report, in my Annual Audit Report, those matters that I still consider need to be brought to the attention of the National Assembly and the Rodrigues Regional Assembly together with, as far as possible, the comments of the Accounting Officers.

**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 practices. 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 Rodrigues Regional Assembly summarises the results of the audit work undertaken by NAO over the past twelve months from 1 January to 31 December 2010. The comments received from Accounting Officers as of 24 June 2011 have been considered and a summary, where appropriate, is included in the Report.
Acknowledgement

I wish to place on record my gratitude and to express my heartfelt thanks to all the staff of the NAO for their continual support, commitment and valuable contribution. They have collectively performed their duties willingly with professional skill and dedication despite working in a not envious environment. This is highly appreciated. I would also like to sincerely acknowledge the cooperation and collaboration of the Island Chief Executive, the Departmental Heads and all their staff.

DR R. JUGURNATH
Director of Audit

30 June 2011
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 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 fiscal year ended 31 December 2010 were closed on 17 March 2011 and the approved statements were submitted to the National Audit Office on 30 March 2011.

The financial statements of the RRA are prepared on a cash basis and in line with the requirements of the Programme Based Budgeting (PBB) system. It comprises a statement of assets and liabilities and other statements as required under Section 19(6) of the Finance and Audit Act.

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

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

The draft estimates, for the fiscal year ended 31 December 2010, were approved by the Regional Assembly on 24 September 2009. They were submitted to the Minister on 30 September 2009 and approved by Government on 6 November 2009.

2.2 Programme Based Budgeting

The Rodrigues Regional Assembly Act was amended in 2009 to introduce Programme Based Budgeting (PBB) in Rodrigues. In September 2009, RRA presented its first PBB estimates 2010 and Indicative Estimates 2011 and 2012. With PBB, budget allocation is based on programmes and sub-programmes with predefined outcomes, priority, objectives, outputs and performance indicators. This ensures better fiscal discipline, allocative effectiveness based on priorities and operational efficiency that is obtaining value for money.
2.3 Statement of Assets and Liabilities of the Rodrigues Regional Assembly

Assets and liabilities of the RRA for the past three fiscal periods are shown in Table 1.

Table 1 Assets and Liabilities for the past three fiscal periods

<table>
<thead>
<tr>
<th>Assets</th>
<th>2008-09 Rs</th>
<th>July-Dec 09 Rs</th>
<th>2010 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Bank balances</td>
<td>41,830,099</td>
<td>34,498,782</td>
<td>34,312,270</td>
</tr>
<tr>
<td>Advances</td>
<td>24,446,653</td>
<td>24,767,873</td>
<td>20,492,079</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,276,752</strong></td>
<td><strong>59,266,655</strong></td>
<td><strong>54,804,349</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Fund</td>
<td>33,509</td>
<td>351,887</td>
<td>9,877,792</td>
</tr>
<tr>
<td>Capital Fund</td>
<td>785,470</td>
<td>756,860</td>
<td>-</td>
</tr>
<tr>
<td>Deposits</td>
<td>38,130,966</td>
<td>32,759,132</td>
<td>23,485,539</td>
</tr>
<tr>
<td>Loan from Government of Mauritius</td>
<td>27,326,807</td>
<td>25,398,776</td>
<td>21,441,018</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,276,752</strong></td>
<td><strong>59,266,655</strong></td>
<td><strong>54,804,349</strong></td>
</tr>
</tbody>
</table>

The accounts of the RRA are prepared on a cash basis. Fixed assets and non-current assets and liabilities such as pension liabilities and passage benefits are therefore not disclosed in the statement of assets and liabilities.

2.3.1 Advances - Rs 20,492,079.

This represents amount outstanding on motorcar and motorcycle loans as of 31 December 2010. Details are given in Table 2.

Table 2 Advances as of 31 December 2010

<table>
<thead>
<tr>
<th>Details</th>
<th>Amount Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorcar loans to RRA Members</td>
<td>4,152,564</td>
</tr>
<tr>
<td>Motorcar Loans to RRA Officers</td>
<td>13,237,370</td>
</tr>
<tr>
<td>Motorcycle Loans to RRA Officers</td>
<td>3,102,145</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,492,079</strong></td>
</tr>
</tbody>
</table>
There was a lack of documentary evidence in respect of the purchase of motor cars/motor cycles for which advances amounting to Rs 1.1 million, were granted to one RRA member and five officers. Four other officers to whom advances amounting to Rs 873,399 were made in 2008 and 2009, had not yet purchased motor vehicles. Appropriate action in accordance with PRB Report 2008 was not taken against these officers.

No refund was yet made in respect of Rs 477,276 advanced in excess of the purchase price of the vehicles to two RRA members in November 2008 and March 2009 respectively.

Repayment of an advance was not effected for a period of 28 months by an officer who was granted leave without pay to be spent overseas.

2.3.2 Capital Fund

Following the passing of the Act No 1 of 2009, the Capital Fund has been abolished as from 1 January 2010. The balance of the Capital Fund as of 31 December 2009 has been transferred to the Rodrigues Consolidated Fund.

2.3.3 Deposits – Rs 23,485,539.

This figure represents amounts deposited with the RRA and includes Rs 10,915,954 in respect of library/security deposits which could not again be ascertained as it was not supported by a list of individual balances of depositors. Those deposits which have remained unclaimed for more than five years should be transferred to revenue.

The balances as of 31 December 2010 as per deposit ledgers kept at the different Commissions, were not duly reconciled with those as per cash books.

RRA’s Reply

As from January 2011 all advances for the purchase of motor vehicles are paid directly to the vendor/supplier. Following legal advice, all persons concerned were requested to continue repayment of loans to avoid cost of litigation.

Detailed workings are being worked out in respect of individual deposits and any remaining outstanding balances for more than five years will be credited to revenue. Henceforth, deposit ledgers will be reconciled with cash books by 10th of the following month.

2.4 Abstract Account of Revenue and Expenditure of Rodrigues Consolidated Fund

Revenue for the fiscal year ended 31 December 2010 amounted to Rs1,616,501,460, that is, Rs 1,594,356,464 being government contributions and Rs 22,144,996 being revenue collected by the RRA.
Revenue collected by the RRA during the year represents only 1.38 per cent of the total expenditure as compared to 1.50 per cent for the previous period. Hence, the total expenditure of the RRA is still almost wholly financed from Government Contribution.

2.5 Detailed Statement of Expenditure of Rodrigues Consolidated Fund

2.5.1 Food Security Fund

In September 2009, an amount of Rs 100 million was provided in the 2010 Estimates, under the item “Food Security Fund” (FSF). The provision appears in the above Statement but the expenditure as of 31 December 2010 was nil. During the year 2010, a sum of Rs 29,310,960 was disbursed by the Commission for Agriculture for the implementation of various projects through a separate bank account. The transactions were not accounted through a deposit account of the RRA and were therefore not reflected in the RRA accounts.

RRA’s Reply

Following a discussion with the Accountant General’s Office, RRA has been advised to account all transactions of FSF through a Deposit Account and to have it reflected in the RRA accounts. The FSF (Mauritius) will be informed to credit RRA Consolidated Fund henceforth.
2.6 Statement of Investments.

Total investments as of 31 December 2010 amounted to some Rs 41 million as detailed in Table 3.

Table 3 Investments of RRA in Private Companies as of 31 December 2010

<table>
<thead>
<tr>
<th>Private Company</th>
<th>Date of Incorporation</th>
<th>Total RRA Investment @ 31.12.09 Rs</th>
<th>Investment during the year 2010 Rs</th>
<th>Total RRA Investment @ 31.12.10 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodrigues Trading and Marketing Co. Ltd</td>
<td>30.6.2006</td>
<td>4,000,000</td>
<td></td>
<td>4,000,000</td>
</tr>
<tr>
<td>Discovery Rodrigues Co. Ltd</td>
<td>15.11.2006</td>
<td>2,000,000</td>
<td></td>
<td>2,000,000</td>
</tr>
<tr>
<td>Rodrigues General Fishing Co. Ltd</td>
<td>08.06.2007</td>
<td>2,500,000</td>
<td>2,400,000</td>
<td>4,900,000</td>
</tr>
<tr>
<td>Rod Clean Co. Ltd</td>
<td>19.09.2007</td>
<td>5,188,590</td>
<td>5,000,000</td>
<td>10,188,590</td>
</tr>
<tr>
<td>Rodrigues Water Co. Ltd</td>
<td>29.10.2007</td>
<td>13,000,000</td>
<td>4,000,000</td>
<td>17,000,000</td>
</tr>
<tr>
<td>Rodrigues Housing &amp; Property Co Ltd</td>
<td>12.01.2010</td>
<td>-</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>26,688,590</td>
<td>14,400,000</td>
<td>41,088,590</td>
</tr>
</tbody>
</table>

**Share Certificates**

As of March 2011, one company in which the RRA invested Rs 2.4 million in August 2010, had not yet submitted the share certificate to the RRA. In three other cases, share certificates were submitted with a delay of two to six months.

**Return on Investments**

RRA has so far not received any dividend from the investments.

**RRA Companies General Fund**

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

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

As of March 2011, that is three years later, the RRA Companies General Fund has not yet been set up.

2.7 Statement of Arrears of Revenue

The arrears of revenue for the past three fiscal periods are given in Table 4.

Table 4  Arrears of Revenue for the past three fiscal periods

<table>
<thead>
<tr>
<th>Division/Unit</th>
<th>2008-09 Rs</th>
<th>Jul-Dec 2009 Rs</th>
<th>2010 Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisheries</td>
<td>49,269</td>
<td>51,864</td>
<td>57,959</td>
</tr>
<tr>
<td>Judicial</td>
<td>373,925</td>
<td>341,930</td>
<td>699,175</td>
</tr>
<tr>
<td>Rental of Government Property</td>
<td>7,414,144</td>
<td>12,357,026</td>
<td>14,247,116</td>
</tr>
<tr>
<td>State Land - Old leases</td>
<td>-</td>
<td>1,469,834</td>
<td></td>
</tr>
<tr>
<td>Water Unit</td>
<td>1,264,385</td>
<td>1,464,402</td>
<td>1,608,634</td>
</tr>
<tr>
<td>Health and Sanitary</td>
<td>1,620</td>
<td>780</td>
<td></td>
</tr>
<tr>
<td>Rental of Snacks</td>
<td>381,420</td>
<td>639,295</td>
<td>581,203</td>
</tr>
<tr>
<td>NHDC Houses</td>
<td>260,040</td>
<td>301,280</td>
<td>498,850</td>
</tr>
<tr>
<td>Market Stalls</td>
<td>239,000</td>
<td>1,020</td>
<td>13,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,983,803</strong></td>
<td><strong>15,156,817</strong></td>
<td><strong>19,176,551</strong></td>
</tr>
</tbody>
</table>

The total arrears figure as of 31 December 2010 as compared to that as of 30 June 2009 has increased by Rs 9,192,748, that is more than 92 per cent.

The total arrears figure for Rental of Government Property of Rs 14,247,116 did not agree with those generated by the computerised system, which were Rs 1,422,348. Rent due for the year-to-year leases of State Land amounting to Rs 1,469,834 was still awaiting write off.

No forceful action had been initiated to recover arrears amounting to Rs 870,000 for the period July 2006 to December 2007 due by a hotel promoter who was granted a 20 years’ industrial lease in April 2004 that was cancelled in December 2007.
The RRA did not have recourse to legal action for the recovery of arrears of water rates but only issued reminders to debtors. It is recommended that RRA uses the process of summons to debtors within the year as advised by the Legal Adviser to avoid the accumulation of debt.

Only Rs 42,398 were collected during the year in respect of rental of snacks.

**RRA’s Reply**

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

Request for write off of old leases has been sent to the Ministry of Finance. Concerning the industrial lease, it has been judged that it would be unfair to claim a fee for occupation as the lessee has never occupied the site physically.

With regard to arrears of water rates, to be able to initiate legal action, there should be a policy decision taken by the Executive Council.

RRA has entrusted to a RRA owned company, the responsibility to manage the stalls and snacks and to collect dues.
3.1 Setting Up of Private Companies

3.1.1 Background

At paragraph 7.1 of the Audit Report for the period July to December 2009, I had reported on a number of weaknesses relating to six private companies set up by the Rodrigues Regional Assembly (RRA). The objectives of these companies, as pointed out, are to address specific problems in the fields of solid waste management, tourism promotion, fisheries development, management of the water sector, trade and commerce, and tourism development, for the better performance of its functions.

Among the weaknesses highlighted in the above report were the following:

- Non-Compliance of the Sections of the Investment Management Regulations and Requirements of the Ministry of Finance (MOF) by the RRA.
- RRA Companies General Fund which was not yet operational as of May 2010.
- Non-Submission of quarterly reports, financial statements, and annual reports by the private companies.
- Lack of accountability by the private companies.

As at the time of audit in March 2011, there was no marked improvement. I have already pointed out in the above report that in the absence of any business plan being formulated, the future of these companies might be at risk. During the fiscal year 2010, payments of more than Rs 37 million were effected thereby bringing total disbursements to the six companies to some Rs 90 million as of December 2010. Without Government’s support, the financial situation of most of these companies would be precarious and they might not be in a position to continue operating. Hence, it has become imperative for Government to evaluate the feasibility and viability of the investments of the RRA in the companies.

3.1.2 Disbursements

During the fiscal year 2010, some Rs 14.4 million were invested as shares in four of the companies, thus bringing the total amount of investment to some Rs 41 million.

- Operational costs of the companies amounting to Rs 14.1 million for period January to December 2010 were met from the Consolidated Fund of the RRA instead of the RRA Companies General Fund.
- An amount of Rs 8.6 million was paid as grant to one company to meet its operational costs. In addition, an amount of Rs 4 million was invested in the form of equity, for which no approval of the Executive Council was seen.
• Rs 2.4 million were spent in the form of equity for the purchase of fishing equipment and to meet the financial commitments of another company.

With regards to a domestic airline company set up in April 2009, no investment was yet made by RRA and as of December 2010, the company was not yet operational.

3.1.3 Non-Compliance with the Investment Management Regulations

The RRA Investments Management Regulations (IMR) 2008 which became effective as from 3 January 2009 were made to devise mechanisms for exercising control over the investments of the RRA. However, several sections of the IMR, as stated below, were not being complied with.

Feasibility Study/Business Plan

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

Four of the six companies had not submitted a business plan nor a feasibility study as of December 2010. In the fiscal year 2007-08, an amount of Rs 8 million was invested in these companies.

Financing of Companies

According to Section 4, the Executive Council “shall decide on the financing of the companies which may be either by way of investments in the companies through equity participation or in terms of subsidies and grants”. Contrary to the IMR, during the fiscal year 2010, the RRA disbursed Rs 4 million for purchase of shares as well as Rs 8.6 million as grant to the same company.

Memorandum of Understanding

Contrary to Section 5(1), Memoranda of Understanding between the RRA and two companies were not seen.

Report of Activities of Company

Section 15 requires the Board of Directors to regularly keep the Commission informed of its major decisions as well as the activities of the company by submitting quarterly reports of activities and performances, including financial results to the Commission and the Executive Council. However, the quarterly reports were in most cases not submitted.

Annual Report

Section 20 requires the Board of Directors to publish a report, including the audited accounts, in relation to the company’s functions, activities, affairs and financial position in respect of
the previous financial year to the Commissioner who shall lay it on the table of the Regional Assembly. One company submitted a report for the period July 2009 to December 2009. Two other companies had not submitted their audited accounts to the Commissioner for the fiscal year ended 30 June 2010 while a third one had not done so for the year ended 30 September 2010.

**RRA Companies General Fund**

Section 23 states that “the RRA shall establish a RRA Companies General Fund into which all dividends or returns received from investments in companies shall be deposited; and out of which shall be paid all grants and advances to companies under which the RRA holds investments, and any necessary capital expenditure for projects of the companies as may be decided by the Executive Council”.

Up to now, that is, three years after the IMR came into force, the RRA Companies General Fund has not yet been set up. The RRA had invested some Rs 41 million as equity participation in six private companies and so far, no dividend has been received from these companies.

**General Policies and Procurement**

According to Section 25, “the Board of Directors of a company shall ensure that sound financial principles are adhered to and as far possible, the operating costs of the company are covered by the revenues generated from activities of the company” and “the company shall adopt and follow a policy of transparency and good governance”.

No revenues were generated yet by the companies so as to meet their operating costs. Consequently, for the fiscal year 2010, funds amounting to some Rs 37.1 million had been disbursed to the companies through the Consolidated Fund of the RRA. No details were seen concerning an amount of Rs 2.4 million disbursed to one company for the acquisition of fishing equipment and materials and to meet its financial commitments.

For the Board to function independently and objectively, the Directors of the companies should disclose actual or perceived conflicts of interest. But in the case of one company, the Chairperson is also the Acting Officer in Charge of the Commission under which purview the company falls. Furthermore, one of the Directors is from the Finance Section. These might create situations of conflict of interest.

**Control and Monitoring Mechanism**

The IMR 2008 is a compliance tool meant for controlling and monitoring over the investments of RRA. It is, therefore, of vital importance for the good and effective management and accountability of these private companies that they comply with the IMR indistinctively. However, as of March 2011, it has been noted that several of the requirements as mentioned above had not been met. Accountability and control in respect of funds disbursed to private companies was therefore lacking.
**3.1.4 Financial Performance and Sustainability**

Since the creation of the six companies, the RRA had invested an amount of Rs 41 million as equity participation. Each year, some of the companies issue shares to RRA so that they can meet their expenditure. Moreover, grants are annually provided to some companies to meet their operational costs. In June 2008, the MOF required that private companies submit their business plans together with their audited annual reports besides complying with provisions of the Companies Act. Much emphasis was laid on financial sustainability and attention was drawn to the fact that no subsidy would be provided directly or indirectly by the RRA. Activities of those companies were to be closely monitored so that judicious utilisation of funds is made without compromising transparency and good governance.

In September 2010, while examining the budget proposals of the RRA for fiscal year 2011, the MOF stressed on the fact that “provision for capital expenditure should not be allocated to finance equity and/or increase the equity capital of a company unless the company has a sound business plan establishing its financial sustainability and unless the viability of such an investment from public funds based on a feasibility study has been determined. The RRA should not provide any direct or indirect subsidy to these companies”.

However, these requirements have not been implemented. Since the setting up of these companies, they have been continuously financed by the RRA. In addition to Rs 41 million invested as equity, a total amount of Rs 48 million had been disbursed as grants and for operational costs up to December 2010. It appears that significant funding would have to be continuously injected as they are not likely to generate fund in the near future. Therefore, it is difficult to ascertain their viability and sustainability in the future without government funding.

**Recommendations**

The RRA should impose upon the four companies to submit a feasibility study/business plan. Government should then evaluate the viability of the private companies and their financial sustainability. All the companies should fully comply with the IMR and the requirements of the MOF before funds are released by Government.

In case of those companies that are facing or could be facing going concern problems, it is recommended that proper consideration be given for their winding up.
3.2 Recruitment of General Workers

3.2.1 Background

At paragraph of 3.1 of the 2008-09 Audit Report, I drew attention to a number of weaknesses on the recruitment of 243 trainees who were offered placement under the Training Programme for the Unemployed for a period of one year in September 2007. The placement was subsequently renewed up to December 2009.

In July 2010, 250 General Workers were recruited on a temporary month-to-month basis for a period up to 12 months for the implementation of various projects in the fields of natural resources rehabilitation, desilting of dams, pipe laying networks and re-afforestation. Their employment was renewed on the same terms and conditions up to December 2011.

3.2.2 Approval for Recruitment of General Workers in 2010

According to the budget proposals made in August 2009, there was an acute shortage of labour force in the Rodrigues Regional Assembly (RRA). In September 2009, the Ministry of Civil Service and Administrative Reforms gave approval for the recruitment of 250 General Workers on the conditions that this would not be against established posts, and be as per specific needs of projects undertaken by the RRA.

Delegated power for recruitment was granted by the Public Service Commission to the Acting Island Chief Executive in March 2010.

3.2.3 Disbursements – Rs 12.3 million

During the period July to December 2010, the RRA disbursed Rs 12,353,079 for the payment of salaries to General Workers under two programmes, namely Protection of the Environment (Rs 9,607,210) and Improvement of Food Crop Production (Rs 2,745,869) falling under the Commissions for Public Infrastructure and Agriculture respectively.

As of December 2010, there were 142 workers posted in the Commission for Public Infrastructure and 55 in the Commission for Agriculture. The remaining 53 workers were under four other Commissions, namely Education, Social Security, Health and Youth and Sports but no payment was charged to the items falling under them. Expenditure was not, therefore, correctly reflected under the programmes of the different Commissions.

3.2.4 Selection Process

In May 2010, a Senior Inspector of Works was appointed as Chairperson of the Selection Board. The two other members of the Board were a Senior Technical Assistant and a Financial Operations Officer.
Assessment Criteria

I had pointed out in my previous report that the criteria adopted for the selection of Trainees were not seen approved by the Executive Council. No approval was seen again for the selection of the General Workers.

The Selection Board decided that the selection was to be made on the basis of a number of criteria relating to academic qualifications, knowledge/experience and personality. The duration of unemployment was again not included among the selection criteria. The social status of the candidates (income, housing conditions and so on) as well as social aid and unemployment relief were not also considered.

Selection of General Workers

The 250 General Workers included 234 trainees that is 93 per cent of those who were recruited in 2007. These trainees were given priority in the selection exercise due to their experience during their traineeship.

3.2.5 Placement of General Workers in Different Commissions

Placement of General Workers not in line with Budget Proposals and Requirements

According to budget proposals, the 250 General Workers were to be posted on three specific projects namely desilting of dams (50), pipe laying network (50) and reafforestation- land and natural resources rehabilitation, pasture development, environment protection works and coastal zone management (150).

The Commissions for Water Resources, Agriculture and Public Infrastructure are responsible for the implementation of the above projects. Posting of the 250 workers who were recruited in July 2010, was not made after a proper assessment of the man power requirements of each Commission/Department concerned with the projects, and as per budget proposals.

- No workers were assigned to the Commission for Water Resources which is responsible for desilting of dams and pipelaying networks, the two priority projects. According to the budget proposals, these works would have required the mobilisation of 100 workers.

- Only 55 workers, that is 22 per cent, were posted to the Commission for Agriculture although the reafforestation project would have required the mobilisation of 125 workers.

- 145 workers, that is 58 per cent, were posted to the Commission for Public Infrastructure despite the fact that a request was made for a total of only 61 workers.

- 50 workers, that is 20 per cent, were allocated to four other Commissions, namely Youth and Sports, Health, Social Security and Education which did not have any programmes related to the above projects.
**Duties performed not related to approved Projects**

The manual work to be performed by general workers included among others, the collecting, piling of and loading of stones, assist in construction of retaining walls and masonry structures, collection of seeds, tree and grass planting, desilting of dams.

However, many of the workers recruited by the RRA were performing duties which were not associated with the approved projects. Some were engaged in the cleaning of offices, collection of wastes and construction of bus shelters while others were carrying out maintenance works at sports and youth infrastructures, community/area health centres and schools respectively.

**Expected Outputs**

The expected outputs from the programme were additional area available for agricultural production, environmental benefits that will help the tourism sector and reduced desiltation of the lagoon with the anti-erosive programme.

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

**Conclusion**

Some Rs 12.3 million were disbursed for payment of salaries of 250 General Workers recruited in 2010. 93 per cent of the trainees who were offered placement under the Training of Unemployed Programme in 2007, were among the General Workers recruited in 2010.

The duration of unemployment, the social aid/unemployment relief and social status of the candidates were not included among the selection criteria. Hence, it could not be ascertained whether the selection exercise was done in a fair and equitable manner, the more so that trainees were given priority in the selection of General Workers due to their experience during their traineeship.

Placement of the 250 General Workers was not made in line with the approved conditions. The man power required for the execution of projects was not properly assessed as per specific requirements of each Commission/Department.

Since performance indicators were not defined for expected outputs, it was not possible to assess to what extent the recruitment of the 250 General Workers has contributed to the efficiency and effectiveness of projects implemented by the RRA in 2010.
**Recommendations**

Recruitment for employment should be carried out according to a proper set of criteria so that the selection is done in a fair and equitable manner.

Placement in the different Commissions/Departments of the RRA must be done according to approved conditions. Otherwise, necessary authority should be obtained for deviations.

Performance indicators should be defined for each output so as to assess the efficiency and effectiveness of projects implemented by RRA.

**RRA’s Reply**

General guidelines and criteria for recruitment of workers do not emanate from policy makers and for the sake of transparency, this is a purely administrative issue.

All the 53 workers in the Commissions of Education, Social Security, Health and Youth were performing duties in connection with the maintenance and upgrading of Environment. The only programme under which their salaries could have been charged was “Protection of the Environment”.

The outputs delivered by the General Workers have been more than satisfactory as certified by experienced and qualified Inspectors of Works, Senior Technical Assistants.
Water Resources Unit

3.3 Collection of Water Charges

3.3.1 General

There has been no marked improvement concerning the finalisation of the Water Rates Regulations (WRR) and setting up of the water tariff system as reported at paragraph 5.1 of the 2008-09 Audit Report. There was still a lack of appropriate action to recover the arrears of water rates.

3.3.2 Water Management and Distribution

Water Rates Regulations (WRR)

In June 2007, the Commission initiated action to amend the existing WRR which date as far back as 1928. As per WRR, the owner or occupier of premises supplied with a “prise” in Rodrigues is required to pay a water rate at Rs 22 per annum. 8,000 water meters which were purchased in 2002, were installed by the Commission in January 2009.

In 2008, draft WRR which would among others, make households pay for water based on consumption, was submitted to the Executive Council but were not approved. Thereafter, two Consultants from UNDP prepared another draft Water Regulations, which would empower the Commission among others to meter, bill and collect tariffs from users for services performed. These were submitted for consideration to the Executive Council in October 2010 but were so far not approved.

The Setting Up of Rodrigues Water Co Ltd and Water Tariffs

In 2007, the Rodrigues Water Co Ltd (RWC Ltd), a RRA owned company having as main responsibility the management and distribution of water in Rodrigues was set up. In August 2010, a “Contrat de Delegation between the RRA and the RWC Ltd for Operation and Management of Water Supply” was signed. As of March 2011, the RWC Ltd took over the southern and western water distribution while the other sections, that is, Port Mathurin/North and Central were still under the purview of the Water Resources Unit (WRU).

In 2009, the European Union (EU) had financed a study on the operation of the RWC Ltd including a proposal for appropriate tariff. The EU had pointed out, among others, that:

- The RWC Ltd should charge for its services using volumetric tariffs. These tariffs should be set so that the company will become financially autonomous when its billing and collection systems work effectively.

- The Rodrigues Regional Assembly will continue to fund capital investment—probably about two thirds of the total cost of providing water services—but that it will no longer
need to fund the recurrent costs of operations, maintenance and associated administrative costs.

More than two and a half years have elapsed since the draft WRR were prepared and submitted to the Council. As of March 2011, a water tariff system has not been established yet. As of 31 December 2010, the RRA had already invested Rs 17 million in the company.

3.3.3 Arrears of Water Rates

Many owners or occupiers of premises supplied with a “prise” were not paying the water rate of Rs 22 due annually. Users in the domestic, commercial and industrial sectors were all being charged the same tariff. As per the latest Census of Economic Activities 2007, there were 2,480 small establishments in the industrial sector in Rodrigues. These included 197 hotels and restaurants as well as 620 units in the manufacturing sector.

The arrears of revenue of the water rates continued to increase every year as shown in the Table 5

<table>
<thead>
<tr>
<th>Fiscal Period</th>
<th>Arrears Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>704,231</td>
</tr>
<tr>
<td>2007-08</td>
<td>890,231</td>
</tr>
<tr>
<td>2008-09</td>
<td>1,264,385</td>
</tr>
<tr>
<td>6 months to 31.12.09</td>
<td>1,464,402</td>
</tr>
<tr>
<td>2010</td>
<td>1,608,634</td>
</tr>
</tbody>
</table>

The completeness and accuracy of the arrears figure as of 31 December 2010 could not be ascertained in the absence of a detailed list of the consumers. Some 28 per cent of the 600 reminders which were sent to consumers had either passed away or changed their address. Eleven per cent had not responded. The WRU should make it a priority to update its records.

Legal action against the defaulter so as to recoup the arrears was not again being initiated by the Commission.

3.3.4 Computerisation of Collection of Water Rates

In November 2010, a computerised system was developed by an ICT Consultant of the Ministry of Finance for the creation of a complete database of consumers and the collection of water rates.
Problems Encountered with the New System

As of March 2011, the above new system was not operational. According to the IT Unit of the RRA, the system developed could not be used for processing arrears of water rates. It catered only for input of data without any query option or report generation facilities. The system was not adequately tested as well.

Upgrading of Existing System

The IT Unit informed that the existing computerised system at the RRA includes a module for revenue that can be upgraded as per the requirements of the WRU. Since mid-March 2011, the IT Unit has started to upgrade the system.

Recommendations

The RRA should promptly finalise the WRR and Water Tariffs as the installation of water meters has long been completed. This will help in generating revenue.

The Commission should give priority to update its records of consumers by different sectors.

The arrears for water rates should be promptly compiled according to the updated records so as to reflect an accurate figure.

The RRA should initiate appropriate action to recover all amounts due and make use of the process of summons to debtors within the year as advised by the Legal Adviser to avoid accumulation of debt.

The RRA should ensure that an appropriate computerised IT system is operational for the prompt collection of water rates.

RRA’s Reply

A policy decision is required regarding the finalisation of the Water Rates Regulations. The present rate of Rs 22 per annum needs to be re-adjusted. However, it is strongly felt that same cannot be implemented until such time that a proper distribution of water is established islandwise.

The RWC Ltd is still financially non-autonomous. As such, it is not in a position to take over the management and distribution of water over the whole island.

A policy decision is required regarding recovery of arrears by legal means. Necessary action is being taken to update records.

The information technology system will be fully operational very soon. Moreover, two officers will be trained to operate the system.
3.4 Projects in the Water Sector

3.4.1 General

At paragraph 5.2 of the Audit Report for the year ended 30 June 2009, with regard to the supply, installation and commissioning of five water treatment plant - three brackish water purification plant at Fond La Digue, Camp Du Roi and BaieTopaze, and two seawater desalination plant at Songes, I drew attention to late completion of the projects, low production of potable water, operational problems as well as late provision of training.

During the fiscal year 2010, the Commission disbursed some Rs 40.2 million for the implementation of various projects. Besides the review of the procurement of the five water treatment plant, three new projects - the upgrading of water systems and a filtration plant, and the construction of a new reservoir at Creve Coeur, of a total project value of Rs 19.5 million were examined.

3.4.2 Supply, Installation and Commissioning of Containerised Brackish Water Purification Plant and Seawater Reverse Osmosis Desalination Plant - Rs 49.8 million.

The projects regarding the supply, installation and commissioning of three brackish water purification plant were awarded to Contractor A at a cost of Rs 15 million in December 2007 and April 2008 while that of the two desalination plant to Contractor B for the sum of Rs 34.8 million in May 2008. The commissioning of the Plant were completed in August 2008 and April/May 2009 respectively.

**Brackish Water Purification Plant - Rs 15 million**

*Operation and Maintenance Contract.*

Contractor A entered a contract for the operation and maintenance of the three brackish water purification plant since September 2008, at the monthly rate of Rs 245,115, i.e., Rs 2,941,380 annually, for a period of three years renewable every year. The total amount paid up to December 2010 was Rs 6,618,105.

In August 2009, four weeks’ training was provided to the staff of the Water Resources Unit (WRU) for the operation and maintenance of the plant. In addition, in April/May 2010, a sum of Rs 749,271 was paid to another company as fees and other related costs for the training of the personnel of both the WRU and the Rodrigues Water Company Ltd (RWC Ltd) to operate and maintain the plant.

In September 2010, it was decided to recruit workers having experience in the operation and maintenance of the plant to take over from Contractor A. However, in October 2010, the operation and maintenance contract was renewed for the third year at the cost of Rs 2.9 million as it was found that renewal would be more economical since the plant needed major improvement. Hence, the plant was still being operated by Contractor A as of March 2011.
Desalination Plant-Rs 34.8 million

In view of the acute supply of water in Rodrigues, the RRA had decided in September 2007 to install two desalination plant, using sea water to produce fresh water for domestic purposes.

Operation and Maintenance Contract.

Contractor B who had supplied the two desalination plant, is also responsible for the operation and maintenance of the plant for a period of three years, from May 2009 to May 2012. An amount Rs 2,032,408 was already included in the contract for the procurement of the plant. Several problems such as damage to submersible pump, high salinity of water, stoppage of operations due to missing cartridge filters, were noted since the commissioning of the two plant which took place in April and May 2009.

Closing down of Plant by Contractor B

In May 2010, Contractor B ceased operating both desalination plant owing to the non release of the second five per cent retention money. In December 2009, he had also pointed out that the ten per cent liquidated damages were deducted without any reasonable justification. The Contractor stated that he would “restart up the Plant when payment will be released”.

Decisions by Water Management Committee (WMC) after Closing Down of Plant

On 16 August 2010, the WMC took cognizance of the closure of the desalination plant and decided among others the following:

- The imminent reopening of the plant as the RRA was in acute supply of water
- To request to file a statement to the Police at latest 20 August 2010 and to sue the Contractor for default
- The RWC Ltd will take over of the operation and maintenance of the plant and recruit a qualified employee to perform these duties
- To post a Security Officer at the Songes site”.

Taking over of Plant by RWC Ltd.

On 24 August 2010, a “Contrat de Delegation” was signed between RRA and RWC Ltd for the operation and management of water supply in Rodrigues for a period of three years. According to this agreement, the RRA shall hand over to the RWC Ltd the installations that it has to operate. With respect to the water treatment plant, the RWC Ltd is responsible among others, for their operation and maintenance, bearing the cost of large repairs and rehabilitation, monitoring yields and water quality and updating inventory annually.

However, no proper handing over of the water treatment plant to the RWC Ltd was carried out. A list of the inventory of the installations taken over showing among others, the location of all equipment including spare parts, their cost and condition was not seen.
Legal Issues and Rehabilitation of Plant.

In September 2010, Contractor B informed the Commission that an amount of Rs 4,970,773 being five per cent payable on final commissioning of the plant (Rs 1,636,143) and maintenance charges for three years from start-up of the plant (Rs 3,334,630), were still due. He requested that payment be made immediately, failing which legal action would be taken for the recovery of the full amount, plus interests and other legal costs and fees. In October 2010, however, the Legal Adviser of the RRA informed the Commission that the matter was to be determined by arbitration.

In March 2011, a meeting was held with the Contractor, and both parties went on a site visit at the desalination plant. The Contractor thereafter highlighted a number of problems relating to the condition of the Plant including the following:

- **Plant No 1**: shut down, lot of parts dismantled, air conditioner broken, control panel tampered.

- **Plant No 2**: presence of seawater, production less than normal, sediments inside tank, sand filter broken, safety instruments out of order, possibility of production of water of bad permeate quality.

According to the Contractor, both plant needed major rehabilitation and proposed to do so on following conditions:

- The Commission will pay him urgently the sum of Rs 6,872,493
- The Commission will pay Rs 4.8 million representing costs of rehabilitation.
- A new contract will be issued by the Commission for maintenance and plant operation at the monthly rate of Rs 150,000.”

On 31 March 2011, the matter was submitted to the Executive Council.

Replacement of Membranes of the Plant - Rs 1.1 million.

Membranes are used in the “reverse osmosis” process to remove the salt and other minerals from the sea water to get fresh water. Each plant is fitted with a set of 16 membranes. In 2010, two new sets of membranes were purchased in replacement of the existing ones at a total cost of Rs 1.1 million – the first one for Plant No 2 by the Commission (Rs 408,720) in July 2010 while the second one for Plant No 1 by RWC Ltd (Rs 599,840) in December 2010. The first set of membranes for Plant No 2 was purchased as per recommendations of the WMC. These were fixed in October 2010. The approval of the Executive Council was not obtained and the claim was still outstanding as of end March 2011. It is to be noted that a notice for recovery of debt was issued by the supplier on 16 March 2011. With respect to Plant No 1, in December 2009, Contractor B was informed that the Plant was producing water of high salinity and beyond the required standards. According to the Contractor, the utilisation of an inappropriate antiscalant solution had resulted in the degradation of the membranes. In December 2010, i.e. one year later, the RWC Ltd bought a new set of membranes. According to Contractor B, the membranes were not of “Toray”
production which was originally used but of “Filmtec”. These were not yet fixed as of March 2011, that is three months after purchase.

Site Visit.

During a site visit carried out by my Officers on 3 March 2011, the 16 membranes for Plant No 1 were seen stacked in a container on site and were not yet fixed. With respect to Plant No 2, the sand filter was seen cracked and was secured around with a rope and several water leakages were also noted. The two generators received from the Contractor in April 2009, were seen abandoned and were in a deplorable state. Further, the site was left unattended.

Conclusion

An amount of Rs 749,271 was spent by the RRA for training for the staff of WRU and RWC Ltd over and above the cost incurred for training already included in the contracts for the supply of the plant. Nevertheless, the three brackish water purification plant were still being operated by Contractor B as of March 2011 at an annual cost of Rs 2.9 million, more than two years since its operation.

Both plant were closed down in May 2010. Two new sets of membranes were purchased in replacement of the existing ones at a total cost of Rs 1.1 million. The first set was purchased without the prior approval of the Executive Council and the non-payment of the claim might lead to legal action against the RRA. The other set purchased by RWC Ltd was not yet fixed in the desalination plant more than three months after purchase.

There were several contractual issues which were not yet settled since nearly two years later. Since October 2010, the Legal Adviser has advised that the matter be determined by arbitration.

Although the RRA has invested significantly in the two desalination plant, the RRA is not obtaining value for money. One of the plant did not operate for some five months while the other one was not operating since more than 15 months as of 31 March 2011. Both plant needed major rehabilitation work for which RRA might have to disburse additional fund.
3.4.3 Upgrading of Water Systems - Rs 4.8 million

During the year 2010, the Commission disbursed a sum of Rs 4.6 million for the upgrading of water systems at eight locations over the island. The total contract value of the projects was Rs 4.8 million. The contracts relating to works carried out at four sites were examined.

In December 2009, a contract was awarded to Contractor C for the sum of Rs 806,138 for the upgrading of the water system at Pistaches, Papayes and Oranges. In May 2010, another contract was awarded to Contractor D for Rs 862,500 at the Jean Tac site. The works comprised rehabilitation/fencing of existing springs, demolition of an existing reservoir, construction of platforms, fencing and masonry works, supply of water tanks and so on. A pump house was also to be built at Jean Tac. Payments totalling Rs 1,585,207 were made up to December 2010.

The work carried out at the first three sites were not wholly executed since there was no water tanks fixed on any of the constructed platform nor any pipe connection in place.

At Jean Tac, a structure in the form of a reservoir was constructed instead of a concrete platform. Two vertical pumps were fixed in the pump house at Grand Bay but were not yet connected to the water system.

The Commission has spent money on projects for which no benefits were being derived by the inhabitants of the above four regions.

3.4.4 Upgrading of Filtration Plant at Creve Coeur – Rs 1,167,572

The contract for the upgrading of the filtration plant at Creve Coeur was awarded to Contractor C for the sum of Rs 1,167,572. The site was handed over on 23 June 2010 with duration of 50 days. The contractual completion date was 11 August 2010. The total amount paid as of December 2010 was Rs 1,117,283.

The works were completed on 11 September 2010, that is, with a delay of 30 days. This was stated to be due to additional works, i.e., reinforced concrete works in the sedimentation tank, masonry structure and metal ladders. The cost for the additional works was Rs 256,775. However, these works were approved by the Departmental Head on 24 September 2010 i.e. 13 days after the works were carried out.

At a site visit made by my Officers on 9 March 2011, it was noted that the filtration plant was not being used although more than five months have elapsed since the completion of the works. The reason given was that the pipe connection from Cascade Pigeon Dam was not yet done and as a result, no water could be sent to the filtration plant. Hence, the filtration plant was not being used as planned.
3.4.5 Construction of a new 1000 m³ Concrete Reservoir at Creve Coeur- Rs 13,500,017

The contract for the construction of the above reservoir was awarded to Contractor E on 6 September 2010 for a total sum of Rs 13,500,017.

Certification of claims.

As of March 2011, the total amount paid to the Contractor was Rs 7,090,483. The payment certificates relating to the above contract were not signed by the Acting Senior Engineer but by a Senior Inspector of Works of the Commission.

Late Completion of Works.

The handing over of site was done on 27 September 2010. The duration of the works was 150 days and was due for completion on 23 February 2011. As of 10 March 2011, the project was not yet completed. In the absence of a formal request for extension of time from the Contractor, liquidated damages are claimable.

Recommendations

Regarding the brackish water purification plant, the RRA should ensure that before any procurement is made, approval should first be obtained. The RRA should ensure that all contract terms and conditions are strictly complied with.

With respect to the desalination plant, contractual issues must be promptly settled by all parties. Plant have to be rehabilitated and become operational as soon as possible so as to meet the demand of potable water and not to further penalise the consumers. The risks associated with the condition of the plant on site, i.e., electrocution, bad quality of water, further damage to the equipment and so on should be assessed and addressed as well.

A detailed inventory of the Plant should be carried out and a proper handing over between the Commission and the RWC Ltd should be done.

Water tanks should be installed and other ancillary works must be completed so that the inhabitants of the four regions visited can be provided with water. Damages should be claimed for non-execution of works.

The pipe connection must be done so that the filtration plant can be used for the upgrading of the water system at Creve Coeur. Additional works should be properly approved before execution.

All payments concerning the construction of the new reservoir at Creve Coeur should be properly certified by the Engineer. Liquidated damages should be claimed for late completion of works in accordance with the terms of contract.
4.1 Construction of the Winston Churchill Bridge Project

4.1.1 Background

The project is to construct a new bridge to replace the old Winston Churchill Bridge at Port Mathurin in Rodrigues, so as to provide a safe link between the capital of Rodrigues and the northern part of the island. The works consisted, among others, of the construction of barrier, pier, abutment, deck and masonry wall, foundation works, casting of beams, placing and compaction of crusher run and laying of bituminous concrete base and wearing course.

The contract was awarded to Contractor V in January 2009 for the sum of Rs 10,064,268 for a duration of 210 days. The works started on 9 February 2009 and were due for completion on 6 September 2009. The works were supervised by the Acting Senior Engineer of the Public Infrastructure Department.

4.1.2 Disbursements-Rs 7,678,338

During the period January 2009 to March 2011, payments totalling Rs 7,237,612 were made under the project. Only Rs 5,628,534 for the period January to December 2009 were charged to item “Construction of Bridges” while Rs 1,609,078 for the fiscal year 2010 were debited to the item “Construction of Roads”. However, no adjustment was made at year end so that the expenditure incurred for the project is not correctly reflected in the financial statements of the RRA. A final payment of Rs 440,726 was made in April 2011.

4.1.3 Bidding Process

Tenders for the construction of the bridge were invited by a Departmental Tender Committee (DTC) through the Open Advertising Bidding Method on 6 October 2008.

Estimated Cost of Project

In July 2007, the cost of the project was estimated at Rs 4,865,294 and was revised to be over Rs 5 million in August 2008. Contrary to Section 39(1) of the Public Procurement Act (PPA), an updated cost estimate was not worked out before the launching of tenders in October 2008. The prices quoted by the two bidders in November 2008 were both over Rs 10 million, that is, more than 100 per cent of the estimates prepared in 2007. In the absence of an updated cost estimate, the reasonableness of bids received could not be ascertained.

It is to be noted that there was no record in the minutes of meeting of the Bid Evaluation Committee (BEC) held on 13 November 2008, that a comparison of the quoted prices with the cost estimates of the Commission was carried out.
**Bid Opening and Evaluation**

Two bids for Rs 10,064,268 and Rs 11,311,919 were received from Contractors V and W at the closing date of 10 November 2008. On 13 November 2008, the BEC found that the offer of Contractor V was technically non-responsive as he did not meet the qualification criteria regarding non submission of proposals for (a) major items of construction equipment to carry out the project, and (b) qualifications and experience of key site management and technical personnel.

However, due to the huge differences in price between the two bidders, the BEC recommended the DTC to consider the non submission of the two above proposals.

- “either as a minor deviation, to then request clarification from the bidder (Contractor V). Upon confirmation that Contractor V would deploy the required equipment and personnel, the DTC to consider award to him.

- or as a major deviation, to then award to Contractor W being the only evaluated responsive offer”.

**Award of Contract to Contractor V.**

Then on submission of two proposals was considered as a minor deviation, and the missing information was submitted on 24 December 2008. Regarding the construction equipment, Contractor A stated that the roller will be shipped to Rodrigues or hired when required while the equipment for asphalt works will be provided by a Specialist Asphalting Sub-Contractor.

The contract was awarded to Contractor V for the sum of Rs 10,064,268 on 23 January 2009 as per BEC recommendations on 12 January 2009 on the ground that the proposals for equipment and personnel were found to be as per requirements and the offer was considered as responsive.

The following were observed.

- Contractor V did not submit to the Commission before award of the contract, any written agreement/undertaking or adequate proof regarding the provision of a roller and equipment for asphalting works. Hence, he did not meet the qualification criterion regarding these major items of construction equipment.

- Not only equipment was provided by the asphalting sub-contractor (Contractor W), but the asphalting works were also sub-contracted to him on 6 November 2009. Contrary to the terms of the contract, the prior approval of the Project Manager (the Engineer of the Commission) was not obtained.

- The written approval of DTC was not obtained before the award of the contract to Contractor V, contrary to Financial Regulations.
4.1.4 Non Compliance with Contract Conditions

Contractor V did not comply with many contract conditions relating to the submission of performance bond, insurance policies, change in bills of quantities and variations.

Performance Bond.

Contractor V did not furnish a performance bond within 15 days of the letter of award that is on 9 February 2009 but on 11 March 2009, that is, with a delay of more than one month. The bond was not renewed at the expiry date on 31 August 2010.

Insurance Policies.

Contractor V submitted the insurance policies on 20 March 2009, that is 39 days after the due date. The policies were not seen renewed at the expiry date on 17 November 2009, to cover the defects liability period up to 12 January 2011.

As Built- Drawings.

As built drawings were not submitted by Contractor V after the final completion of the works, as required under the Contract.

Changes in Bills of Quantities (BOQ) and Variations Works.

According to the terms of the contract, if the final quantity of the work done differs from the quantity in BOQ for the particular item by more than 25 per cent, provided the change exceeds one per cent of the initial contract price, the Engineer shall adjust the rate to allow for the change. The prior approval of the Commission has to be obtained if the initial contract price is exceeded by more than 15 per cent (Clause 38.1). Further, the Engineer is required to assess the quotation for carrying out a variation and/or an extension before the variation is ordered (Clause 40.1).

The following were observed:

- Significant differences were noted between the quantities of works certified and those as per BOQ. For example, the actual quantity of high tensile steel reinforcement (18,587 kgs) exceeded that in the BOQ (4,500 kgs) by 14,087 kgs i.e. more than 300 per cent. On the other hand, the quantities for bituminous concrete for base (26 tons) and wearing (258 m²) course were less by 224 tons and 442 m² i.e. some 90 and 63 per cent respectively than those in the BOQ. These changes exceeded the initial contract price of Rs 10,064,268 by 11, 12 and 4 per cent respectively. Relevant documentation regarding the justification and approval for these changes was not seen. Since as built drawings were not submitted, the deviations made in the construction compared to the original plans were not therefore known.

- There was no adjustment of the rates of the above items to allow for the changes in quantities although the differences exceeded the initial contract price by more than one per cent.
Two variations amounting to Rs 169,108 were not supported by variation orders duly signed by the Engineer of the Commission. In other five cases totalling Rs 543,629, the cost and time implications were not indicated on the instructions issued by the Engineer.

4.1.5 Project Completion

The contract was awarded on 23 January 2009. The works were due for completion within 210 calendar days from the contractual start date.

Handing over of Site.

According to the contract, the works were due to start 14 days after handing over of the site. However, a formal handing over was not done so that the contractual start date was not known.

Practical Handing Over, Extension of Time and Liquidated Damages.

According to the Commission, the project started on 9 February 2009 and was therefore due to be completed on 6 September 2009. As per Practical Completion certificate issued on 23 March 2010, the works were completed on 12 January 2010.

The Contractor did not give an early warning of the delay in the execution of contract but applied for extension of time of 61 and 169 days in October 2009 and August 2010, that is, more than one month after the contractual completion date and six months after their actual completion. This included an extension of 16 days due to bad weather condition which was not supported by reports from Meteorological Services. An updated program of works was also not submitted.

There was a delay of 127 days in the completion of the works. Since the intended completion date was not seen extended by the Engineer, Contractor V is liable to pay liquidated damages amounting to Rs 383,916 i.e. a maximum of five per cent of final contract price (Rs 7,678,338).

4.2 Construction of Market Fair at Port Mathurin Project

4.2.1 Background

The project is to construct a modern market at Port Mathurin in order to accommodate sellers of local products. The works consist of the following:

- Demolition of existing reinforced concrete buildings, site clearance
- Construction of market with prepainted roof sheeting
- Construction of meat shop, hawkers stalls, water tanks
- Associated mechanical and electrical works
New reinforced concrete bridge to link bus terminal to market place.

The works started on 11 March 2010 and were due for completion within 365 days. The project was not yet completed but had reached 70 per cent completion stage as of end March 2011.

4.2.2 Non Compliance with Ministry of Finance Directives

During budget consultations for the fiscal year 2010, the Ministry of Finance (MOF) expressed its concern regarding the project cost which had more than tripled from the initial cost estimate of Rs 30 million to Rs 105 million.

MOF requested that the prior approval of the Project Plan Committee (PPC) had to be obtained before the works started and a mechanism for cost recovery should be put in place. In the absence of the relevant documents, it could not be ascertained whether the above directives from MOF were complied with.

4.2.3 Award of Contract

The contract was awarded to Contractor X on 24 February 2010 for the sum of Rs 85,653,893 for a duration of 365 days. The works started on 11 March 2010 and were expected to be completed on 10 March 2011. The works were supervised by a firm of Consultants (the Engineer) who is also the Project Coordinator. They are responsible, among others, for the monitoring of progress and cost, and administer all contract conditions.

4.2.4 Payments to Contractor – Rs 44,698,179

Payments

During the period January 2010 to March 2011, total payments amounted to Rs 44,698,179. The payments were certified by the Engineer but were supported by a summary of works done for each bill of quantity together with the progress achieved itemwise. The amount paid for each item of work was not detailed.

Variations

According to the notes of a site meeting held in February 2011, a number of variations occurred. However, a list of variations such as additional beams on meat shop and hawkers shed, modification to pedestrian bridge, additional sleeves, was not attached to the payment certificates. In March 2011, Contractor X had submitted only cost reports for the substructure and openings.

At a site visit carried out by my Officers on 6 April 2011, it was also noted that certain changes such as omission of offices and additions of a kitchen/cafeteria were made in the first floor of the building.
A detailed cost report for all variations and omissions as well as the variation orders together with the revised drawings were however not seen. In the absence of relevant documentation, the following could not be ascertained:

- the correctness of the value of work certified for each individual item appearing in the payment certificates;
- the actual quantity of work done and rate paid for each item and
- that all variations have been duly authorised before execution and were correctly valued.

### 4.2.5 Project Completion

According to the Contract, the project was due to be completed on 10 March 2011.

**Progress of Works**

The works were not yet completed as of 31 March 2011, that is 20 days after the due date. As of 16 March 2011, the rate of completion of the works was 70 per cent and the date for the handing over was expected to be 9 May 2011.

**Extension of Time and Liquidated Damages**

On 8 February 2011, the Contractor applied for a first extension of time up to 2 April 2011 due to delay in availability of site, submission of drawings and information by the Commission. As of 31 March 2011 i.e. more than 51 days later, the Engineer had not yet determined the amount of extension which the Contractor was entitled to nor informed the Commission of the reason thereof.

On 17 March 2011, the Contractor has stated that he would apply for a second extension up to end April 2011 but no formal application was yet submitted as of end March 2011.

According to the terms of the contract, since the project was not completed at due date of 10 March 2011 and the Engineer had not yet approved extension of time, the Contractor is liable to pay liquidated damages at the rate of Rs 50,000 per calendar day during which the completion of the works is delayed.

**Insurance Policies**

The Contractors All Risks’ policies were not seen renewed at the expiry date on 22 March 2011, although the works were not yet completed as of 31 March 2011.

### 4.2.6 Consultancy Services – Rs 5 million

In January 2009, a firm of Consultants i.e. the Engineer was awarded, upon the approval of the Central Procurement Board (CPB), the contract for the provision of consultancy services for a number of selected development projects to be undertaken by the RRA for the sum of
Rs 19,130,000. These did not include the project for the Construction of the Market Fair at Port Mathurin.

Contrary to the contract, no written agreement was seen in respect of the additional works entrusted to the Engineer regarding the Market Fair project before effecting payments. As of mid March 2011, total payments amounted to Rs 2,082,937, out of a sum of Rs 3,744,112 claimed by the Engineer. The latter’s computation was based on a contract sum of Rs 5,475,000 as proposed in May 2009 while that certified by the Commission was calculated on a contract sum of Rs 5,175,000. In the absence of any agreement, it was not known how this figure was arrived at.

Approval of the CPB for a contract sum of Rs 5,475,000 for the above project was obtained in September 2010, that is more than one year after the first payment was made. It is to be noted that this amount is different from that so far used by the Commission for certification of payments.

**Overall Recommendations**

The Commission should ensure that projects are properly administered, supervised and completed in time and that contract conditions as well as MOF directives are duly complied with. Extension of time should be dealt with as per contract conditions. Otherwise, liquidated damages should be claimed for failure to complete the works within the contract period.

The provisions contained in the PPA and Instructions to Bidders should be strictly complied with by the RRA and the Contractors respectively.

Payments must be duly supported and all variations should be properly authorised and valued before payment.

The Consultancy contract sum for the Market Fair project needs to be formally agreed between the Engineer and the Commission before proceeding with further payments.

**RRA’s Reply to Construction of Winston Churchill Bridge Project.**

Project was financed from the Additional Stimulus Package. Payment was made under item “Construction of Roads” pending receipt of funds from the Ministry for Rodrigues so as not to pay any claim of interest for late payment.

The difference in value is attributed to the original estimate in year 2007 which excludes preliminaries and general cost which accounts for more than Rs 2.5 million and some new items omitted in the original estimate which have been provided in bid document.

Contractor W is the sole specialist contractor in asphalting works and has executed projects for RRA for more than 10 years.

The quantities as mentioned in BOQ are provisional and have been subject to joint re-measurement for payment purposes. No claim for increase in rate has been submitted by Contractor V.
The reasons evoked by Contractor V for delays have been viewed as compensation events in line with the conditions of contract.
5.1 Food Security Fund

5.1.1 Background

In July 2008, Government set up a Food Security Fund (FSF) for both Mauritius and Rodrigues to foster local production of foodstuffs so as to mitigate, in the short and medium term, the dependency of the country on imported food commodities. Over the three-year period 2008-2011, the FSF Committee (Mauritius) approved 21 projects for Rodrigues at a total cost of Rs 187 million.

The Commission for Agriculture (the Commission) is the implementing agency and has the responsibility to supervise all FSF projects in Rodrigues. In January 2009, a FSF Steering Committee was set up and eleven projects were targeted and scheduled to be completed by the end of December 2010.

5.1.2 Objectives of the FSF- Rodrigues

The main objectives of the FSF for Rodrigues as spelt out in the Strategic Plan 2008-11, are as follows:

- To increase local production of food, crop and livestock.
- To substitute import.
- To increase export.
- To reduce poverty.

5.1.3 Project Financing and Accountability

All the projects implemented in Rodrigues were financed from FSF through the Ministry of Agro- Industry in Mauritius. Contrary to the instruction given by the Chief Commissioner’s Office in October 2009, the amount received from the FSF was not processed under the Treasury Accounting System (TAS) of the RRA. Hence, transactions in the FSF were not reflected in the Financial Statements of RRA.

On 1 April 2009, the Commission opened a bank account where money received from FSF (Mauritius) was credited and payments for project expenditure were debited. No cash book was kept by the Commission so that total amount of money received and paid could not be ascertained. According to bank statements for the period April 2009 to December 2010, the
total amount received and paid were Rs 48,280,308 and Rs 38,289,130 respectively. As of 31 December 2010, the bank balance was Rs 10,041,794.

5.1.4 Project Implementation

Eleven projects were approved for the total amount of Rs 116 million by the FSF Committee of Mauritius as per Table 6. According to the project schedule, three projects should have been completed by March 2010, and the remaining ones by May 2011.

Table 6 Status of Projects implemented under the Food Security Fund as of 31 March 2011

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Project Value (Rs million)</th>
<th>Project duration (months)</th>
<th>Expected Completion Date</th>
<th>Status @ 31 March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Improvement of agricultural land for staple food production</td>
<td>21.00</td>
<td>24</td>
<td>Feb 11</td>
<td>Ongoing</td>
</tr>
<tr>
<td>2 Setting up of Chilli Farm</td>
<td>1.65</td>
<td>24</td>
<td>Jan 11</td>
<td>Completed</td>
</tr>
<tr>
<td>3 Setting up of a Model Dairy Farm at St Gabriel</td>
<td>4.00</td>
<td>-</td>
<td>Feb 11</td>
<td>Ongoing</td>
</tr>
<tr>
<td>4 Setting up of a Sheep Multiplier Farm at Crab Island</td>
<td>2.50</td>
<td>-</td>
<td>Feb 11</td>
<td>Not yet started</td>
</tr>
<tr>
<td>5 Upgrading of facilities for Onion production</td>
<td>41.00</td>
<td>12</td>
<td>Mar 10</td>
<td>Completed</td>
</tr>
<tr>
<td>6 Construction of one slaughter house</td>
<td>20.00</td>
<td>18</td>
<td>Sep 10</td>
<td>Ongoing</td>
</tr>
<tr>
<td>7 Setting up of Multiplier Farm for goat</td>
<td>1.06</td>
<td>24</td>
<td>Feb 11</td>
<td>Not yet started</td>
</tr>
<tr>
<td>8 Setting up of Bean Village</td>
<td>7.20</td>
<td>24</td>
<td>Mar 11</td>
<td>Completed</td>
</tr>
<tr>
<td>9 Setting up of Incubation Centre</td>
<td>4.50</td>
<td>12</td>
<td>Feb 10</td>
<td>Ongoing</td>
</tr>
<tr>
<td>10 Irrigation Development</td>
<td>8.35</td>
<td>24</td>
<td>May 11</td>
<td>Not yet started</td>
</tr>
<tr>
<td>11 Construction of a Feed Mix Unit</td>
<td>4.91</td>
<td>12</td>
<td>Mar 10</td>
<td>Not yet started</td>
</tr>
</tbody>
</table>

**Total** 116.17
**Project Status**

Significant delays were noted in the implementation of projects. Only three projects had been completed within the scheduled completion dates. As of 31 December 2010, some Rs 38.3 million, representing 33 per cent of the total project value were disbursed. As of 31 March 2011, three projects for an estimated amount of Rs 8.47 million which ought to have been completed by February 2011, were not yet started.

Two projects namely the setting up of a model farm and the construction of a slaughter house as well as the repairs of five tractors, for a total contract value of Rs 63.4 million were examined.

**Setting up of a Model Dairy Farm - Rs 10.65 million**

The main objective of the setting up of a Model Dairy Farm at St Gabriel is to provide facilities for the pasteurisation of milk from breeders and promote the production of milk. The total cost of the project was estimated at Rs 10.65 million and comprised 19 components.

**Setting up of Milk Pasteurisation Unit**

In October 2009, the Commission awarded the contract for the supply, installation and commissioning of a Milk Pasteurisation Unit to Contractor Y for the total amount of Rs 2,232,474. Contractor Y delivered the Pasteurisation Unit on 14 January 2010. However, the Commission had not yet provided the required space for installation of the Unit by that time. The Unit was finally commissioned and tested in August 2010, that is seven months after its delivery.

During the commissioning of the Pasteurisation Unit, the Commission sought the assistance of a private company, under a “professional and trade co-operation”. Although the Milk Pasteurisation Unit had been installed and tested, the representative of the private company made some salient observations on the Unit as well as a number of recommendations. It was observed that these recommendations had not yet been implemented.

**Purchase of Cows and Production of Pasteurised Milk**

The purchase of 50 cows at an estimated cost of Rs 3.7 million in order to provide adequate milk for pasteurisation is a major component of the project. The Commission initiated action for the purchase of the cows in May 2010 but these were not yet received as of March 2011. According to the Installation Manual, the Unit can provide pasteurised milk up to 1,500 litres per day. In fact, up to November 2010, only an average of 60 litres of milk, representing four per cent of the capacity, was being processed per day. In December 2010, the Unit was not operational due to unavailability of food grade milk pasteurising plastics. At a site visit made by my Officers on 15 March 2011, the Unit was not operating.
**Construction of Slaughter House - Rs 49.8 million**

The project for the construction of a slaughter house at Baie Diamant comprises four components with estimated costs of Rs 20 million.

**Consultancy Services**

The contract for consultancy services for the design, supervision and monitoring of the project was awarded on 29 March 2010 to a Consultant for the lump sum of Rs 1.9 million. The contract value exceeded the estimated cost of Rs 1 million by some Rs 900,000, that is by more than 90 per cent. According to the contract, 25 per cent of the contract value were to be paid upon submission and approval of tender documents and drawings. However, a payment of Rs 675,000 representing 35 per cent of the contract value was made on 13 December 2010 although the draft tender document was submitted for vetting to the Commission only in February 2011.

**Construction of Building**

The project was initially scheduled to start in March 2009 and be completed in September 2010 at a cost of Rs 9 million. However, in May 2010, the cost of the construction of the building was revised to Rs 47,756,000 by the Consultant who prepared the tender documents. This represents an increase of more than 400 per cent of the initial project cost. The construction of the building was rescheduled to start in January 2011. As of March 2011, the tender for the construction of the building was not yet launched.

**5.1.5 Contract for Repairs of Tractors - Rs 3 million**

In February 2010, two surveys were carried out by Contractor Z to evaluate the costs of repairs of five tractors of the Commission. In March 2010, the FSF Committee agreed to have the tractors repaired. The works were entrusted to Contractor Z at the contract price of Rs 3 million, inclusive of freight cost from and to Port Mathurin.

One of the five tractors damaged by fire, was repaired and received at the Commission in November 2010. The cost of repairs amounted to some Rs 1.9 million. Prior approval of the Commission for these repairs was not seen. At time of audit in March 2011, payment had not been effected.

As of March 2011, two tractors were still at the Contractor’s workshop, and the remaining two were lying at the Commission awaiting repairs. No remedial action has been taken so far by the Commission to get the four tractors repaired. Since more than 60 per cent of the contract price had already been committed for the repair of one tractor, there was only a balance of Rs1.1 million available for the repair of the remaining four tractors.

The contract agreement did not include the time frame within which the repairs were to be completed nor any penalty/ liquidated damages in case of non compliance with contract conditions.
Conclusion

Since the transactions of the FSF in Rodrigues were not processed under the TAS, these were not therefore reflected in the Financial Statements of RRA.

Proper planning was not made before the acquisition of the Milk Pasteurisation Unit. The Commission had not purchased an adequate number of cows so as to ensure that the required quantity of milk could be made available for the Unit to run at full capacity.

The construction of a Slaughter House at Baie Diamant had still not yet started in March 2011 although the project was scheduled to be completed in September 2010. The longer the projects are delayed, their costs may increase substantially.

The contract for repairs of five tractors did not include the timeframe for completing the repair works nor any penalty clause in case of default or/and non-compliance with contract terms. One tractor was repaired at a cost of Rs 1.9 million while the four others had not been so far repaired.

Recommendations

The transactions of the FSF should be accounted for in the TAS and a cash book should be kept for accountability and reporting purposes.

The Commission should carry out a proper feasibility study to decide whether the projects are cost effective and sustainable before implementation. Projects should be well planned and monitored so that benefits could be derived on their timely completion.

With regard to the Milk Pasteurisation Unit, an adequate number of cows needs to be purchased to produce the necessary quantity of milk for the Unit to operate efficiently and effectively.

The Commission should ensure that Contractor Z carries out promptly the repairs on all the five tractors according to the contract document. The terms of the Contract should be reviewed so as to include a time frame and penalty clauses for non-execution of works.

RRA's Reply

Necessary arrangement is being made to have all transactions effected since the start of the project in 2009 to be recorded in a cash book and these will be reflected in the RRA financial accounts as from 2011 onwards.

Being given that a sum of only Rs 50 million was provided for the fiscal year 2010, it has not been possible to implement fully all the eleven projects.

Regarding the setting up of the Milk Pasteurisation Unit, the delay in commissioning of the Unit was due to the problem of upgrading of the electricity supply at St Gabriel. The recommendations made by the private company will be attended by Rodrigues Trading and
Marketing Co Ltd, designated to manage the Unit. The Ministry of Agro-Industry has initiated the necessary procedures for the purchase of the cows.

With respect to the construction of the Slaughter House, the initial estimated cost did not take into consideration the cultural susceptibilities and European hygienic norms. This fundamental modification has led to delays in implementation. As of June 2011, tender document has been submitted to the Central Procurement Board for approval.

The Commission is envisaging to buy new tractors at a price of Rs 1.5 million each taking into consideration the high cost for repair of one tractor at Rs 1.9 million which is considered not cost effective. The assistance of the Ministry of Agro-Industry is being solicited to sell the tractors in Mauritius.