

**NATIONAL AUDIT OFFICE**



REPUBLIC OF MAURITIUS

**REPORT OF THE DIRECTOR OF AUDIT**  
**ON THE ACCOUNTS OF THE**  
**RODRIGUES REGIONAL ASSEMBLY**  
**FOR THE 18-MONTH PERIOD**  
**1 JANUARY 2015 TO 30 JUNE 2016**



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# CONTENTS

<b>Chapter</b>		<b>Page</b>
1	Introduction	1
2	Financial Statements	5
3	Internal Control	25
4	Chief Commissioner's Office	27
5	Deputy Chief Commissioner's Office	41
6	Commission for Public Infrastructure, Land Transport, Housing, and Water Resources	45
7	Commission for Health and Sports	55



## LIST OF TABLES

<b>Table</b>	<b>Description</b>	<b>Page</b>
1	Assets and Liabilities of RRA as at 31 December	6
2	Cash and Bank Balances as at 31 December	6
3	Balance of Advances as at 31 December	7
4	Balance of Deposits Held as at 31 December	8
5	EU and RRA Contributions to Four Projects in the Water Sector	9
6	Revenue Collected by RRA during the Past Four Financial Years	11
7	Expenditure of RRA over the Past Three Financial Years	11
8	Investment of RRA in Private Companies as of 31 December 2015	12
9	Arrears of Revenue	13
10	Assets and Liabilities of RRA	17
11	Cash and Bank Balances as at	18
12	Balance of Advances as at	18
13	Balance of Deposits Held as at	20
14	Revenue Collected by RRA	22
15	Rental of Government Property	22
16	Expenditure of RRA over the Past Three Periods	23
17	Arrears of Revenue	24
18	Revenue Collection for the Year/Period	28
19	Projects for the Construction of Schools/Colleges and other School Infrastructure	31
20	Completion of Projects beyond Contractual Period	46





# INTRODUCTION

The Rodrigues Regional Assembly has been established by Section 3 of the Rodrigues Regional Assembly (RRA) Act and the island of Rodrigues is an integral part of the State of Mauritius.

Section 110 of the Constitution provides that the Director of Audit shall audit the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government. By virtue of Section 48 of the RRA Act, the accounts of RRA are public accounts of Mauritius for the purpose of Section 110 of the Constitution. As such, the Director of Audit is also the Auditor of the RRA.

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

## **Mandate of the Director of Audit**

The Constitution also provides for the independence and security of tenure of the Director of Audit. In the exercise of my function, I am not subject to the direction or control of any person or authority.

The Finance and Audit Act conveys the authority for the Director of Audit to audit and report upon examination of all accounts relating to the RRA. This Act requires that the Director of Audit shall satisfy herself that:

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

## **Accountability**

An Executive Council has been set up under Section 34 of the RRA Act, for the carrying out of the functions of the Regional Assembly. Seven Commissions, each one under the responsibility of a Commissioner, have been set up. The Island Chief Executive is the administrative head of the RRA and is responsible for the efficient administration of the functions of the Executive Council. Each Commission is under the administrative responsibility of one or more Departmental Heads.

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

- to ensure that public funds are used only to the extent and for the purpose intended by the National Assembly and the Regional Assembly and that value for money is obtained in the use of resources
- the safe custody of assets and stores
- the maintenance of a sound system of internal control
- to follow and stand guided by financial instructions, circulars governing the Public Sector and to adhere to all applicable laws and regulations

Departments that do not fall under the responsibility and administrative control of RRA include the Judiciary, the Police Department and the National Transport Authority. The respective functions are exercised by the Government of Mauritius. Revenues collected by the Mauritius Revenue Authority are also directly remitted to the Government of Mauritius.

### **Financial Statements**

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

Amendments were made in the Finance and Audit Act with effect from 1 January 2015 providing for the definition of a financial year to be restored from 'a period of 12 months ending 31 December' to 'a period of 12 months ending 30 June'.

The financial statements of the RRA for the year ended 31 December 2015 and for the six month period 1 January to 30 June 2016, duly signed, were submitted to the National Audit Office on 29 March 2016 and 28 September 2016 respectively. These statements, prepared on a cash basis, comprise a Statement of Assets and Liabilities, and other Statements as required under Section 19(6) of the Finance and Audit Act.

## **Reporting**

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

Authority to submit a Consolidated Audit Report for the 18-month period 1 January 2015 to 30 June 2016 has been duly given to me by the Minister of Finance and Economic Development, under Section 20(2) of the Finance and Audit Act..

## **Public Accounts Committee**

The RRA Standing Orders and Rules provide for the setting up of a Public Accounts Committee, comprising a Chairperson and not more than four other members, which shall examine the audited accounts showing the appropriation of the sums granted by the Regional Assembly to meet the public expenditure and other accounts laid before the Assembly, together with the Director of Audit's report thereon.

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

The Public Accounts Committee of the National Assembly also has an oversight function on the activities of the RRA.

## **Acknowledgement**

I wish to place on record my gratitude and express my heartfelt thanks to members of my staff who have been involved in the audit of the accounts of the RRA, for their continual support, commitment and valuable contribution. I would also like to sincerely acknowledge the cooperation and collaboration of the Acting Island Chief Executive, the Departmental Heads and all their staff.

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

Director of Audit

Head of SAI Mauritius

27 February 2017



## **2 - FINANCIAL STATEMENTS**

### **Financial Statements for the Year 1 January 2015 to 31 December 2015**

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

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

The financial statements of the Rodrigues Regional Assembly (RRA) for the year ended 31 December 2015, duly signed, were submitted to the National Audit Office on 29 March 2016, that is, within the statutory time limit. These statements comprise the Statement of Assets and Liabilities, and other Statements as required under Section 19 (6) of the Finance and Audit Act.

#### **2.2 Estimates of the RRA**

The estimates of expenditure for the financial year ended 31 December 2015, for a total amount of Rs 2.4 billion, were approved by the RRA on 26 September 2014 and were submitted to the Prime Minister's Office (PMO). Estimates of revenue for the same period were around Rs 24 million.

In March 2015, amendments were brought to the Finance and Audit Act, providing, inter alia, for a change in Government financial year, ending henceforth on 30 June instead of 31 December.

The estimates and financial statements of the RRA were prepared for a twelve month-period running from 1 January to 31 December 2015. Government financial years, on the other hand, were as follows: 1 January to 30 June 2015 (six months); then from 1 July 2015 to 30 June 2016 (12 months). Consequently, the RRA's Estimates were drawn from two budgets of the Government.

The estimates of the RRA, approved by the National Assembly, provided a total amount Rs 1,133 million for both recurrent and capital expenditure for the six month-period ending 30 June 2015, whereas provision for the year 1 July 2015 to 30 June 2016 totalled Rs 2,695 million.

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

Included in the financial statements of the RRA, was Statement A: Assets and Liabilities of the RRA. Details thereof for the past three financial years are as shown in Table 1.

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
<b>Assets</b>			
Cash and Bank balances	170,698,757	97,019,777	100,800,095
Advances	54,293,775	53,969,406	54,868,870
<b>Total</b>	<b>224,992,532</b>	<b>150,989,183</b>	<b>155,668,965</b>
<b>Liabilities</b>			
Rodrigues Consolidated Fund	24,290,485	19,739,195	43,166,517
Deposits	147,686,822	78,321,286	59,759,671
Loan: Government of Mauritius	53,015,225	52,928,702	52,742,777
<b>Total</b>	<b>224,992,532</b>	<b>150,989,183</b>	<b>155,668,965</b>

The accounts of the RRA were prepared on a cash basis. As such, current assets, such as arrears of revenue amounting to Rs 29,033,101 as of 31 December 2015; and current liabilities such as pension liabilities, passage benefits and the monetary value of accumulated sick leaves were not disclosed in the Statement of Assets and Liabilities.

### **2.3.1 Cash and Bank Balances - Rs 170,698,757**

Cash and bank balances as at 31 December 2014 and 31 December 2015 were as in Table 2.

*Table 2 Cash and Bank Balances as at 31 December*

<b>Details</b>	<b>2015</b>	<b>2014</b>
	<b>Rs</b>	<b>Rs</b>
Bank of Mauritius	94,359,675	81,335,541
State Bank of Mauritius Ltd (Main Account)	736,282	79,678
Barclays Bank	1,872	5,215
State Bank of Mauritius Ltd (Other Balances)	75,600,928	15,599,343
<b>Total</b>	<b>170,698,757</b>	<b>97,019,777</b>

### *State Bank of Mauritius (Other Balances)*

Cash balance had increased significantly from Rs 15,599,343 as at 31 December 2014 to Rs 75,600,928 as at 31 December 2015. Funds received from the European Union and the Food Security Fund had not been used as of year-end and were still held on deposits. These funds were meant for implementing water projects across Rodrigues and for increasing the country's food self-sufficiency level respectively.

#### **2.3.2 Advances - Rs 54,293,775**

The above figure represents total outstanding balance on advances made to Members, Officers, Cooperative Societies and the Rodrigues Trading and Marketing Co. Ltd (RTMC), a company of the RRA, as at 31 December 2015, as shown in Table 3.

*Table 3 Balance of Advances as at 31 December*

<b>Details</b>	<b>2015 (Rs)</b>	<b>2014 (Rs)</b>
Advances to Members of the RRA	5,148,751	5,327,600
Motorcar loan to Officers of RRA	21,780,225	20,477,354
Motorcycle loan to Officers of RRA	9,852,029	10,606,682
Advances to Cooperative Societies for Fibre Glass Boats	14,802,000	14,847,000
Advance Account Personal	88,800	88,800
Advance to RTMC	2,621,970	2,621,970
<b>Total</b>	<b>54,293,775</b>	<b>53,969,406</b>

#### *Advance to Members of RRA - Rs 5,148,751*

A former Member of the RRA was granted an advance for an amount of Rs 1.6 million in September 2011. Repayment was effected up to January 2012, as she ceased to be a Member as from 6 February 2012.

Following legal action, the vehicle was seized and sold in November 2012 for Rs 1.5 million. The net proceeds of Rs 832,757 were remitted to the RRA, leaving a balance of Rs 743,976 as of 30 November 2012. The recovery of this amount, together with relevant interests, was initiated through legal proceedings. As of 30 June 2016, the decision of the Court was being awaited.

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

The advance of Rs 2,621,970 made to the RTMC in November 2013, was to be repaid in one instalment within three months of the date of agreement, that is, on 18 February 2014. At the Executive Council meeting held on 27 June 2014, it was decided to give one additional year up to February 2015 for the repayment of the advance.

No repayment was effected. In June 2015, the Executive Council approved that the RRA be granted a further period of one year, up to 17 February 2016, for the RTMC to refund the sum of Rs 2,621,970. RTMC had not been able to effect the refund within the set deadline.

On 25 June 2015, an amount of Rs 6 million was granted as equity participation to review its structure and activities to render it self-sustainable.

In June 2016, I was informed that the Executive Council had given its approval to the Commission for Trade and Licensing to look into the possibility of converting the advance into shares in favour of RRA. The Company has been informed of the decision and a reply is being awaited from them.

**2.3.3 Deposits - Rs 147,686,822**

The total amount of deposits held at the RRA as of 31 December 2015 amounted to Rs 147,686,822, under different Commissions and is as shown in Table 4.

*Table 4 Balance of Deposits Held as at 31 December*

<b>Commission</b>	<b>2015 Rs</b>	<b>2014 Rs</b>
Chief Commissioner's Office	65,121,377	56,892,273
Deputy Chief Commissioner's Office	356,660	259,453
Commission for Public Infrastructure, Land Transport, Housing and Water Resources	37,213,663	16,868,144
Commission for Social Security, Trade, Commerce and Licensing, Consumer Protection, Labour and Industrial Relations and Employment	17,699,868	451,482
Commission for Health and Sports	21,033,987	2,447,874
Commission for Environment, Tourism, Fisheries, Marine Parks and Forestry	5,968,047	1,368,784
Commission for Youth, Community Development, Library Services, Archives and Others	293,220	33,276
<b>Total</b>	<b>147,686,822</b>	<b>78,321,286</b>



*Deposit Accounts: EU Funded Projects - Rs 62,114,498*

The European Union (EU) and RRA contributed amounts of Rs 47,638,163 and Rs 14,476,335 respectively to implement four projects in the water sector in Rodrigues. Table 5 gives details of the EU and RRA contributions to these projects.

*Table 5 EU and RRA Contributions to Four Projects in the Water Sector*

<b>Project Title</b>	<b>EU Contribution Rs</b>	<b>RRA Contribution Rs</b>	<b>Amount Disbursed Rs</b>	<b>Total Contribution Rs</b>
Rainwater Harvesting School Level	4,670,210	2,037,240	-	6,707,450
Rainwater Harvesting Burying of Pipes	13,435,615	5,208,872	-	18,644,487
Rainwater Harvesting First Flush System	16,002,320	1,994,119	518,728	17,996,439
Improving Water Quality and Safety	13,530,018	5,236,104	-	18,766,122
<b>Total</b>	<b>47,638,163</b>	<b>14,476,335</b>	<b>518,728</b>	<b>62,114,498</b>

As per conditions of grant of the European Union, RRA transferred a total of Rs 14,476,335 during 2015 from the Programme: *Chief Commissioner's Office*, Item: *Water Sector Development across Rodrigues* to four Deposit Accounts.

EU's contributions, totalling Rs 47,638,163 were received in May 2015 and credited to the above mentioned Deposit Accounts, held under four different Commissions of the RRA.

As of 31 December 2015, only the contract for the '*Rainwater Harvesting First Flush System*' project was awarded and payment of Rs 518,728 was made from the relevant Deposit Account.

The transferring of funds to deposit accounts has entailed the overstatement of expenditure in the Statement D1 "*Detailed Statement of Expenditure*" by an amount of Rs 14,476,335 which represented expenditure which has not actually been incurred by the RRA, but instead held in Deposits Account to finance the four water projects in Rodrigues

This practice may not be in line with financial instructions which stipulate that *Payments should not be made before they are due for the purpose of utilising an anticipated saving on an item, nor should the unexpended portion of any item be drawn from the Treasury for the purpose of keeping it on hand to meet impending payments, or to be carried to a deposit or suspense account to meet payments becoming due at a later date.*

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

The deposit account has been opened in parallel with the bank account for the monitoring of expenses by the RRA. In fact, the amount of Rs 14,476,335 has been credited to the bank account for each project at the State Bank of Mauritius Ltd and is not in the Consolidated Fund.

### **2.3.4 Rodrigues Consolidated Fund (RCF) - Rs 24,290,485**

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

During the year 2015, funds were used to increase budgetary provisions so that payments could be made to meet expenditure not provided for in the Estimates. An amount of Rs 4 million was transferred from the RCF to Item: Block Grant to RCEA for the payment of performance grant. In this case, it was only on 29 January 2016 that the Executive Council gave its covering approval in respect of the transfer.

The transfer of funds to this item of expenditure increased the budgetary estimates of 2015 from Rs 2.4 billion to Rs 2.404 billion without the approval of the Regional Assembly. This is contrary to the provision of the Finance and Audit Act, which stipulates that '*The Regional Assembly in respect of Rodrigues, may, and shall be deemed always to have been empowered to, undertake such financial or other similar activities as it thinks fit*'.

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

### **2.4.1 Financial allocation to RRA**

The budgets of the RRA for the financial year 2015 were met, exceptionally, from two successive budgets of the PMO. Government approved a budget allocation to RRA for the sum of Rs 3,828 million comprising an amount of Rs 1,133 million for the six-month period 1 January to 30 June 2015 and Rs 2,695 million for the year 1 July 2015 to 30 June 2016 .

The actual amount of grant received was Rs 2,539,149,544, including an amount of Rs 180 million as additional contribution from the Vote 2-1 of PMO, sub head 2-112 Rodrigues.

Revenue collected from various sources by the RRA amounted to Rs 29,754,421, thus bringing total revenue to Rs 2,568,903,965

## 2.4.2 Revenue

Revenue collected by RRA during the past four years is as shown in Table 6.

Table 6 Revenue Collected by RRA during the Past Four Financial Years

Item	2015 (Rs)	2014 (Rs)	2013 (Rs)	2012 (Rs)
Taxes	2,686,499	2,850,524	2,237,875	2,263,250
Social Contributions	839,083	470,393	618,705	181,869
Other Revenue	26,228,839	22,035,125	27,285,671	24,653,891
<b>Total</b>	<b>29,754,421</b>	<b>25,356,042</b>	<b>30,142,251</b>	<b>27,099,010</b>

‘Other Revenue’ includes ‘Property Income’, which has remained almost stable over the past four years although there was high demand for state land for domestic, commercial and touristic purposes.

Management should review the existing regulations and mechanisms of revenue collection concerning all revenue items such as fees, licences and property income.

## 2.4.3 Expenditure

Total expenditure of the RRA during 2013-2015 is as shown in Table 7.

Table 7 Expenditure of RRA over the Past Three Financial Years

Financial Year	Recurrent Expenditure (Rs)	Capital Expenditure (Rs)	Total Expenditure (Rs)
2013	1,581,492,739	392,500,382	1,973,993,121
2014	1,706,610,735	485,324,928	2,191,935,664
2015	1,985,333,390	579,019,285	2,564,352,675
<b>Total</b>	<b>5,273,436,864</b>	<b>1,456,844,595</b>	<b>6,730,281,460</b>

During 2015, total expenditure amounted to Rs 2,564,352,675 and exceeded the budgetary provision of Rs 2,400,000,000 by Rs 164,352,675. The excess expenditure was financed from additional contribution/funds made available by the PMO to the tune of Rs 180,000,000 and Rs 4,000,000 from the RCF.

Total expenditure incurred during 2015 included an amount of Rs 4 million for which no provision was made in the budget, but which was transferred from the RCF to item ‘Block Grant to RCEA’.

## 2.5 Statement of Investments - Rs 58,639,590

Included in the above was a total amount of Rs 58,588,590 which was invested as equity in six private companies set up by the RRA. The position as of 31 December 2015 is shown in Table 8.

*Table 8 Investment of RRA in Private Companies as of 31 December 2015*

<b>Company</b>	<b>Date of Incorporation</b>	<b>Total investment as of 31-Dec-15 (Rs)</b>	<b>Winding up in process since</b>
Discovery Rodrigues Co. Ltd	15-Nov-06	2,000,000	
Rodrigues Water Co. Ltd	29-Oct-07	17,000,000	Aug-2012
Rodrigues Trading and Marketing Co. Ltd	30-Jun-06	10,000,000	
Rodrigues General Fishing Co. Ltd	08-Jun-07	6,400,000	
Rod Clean Co. Ltd	19-Sep-07	20,188,590	
Rodrigues Housing & Property Development Co. Ltd	12-Jan-10	3,000,000	Mar-2012
<b>Total</b>		<b>58,588,590</b>	

Five of the above companies are fully owned by the RRA whilst the Rodrigues Trading and Marketing Co. Ltd (RTMC) has the State Trading Corporation as a minority shareholder. In June 2015, an additional amount of Rs 6 million was invested as equity in RTMC for the implementation of its strategic plan with a view to ensure its sustainability, thus bringing total investment as at 31 December 2015 to Rs 10 million.

On 20 December 2015, an amount of Rs 10 million was invested as equity in Rod Clean Ltd for the purchase of vehicles. The fund was disbursed from item '*Protection of the Environment*'. RRA has refunded operating costs of the company for 2015, totalling Rs 24,542,646, in addition to the cost of purchase of vehicles.

### *Winding Up of Two Companies*

The process of winding up of two companies, namely Rodrigues Water Co. Ltd and Rodrigues Housing and Property Development Co. Ltd, which started since 2012 was not completed as of June 2016. RRA had invested some Rs 20 million in the shares of these two companies, as of 31 December 2015

## 2.6 Arrears of Revenue - Rs 29,033,101

Arrears of revenue as at 31 December 2015 totalled Rs 29,033,101 as shown in Table 9 and had exceeded the revenue of the RRA for the year 2015. Management of debts and recovery mechanism put in place may not be effective and need to be revisited.

*Table 9 Arrears of Revenue*

<b>Division/Unit</b>	<b>2015 (Rs)</b>	<b>2014 (Rs)</b>	<b>2013 (Rs)</b>
Fisheries	94,138	82,694	78,526
Judicial	1,128,500	302,700	153,600
Rental of Government Property	21,566,962	24,535,816	20,118,769
State Land - Old leases	1,469,834	1,469,834	1,469,834
Water Unit	2,473,604	2,245,404	2,021,972
Health and Sanitary	524,635	370,285	81,025
Rental of Snacks Stalls	594,203	594,203	594,203
Rental kiosk	-	-	19,000
NHDC Houses	1,132,145	1,123,340	881,025
Sand Removal	12,080	12,080	12,887
Tourist Enterprise	37,000	16,000	-
<b>Total</b>	<b>29,033,101</b>	<b>30,752,356</b>	<b>25,430,841</b>

The slow recovery of arrears could be due to ineffective enforcement measures. The following were noted:

- Claims in respect of water rates were not made on time;
- The issue of reminders and statement of accounts appear not to be effective in recovery of arrears;
- Reminders issued were returned to the Cadastre Section due to incorrect addresses and unknown whereabouts of lessees;
- The penalties and surcharges levied on claims did not serve as deterrent to default payment;
- Certain fees, rates, and dues were so low that they may not represent a priority for recovery.

### **2.6.1 Rental of Government Property - Rs 21,566,962**

Claims are raised in advance for a period of six months, that is, twice yearly. However, claims generated did not include interests due on arrears as at date of claim. Although, the interest goes on accumulating daily on arrears, lessees were not informed of the total amount due as at date of claim. It was only at payment date that lessees were apprised of the total amount due, which comprised the lease payment and the interests due.

### **2.6.2 State land: Old lease – Rs 1,469,834**

The above amount which represented irrecoverable arrears on old leases due by 5,524 lessees as of 30 June 2008 still appeared in the computerised accounting system, despite write off approval was sought and obtained in April 2013. To that extent, the statement of arrears of revenue was overstated.

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

Approval has been conveyed not to include the amount in the next Final Accounts.

### **2.6.3 NHDC - Rs 1,132,145**

The above represents amount owed by 58 beneficiaries of the Low Cost Housing Unit project, in respect of the construction of 83 low cost housing units and which were delivered in financial year 2006-07.

No improvement was seen in the recovery of these arrears. Only an amount of Rs 109,180 was collected in 2015 from 26 beneficiaries and the rest did not turn up for payment. Measures need to be taken to enforce payment.

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

The Debtors have been informed in the reminders addressed to them that legal action will be initiated against them if they fail to settle the arrears.

### **2.6.4 Water Rates - Rs 2,473,604**

Arrears of water rates had increased constantly over the years. Recovery of arrears is time consuming and involves much administrative work. It is to be noted that the same annual rate of Rs 22 is being applied for years, in spite of the fact that huge amounts of money had been invested in the water sector. The Rodrigues Water Rates Regulations of 1928 might no longer be appropriate in the actual context and may need to be reviewed.

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

It has been proposed that action be initiated to recover the arrears. The only recourse is legal action. However, the cost to be incurred to recover the arrears from one beneficiary may exceed the amount due.

### ***2.6.5 Rental of Snacks - Rs 594,203***

The arrears were not yet settled as the Rodrigues Housing and Property Development Company which was responsible for its collection, was still in process of winding up since 2012.

## **Financial Statements for the Six-Month Period 1 January to 30 June 2016**

### **2.7 Submission of Financial Statements**

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

Amendments were made in the Finance and Audit Act in March 2015 providing for the definition of a financial year to be restored from ‘a period of 12 months ending 31 December’ to ‘a period of 12 months ending 30 June’.

In September 2015, the Ministry of Finance and Economic Development (MoFED) required that the RRA’s financial statements be prepared and submitted in respect of the 12 month-period 1 January 2015 to 31 December 2015, and for the six month-period 1 January 2016 to 30 June 2016. The financial statements of the Government were, on the other hand, required to be prepared for the six month-period 1 January 2015 to 30 June 2015, and for the financial year 1 July 2015 to 30 June 2016.

The financial statements of the Rodrigues Regional Assembly (RRA) for the six month-period 1 January to 30 June 2016, duly signed, were submitted to the National Audit Office on 28 September 2016. These statements, prepared on a cash basis, comprise a Statement of Assets and Liabilities, and other Statements as required under Section 19(6) of the Finance and Audit Act.

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

- ensuring that public funds are used only to the extent and for the purpose intended by the National Assembly and the Rodrigues Regional Assembly and that value for money is obtained in the use of resources;
- the safe custody of assets and stores;
- the maintenance of a sound system of internal control;
- to follow and stand guided by financial instructions, circulars governing the Public Sector and to adhere to all applicable laws and regulations.

### **2.8 Annual Report**

Section 33 of the RRA Act provides that the Chief Commissioner shall, not later than three months after the end of every financial year, forward to the Minister, for presentation to the President, a report reviewing the activities of the Regional Assembly during that financial year.

As at September 2016, the Annual Report with a review of the activities for the year 2015 had not yet been finalised.



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

The Annual Report for the year 2015 has been completed and is being sent for printing. Thereafter, the report will be approved and submitted to Prime Minister's Office.

### **2.9 Estimates of the RRA**

On 30 October 2015, the RRA approved estimates of recurrent revenue and expenditure; and capital revenue and expenditure for the six month-period ending 30 June 2016. The total amount was Rs 1,271,655,000 for revenue, including Government grants; and Rs 1,270,182,000 for expenditure.

#### ***2.9.1 Recurrent and Capital Grant***

Contribution for the six month-period 1 January to 30 June 2016 from the Central Government amounted to Rs 1,230,526,946 which comprised Rs 231,626,946 and Rs 998,900,000 being capital and recurrent grants respectively. The contribution was financed from the budget of the Prime Minister's Office (PMO) for the financial year 2015-16.

### **2.10 Statement of Assets and Liabilities**

Statement A: Assets and Liabilities form part of the financial statements of the RRA. Details as at 31 December 2014 and 31 December 2015, together with the position as at 30 June 2016 are shown in Table 10.

*Table 10 Assets and Liabilities of RRA*

	<b>As at 30 June 2016 (Rs)</b>	<b>As at 31 December 2015 (Rs)</b>	<b>As at 31 December 2014 (Rs)</b>
<b>Assets</b>			
Cash and Bank balances	248,069,505	170,698,757	97,019,777
Advances	55,486,977	54,293,775	53,969,406
<b>Total</b>	<b>303,556,482</b>	<b>224,992,532</b>	<b>150,989,183</b>
<b>Liabilities</b>			
Rodrigues Consolidated Fund	29,124,920	24,290,485	19,739,195
Deposits	219,403,144	147,686,822	78,321,286
Loan: Government of Mauritius	55,028,418	53,015,225	52,928,702
<b>Total</b>	<b>303,556,482</b>	<b>224,992,532</b>	<b>150,989,183</b>

The accounts of the RRA were prepared on a cash basis.

### 2.10.1 Cash and Bank Balances - Rs 248,069,505

Cash and bank balances as of 30 June 2016 and 31 December 2015 are stated in Table 11.

Table 11 Cash and Bank Balances as at

Details	30 June 2016 (Rs)	31 December 2015 (Rs)
Bank of Mauritius	126,816,734	94,359,675
State Bank of Mauritius Ltd (Main Account)	365,549	736,282
State Bank of Mauritius Ltd (Other Balances)	120,868,028	75,600,928
Barclays Bank	19,194	1,872
<b>Total</b>	<b>248,069,505</b>	<b>170,698,757</b>

- The significant increase in the cash balance was attributed to the fact that additional funds of some Rs 53 million were received from the European Union during the six month-period ending 30 June 2016 to finance certain projects in Rodrigues, but which, as of 30 June 2016, were not yet utilized;
- The Commission for Health and Sports held a current account at the State Bank of Mauritius Ltd, with the bank statement showing a bank balance of Rs 6,945 as of 30 June 2016. This account was omitted in the financial statements. No bank reconciliation was carried out as at that date.

### 2.10.2 Advances - Rs 55,486,977

The total amount outstanding, on advances made to Members, Officers, Cooperative Societies and a Company of the RRA as at 30 June 2016, is as shown in Table 12.

Table 12 Balance of Advances as at

Details	30 June 2016 (Rs)	31 Dec 2015 (Rs)
Advances to Members of RRA	4,370,965	5,148,751
Motorcar loan to Officers of RRA	24,003,566	21,780,225
Motorcycle loan to Officers of RRA	9,807,676	9,852,029
Advances to Cooperative Societies for Fibre Glass Boats	14,694,000	14,802,000
Advance Account Personal	88,800	88,800
Advance to Rodrigues Trading & Marketing Co. Ltd	2,521,970	2,621,970
<b>Total</b>	<b>55,486,977</b>	<b>54,293,775</b>

*Advance to Members of the RRA - Rs 4,370,965*

At paragraphs 2.3.1 and 2.4.2 of the Audit Reports for the years ended 31 December 2013 and 31 December 2014 respectively, I reported that a former Member of the RRA, who was granted an advance of Rs 1.6 million in September 2011 for the purchase of a motor car, had ceased repayments in January 2012.

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

I was informed, in January 2017, that the case was heard by the District Court of Rodrigues on 7 December 2016 and that the former Member has agreed to settle the amount due plus interests in twelve monthly instalments with effect from end of January 2017.

*Advances to Cooperative Societies - Rs 14,694,000*

Five fibre glass boats were acquired for an amount of Rs 54,208,250 in December 2011 under the 'Promotion of Outer Lagoon Fishing Development Scheme'. Each of the five Cooperative Societies was granted a loan of Rs 2,969,400 to purchase a fibre glass boat, satellite phones, hooks and other accessories.

At paragraph 2.4.2 of the Audit Report for the year ended 31 December 2014, I reported that no repayments had been made as of 30 April 2015 in spite of the fact that a new management plan had been set up for the recovery of the advances made to the five Cooperative Societies.

During the six month-period 1 January to 30 June 2016, only an amount of Rs 108,000 had been refunded. On this trend, the complete settlement of the advance would take a considerable number of years.

***RRA's Reply***

In a letter dated 4 August 2016 addressed to the Secretary, Home Affairs, approval had been sought from the Prime Minister's Office and the Ministry of Finance and Economic Development to finance under its capital grant, the purchase of the five fishing vessels by the RRA with the aim of renting them to cover running costs.

*Advances to Rodrigues Trading and Marketing Co. Ltd (RTMC) - Rs 2,521,970*

An advance of Rs 2,621,970, made to the RTMC in November 2013, was to be repaid by 18 February 2014. In June 2014, the Executive Council approved to grant an additional year up to February 2015 for the repayment of the advance. No repayment was made and the Executive Council granted the RTMC a further year, up to February 2016 to refund the amount advanced.

Only an amount of Rs 100,000 was refunded in March 2016, leaving an outstanding balance of Rs 2,521,970 as at 30 June 2016. This is not in line with the decision of the Executive Council.

As at September 2016, no improvement was noted in the performance of the company to enable it to have an adequate cash inflow to refund the loan.

I was informed in June 2016 that there was a possibility of converting the advance into shares in favour of RRA. This would imply that the advance would not be recovered; and would dispense with the need for the RRA to comply with the RRA Investments Management Regulations (IMR) 2008 which became effective as from 3 January 2009. The objective was to devise mechanisms for exercising control over the investments of the RRA before investment in shares is envisaged.

### **2.10.3 Deposits - Rs 219,403,144**

The total amount of deposits held at the RRA as at 30 June 2016 amounted to Rs 219,403,144 under different Commissions, and is as shown in Table 13.

*Table 13 Balance of Deposits Held as at*

<b>Commissions</b>	<b>30 June 2016 (Rs)</b>	<b>31 December 2015 (Rs)</b>
Chief Commissioner's Office	79,221,558	65,121,377
Deputy Chief Commissioner's Office	367,355	356,660
Commission for Public Infrastructure, Land Transport, Housing and Water Resources	65,501,580	37,213,663
Commission for Social Security, Trade, Commerce and Licensing, Consumer Protection, Labour and Industrial Relations and Employment	23,175,908	17,699,868
Commission for Health and Sports	20,518,270	21,033,987
Commission for Environment, Tourism, Fisheries, Marine Parks and Forestry	30,441,994	5,968,047
Commission for Youth, Community Development, Library Services, Archives and Others	176,479	293,220
<b>Total</b>	<b>219,403,144</b>	<b>147,686,822</b>

#### *Chief Commissioner's Office - Contribution from NSF - Rs 17,526,350*

The Ministry of Social Security, National Solidarity and Reforms Institutions remitted an amount of Rs 14,044,779 and Rs 3,481,571 on 18 December 2012 and 11 April 2014 respectively to the RRA. These amounts were kept in a deposit account and no repayment had been effected as at September 2016. I had advised the RRA to enquire from the Ministry, the nature and purpose of these amounts so as to determine the future course of action.

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

These two amounts represent payments of contributory pension effected by the RRA which had been refunded by the Ministry of Social Security, National Solidarity and Reform Institutions. The RRA envisages to credit the abovementioned amount to Rodrigues Revenue.

### ***Commission for Public Infrastructure: Deposit - Performance Bond - Rs 32,146,240***

The performance bond submitted by a Contractor for an amount of Rs 15,610,161 was seized and credited to a deposit account instead of revenue. An amount of Rs 16,536,079 in respect of an advance payment guarantee recouped from the same Contractor and the underlying interest, was credited to the same deposit account in May 2016, thus bringing the total amount as of 30 June 2016 to Rs 32,146,240. These sums have been retained in a deposit account instead of being credited to revenue.

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

The amount in the deposit account will be credited to Rodrigues Revenue accordingly.

### ***2.10.4 Rodrigues Consolidated Fund - Rs 29,124,920***

The Rodrigues Consolidated Fund (RCF) was established under Section 75D of the Constitution. Section 42 of the RRA Act stipulates that revenue to be credited to the RCF, includes money appropriated by the National Assembly and all revenue of the Regional Assembly. Expenditures are also to be paid out of the RCF.

As at 30 June 2016, an amount of Rs 29,124,920 stood to the credit of the RCF after accounting for a surplus of Rs 4,834,434 arising in the six month-period ending June 2016. The balance of the RCF was understated to the extent that revenue of Rs 32,146,240 in respect of the desalination project, was credited to deposit accounts instead of to the RCF.

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

The amount of Rs 32,146,240 in respect of the desalination project will be credited to revenue. Therefore the balance on the RCF will show a value of Rs 61,271,159.

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

The budget of the RRA for the six month-period 1 January to 30 June 2016 was financed from the 2015-16 budget of the PMO. An amount of Rs 1,230,526,946 was received as grant. Revenue collected by RRA amounted to Rs 14,653,957, thus bringing total revenue to Rs 1,245,180,903.

### 2.11.1 Revenue

Revenue collected by RRA during the past few accounting periods is as shown in Table 14.

Table 14 Revenue Collected by RRA

Item	Jan-June 2016 (Rs)	Year 2015 (Rs)	Year 2014 (Rs)	Year 2013 (Rs)
Taxes	1,909,508	2,686,499	2,850,524	2,237,875
Social Contributions	262,440	839,083	470,393	618,705
Other Revenue	12,482,009	26,228,839	22,035,125	27,285,671
<b>Total</b>	<b>14,653,957</b>	<b>29,754,421</b>	<b>25,356,042</b>	<b>30,142,251</b>

‘Other Revenue’ of Rs 12,482,009 included property income: *Rent of Government Property* of Rs 5,169,994, as detailed in Table 15.

Table 15 Rental of Government Property

Lease Type	6 months to 30 June 2016 Rs	Year 2015 Rs	Year 2014 Rs	Year 2013 Rs
Residential	2,671,965	4,982,905	3,992,070	4,593,266
Commercial	724,507	1,581,741	989,538	1,680,489
Industrial	1,756,466	5,092,130	5,284,835	7,326,932
Agricultural	17,056	27,181	43,505	29,339
<b>Total</b>	<b>5,169,994</b>	<b>11,683,957</b>	<b>10,309,948</b>	<b>13,630,026</b>

No major improvement was noted in the collection of rent. Procedures may need to be reviewed. Every year, the Cadastral Office was to issue claims in July, a first reminder in August and second one in September. However, for year 2015, no claims were issued in July. Reminders were issued only once during the period August to October 2015. Out of some 6,000 reminders issued, some 500 were returned to the Cadastral Office with remarks like ‘gone away’ and ‘unknown address’.

#### **RRA’s Reply**

In September 2016, 5,000 claims were issued to Residential Lessees and 360 have not been delivered. Out of 87 ‘Notice mise en demeure’ issued to Commercial Lessees, 50 of them have effected payment and legal advice will be sought for the 37 leases which were not paid.

### 2.11.2 Expenditure

Total expenditure of the RRA, over the past three periods, is as shown in Table 16.

*Table 16 Expenditure of RRA over the Past Three Periods*

<b>Financial Period</b>	<b>Recurrent Expenditure (Rs)</b>	<b>Capital Expenditure (Rs)</b>	<b>Total Expenditure (Rs)</b>
Year 2014	1,706,610,735	485,324,928	2,191,935,664
Year 2015	1,985,333,390	579,019,285	2,564,352,675
Jan-June 2016	1,008,802,420	231,544,049	1,240,346,469
<b>Total</b>	<b>4,700,746,545</b>	<b>1,295,888,262</b>	<b>5,996,634,808</b>

Total expenditure for the six month-period 1 January to 30 June 2016 amounted to Rs 1,240,346,469 for both recurrent and capital expenditure. This exceeded the original estimates of Rs 1,230,182,000 after allowing for a new item of Rs 40 million which needed prior clearance from the MOFED, through the PMO (Rodrigues Division).

The initial contribution from Government of Rs 1,179,626,946 and the revenue generated by the RRA amounting to Rs 14,653,957 were not sufficient to finance the total expenditure. Hence, additional contribution of Rs 50,900,000 was made available from the PMO.

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

The new item of Rs 40 million is under the Contingencies Fund created as from the Financial Period January-June 2016.

### **2.12 Arrears of Revenue - Rs 32,937,633**

Arrears of revenue as at 30 June 2016 totalled Rs 32,937,633, that is an increase of some 13 per cent as compared to the arrears as at 31 December 2015, as shown in Table 17.

Table 17 Arrears of Revenue

<b>Division/Unit</b>	<b>As at 30 June 2016 (Rs)</b>	<b>As at 31 December 2015 (Rs)</b>	<b>As at 31 December 2014 (Rs)</b>
Fisheries	106,335	94,138	82,694
Judicial	1,412,330	1,128,500	302,700
Rental of Government Property	26,226,861	21,566,962	24,535,816
State Land - Old leases	-	1,469,834	1,469,834
Water Unit	2,585,759	2,473,604	2,245,404
Health and Sanitary	793,535	524,635	139,585
Rental of Snacks Stalls	594,203	594,203	594,203
Rental kiosk	5,000	-	-
NHDC Houses	1,162,355	1,132,145	1,123,340
Sand Removal	12,080	12,080	12,080
Tourist Enterprise	10,500	37,000	16,000
Registration of Factory	28,675	-	-
<b>Total</b>	<b>32,937,633</b>	<b>29,033,101</b>	<b>30,521,656</b>

Rental of government property outstanding has increased by some 21 per cent as compared to previous year.

**RRA's Reply:**

- The RRA will envisage issuing reminders to the different lessees and licence holders to recover the amount owed by them.
- Necessary action is being taken to write off long outstanding arrears of water rates.
- A proper monitoring mechanism will be set up to monitor the payment of leases and fees due by stall holders and meat stall holders to ensure that payment is effected without delays.



## 3 – INTERNAL CONTROL

### 3.1 General

The primary responsibility for the establishment of internal control at the Rodrigues Regional Assembly (RRA) rests with management.

Seven Commissions, under the responsibility of one or more Departmental Heads, have been set up by the RRA. Each Commission has an approved budgetary provision and Departmental Heads have the responsibility to ensure that a proper internal control structure is instituted, reviewed, and updated to keep it effective.

Expenditure of the RRA for the year 2015 and for the six month-period 1 January to 30 June 2016 totalled some Rs 2.56 billion and Rs 1.24 billion respectively. It is imperative that proper control systems are in place given that the budgetary provisions and actual expenditure are substantial.

Revenue collected by the RRA totalled some Rs 28.9 million and Rs 14.4 million respectively for the two above mentioned periods.

#### 3.1.1 Internal Control Unit

The RRA has a permanent Internal Control Unit (ICU) which carries out the function of internal audit. The ICU is expected, amongst others, to assess whether the internal control systems are adequate to provide management with assurance to the effect that the objectives of the RRA have been met in an economic, efficient and effective manner.

The ICU was not adequately staffed. During a major part of the year 2015, the Unit was functioning with only one staff member, the Internal Control Officer, who was assisted by a Trainee. It was only in December 2015 that an additional staff of the Internal Control Cadre joined the ICU. As at September 2016, the staffing structure had not changed.

Due to the shortage of staff, most of the assignments earmarked to be carried out according to an agreed Plan of Work, was not covered. Expenditure incurred on capital projects had not been subject to any verification.

To ensure whether its recommendations had added value to the various Commissions of the RRA, the ICU had, in July 2014, carried out a follow up exercise on the nine reports it had issued during the period January 2013 to May 2014. It was stated that out of a total of 232 recommendations, only some 31 per cent had been implemented by Management.

In view of the increasing budget allocations and emerging challenges facing the RRA, it is essential that there is a reinforced team of experienced Internal Controllers to ensure an adequate coverage of risk areas and also to ensure compliance with laws and regulations.

#### *RRA's Reply*

An Annual Audit Plan has been revised taking into account critical business areas. Human Resource Planning has been carried out at strategic level, in consultation with the Director of Internal Control so as to ensure a proper structure.



## 4 – CHIEF COMMISSIONER’S OFFICE

### 4.1 State Lands in Rodrigues

The Island of Rodrigues has a total area of some 10,000 hectares (104 km<sup>2</sup>) of land, comprising some 1,000 hectares of private land and some 9,000 hectares of State lands.

All leases of State lands granted in Rodrigues were previously governed in accordance with guidelines issued by the Ministry of Housing and Lands (MHL) where the Minister was approving grant of leases on State lands.

Section 26 (2) of the RRA Act 2001 now empowers the RRA to do all such acts and take all such steps including, subject to the State Lands Act, the acquisition or disposal of any property or rights, as may be necessary for or which may be conducive to or incidental to the exercise of its powers and duties. Presently, State lands fall under the responsibility of the Chief Commissioner’s Office.

#### 4.1.1 State Land Information System

##### *State Land Register*

State lands are leased for residential, commercial, residential/commercial, industrial/commercial, agricultural, socio cultural/religious and tourist related purposes.

The parceling and extent of each and every plot of State land leased were available in the “AUTOCAD map” land system at the Cadastral Office. However, the total extent of State lands allocated and unallocated at any point in time could not be known in the absence of a Master State Land Register.

##### *Database of Leases*

Information on leases was not complete. The following shortcomings were noted:

- Vital information such as the date of Letters of Reservation/Intent issued, date cash deposited/reservation fee paid and validity of reservation period, amongst others, were not always recorded in the database of leases;
- Applications for leases of State lands, except for agricultural purposes, are made at the Cadastral Office. Since 2004, no distinction was made as to the type of lease of State land being applied for. As such, number of applications made for each type of lease was not readily available. Moreover, same information were requested from lessees irrespective of the type of lease applied for;
- In certain cases, dates of applications for State land for industrial purposes were recorded after the commencement of the leases;
- Status of projects for which land was granted on lease was, in several cases, not recorded as no follow up and site visits had been effected.

### **Recommendation**

A Master State Land Register should be introduced so that information, such as the extent of land leased and available for lease, is known at any point in time. This will assist in land planning and ensure transparency in its allocation, and reliability of lease data.

### **RRA's Reply**

The RRA is working on the setting up of a Land Management Information System which will capture all the weaknesses highlighted by Audit.

### **4.1.2 Lease of State Lands - Guidelines, Policies and Procedures**

Contrary to Section 6(1B) of the State Land Act which stipulates that, for industrial/commercial leases, the particulars thereof and the guidelines referred to in subsection 6(1) (c) that is all leases of State Land shall '*be in accordance with guidelines issued by the Ministry, in terms of criteria, conditions and procedures to be adopted*', were neither available for consultation at the Commission nor posted on its website.

### **Recommendations**

Guidelines, policies and procedures should be updated. The RRA's official website should be uploaded with all relevant information so as to ensure more transparency in the allocation of State Lands.

### **4.1.3 Revenue Collection**

Revenue collected during the past four and a half years from the leasing of State land, is shown in Table 18.

*Table 18 Revenue Collection for the Year/Period*

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>6 months to 30.06.16</b>
	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>	<b>(Rs)</b>
Residential	4,857,929	4,593,266	3,992,070	4,982,905	2,671,965
Commercial	1,264,268	1,680,489	989,538	1,581,741	724,507
Industrial	3,950,203	7,326,932	5,284,835	5,092,130	1,756,466
Agricultural	41,415	29,339	43,505	27,181	17,056
<b>Total</b>	<b>10,113,815</b>	<b>13,630,026</b>	<b>10,309,948</b>	<b>11,683,957</b>	<b>5,169,994</b>

*Source: Statement D*

No improvement was noted in revenue collection from lease rentals. The following could have impacted negatively on the amount of revenue collected.

➤ *Delay in Processing Applications for Leases*

There were delays in the processing of applications for state land. As per the lease database provided, 1,106 and 1,156 applications for lease of State lands, for various purposes, were received in 2014 and 2015 respectively. As of April 2016, only 677 cases representing 30 per cent of applications received, had been processed.

➤ *Delay in Regularising “Build-up” Cases*

4,484 ‘build-up’ cases (squatters) were identified during a survey carried out in 2008. As of April 2016, the number of leases signed and those awaiting for signature were not available for those cases which needed to be regularized. Delay in regularising these illegal ‘build-up’ cases results in a delay in the collection of rental fee on State lands, as no rent is claimed until a lease agreement is drawn.

➤ *Lease Agreement Not Signed*

As of April 2016, 474 lease agreements (all types of lease but excluding industrial lease), with letter of intent issued since October 2004, were not yet signed by the lessees. As such rent was not collectible.

➤ *Follow up of Arrears of Rent*

Arrears of revenue as at 30 June 2016 totalled Rs 26,226,861. There was no improvement in the recovery of arrears of rent. On average, arrears were some Rs 23.9 million at the end of each of the years 2012 to 2015.

***Recommendations***

Action should be initiated to clear all previous applications. ‘Build-up’ cases, where justified need to be regularized without delay. Lease agreements should be drawn and signed by the lessees within a reasonable agreed/specified time frame.

***4.1.4 State Lands for Industrial Leases***

It is the policy of Government to grant industrial/commercial leases of State lands to promote industrial and economic development. When an application is approved, subject to availability of land, a Letter of Reservation (LoR) is issued to the promoter subject to the following conditions:

- Reservation period of six months, revised to twelve months as from July 2011;
- A Reservation Fee to be paid within a period of one month as from date of the LoR;
- Submission of three copies of preliminary plans within a period of three months as from date of the LoR.

Failure to comply with the conditions of the LoR would entail the forfeiture of the reservation fee. Once the conditions mentioned in the LoR have been satisfied, the Chief Government

Valuer (CGV) is requested to assess the rent to be claimed and a recommendation is then made to the Chief Commissioner for the grant of an industrial lease.

An examination of a sample of applications of industrial/commercial leases was carried out. In two cases, C1 and C2 the following were noted:

- (a) The reservation periods were renewed for a longer period than the six months' period allowed. The collection of annual rent was therefore delayed. Had a letter of intent been issued after the expiry of the reservation period initially granted, the RRA would have benefitted from the annual rent.
- (b) The reservation fees were not forfeited but were left on deposit accounts of the RRA.
- (c) The lessees had not yet developed the industrial lease although a LoR was granted more than 5 years back. These projects being considered major in terms of extent of land leased would have contributed to the economic development of the island.
- (d) Financial strength was not assessed. This factor is determinant in proving the capability of the promoters to complete their projects.
- (e) Lease agreement for C1 was signed some five years after LoR while in C2 this was not signed as of April 2016 although the LoR was issued on 6 May 2008, that is some eight years back. No terms and conditions were included in the Letter of Intent compelling a lessee to sign the lease agreement within a prescribed delay.
- (f) In case C1, the lessee submitted three sets of development plans of the proposed building well after three months from the LoR and in the case of C2, these were not submitted as at April 2016.
- (g) In the case C1, the lease period was stated to be from 23 December 2011 to 30 June 2031, contrary to the approval by the Commissioner which was up to 30 June 2029.

### ***Recommendations***

- The LoR and Letter of Intent need to be reviewed to include a clause requiring the lessee to sign the lease agreement within a specific period of time. The reservation period cannot be extended for unduly long period of time.
- Once the lease agreement is signed, action needs to be taken to ensure that conditions stated in the lease agreement are being complied with, failing which the RRA could consider the possibility of repossessing any undeveloped land.

## **4.2 Development Projects in the Education Sector**

The Rodrigues Regional Assembly (RRA) is dedicated to promote quality education and lifelong learning at all levels to foster the socio-economic development of Rodrigues and to provide equal opportunities in education. In that respect, each year, the RRA undertakes a number of development projects in the education sector. Several projects for the construction of schools/colleges and upgrading of school infrastructure, for a total amount of some Rs 278.8 million, were undertaken by the Commission during the years 2014 and 2015 as per Table 19.

*Table 19 Projects for the Construction of Schools/Colleges and other School Infrastructure*

<b>Projects</b>	<b>Contract Amount (Rs m)</b>	<b>Date of Award of Contract</b>	<b>Contractual Completion Date</b>	<b>Actual Completion Date</b>
1. Construction of Secondary School - Terre Rouge phase II	39.7	12 May 2014	31 March 2015	25 October 2015
2. Construction of Community Govt. School at Montagne Goyaves (Phase I and II)	61.9	26 May 2014	10 May 2015 15 July 2015	16 Jan 2016 25 Jan 2016
3. Construction of two additional classrooms at Terre Rouge Primary School	2.5	16 October 2014	14 January 2015	14 January 2015
4. Construction of four specialized classrooms at Oyster Bay Govt School	8.5	2 February 2015	20 July 2015	23 February 2016
5. Construction of Community School at Anse Quitor	50.8	13 May 2015	21 June 2016	19 December 2016
6. Construction of Multi-Purpose Hall and Sport Complex at Le Chou College	27.0	22 May 2015	16 April 2016	3 November 2016
7. Construction of Secondary School at Pistaches (phases I and II)	88.4	24 August 2015	18 July 2016 4 January 2017	4 October 2016 In Progress
<b>Total</b>	<b>278.8</b>			

#### **4.2.1 Financial Clearance**

The Project Plan Committee of the Ministry of Public Infrastructure recommended the construction of a Community School at Anse Quitor for inclusion in the Public Sector Investment Programme (PSIP) for the sum of Rs 40 million. However, the cost estimates for the construction of the School were Rs 59.68 million, inclusive of earth works, retaining

walls and ramps. The contract was awarded in May 2015 for an amount of Rs 50.8 million, inclusive of VAT while financial clearance was obtained for only Rs 40 million.

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

The Commission took note of the comment and will comply in future projects

#### ***4.2.2 Delays in handing over of sites and implementation of projects***

Delays were noted in handing over of sites to Contractors in respect of projects 4 to 7 above. In the case of project 7, site was handed over more than two months after the award of the contract. Regarding the construction of Phase II of the Secondary School at Terre Rouge, the implementation of the project was delayed. The absence of the Contractor's Manager on site was being reported by the Project Manager. The Contractor was instructed to take necessary action to expedite works on site but delays were still noted.

#### ***4.2.3 Extension of Time***

Extension of time was granted in six of the seven projects mentioned in Table 19. In some cases, extension of time was not applied/requested on time. On receipt of an application for an extension of time and submitting full supporting information, the Project Manager shall decide within 21 days, whether and by how much, to extend the intended completion date. For example, for Project 1, the Contractor applied for extension of time on 13 July 2015 and it was only on 10 September 2015 that the Contractor was informed by the Project Manager of the approved extension of time up to 6 August 2015. For Project 2, the Contractor applied for an additional extension of time on 12 July 2015 for phase I in connection with the construction of a leaching field. This extension of time was assessed and approved by the Project Manager for a period of 23 days on 10 November 2015, that is some four months later. As regards phase II of the same project, the Contractor applied for extension of time on 14 August 2015 and this was assessed only on 10 November 2015 by the Project Manager, that is some three months later.

#### ***4.2.4 Performance Security***

Performance security guarantees the faithful performance by the Contractor of its obligations under the contract. In certain cases, performance security was not extended although works were still ongoing. For Project 1, the performance security which expired on 20 February 2015 was extended to 15 October 2016, on 22 September 2015. Had the Contractor defaulted within the period 21 February to 21 September 2015, the Commission would not have been in a position to forfeit the performance security.

As for Project 4, the initial performance security expired on 31 July 2016. This was not extended, taking into account that works were still ongoing until February 2016.



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

In respect of project 1, the Consultant had already written to the Contractor to extend the performance security within 28 days after the expiry of defects liability period.

#### ***4.2.5 Insurance cover***

For Project 1, the insurance policy expired on 25 May 2016. Although works were completed in October 2015, the insurance policy cover was not extended to cover the maintenance period up to October 2016. As for Project 4, insurance policy which expired on 1 February 2016 was not extended up to February 2017, to cover the one year maintenance period following the completion of work in February 2016.

#### ***4.2.6 Completion of Works***

Project 1 was completed and the client took possession of the site on 10 March 2016. All works were due to be completed by end of February 2016. As at September 2016, some minor works were still pending.

Concerning Project 2, Phase I was completed on 16 January 2016 and phase II on 25 January 2016 respectively. The substantial completion and taking over certificate was issued by the Project Manager on 12 April 2016. However as of September 2016, some minor works still remained to be completed.

As for Projects 6 and 5, works were to be completed by 16 April 2016 and 21 June 2016 respectively. However, works were still ongoing as of September 2016.

### **4.3 Food Security**

At paragraph 3.2 of the Audit Report for the year ended 31 December 2014, I mentioned that one of the objectives of Government, in so far as ensuring food security is concerned, is to increase food crop production as well as livestock production. I had reported extensively on project financing and slow implementation of projects.

The Rodrigues Regional Assembly (RRA) had recognised the need to create the necessary environment/condition to modernise the agricultural sector, being given that it is the backbone of economic development. The need to shift from subsistence to cash crop farming and to give greater value-added to Rodriguan agricultural produce had been emphasized on various occasions. However, the sector did not appear to be progressing at a satisfactory pace. In that respect, successive plans were prepared, which included proposals to boost up production and to give a new dimension to the agro sector in general.

To enhance food security, the RRA had, at its disposal, funds provided for in the budget of the Ministry of Agro Industry and Food Security and which are channelled through a deposit account to the RRA. In addition, funds were also available under the RRA's own budget.

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

- Necessary support and facilities are being provided to the farming community, in terms of allocation of arable land, financial and technical assistance, and training for the take-off of the sector.
- Other schemes, such as the provision of a one-off grant for specified seed production, construction of commercial nurseries, purchasing of materials for the fencing of agricultural land, approved by the Executive Council are currently being processed.

#### ***4.3.1 Funds provided for in the RRA's Budget***

For boosting agricultural activities, funds were provided under several items/programmes in the Estimates of the RRA. In respect of some of these items, amount provided exceeded by far the amount actually disbursed.

In the year 2015, only an amount of Rs 2.9 million was spent out of a budgeted amount of Rs 26 million in respect of the item 'Water Distribution for Irrigation'. Only some 23 per cent of the budgeted provision for the item 'Improvement of Livestock and Local Poultry Production' was spent. As for the control of stray dogs, only Rs 88,600 were spent whereas provision was made for an amount of Rs 1,000,000.

The same scenario applied for certain items in the six month-period ending 30 June 2016. For items 'Research and Development' and 'Water Distribution for Irrigation' where provisions of Rs 4 million and Rs 4.5 million were made in the RRA's budget, only some 58 and 31 per cent of the provisions had been spent respectively.

Most of funds had therefore been reallocated to other expenditure items.

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

The amount provided for 'Research and Development' was required for purchasing of mini laboratory solutions and equipment. Necessary procedures had not been completed on time to effect the acquisition of these items and the validity period had lapsed.

As for 'Water Distribution for Irrigation', provisions were made for three rain water harvesting structures at Baie Malgache, Batatran and Mt Goyaves. The draft estimates for each project were re-worked out by Consultant as the contract value was too high, thus explaining the delay in starting the projects. The three projects have now been awarded and works are under way.

#### ***4.3.2 Funds available under Food Security Fund Deposit Account***

Some Rs 14.5 million were held in the Deposit Account in respect of the Food Security Fund as of 1 January 2015. An additional amount of Rs 4 million was received during the year 2015, bringing the total amount available for implementation of projects to Rs 18.5 million. Only some Rs 5.5 million had been disbursed therefrom, of which some Rs 4 million related to the acquisition of animals of improved breed. During the six month-period ending 30 June

2016, Rs 8 million were received from the Ministry of Agro Industry whilst an amount of some Rs 7.2 million was spent on various projects. As of 30 June 2016, an amount of some Rs 13.8 million was still held on deposit.

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

Lengthy procedures to be followed in the award of Agricultural Incentives Schemes (AIS) to beneficiaries and compliance with procurement procedures during the implementation of the projects were the root causes of delays. All the AIS's are now in progress. Most of them have reached 100% completion as at 14 February 2017.

### ***4.3.3 Livestock Production***

Officers in Charge of Livestock Production Units (LPU) are responsible, amongst others, to ensure that accurate records are kept, supervision of workers is adequate and that animals are being properly fed and treated.

Expenditure incurred in connection with Livestock Production for the year 2015 and for the six month-period ending 30 June 2016 totalled Rs 27.5 million and Rs 16.5 million respectively.

#### ***Livestock Production Units***

The mandate of the Chief Commissioner's Office, Agriculture (Commission) includes the production of animal species of improved breed for sale to breeders, at an agreed price for fattening purposes. However, this objective was far from being achieved. Housing and feeding practices were not satisfactory.

St Gabriel Production Unit. The strength of animals at the St Gabriel LPU increased from 41 in March 2015 to 109 in March 2016. 77 heads were purchased and received in Rodrigues in August and September 2015, to in some way, attend to problems relating to poor body condition of existing livestock, decrease in genetic potential and old age of the existing stock. In September 2016, the strength of animals decreased to 95.

The following shortcomings were noted:

- (a) Breeders were not provided with young animals for breeding/fattening purposes. This was one of the main objectives of the Unit. Animals were left at the Unit for long, with the consequences that the RRA had to bear the costs of feeds and labour;
- (b) The poor quality of fodder due to immature pasture, lack of sufficient grazing area, and non-availability of concentrated feeds could impact negatively on animal growth rate and reproductive performance of the livestock;
- (c) There were poor housing conditions together with high stocking rate;
- (d) Ticks infestation had become more persistent at the Unit. De-pasturing was not done and the pasture area had been contaminated;

- (e) A breeding policy program was not available. For example, cows were crossbred with bulls haphazardly, resulting in a proliferation of local breeds of cattle;
- (f) As at September 2016, out of the new stock of cattle and goats received in August and September 2015, 22 died, representing some 28 per cent.

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

- Animals were kept for persons who benefitted from training under the Employment Relief Programme. Surplus animals are being given to Trainees upon completion of their one year training.
- The Commission had already initiated procedures for the sale of animals in excess at St. Gabriel in July/August 2016. However, the Ministry for Agro Industry and Food Security imposed a ban on animal movement following the outbreak of Foot and Mouth Disease in August 2016. The ban on movement of animals has been partially lifted. Animals will be sold after completion of 3<sup>rd</sup> vaccination dose.
- The persistent drought prevented the establishment of new pasture areas. Nevertheless, the Commission harvested fodder from communal pastures around the island to feed animals on St. Gabriel LPU.
- The cattle and goat sheds have been completely refurbished. Other infrastructures will be refurbished and modernized. The infestation by ticks is now under control.
- The stock of animals had gone old and there was a need to bring in new bloods for traits improvement. Newly purchased animals were stocked at St. Gabriel immediately on arrival and the performance and adaptation of these animals needed to be monitored before they are set to breed. A new breeding program has been prepared and will be implemented as from 2017.

Crab Island Livestock Production Unit. The Crab Island Livestock Production Unit was meant for the production of sheep of improved breed for sale to breeders for their breeding requirements. The strength of animals was 212 as at August 2016.

The following shortcomings were noted:

- Out of the three sheds, only one was segregated into seven slots. Two of these sheds, including the segregated one, were in a deplorable state. Consequently, animals were left together in the open shed after grazing.
- Of the nine rams and 83 ewes received at the Unit on 9 August 2015 for production of animal species of improved breed, some 70 of them died as at August 2016;
- One of the main objectives of the Unit was to produce lambs which would be sold to breeders after weaning, which normally takes place within 40 to 45 days after birth for fattening and reproduction. At that point in time, the lambs would have an average weight of 15kgs. However, animals which were ready to be sold to breeders were kept at the Unit. During the year 2015 and up to August 2016, only eight animals whose weight ranged from 20 to 39 kgs were sold to breeders.

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

- Repairs of infrastructure on Crab Island have been delayed due to unallocated funds. An overall refurbishment plan has been submitted for funding.
- The high death rate in the imported stock of August 2015 was due to an adaptation problem.
- At the time the lambs were to be sold, pulpy kidney disease had hit Rodrigues and therefore could not be sold to breeders.

Baie Topaze Livestock Production Unit. The Baie Topaze Livestock Production Unit is responsible for the production of piglets, which are to be sold to breeders after weaning, which normally takes place within 40 to 45 days after birth, and having at that time an average weight of some 15 kgs.

127 animals were sold during the year 2015, of which there were adult pigs of around 100 kilos. This defeats one of the objectives of the Unit and imply additional costs in terms of feeds for the animals.

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

- The problem of pigs of 100 kg resulted from non-collection of animals at time of sale by selected farmers, on ground of insufficient funds to purchase animals applied for. Being given that pigs are fast growers, the weight increases rapidly between two sales intervals to reach the 100 kg.
- A new sales strategy has been prepared and is being implemented in 2017. RRA has also brought down the selling price of live pigs to encourage farmers to buy the animals reserved for them.

### ***Stock of New Breed***

For the purpose of improving the quality of livestock in the LPU's, the Executive Council, in January 2015, approved the purchase from the Ministry of Agro Industry and Food Security, of a new stock of improved breed of animals of different species.

The Commission, in February 2015, acknowledged that actions should be taken promptly prior to the acquisition of these animals. These included the following:

- Gradual culling of all dairy cows imported from Palmar LPU in view of their genetic degradation and replacement by the newly imported heifers;
- Transfer of beef/cattle and goat to Montagne Plate LPU;
- Boosting up of Saint Gabriel pasture;
- Gradual culling of 50 per cent of the sheep herd on the Crab Island Livestock Production Unit for their replacement by the imported one;

- Paddocking of the Islet with electric fence to ensure an improved and safe grazing system.

The purchase was done through the Mauritius Meat Authority for an amount of some Rs 4 million rupees. These animals arrived in Rodrigues in August/September 2015; however, none of the measures mentioned above had been attended to. The animals were left together with other local breed. As at September 2016, more than 50 per cent of the imported stock had died.

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

It is being envisaged that Rodrigues will purchase its breeding animals directly from breeders abroad in the future based on specific selection criteria that fits the conditions on the island.

#### ***4.3.4 Foot and Mouth Disease Infection***

The first case of frothing in cattle was reported on 7 July 2016 and subsequently, more cases were reported in other regions of Rodrigues. Blood sample was collected and sent for laboratory analysis at the Animal Health Laboratory of the Ministry of Agro Industry and Food Security (MAIFS) on 19 July 2016. Laboratory results were reported negative. Another test was carried out on blood sample collected on 31 July 2016 from infected farms and the result indicated a Foot and Mouth Disease (FMD) infection.

There was, subsequently, an increasing trend in the number of reported cases and some of the infected animals died. To control the outbreak of the disease the 'modified stamping out' strategy was adopted and more than 2,300 animals were culled and disposed of. Given the widespread of the disease across the island and the large number of animals that needed to be culled the 'modified stamping out' strategy was stopped and the 'mass vaccination' strategy was adopted to achieve a certain herd immunity level. The Commission, having limited resources for the vaccination, had recourse to the services of other Commissions and the MAIFS staff to speed up the vaccination programme.

Following the mass vaccination campaign, the reported cases had followed a downward trend and the FMD infection was stated to be within control.

In the light of the above, the Commission needs to consider the following:

- Documentation of written policies, procedures and protocol that would help in future cases of any outbreak of disease;
- Enhancing stringent import and cross-border animal movement controls and strict quarantine control;
- Disseminate information about maintaining good handling, sanitation and sound biosecurity practices to livestock owners and producers to prevent as far as possible the introduction/spread of any virus;
- Policies for the disposal of dead carcasses.

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

The RRA is investing in a Recovery Plan for the livestock sector following the disease. Technical assistance has been sought to prepare an Action Plan for the review of the livestock sector in Rodrigues, as well as disease prevention and management.

### ***Conclusion***

Animal health and veterinary care are key elements that enable sustainable livestock production. To that effect, efforts have to be backed by a regular and reliable delivery of veterinary services, disease surveillance and preparedness to respond to alerts, as well as adequate disease control measures. The different units responsible for livestock production should work in close collaboration to ensure a better service delivery in terms of extension services, research and veterinary care.

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

To ensure an efficient and harmonized support service to the farming community, the Agricultural Research and Extension Services is being reorganized to operate a decentralized veterinary service in three strategic regions so as to be closer to the farming community.





## **5 – DEPUTY CHIEF COMMISSIONER’S OFFICE**

### **5.1 Setting Up of an ICT/BPO Centre in Rodrigues**

With a view to promote Information and Communication Technology (ICT) and to generate employment, the Rodrigues Regional Assembly (RRA) embarked on the above project, the objective of which is to encourage potential investors to develop the ICT sector as an emerging sector for job creation in Rodrigues

On 9 August 2014, a Request for Proposal for ICT Business Outsourcing in Rodrigues, was launched. On 14 October 2014, a letter of offer was issued to a private enterprise X, to set up and operate an ICT/Business Process Outsourcing (BPO) Call Centre. Certain terms and conditions were mentioned therein. The RRA undertook to, amongst others, provide a fully refurbished office space of some 560 m<sup>2</sup> rent free, for an initial period of two years as from the start of operation.

On 6 March 2015, the Executive Council was informed that an agreement had been signed between the RRA and private enterprise X for a period of five years as from the start of operation in Call Centre activities in Rodrigues. Certain terms and conditions of the agreement differed from those set in the letter of offer of contract dated 14 October 2014 and would entail additional cost to the RRA. Explanations thereto were not given.

#### ***5.1.1 Project Implementation***

The RRA was to provide office space for the implementation of the project, which was carried out in two phases, namely:

- Refurbishment works at the location provided by the RRA;
- Fit out works for Call Centre

#### ***Award of Contract for Refurbishment Works***

Prior to the launching of proposals for ICT Business Outsourcing, office space at Camp Du Roi was identified to set up the Call Centre. On 28 February 2014, the Executive Council approved that the Deputy Chief Commissioner’s Office (Commission) proceeds with the refurbishment of the building to provide an operation centre for the ICT/BPO in Rodrigues.

Tenders for the refurbishment of the building were launched on 5 September 2014, through Open Advertised Bidding. The actual cost of the project totalled Rs 10,845,856 and exceeded the cost estimates of Rs 8,316,112 by some 30 per cent.

The Bid Evaluation Committee (BEC) was chaired by a Trainee Engineer, who was assisted by an Acting Senior Technical Design Officer and two other non-technical staff. The BEC met on five occasions to evaluate the bids; and on 28 October 2014, it recommended that tenders be re-launched as none of the bids received was responsive. Tenders were, however, not re-launched. In view of the urgency of the project, the Executive Council had decided that a High Level Technical Committee would review the Bid Evaluation Report.

Subsequently, the contract for the refurbishment of the building was awarded to a private Contractor on 26 November 2014 for an amount of Rs 8,703,545, including contingencies of Rs 1,500,000. The contractual completion period was 90 days from the start date of works on 9 February 2015, that is on 10 May 2015.

Handing Over of Site. The Contractor took possession of the site on 2 February 2015, that is more than two months after the award of contract. This was contrary to the contractual agreement, wherein it was stated that the site possession date should be within 14 days of the date of issue of the letter of acceptance, which was 26 November 2014.

Additional works. A Variation Order is an instruction given by the Project Manager to authorise variations made to the Contract. There were 28 Variation Orders for a total amount of Rs 3,362,879. According to the Final Accounts received at the RRA on 1 October 2015, the total amount paid to the Contractor was Rs 10,845,856 inclusive of VAT, whereas the contract sum was Rs 8,703,545 VAT inclusive. This represents an increase of some 24.6 per cent.

The General Conditions of Contract state that the Contractor shall provide the Project Manager with a quotation for carrying out the variations when requested to do so. Neither quotations nor the approval of the Department Head of the Commission was seen.

Liquidated Damages. Extension of time was approved by the Consultant, thereby bringing the contractual completion date to 22 August 2015. Works were completed on 28 August 2015. However, liquidated damages for an amount of Rs 90,000, that is at the rate Rs 15,000 per day, had not been charged on the Contractor.

Performance Bond and Insurance Policies. The performance bond, for a value of Rs 870,354, expired on 30 May 2016. It was not renewed so as to cover the defect liability period of 12 months after the date of completion of works. Similarly, the insurance policy, which provided for an insurance cover up to the date of completion of works, had not been extended to cover the defects liability period.

Operating and Maintenance Manual. The Particular Conditions of Contracts stipulate that the date by which as-built drawings and operating and maintenance manuals need to be submitted is 15 days after practical completion certificate has been issued. These documents, essential for the design of the fit out works, were not seen. An amount of Rs 100,000 should have been withheld from the payments as per the Particular Conditions of Contracts. This had not been complied with.

#### *Fit Out Works for Call Centre*

Following the refurbishment of the building, tenders for fit out works for the Call Centre were launched on 21 October 2015. Works comprised, amongst others, the following:

- Electrical works, including general lighting and installation of cabling works power sockets;
- Mechanical works, including installation of air conditioning system and generator;
- Installation of false ceiling;
- Provision of light weight partitioning.

The BEC submitted a report to the Departmental Bid Committee (DBC) on 17 December 2015, wherein it was stated that all the bidders had their bids exceeding the cost estimates by a minimum of 39 per cent. Thereafter, the Project Consultant revised its previous cost estimates of Rs 8,700,000 to Rs 15,476,950.

The contract for fit out works was awarded on 29 February 2016 to a private company for an amount of Rs 17,250,000, inclusive of VAT. The intended completion date was 90 days from the start date of works on 13 April 2016, that is on 12 July 2016.

Payment to the Contractor as at September 2016 amounted to Rs 3,776,744.

The following were observed:

Cost Estimates. The cost estimate was revised from Rs 8,700,000 in October 2015 to Rs 15,476,950 in December 2015, that is by more than 77 per cent. Explanations were not available for this major increase;

Approval of the DBC. The approval of the DBC to award the contract was not seen. Moreover, no Executive Council's decision was seen for the award of this contract.

Program of works. According to the General Conditions of Contract, the Contractor shall submit for approval a program of work within 21 days from date of the letter of acceptance. According to the notes of meeting of 27 May 2016, it was stated that the Contractor had not yet submitted a program of work. None was seen in the files produced for Audit.

Dismantling of Existing False Ceiling. The Contract for refurbishment works comprised the supply and installation of 600x 600 x15 mm thick moisture resistant, mineral fibre board, false ceiling. Subsequently, the fit out works contract required that these works should be dismantled and reinstalled with the salvage materials at a cost of Rs 1,312,000.

Bid Validity Period. On 25 February 2016, the Chairman of the BEC reported that the bid validity period of 90 days had expired on 24 February 2016 and that no request for extension of the validity period was issued to the bidders prior to the expiry of the original bid validity period.

The contract was awarded on 29 February 2016, after the expiry of the validity period. This is also not in line with the User Guide issued by the Procurement Policy Office which states that the evaluation shall be completed within the validity period so as to leave enough time for contract award.

Insurance Policy. Contrary to the Particulars of Contract, it was an Insurance broker which certified that the Contractor was insured under a Contractor All Risks and Third Party Liability insurance with an insurance company for the period 1 April 2016 to 1 October 2016 with a defect liability period of 12 months. In the absence of the actual policy, terms and conditions therein could not be confirmed. Besides, it could not be ascertained whether the policy was in the joint name of the RRA and the Contractor.

Delay in Project Completion. The Project was expected to be completed on 12 July 2016. However, as at September 2016, works were reported to be only 65 per cent completed and would be fully completed in October 2016. Since no extension of time was seen granted, the

amount of Rs 60,000 charged on Payment Certificate No 2 as liquidated damages for delay of five days, needed to be recalculated.

### ***Conclusion***

The Project was undertaken in two phases. Had it been considered as a single project, the threshold of Rs 25 million would have been exceeded, in which case the project should have been referred to the Project Plan Committee (PPC) of the Ministry of Public Infrastructure and Land Transport for approval. This is a case of non-compliance with the Capital Project Process Manual which was issued in accordance with Section 22A of the Finance and Audit Act.

The project was delayed. Some 30 months after project identification, it has not been completed. The objective of attracting investors in the field of ICT/BPO in Rodrigues with a view to reducing unemployment has not yet been achieved as at September 2016.

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

- Fit Out works were done in another phase due to budgetary constraints.
- The objectives of attracting investors in the field of BPO in Rodrigues have been aroused as many companies are intending to implant in Rodrigues to boost up the sector.
- The BPO/Call Centre is actually screening applications for recruitment of Call Operators and other staff.

## **6 – COMMISSION FOR PUBLIC INFRASTRUCTURE, LAND TRANSPORT, HOUSING, AND WATER RESOURCES**

### **6.1 Construction and Rehabilitations of Roads and Bridges**

The Road Section of the Commission for Public Infrastructure (CPI) is responsible, amongst others, for the survey, design, definition of the scope of work, estimation of cost, supervision of works and certification of claims from Road Contractors for payment. Effective control measures should be in place to ensure timely completion of projects, within the approved costs and available resources.

#### ***6.1.1 Project Monitoring Committee***

A Project Monitoring Committee is an important tool in Project Management. Although several projects were on-going as at September 2016, the last meeting of the Committee was held on 9 March 2016, as evidenced by the relevant Notes of meeting.

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

Officers of the Commission are on site, on a daily basis, to monitor and approve ongoing works.

#### ***6.1.2 Financing of Projects***

Amounts of Rs 93.2 million and Rs 54.9 million were provided for, in the year 2015 and for the six month-period ending 30 June 2016 respectively, for the construction and rehabilitation of roads and bridges. However, the total amount spent thereon amounted to Rs 202,799,482 and Rs 63,970,215 respectively. It is to be noted that the actual expenditure incurred in 2015 exceeded the original budget by more than 100 per cent. Additional funds were obtained from reallocations from projects earmarked for other Commissions.

#### ***6.1.3 Award of Contract - Rs 297,785,876***

A Rate Contract was awarded by the CPI on 11 May 2015 to Contractor A for an amount of some Rs 298 million, inclusive of VAT for the construction, upgrading and maintenance of roads and bridges. The duration of the contract would cover a period of two years from 12 June 2015 to 11 June 2017.

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

The contractual sum for the two-year period June 2015 to June 2017 was for an amount of Rs 297,785,876. As at 31 July 2016, 44 Works Orders totaling Rs 370,909,175 had been issued under the contract, that is an excess of Rs 73,123,299. This represented an increase of 24.6 per cent of the contract value. For the past few years, the total value of Works Orders had consistently exceeded the respective contract value.

Given that the contractual sum had been exceeded prior to the end of the contract period, which was up to June 2017, another invitation for bids was launched in March 2016 and a new contract was awarded in June 2016.

#### 6.1.4 Implementation of Projects

The following shortcomings were noted:

- All road projects and civil works were not subject to internal audit;
- Although extensions of time were requested and approved, several projects were completed beyond the intended/ revised contractual period. Examples are as in Table 20.

*Table 20 Completion of Projects beyond Contractual Period*

<b>Works Order No. of 2015</b>	<b>Project Name</b>	<b>Contract Sum (Rs m)</b>	<b>Intended Completion Date</b>	<b>Final Completion Date</b>
3	Construction of road from Mt Cherie to Mourouk	48.7	30 October 2015	29 December 2015
5	Masonry stone facing works along main road Coromandel to Graviers	2.6	22 September 2015	30 May 2016
8	Handrails and miscellaneous works	2.7	31 October 2015	14 January 2016
13	Upgrading of road Le Chou to Port Mathurin – Phase I	78.8	20 November 2015	6 June 2016

*Claim for Extension of Time.* On 11 May 2016, the CPI was informed by the Contractor that the latter had submitted claims for extension of time in respect of several projects during the period January to April 2016; but no response had been received. As at September 2016, there was no evidence to the effect that the CPI made any requests for substantiation of claims, after receipt of same.

- In respect of several projects, test results obtained from the Contractors' own laboratory, were signed by the Contractor only and did not bear any signature or comments from the Project Engineer;
- Deflection tests were carried out by the Contractor. However, the Project Engineer did not certify whether, according to these tests, works had been satisfactorily performed. Moreover, in several cases there were over-writings on the tests results sheets;
- For the project '*Patching of Road*' for an amount of Rs 667,170, the original scope of work, as specified in Works Order no 7, was changed on two occasions. On 14 September 2015, the Contractor was requested by the Engineer to carry out additional works which were to be completed within 21 days; and two months later that is on 12 November 2015, the Contractor was requested to carry out additional works such as demolition of masonry

work, masonry structure/ concrete grade. These additional works were not related to patching of roads. No new Work Orders, with detailed description of works to be undertaken and estimated costs had been issued.

### ***Conclusion***

Execution of projects should be properly planned so that financial resources allocated are sufficient to meet all commitments. Requests for funds and financial clearance should be sought before launching of tenders and issue of Works Orders. Projects should be properly administered and completed on time, and contract terms and conditions must be strictly complied with.

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

- All laboratories and deflection tests are carried out in the presence of the representative of the Commission.
- Liquidated damage was applied, in accordance with the condition of contract, for all unjustified delays in project completion.

## **6.2 Construction of a New Market at Mt Lubin**

The project for the relocation of the existing market and construction of a new one at Mt. Lubin was initiated in March 2014. In May 2014, the Consultant of the Rodrigues Regional Assembly (RRA) submitted cost estimates of Rs 25,461,000 for the construction of the market, a small activity centre to include food kiosks and green areas, and for bus lay-bys and parking slots.

The project was, thereafter, split into different phases. In October 2014, the Consultant submitted revised estimates for an amount of Rs 11,787,500, inclusive of VAT, to the Commission for Public Infrastructure (CPI) for the construction of the market and bus lay-bys.

### ***6.2.1 Contract for Construction of Market***

The contract for the construction of the market was entrusted to Contractor A on 29 April 2015 for an amount of Rs 12,354,481, inclusive of VAT. The contractual start date was 22 June 2015 and the construction was scheduled for completion on 6 December 2015.

### ***Additional Works***

In November 2015, the Contractor was required by the CPI to carry out certain additional works. These had cost a total of Rs 4,731,776, that is above the threshold prescribed in the Public Procurement Act for additional works.

### *Payments to Contractor*

As at September 2016, a total amount of Rs 13,618,491 was paid to Contractor A, thus exceeding the original contractual amount of Rs 12,354,481. The excess payment was due to additional works carried out by the Contractor.

Payment to Contractor was not made promptly. An amount of Rs 9,521 was paid as interests for delay in payment in respect of Certificate No. 2 of October 2015.

### *Completion of Works*

The project was delayed by some six months as the construction works were completed only on 15 June 2016. On three occasions, the Consultant had recommended extension of time for a total of 175 days to bring the new completion date to 9 June 2016. However, approval of the last two recommendations for a total of 146 days, was not seen.

As at September 2016, the pre-final certificate with deduction of liquidated damage for unjustified delays and penalties, as per conditions of contract, had not yet been received.

I was informed that the new market was inaugurated on 11 November 2016 and put to use on the following day.

### **6.2.2 Activity Centre**

The contract for the activity centre, together with the parking area, was awarded to Contractor B for an amount of Rs 5,374,479, inclusive of VAT, on 25 July 2016.

### **6.3 Rehabilitation and widening of existing bridge at Anse aux Anglais.**

The contract for the rehabilitation and widening of the existing bridge at Anse aux Anglais was awarded to Contractor C on 10 March 2015 for the sum of Rs 9,039,021, inclusive of VAT. Works were to start on 25 May 2015 and to be completed by 13 September 2015. However, the project was actually completed on 24 December 2015, that is, with a delay of 102 days

The Contractor carried out a number of additional works, for which the Consultant recommended extension of time for a total of 47 days. Approval for the variation/additional works was not seen.

A snag list was prepared and submitted to the Contractor for appropriate action on 11 February 2016. However, as at 26 September 2016, there was no indication in the relevant file that these defects had been made good.

### **6.4 Desalination Project**

At paragraph 4.3 of the Audit Report for the year ended 31 December 2014, I had extensively reported on the problems encountered by the Rodrigues Regional Assembly (RRA) in connection with the supply and installation of four Reverse Osmosis Desalination Plant, with



designed production capacity of 1,000 m<sup>3</sup>/day each, in four different locations, namely at Pointe Venus, Caverne Bouteille, Pointe Cotton and Baie Malgache.

The contract awarded in October 2013, for an amount of Rs 156.1 million inclusive of VAT, was terminated on 5 February 2015 due to non-performance of the Contractor and failure to execute works as per terms and conditions of the contract. I reported, amongst others, that:

- Payments totalling some Rs 99.4 million had been disbursed to the Contractor;
- None of the four Desalination Plant had been commissioned. Two of them (Pointe Cotton and Baie Malgache) were not completely installed although some 35 per cent of the equipment procured had been delivered and were lying in the buildings constructed for housing these Plant. As for the other two Plant (Pointe Venus and Caverne Bouteille), they were operating at some 50 per cent of their capacity.

A review of the Project was carried out in September 2016 and the following were observed:

- An advance payment of Rs 31,220,322, made to the Contractor in November 2013, was to be recouped on successive interim payments based on the percentage of value of work certified. The bank account of the RRA was credited on 30 May 2016 with an amount of Rs 16,536,079, representing the balance of advance payment not yet recouped as at the date of termination of contract, together with interests accruing thereon;
- Since the termination of the contract in February 2015, the Commission has neither determined the value of works executed, nor worked out any sums due to or overpaid to the Contractor for work executed in accordance with the contract. Final accounts have not been received. According to the records of the Companies Division, the Contractor is under voluntary winding up;
- Action had been taken to launch tenders for the completion of the building and the installation of the Desalination Plant at Pointe Cotton and Baie Malgache; and for the rehabilitation of the Plant at Pointe Venus and Caverne Bouteille.

#### ***6.4.1 Completion of Works at Pointe Cotton and Baie Malgache***

Building and civil works needed to be carried out prior to the installation and operation of the Desalination Plant at Pointe Cotton and Baie Malgache.

##### *Building and Civil Works*

Separate tenders were launched for building and civil works at Pointe Cotton and Baie Malgache respectively.

Building and Civil Works at Pointe Cotton. Following a tender exercise in March 2016 for the above mentioned works, two bidders submitted their quotes. These were evaluated by a Bid Evaluation Committee (BEC) which submitted its report on 21 April 2016, wherein it was stated that both bidders had made offers which were some 50 per cent higher than the cost estimates.

On 5 May 2016, a new tender exercise was carried out; and on 3 June 2016, the Project Consultant was requested to submit a revised estimated cost for the project. On 29 June 2016, a private Contractor was awarded the contract for an amount of Rs 18,995,735 inclusive of VAT. The handing over of site was made on 19 August 2016 and the construction period was 112 days as from the start of work. The following were noted:

- The principal cause of delay in the execution of this project was the cancellation of procurement proceedings. Cost estimates could have been unrealistically computed as both bids had to be rejected on the ground that they far exceeded the threshold of 15 per cent above the cost estimates. The amended cost estimates were about 60 per cent more than the original cost estimates;
- The implementation of the project was being delayed. Five months have elapsed from the date of the initial tender to the date of the actual handing over of the site to the Contractor.

Building and Civil Works at Baie Malgache. Tenders for building and civil works at Baie Malgache were also launched in March 2016. On 4 April 2016, the BEC recommended that the contract be re-launched for the following reasons:

- one of the two bidders' offer was not retained for further evaluation on the ground that it had submitted a bank certificate with the wrong procurement reference number. This had not been considered as a minor deviation;
- the other bidder had also not been retained for further evaluation as it had submitted an offer which was substantially above the estimated cost of Rs 20,471,155.

On 14 April 2016, the bidders were informed that the bidding exercise had been cancelled in accordance with Section 39 (1) (b) of the Public Procurement Act.

As of September 2016, the RRA had not yet launched new tenders. Any delay in building and civil works would directly impact on the date of commissioning and operation of the Reverse Osmosis Desalination Plant.

#### *Reverse Osmosis Desalination Plant*

In February 2016, bids were invited using the Open Advertised Bidding as method of procurement for a 'Design-Build and Turnkey' contract for Reverse Osmosis Desalination Plant and Equipment at Baie Malgache and Pointe Cotton, as a single project. The closing date for submission of bids was 27 April 2016.

On 20 June 2016, the Central Procurement Board (CPB) informed the Commission that the ten bids received had been evaluated and it had approved the award of the contract to a private company for an amount of Rs 103,010,469 inclusive of VAT.

On 24 June 2016, the award was challenged by one of the bidders on the ground that its bid was responsive and was lowest of the tender exercise. Its bid was for an amount of Rs 91,929,299 as compared to that of the successful bidder, which was for Rs 103,010,469.

On 5 July 2016, the bidder lodged the case with the Independent Review Panel (IRP) for review. After several hearings, the IRP ordered the annulment of the decision to award the tender to the successful bidder and also ordered the annulment of the procurement exercise.

In late September 2016, the contract for the installation of the Desalination Plant at both locations had not yet been awarded.

The following were noted:

- After the termination of contract in February 2015, bid documents, prepared by a firm of Consulting Engineer, were submitted to the Commission on 25 August 2015 for approval and vetting by the CPB. Bids received were evaluated and notification of award of contract was issued on 21 June 2016. The Commission spent some 300 days on these stages which exceeded the lead time of 120 days, as prescribed in Directive 13 issued by the PPO;
- The decision of the IRP was motivated by the fact that the bid documents had not been properly drafted and consequently had not yielded any positive results. Only two out of ten bidders passed the initial test of substantial responsiveness, and qualified for technical evaluation. Both of these bidders did not submit certain documents and information listed as mandatory in the evaluation criteria;
- The IRP also stated that, given that the bid documents required that tenderers have experience in design, manufacture, installation and operation of Reverse Osmosis Desalination Plant, it would be difficult to find all those requirements in only one entity. Hence, not even one of the ten tenderers passed all the evaluation and qualification criteria;
- Although the desalination project, scheduled for completion in April 2014, had been excessively delayed, the Commission, in a spirit of finding a rapid solution to the acute shortage of water in the two regions where the Plant had not been installed, did not find the need to issue a Certificate of Urgency, as had been done previously;
- As of September 2016, the Commission had not yet awarded the contract for the installation and commissioning of the Reverse Osmosis Desalination Plant, a project which would have solved the water scarcity problem in those regions.

#### ***6.4.2 Rehabilitation of Plant at Pointe Venus and Caverne Bouteille***

Regarding the project at Pointe Venus and Caverne Bouteille, new tenders were launched for the rehabilitation of the two Plant, which did not produce the expected daily capacity of 1,000 m<sup>3</sup> of water.

On 25 May 2016, the contract for the supply of materials to the two Plant was awarded to two suppliers for a total amount of Rs 3,691,000.

As of late September 2016, rehabilitation works had not yet started as the delivery of all material and spare parts had not yet been completed.

No improvement was noted in the daily production of water at both Plant, which as of September 2016, had a production rate of some 380 m<sup>3</sup> and 480 m<sup>3</sup> for Pointe Venus and Caverne Bouteille respectively.

### ***Conclusion***

The Project for the supply and installation of Reverse Osmosis Desalination Plant at the four above mentioned locations in Rodrigues was to initially cost some Rs 156 million in 2013. The contract was terminated in February 2015 for unsatisfactory performance of the Contractor. 18 months later, that is as at September 2016:

- The two Plant at Pointe Venus and Caverne Bouteille were still not operating optimally. The maximum capacity of water production was far from being reached. Rehabilitation works had not yet started although contract for the supply of materials had been awarded in May 2016 for an amount of Rs 3.7 million;
- The contract for building and civil works at Pointe Cotton has been awarded in June 2016 for an amount of some Rs 19 million, inclusive of VAT. As for Baie Malgache, estimated costs amounted to some Rs 20 million. The contract had not yet been awarded as tenders have to be launched again;
- As for the turnkey project for the installation and commissioning of the Desalination Plant at Pointe Cotton and Baie Malgache, contract for same had not yet been awarded. Same may cost around Rs 103 million, based on the contract awarded but thereafter challenged in June 2016.

Taking the above into account, and after allowing for the recoument of the advance payment and performance bond seized in respect of the previous contract, the overall cost of the project could be around some Rs 210 million, compared to the original cost of Rs 156 million.

Further delays will not only inflate the cost, but will also deprive the population of the basic commodity. No time frame was set as to when all the four Plant would be operating at full capacity.

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

- The Consultant has submitted a draft final account which is being examined.
- *Completion of Work at Pointe Cotton and Baie Malgache* - It has been decided , in the first instance, to procure a Skid Mounted Containerised Desalination Plant of 1,000 m<sup>3</sup> for Pointe Cotton. The bidding document has been referred to the PPO for clearance prior to resubmission to the CPB.

The decision to carry out separate procurement exercise for the Desalination Plant of Pointe Cotton and Baie Malgache has been reviewed in the light of the ruling obtained from the PPO. A single procurement exercise will be carried out for both sites.

- *Rehabilitation of Plant at Pointe Venus and Caverne Bouteille* - Most of the spare parts have been received and repairs of the two Desalination Plant are on-going and are expected to be completed by March 2017.



## 7 – COMMISSION FOR HEALTH AND SPORTS

### 7.1 Procurement and Supplies Management

An efficient procurement and supplies management is a pre-requisite for the proper functioning of a hospital. Total amount spent during the period 1 January 2015 to 30 June 2016 for the procurement of stores items and medical drugs, including pharmaceutical and surgical items amounted to some Rs 48 million.

A review carried out in the different stores of the Queen Elizabeth Hospital (QEH) revealed that the basic principles of stores management were not being observed.

#### 7.1.1 Store Records

Store Ledgers are useful for tracking the current quantity of items on hand at any particular point in time. Items received and issued should be promptly recorded therein and the Store Ledgers should be complete and up-to-date. The following shortcomings were noted:

- In the General Store, issues made to the Catering Unit and other Wards/Units since October 2015 were not yet posted to their respective ledgers as at June 2016.
- In the Surgical Store, for the items ordered in December 2015 and received at the store in the months of January and February 2016, entries have not been made in the ledgers as at June 2016. Delivery notes were received late and it was time consuming to record from the manifests, as often the same items were received on various consignments and on various manifests. Moreover, blank lines were left in the Ledger to cater for future entries on receipt of delivery notes. This was not satisfactory.
- The Drug Ledgers in the Main Store of the Pharmacy were not up to date. The last entries for issues of expensive and non-expensive drugs dated as far back as December 2015. For example, delivery notes dating as far back as 23 June 2014, were received in April 2016.
- As the ledgers were not up to date, no physical survey could be carried out in any of the stores.
- Control over expensive drugs was not adequate. The system of control comprises the keeping of records in the Dispensing Unit on receipts of items from the Main Store and issues to patients and wards/units through Prescription Forms and Ward Sheets. No records of expensive drugs were kept at the Dispensing unit.

#### *RRA's Reply*

Needful has been done with the posting of one Intern under YEP Programme at each Procurement Sections at Queen Elizabeth Hospital to help with the updating of records and ledgers pending recruitment of staff.

### **7.1.2 Storage Conditions**

The pharmaceutical and surgical items are to be stored under conditions that prevent contamination and, as far as possible, deterioration. The following shortcomings were noted:

- The two staff quarters used to accommodate the stock of surgical store had hardly space for access and to move around inside. Boxes of various items were stacked on the floor up to the ceiling. There was no emergency exit door in both quarters.
- In the store at the Pharmacy, boxes of drugs were stacked one on another up to the ceiling. Other boxes of drugs were stored in the corridors and even in the Offices. As there was only one entrance, all drugs were received and distributed through the same path, which was inconvenient for both patients and staff. There was no exit door. Further, two of the four air conditioners were out of order.
- Certain items were required to be kept at control temperatures in biomedical refrigerator, where only one was available. Four domestic refrigerators, in which there were no thermostats to control the temperature, were also used to keep such items.
- Large quantities of electrolytes, which were in boxes containing 24 flasks, were stored in a building. It is not known whether norms for the storing and handling of these items were adequate and respected.

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

Proposals are being worked out for the setting up of an Island Supply Department and Store to cater for delivery and storage of drugs.

## **7.2 Marechal Swimming Pool**

In the Audit Report for the year ended 31 December 2014, I mentioned that the swimming pool, constructed in accordance with Olympic norms in the year 2005 at Marechal, had not been optimally used although some Rs 75.8 million had been spent thereon.

This situation was ascribed to inadequate water supply, the rapid drawdown of the water level in the swimming pool and the high running and maintenance costs. I also drew attention that the compound was not properly maintained, gutters which form part of the rain water harvesting system were not well maintained, two of the Filter Plant and the boiler system were out of order, amongst others.

I was, thereafter, informed that a Committee would be set up to look into the problems associated with the operation and maintenance of the swimming pool.

In September 2015, a contract for an amount of Rs 94,898 was awarded to a private company to carry out a complete survey at the swimming pool to determine its present state; and the upgrading/maintenance works required to be carried out so as to make it fully operational and to resume its normal activities.



The survey was carried out on 11 September 2015 and a report was duly submitted on 5 November 2015. The assistance of the Commission for Public Infrastructure was sought to determine the scope of works and estimate the cost for the preparation of tender documents for the upgrading/maintenance of the swimming pool.

As of September 2016, the Commission for Health and Sports was still working on the renovation of the swimming pool, as well as finding a long term solution to have a regular supply of water so that swimming activities could resume. In the meantime, no benefit was being derived from the significant investment made for the construction of the swimming pool.

The Commission for Health and Sports should speed up the matter to make the swimming pool operational at the earliest, for the benefit of athletes and for the public in general.

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

- Following the survey carried out by Consultant for RRA in August 2016, a contract for the renovation of the plant and equipment of Marechal Swimming Pool has been awarded and works are expected to start early February 2017 once all formalities are cleared.
- Provision has been made for the continued employment of an Advisor Coach Swimming on a sessional basis for the next financial year and the recruitment of a Swimming Coach to ensure the smooth running of activities as soon as works are completed.





**National Audit Office**

Air Mauritius Building, John Kennedy Street, Port Louis, Mauritius  
Tel: (230) 212 2096 Fax: (230) 211 0880 Web: <http://nao.govmu.org>