REPORT

OF THE

DIRECTOR OF AUDIT

ON THE ACCOUNTS OF THE

RODRIGUES REGIONAL ASSEMBLY

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

LIST OF TABLES

INTRODUCTION

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

The National Audit Office

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

Vision, Mission and Core Values

Vision

To be recognised as a centre of excellence in the provision of high quality audit and value added services

Mission

NAO is an independent public office set up under the Constitution; we provide independent assurance to the National Assembly on the proper accounting and use of public resources and we help clients to improve their financial management; earning the respect of our stakeholders, we promote good governance by enhancing accountability and transparent administration in the public sector and we encourage social responsibility; we have committed ourselves to be people-oriented; we provide our staff with an environment that stimulates diversity, innovation, teamwork, continuous learning and improvement

Core Values

Maintain our independence and political neutrality

Observe a high level of professionalism and integrity

Show fairness, objectivity and impartiality in our work

Ensure confidentiality of materials/information provided to us

Honour the confidence of trust conferred on us

Be courteous, tolerant and respectful

Mandate of the Director of Audit

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

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

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

- All reasonable precautions have been and are taken to safeguard the collection of public money;

- All laws, directions or instructions relating to public money have been and are duly observed;

- All money appropriated or otherwise disbursed is applied for the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it; and

- Adequate directions or instructions exist for the guidance of public officers entrusted with duties and functions connected with finance or storekeeping and that such directions or instructions have been and are duly observed.

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

Audit Methodology

In the course of an audit, I am required to form opinions on the efficiency of works and services that come under my review and to report cases where, in my opinion, there has occurred material waste, extravagance or lack of proper economy. To discharge this responsibility, NAO's approach to audit involves the following:

- Planning the audit to obtain relevant information in the most efficient manner, and to determine the audit procedures to be employed. Planning involves understanding the business of the client, understanding the accounting and internal control, determining materiality and assessing risks.

- Evaluation and testing of the accounting and internal control systems.

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

- Reporting the audit findings based on the audit procedures performed together with appropriate recommendations.

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

Reporting

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

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

Accounting Officer's Responsibility

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

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

- The safe custody of assets and stores.

This Report to the Rodrigues Regional Assembly summarises the results of the audit work undertaken by NAO over the past twelve months from 1 January to 31 December 2011. The comments received from Accounting Officers as of 3 July 2012 have been considered and a summary, where appropriate, is included in the Report.

Acknowledgement

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

Dr R. Jugurnath
Director of Audit 6 July 2012

ANNUAL FINANCIAL STATEMENTS

2.1 Introduction

The Finance and Audit Act, as amended by the Rodrigues Regional Assembly (RRA) 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 fiscal year, annual statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

The accounts of the RRA for the fiscal year ended 31 December 2011 were closed on 1 March 2012 and the approved statements were submitted to the National Audit Office on 26 March 2012.

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

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

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

- The safe custody of assets and stores.

The draft estimates, for the fiscal year ended 31 December 2011, were approved by the Regional Assembly on 24 September 2010.They were submitted to the Minister on 30 September 2010 and approved by Government on 19 November 2010. Amended estimates were circulated to the Regional Assembly on 15 February 2011.

2.2 Programme Based Budgeting.

RRA prepared its financial statements in line with the Programme Based Budgeting for the first time, for the fiscal year ended 31 December 2010. No provision has so far been made in the Finance and Audit Act requiring the RRA to prepare and present a statement showing a progress report on performance in respect of outcomes achieved and outputs delivered, as required for the accounts of Mauritius.

As of March 2012, a progress report on performance was under preparation by the different Commissions. Section 19 (6) of the Finance and Audit Act needs to be amended to include the submission of a progress report on performance as a statement required by the Regional Assembly.

2.3 Statement of Assets and Liabilities of the Rodrigues Regional Assembly

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

Table 1 Assets and Liabilities for the past three fiscal periods

	July-Dec 09 Rs	**2010 Rs**	**2011 Rs**
Assets			
Cash and Bank balances	34,498,782	34,312,270	57,072,539
Advances	24,767,873	20,492,079	35,196,436
Total	**59,266,655**	**54,804,349**	**92,268,,776**
Liabilities			
Consolidated Fund	1,108,747*	9,877,792	13,940,916
Deposits	32,759,132	23,485,539	42,484,297
Loan from Government of Mauritius	25,398,776	21,441,018	35,843,762
Total	**59,266,655**	**54,804,349**	**92,268,975**

* *The Capital Fund was abolished wef 1 January 2010 and the balance of Rs 756,850 was transferred to the Consolidated Fund.*

As mentioned earlier, the accounts of the RRA are prepared on a cash basis. Non-current and current assets and liabilities such as pension liabilities and passage benefits are therefore not disclosed in the Statement of Assets and Liabilities.

2.3.1 Advances - Rs 35,196,436.

This represents amount outstanding on motorcar and motorcycle loans as of 31 December 2011. Details are given in Table 2.

Table 2 Advances as of 31 December 2011

Details	**Amount Rs**
Advances to RRA Members	3,907,700
Motorcar Loans to RRA Officers	12,106,388
Motorcycle Loans to RRA Officers	4,508,548
Advance - Fibre Glass Boats	14,585,000
Advance - Personal	88,800
Total	**35,196,436**

Some Rs 14,585,000 were advanced to five Cooperative Societies (Rs 2,917,000 for each society) in December 2011 for the supply of five fibre glass boats. Loan agreements were signed between RRA and the five Cooperative Societies totalling Rs 13,207,750 instead of Rs 14,585,000.

Agreements in respect of the difference of Rs 1,377,250 (Rs 14,585,000 less Rs 13,207,750), that is Rs 275,450 due by each Society representing the cost of “Argos brackets” and fishing vessel trackers supplied to them in December 2011, were not yet signed as of mid March 2012. Further, the loans have not yet been secured by an inscription of a fixed/ floating charge on the Societies in favour of the RRA as required under the contract agreement.

RRA’s Reply

Regarding the advances made to the Cooperative Societies, another agreement to the tune of Rs 275,450 between the RRA and each of the five societies is being signed and action is being taken to secure the loans.

2.3.2 Deposits – Rs 42,484,297.

This figure represents total balances of various deposits held at the RRA and includes an amount of Rs 11,491,655 the correctness of which could not be ascertained as it was not supported by a list of individual balances as of 31 December 2011. Those deposits which remained unclaimed for more than five years should be transferred to revenue.

RRA's Reply

A detailed list is being prepared and the outstanding amounts which are more than five years will be transferred to revenue.

2.4 Abstract Account of Revenue and Expenditure of Rodrigues Consolidated Fund

Revenue for the fiscal year ended 31 December 2011 amounted to Rs 1,692,583,231, that is, Rs 1,667,029,399 being government contributions and Rs 25,553,832 being revenue collected by the RRA. The grant received from Government exceeded the budgeted amount by Rs 63,029,399.

Revenue collected by the RRA for the fiscal year ended 31 December 2011 represents 1.51 per cent of the total expenditure. Hence, the total expenditure of the RRA was almost wholly financed from Government contribution.

2.4.1 Expenditure

Total expenditure over the past three fiscal periods is shown in Table 3.

Table 3 Total expenditure for the Past Three Fiscal Periods

Fiscal Period	Total Expenditure Rs
July to December 2009	805,572,258
2010	1,607,732,416
2011	1,688,520,107

Total expenditure incurred amounted to Rs 1,688,520,107 and exceeded the budgeted amount of Rs 1,624,000,000 by Rs 64,520,107. The additional expenditure was financed from the Contingencies Fund.

2.5 Detailed Statement of Revenue of Rodrigues Consolidated Fund

In January 2011, the RRA signed a Memorandum of Understanding (MOU) with Rodrigues Housing and Property Development Company Ltd, a private company set up by the RRA and incorporated in January 2010. According to the MOU, the company has been entrusted with the management of several vested RRA properties such as market stalls in Port Mathurin, La Ferme, Mont Lubin and Petit Gabriel, stalls/kiosks at Alfred Coombes Building, snacks at Port Mathurin Bus Terminal and Government Quarters. The company has also been entrusted with the management of the new market at Port Mathurin as well as rental of RRA housing units. Accordingly, the company was collecting and keeping the revenue relating to the rental of the above assets which totalled Rs 367,905 for the period March to August 2011. This is contrary to Section 42 of the RRA Act which provides that all revenues of the RRA shall be credited to the Rodrigues Consolidated Fund.

RRA's Reply

The Rodrigues Housing and Property Development Co. Ltd has ceased its activities since March 2012 and its responsibilities have been transferred to RRA.

2.6 Statement of Investments

Total investments as of 31 December 2011 amounted to some Rs 42.6 million. These comprise investments in private companies set up by the RRA as detailed in Table 4.

Table 4 Investments of RRA in Private Companies as of 31 December 2011

Private Company	Date of Incorporation	Total RRA Investment at 31.12.2010 Rs	Investment During the year 2011 Rs	Total RRA Investment at 31.12.2011 Rs
Rodrigues Trading and Marketing Co. Ltd	30.06.2006	4,000,000		4,000,000
Discovery Rodrigues Co. Ltd	15.11.2006	2,000,000		2,000,000
Rodrigues General Fishing Co. Ltd	08.06.2007	4,900,000	1,500,000	6,400,000
Rod Clean Co. Ltd	19.09.2007	10,188,590		10,188,590
Rodrigues Water Co. Ltd	29.10.2007	17,000,000		17,000,000
Rodrigues Housing & Property Development Co Ltd	12.01.2010	3,000,000		3,000,000
Total		**41,088,590**	**1,500,000**	**42,588,590**

A total amount of Rs 1.5 million was invested by RRA in May 2011 in the Rodrigues General Fishing Co. Ltd for the purchase of fishing equipment and materials. A sound business plan/feasibility study establishing its financial sustainability was not submitted contrary to the instructions issued by the Ministry of Finance and Economic Development. The viability of the investment was therefore not determined.

In two other cases, original share certificates were not available, instead, duplicate copies were produced.

2.6.1 Return on Investment

The RRA has so far not received any dividend from investments made in the six private companies incorporated since 2006.

RRA Companies General Fund.

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

- into which all dividends or returns received from investments in companies shall be deposited;

- out of which shall be paid all grants and advances to companies under which the RRA holds investments, and any necessary capital expenditure for companies as may be decided by the Executive Council.

As of March 2012, that is more than three years later, the RRA Companies General Fund has not yet been set up.

RRA's Reply

An audit will be carried out to establish the financial sustainability of the Rodrigues General Fishing Co. Ltd. The original share certificates have not been retrieved.

The establishment of the RRA Companies General Fund will not be necessary as the Executive Council is contemplating the winding of nearly all companies after a proper audit has been made.

2.7 Statement of Arrears of Revenue

The arrears of revenue for the past three fiscal periods are given in Table 5.

Table 5 Arrears of Revenue for the Past Three Fiscal Periods

Division/Unit	Jul- Dec2009 Rs	2010 Rs	2011 Rs
Fisheries	51,864	57,959	62,661
Judicial	341,930	699,175	926,827
Rental of Government Property	12,357,026	14,247,116	12,247,832
State Land - Old leases		1,469,834	1,469,834
Water Unit	1,464,402	1,608,634	1,772,091
Health and Sanitary		780	1,170
Rental of Snacks/Market Stalls	640,315	594,203	594,203
NHDC Houses	301,280	498,850	545,260
Total	**15,156,817**	**19,176,551**	**17,619,878**

- The total arrears figure for the Rental of Government Property of Rs 12,247,832 did not agree with those generated by the computerised system of Rs 1,422,348. The accuracy of the arrears figure of Rs 12,247,832 as of 31 December 2011, could however not be ascertained. Rent due for the year to year leases of State Land amounting to Rs 1,469,834 was still awaiting write off.

- A 20 years' industrial lease was granted in April 2004 to a hotel promoter that was cancelled in December 2007. In January 2012, a plaint with summons was lodged against the promoter claiming the sum of Rs 1,160,300 for unpaid rent for the period July 2006 to December 2007.

- The RRA did not have recourse to legal action for the recovery of arrears for the water rates amounting to Rs 1,772,091, as advised by the Legal Adviser of the RRA in February 2009.

- The collection of arrears of Rs 594,203 in connection with rental of snacks and market stalls has been entrusted to the Rodrigues Housing and Property Development Co Ltd with effect from January 2011, contrary to Section 42 of RRA Act.

RRA's Reply

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

Concerning the Industrial lease, the RRA was apprised that the case was set aside by the court due to the winding up of the company.

The RRA is recommending the writing off of all arrears of water rates as it will not be cost effective to sue some 8,000 debtors through civil cases.

2.8 Statement of Losses

Financial Regulations require that where a loss occurs or where a theft or fraud is committed, the facts should be reported, and in cases where the loss, shortage or irregularity has caused prejudice to Government, immediately refer the matter to Police and at the same time set up a departmental Board of Enquiry to situate responsibilities and determine causes thereof. As of March 2012, the outcome of investigation or action taken by RRA were not known in respect of several cases reported prior to 1 January 2011, some dating as far back as 2002.

RRA's Reply

Necessary action is being taken to monitor all cases of losses, shortages and irregularities.

3.1 Investments in Private Companies

3.1.1 Background

At paragraph 3.1 of the Audit Report for the year ended 31 December 2010, I had reported on a number of weaknesses relating to six private companies set up by the Rodrigues Regional Assembly (RRA). Among the weaknesses highlighted in the above report were the following:

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

3.1.2 Disbursements

Although no significant improvements were noted, funds were still being disbursed to the private companies. During the year 2011, an amount of Rs 1.5 million was invested in the form of equity to one company namely Rodrigues General Fishing Co Ltd thereby bringing total investments to Rs 42.5 million as of 31 December 2011.

Operational costs of three companies for the fiscal year 2011 amounting to some Rs 36 million were met from the Consolidated Fund of the RRA. These are the Rodrigues Discovery Co Ltd (Rs 4.7 million), Rod Clean Co Ltd (Rs 18.3 million) and Rodrigues Water Co Ltd (Rs 12.9 million). Payments to the third company were partly financed from revenue amounting to Rs 2 million collected by the RRA. Further, a fourth company, that is, the Rodrigues Housing and Property Development Co Ltd, had met its operational costs from the collection of rent on RRA vested assets, amounting to Rs 365,905.

With regard to Air Rodrigues Co. Ltd which was set up in April 2009, no investment has so far been made by RRA and the company was still not operational.

Since incorporation up to 31 December 2011, the RRA had disbursed an amount of some Rs 85 million to the private companies to enable them to meet their operational costs

3.1.3 Lack of Control over the Investments of the RRA

The RRA Investments Management Regulations (IMR) 2008 which became effective as from 3 January 2009 were made to devise mechanisms for exercising control over the investments of the RRA. However, several of the sections of the IMR, as stated below, were still not being complied with. Thus, the control and monitoring mechanism over the investments was not functioning adequately for effective management and accountability. Since their incorporation, the companies have shown poor financial performance to the extent that over the years, their capital bases were being eroded.

Rodrigues Regional Assembly Companies General Fund

In spite of adverse comments made by this Office since 2010, the RRA Companies General Fund has still not been set up as provided under Section 23 of IMR. No dividend has so far been received from the investments in these companies as none of them have realised any profit to date.

Feasibility Study / Business Plan

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

- Four out of the six companies have not submitted a feasibility study or business plan. Hence, the feasibility and viability of investments made by RRA have not been determined. Up to now, all the six companies are not self sustainable and will therefore not be in operational existence without the financial support of the RRA.

- Rod Clean Co Ltd has not submitted a business plan as of March 2012 and yet its operating costs totalling some Rs 18 million annually were still being totally met by the RRA since its incorporation in 2007.

Memorandum of Understanding

No Memoranda of Understanding (MOU) between the RRA and two companies, namely the Rodrigues Trading and Marketing Co. Ltd and the Rodrigues General Fishing Co Ltd, were seen. Hence, Section 5(1) of the IMR was not complied with.

Financing and Performance of Companies

According to Section 4 of the IMR, the Executive Council shall decide on the financing of the companies which may be ***either*** by way of investments in the companies through equity participation ***or*** in terms of subsidies and grants where the Executive Council so deems fit. Further, Section 25 (1) stipulates that "the Board of Directors shall ensure that sound financial principles are adhered to and as far as possible the operating costs of the company are covered by the revenues from activities of the company"

Financing was both by means of equity and subsidies/grants but the approval of the Executive Council was not seen in certain cases. The companies continued to incur losses and their operating costs were met through the Consolidated Fund of the RRA.

The Rodrigues General Fishing Co Ltd (Share Capital - Rs 4.9 million). Contrary to the instruction issued by MOFED in September 2009, which mentioned that equity participation is a one off capital participation in a company, an amount of Rs 1.5 million was invested by RRA in fiscal year 2011 as fourth equity participation in the above company since its incorporation in 2007. The approval of the Executive Council was not seen. The investment was treated as "sundry loan" instead of share capital in the accounts. The company made a loss of Rs 250,159 for the fiscal year 2010 and although RRA did not ensure that sound financial and marketing principles were adhered to by management, an amount of Rs 1.5 million was released for paying its outstanding debts and to enable it to continue its operations. It is to be noted that the loss increased to Rs 1,747,708 in 2011, due to the expenses which had trebled from Rs 701,552 to Rs 2,194,273 from the year 2010 to 2011.

Rodrigues Housing and Property Development Co Ltd (Share Capital - Rs 3 million) The above company had made a net loss of Rs 1,167,814 for the fiscal year 2010. In 2011, the company faced severe financial difficulties and it had used the arrears collected amounting to Rs 365,905 from March to August 2011 for rent of vested RRA assets such as kiosks, stalls and market, to finance its recurrent operating expenses.

The capital base of Rs 3 million has been reduced to Rs 1,832,186 as of December 2010. Being given that the company has made a loss during the year 2011, the capital base of the company will be further eroded. Although the company incurred substantial losses since its first year of operation in 2010, the RRA did not carry out any assessment of the financial situation which continued to deteriorate in 2011.

As of March 2012, relevant procedures were being initiated for the removal of the company from the Register of Companies, and for the transfer of the responsibilities entrusted to the company and its assets back to the relevant Commissions .

Rod Clean Co Ltd (Share Capital - Rs 10.2 million). During the fiscal year 2011, income received by the above company amounted to only Rs 20,296 and its recurrent expenditure amounting to some Rs 18.31 million was financed from RRA items " Cleaning Services- Refuse Collection and Embellishment of the Environment". This amount included some Rs 6.6 million to meet the salaries of 60 General Workers which were posted to the company in January 2011 for the embellishment of the Environment. Nevertheless, according to progress reports submitted by the company, no embellishment was so far done as of May 2011.

An amount of Rs 3.5 million including Rs 966,435 representing VAT penalty and interest due, was paid to the Mauritius Revenue Authority out of the item "Protection of the Environment" of the Commission for Public Infrastructure for the period March 2008 to September 2010. The company made a deficit of Rs 1,697,978 in fiscal year 2010.

RRA had up to now no recourse to a bidding exercise for the delivery of cleaning services which were carried out solely by Rod Clean Co Ltd. Had the contract been awarded by RRA on the basis of competitive bids, the cost of services to RRA might have been lower.

Rodrigues Water Co Ltd- (Share Capital - Rs 17 million). As of March 2012, no tariff rates were set up yet as stipulated in "Contrat de Delegation" between the RRA and the Rodrigues Water Co Ltd for operation and management of water supply in Rodrigues and thus RRA had to pay some Rs 12.94 million to the company to meet its costs for the year 2011.

An amount of Rs 2 million being excess revenue of the Consolidated Fund for fiscal year 2011 over the estimates was used to finance the above expenditure since the amount of Rs 11 million provided under the RRA item " Water Distribution" was not sufficient to finance its operating costs. No approval of the Executive Council was seen.

<u>Discovery Rodrigues Ltd (Share Capital - Rs 2 million)</u> Since its incorporation in November 2006, the above company was granted a total amount of Rs 3 million for the development of tourism sites until the latter would be self financing. Share certificates amounting to Rs 2 million were issued to RRA and the difference of Rs 1 million was accounted for as "Advance on Equity" by the company.

According to the financial statements as of 31 December 2010, the company made a deficit of Rs 462,825 and the total assets have decreased from Rs 2,582,525 to Rs 1,484,664 from September 2009 to December 2010. The company is not self financed yet and RRA disbursed an amount of Rs 4,727,420 during the fiscal year 2011 as grant for meeting the company's operational costs.

Hidden Subsidies to Companies

According to the MOFED directives issued in 2008, the RRA should not provide any subsidy directly or indirectly to the companies. The following assets which were utilised by the companies during the fiscal year may be considered as hidden subsidies. The modality of these arrangements were also not in line with Section 5(2) of the IMR which states that " assets owned by the RRA that may be provided to companies for the proper discharge of its functions shall be valued and converted into equivalent shares in the company in favour of the RRA".

- As of March 2011, the Rodrigues General Fishing Co Ltd was operating six vessels owned by the RRA and worth some Rs 15.6 million. No share capital of corresponding value was allotted to the RRA. In August 2011, the Chief Commissioner approved in principle that a vehicle be also put at the disposal of the company. No subsequent documentation was seen regarding the transfer of the asset.

- A Milk Pasteurisation Unit worth Rs 2.2 million purchased by the Commission for Agriculture through the Food Security Fund, was transferred to the Rodrigues Trading and Marketing Co Ltd in June 2011. No shares of corresponding value has yet been issued in favour of RRA.

3.1.4 Reporting

Reporting of Activities

Section 15 of the IMR requires the Board of Directors to regularly keep the Commission informed of its major decisions as well as the activities of the company by submitting quarterly reports of activities and performances, including financial results to the Commission and subsequently to the Executive Council.

The above reports for the year 2011 for Rodrigues Trading and Marketing Co Ltd and for Rodrigues General Fishing Co Ltd were however not submitted, nor were three quarterly reports for Discovery Rodrigues Co Ltd.

Annual Report

Section 20 of the IMR requires the Board of Directors to publish a report, including the audited accounts, in relation to the company's functions, activities, affairs and financial position in respect of the previous financial year to the Commissioner who shall lay it on the table of the Assembly, not later than 6 months after the end of every financial year. Two companies have not submitted their annual reports and four companies had not done so within the statutory time limit.

Appointment of Auditors

Appointment and terms of engagement (including performance evaluation of the companies) of the Auditors of the companies were again not available at the RRA. Hence, it could not be ascertained that the provisions of the IMR and Companies Act were complied with. Further, according to the grant memorandum signed with Rodrigues Discovery Co Ltd in July 2008, the Director of Audit was to be appointed as Auditor. However, no formal offer to act as Auditor was sent to this Office.

3.1.5 Policy of Transparency and Good Governance and The Power of Board Directors

Section 25(2) of the IMR stipulates that in the exercise of its functions, the company shall adopt and follow a policy of transparency and good governance.

No manpower assessment was made to justify the recruitment of 60 General Workers by Rod Clean Co Ltd. Their annual salaries totalled some Rs 6.6 million.

The RRA took more than a year to define the objectives and outputs on the Rodrigues Housing and Property Development Co Ltd as the MOU between the Commission for Infrastructure and the company was signed in January 2011, after one year of its incorporation. At that time , the RRA and the company had not yet agreed on the outputs to be achieved and the relevant performance indicators.

For good governance, an annual report issued under the Companies Act 2001 shall include, or shall be appended to it, a statement which acknowledges the directors' responsibilities for internal control and describes the methods by which this responsibility is discharged. No such statement was made in the annual report submitted by the companies.

To ensure the independence of the Board and for companies to function objectively, the directors of companies must not be in a situation of actual or perceived conflicts of interests and must disclose potential conflicts to the Board. It was noted that the Officer in Charge of the Commission for Agriculture was also the Chairman of the Rodrigues Trading and Marketing Co Ltd, which falls under the purview of that Commission. Further, one of the Directors of the same company is from the Finance Section. This might create situation of conflict of interest.

Contrary to Section 16(1) of the IMR, the approval of the Executive Council was not seen in respect of the sale of one printer and transfer of three staff by Rodrigues Housing and Property Development Co Ltd to Rod Clean Co Ltd.

3.1.6 Statement of Output and Performance Measures

As per Section 26 (2) (b) of the RRA Act, the RRA can enter into contracts for the efficient discharge of its functions. In order to ensure the use of its limited financial resources efficiently to get value for money, and for more efficient execution of its responsibility, the MOU requires that an end of year performance evaluation of the company shall be carried out by an External Auditor/Evaluator. No such evaluation was seen done.

The MOU also requires that companies submit a Statement of Outputs which will be "verified" by performance indicators. The outputs set in the MOU, were not assessed.

Conclusion

In spite of repeated adverse comments from my Office, the private companies did not comply with many of the IMR and the requirements of MOFED, in particular, no RRA Companies General Fund was set up; hence, a lack of control over fund granted by the RRA to the private companies.

The review of the performance of the companies has shown that the companies are not self sustainable financially. The activities of the companies and their funding were not closely monitored. Sound financial principles were not adhered to. Corporate policies such as transparency and good governance were also not followed. There was still a lack of accountability.

Funds to the tune of some Rs 85 million disbursed by the RRA to the companies were not used to finance equity or increase the equity capital but to meet their operational costs. The companies were benefitting from the use of RRA's assets for which no corresponding share capital was issued. These represent hidden subsidies to the companies.

Recommendations

In view of the fact that the RRA has continuously injected significant funds in the private companies since 2006 and up to now all the companies, except one are not self financing and sustainable, the RRA should seriously consider winding up these companies.

No fund should be released to companies unless there are strong and justified grounds to do so and that the companies do strictly comply with the IMR and the requirements of MOFED.

3.2 Project for a Housing and Cadastral Survey in Rodrigues – Consultancy Services – Rs 35.2 million

3.2.1 Background

The Rodrigues Island has a surface area of 110 square kilometers. The island covers some 10,800 hectares of land of which about 90 per cent is state-owned and the remaining 10 per cent being privately owned.

The objective of the project for a Housing and Cadastral Survey in Rodrigues was to identify each and every lot of State Land and to attribute each housing unit with a single PIN code under a single digital Cadastral System. As the Cadastral Office had a limited number of Land Surveyors, tenders for the Consultancy services for a Housing and Cadastral Survey in Rodrigues were invited from Consultancy firms or Joint Venture of Firms of Sworn Land Surveyors.

The project was divided into four phases and its objectives were to set up a fully digitalized cadastral system and housing database for land use, management, control, administration, planning and development in Rodrigues towards economic, social and environmental sustainability among others. The Cadastral survey was subdivided into six zones as per the electoral boundaries of Rodrigues.

On completion of the survey, the Cadastral Office was to ensure that Cadastral Information System provides a complete, reliable, computer-based and constantly updated cadastral map for Rodrigues.

3.2.2 Award of Contract to Joint Venture

In April 2006, the contract for the Consultancy services for a Housing and Cadastral survey in Rodrigues was awarded to a Joint Venture for the sum of Rs 27.9 million, inclusive of VAT and a contract agreement was signed in the same month.

3.2.3 Joint Venture Agreement

In view of submission of a joint tender to the RRA, a two years' Joint Venture agreement between three Land Surveyors was made on 16 January 2006. Neither the certificate of incorporation nor the registered copy of the Joint Venture with the Registrar of Companies was made available. The Joint Venture agreement lapsed on 15 January 2008 and was not renewed. No action was taken by the Commission to ensure the validity of the Joint Venture agreement until the finalization of the project. Payments totalling some Rs 23.3 million were made to the Joint Venture from the expiry of agreement till June 2009.

Non compliance of contract conditions

Though certain contract conditions were not complied with by the Joint Venture, no action was initiated by the Commission as mentioned below:

- Contrary to contract agreements, performance bond amounting to Rs 2.4 million instead of Rs 2.7 million valid till 31 December 2008 was submitted. Neither request was made to the Joint Venture to increase the performance bond amounting to Rs 2.7 million nor to represent 10 per cent of the contract price and to renew the same till the completion of the project.

- Cadastral survey was to be completed on 18 July 2008. As of February 2012, that is some 43 months after the contractual completion date, cadastral survey was not completed in all zones. No liquidated damages for delays, contrary to Clause 25 of the contract agreement, were applied.

- Quarterly projects reports and final confidential report, contrary to Clause 2.0 (b) and 2.0 (d) respectively of the terms of reference, were not submitted by the Joint Venture.

- Contrary to Clause 3.6 of the contract, insurance policies such as third party motor vehicle liability insurance with a minimum coverage of Rs 1 million, third party liability insurance with a minimum of Rs 1,500,000 and professional liability insurance with a minimum coverage of not less than the estimated total payments to the Joint Venture among others were not provided by the latter.

Clause Missing in the Contract Documents

Unlike other contracts, no provision was made in the contract documents pertaining to retention money to act as a guarantee in case that the works/services delivered by the Contractor are defective. Though in a meeting in May 2007, the Commission decided to retain 25 per cent of the remaining balance, no amount was retained from the payment certificates of the Joint Venture. As of February 2012, out of Rs 35.2 million, some Rs 34.4 million representing 97 per cent were paid to the Joint Venture although works were not completed in all the six zones.

Increase in Contract Value

The scope of services consisted of a Housing and Cadastral Survey of about 10,000 lots. The initial contract value was some Rs 27.9 million, inclusive of VAT. During the course of survey, 2,734 additional lots were certified and 354 sub-divisions were made by the Joint Venture. The contract value was increased to some Rs 35.2 million representing an increase of some 26 per cent. As of February 2012, some Rs 34.4 million were paid by the Commission.

- Neither was there any approval of the Commission requesting the Joint Venture to survey the additional lots of 2,734 and 354 sub-divisions nor any written agreement between both parties, contrary to Clause 2.6 of the contract agreement, was made.

- A breakdown of the number of lots surveyed in each of the six zones was not produced.

- As per Joint Venture, all works were completed on 28 February 2009. Three months later, that is on 26 May 2009 approval of the Central Procurement Board (CPB) to execute variation works amounting to Rs 7.3 million was sought. Approval of the CPB was obtained on 4 June 2009.

Implementation of Cadastral Survey

The survey, being of 24 months' duration, started in May 2006 and was to be completed on 2 May 2008. With an extension of time of 11 weeks, the expected completion date was 18 July 2008. Approval of the Commission in respect of the extension of time was not seen.

- Out of the six Zones, cadastral plan for three Zones, i.e 1 to 3 was completed. For the remaining three Zones, i.e 4 to 6, these were completed up to 95 per cent. Last progress report submitted was for the month of February 2009. No action was taken by the Commission requesting the Joint Venture to complete same for these three zones.

- In February 2009, the Joint Venture informed the Commission that due to the fact that the leases on bare land plots were not identified in 51 cases, their respective plans were therefore not finalized. As of February 2012, three years after, no request was made to the Joint Venture to submit the final plans of the 51 bare land plots.

<u>Iron rods/wooden sticks used instead of boundary stones.</u> Prior to approving the claim submitted by the Consultants, a sample of 25 lots was surveyed by the Cadastral Office. Though cases were noted by the Cadastral Office where iron pegs were used by the Joint Venture instead of boundary stones, contrary to Clause 1.3.2 of the terms of reference in the contract agreement, no action was initiated by the Commission requesting the Consultants to replace the iron pegs/wooden sticks by the boundary stones prior to effecting payments nor was any deduction made in that respect.

<u>Boundary stones wrongly fixed by Joint Venture.</u> The location plans submitted by the Joint Venture did not reflect the actual occupation on site. Major discrepancies were noted in the boundary stones fixed by the Joint Venture in replacement of that originally fixed by the Cadastral Office. For instance, at Pointe La Gueule as per location plan submitted by the Joint Venture, the plot of 375 m^2 occupied by a lessee is actually located at the plot of 1,038 m^2 occupied by another lessee. At Lataniers, dimensions and orientation of plot (400 m^2) squatted by a lessee as per location plan differ by more than two metres on site. In the region of Pte L'Herbe, boundary stones were wrongly fixed by the Joint Venture by one to two meters from the boundary stones originally fixed by the Cadastral Office in year 1996. This was causing disputes between neighbours on site.

No request was made to the Joint Venture to remedy these discrepancies nor was any adjustments made by the Commission prior to effecting payments.

Site visits

During site visits made by Officers of the NAO together with a Land Surveyor in March 2012, out of 25 lots visited in the six Zones, discrepancies in 20 lots were noted.

- Boundary stones supplied by the Cadastral Office were not fixed by the Joint Venture in 13 cases;

- In four cases, iron pegs were placed instead of boundary stones;
- In two lots, up to two boundary stones were fixed and iron pegs/wooden sticks were used in replacement of boundary stones; and
- Boundary stones were left with one household for fixing.

Conclusion

The Joint Venture agreement which lapsed in January 2008 was not renewed. Certain contract conditions were not complied by the Joint Venture while no provision for retention money was made in the contract documents. The contract value was increased to Rs 35.2 million due to 2,734 additional lots of and 354 sub-divisions. Approval of the variation works was sought well after execution of works. Cadastral survey was not completed in all Zones. In some cases, iron rods and wooden sticks were used instead of boundary stones. Major discrepancies were noted in the location plans submitted by the Joint Venture.

Recommendations

- To safeguard the interests of RRA, the Joint Venture should be requested to renew its agreement to clear all discrepancies and to complete promptly the Cadastral survey in all Zones.
- The Commission should ensure that the Contractor complied with all terms and conditions of the contract.
- All additional works and variation works should be duly approved by the Commission prior to their execution.

3.3 Recruitment of General Workers

3.3.1 Recruitment of Trainees and General Workers

At paragraphs 3.1 and 3.2 of the Audit Reports for the years ended 30 June 2009 and 31 December 2010 respectively, I commented on a number of weaknesses regarding the recruitment of 243 Trainees in 2007 and 250 General Workers in 2010. I reported that the selection was not done in a fair and equitable manner, the placement was not made in line with approved conditions and that the manpower required for the execution of projects was not properly assessed.

In September 2007, 243 registered unemployed people were recruited for placement for a period of one year under the five–year National Resources Rehabilitation Programme as there was an acute shortage of labour. The programme basically aimed at training these people so as to increase their chance of obtaining an employment and to get a minimum income. In September 2008, the placement was renewed for another year up to September 2009 and subsequently, was further extended up to December 2009. The traineeship thus covered a period of 27 months. In June 2009, the Ministry of Finance and Economic Development (MOFED) had stated that "*the RRA shall liaise with the National Empowerment Foundation for alternative schemes for the Unemployed and shall not renew the traineeship of the 243 unemployed*."

During the six- month period to June 2010, these people were not employed by the RRA. In July 2010, however, 234 out of the above 243 Trainees were appointed as General Workers on a temporary month to month basis for a period of one year up to June 2011 for the implementation of various capital projects. An additional 16 other General Workers were also appointed, hence a total of 250. In September 2011, the employment of 248 General Workers, two having already left, was renewed for six months up to December 2011.

In November 2011, their employment was further extended for one year up to December 2012. The placement and employment periods have been extended on several occasions, to cover a period of nearly five years.

3.3.2 No Approval of Executive Council and Non Compliance with PSC Regulations for Renewal of Employment

In July 2010, the 250 General Workers were recruited for a period of 12 months up to June 2011 under delegated power of appointment granted by the Public Service Commission (PSC) to the Acting Island Chief Executive (ICE) in March 2010. In July 2011, the Acting ICE after obtaining the approval of MOFED and the Ministry of Civil Service and Administrative Reforms, conveyed approval to the different Departmental Heads for the renewal of the temporary employment of the General Workers on a month to month basis up to December 2011. The PSC was informed thereof on the same date.

In September 2011, following examination of the budget proposals for the year 2012, MOFED informed the Acting ICE that the contract of the General Workers would be renewed on a month to month basis for the year 2012. It was also stated that the cost was to be contained within the Investment Grant and funding would not be provided for the filling of the vacancies in the grade of General Workers.

In November 2011, the Acting ICE again conveyed approval to the Departmental Heads for the renewal of the employment of the General Workers up to December 2012.
The following were observed.

- The approval of the Executive Council was not seen for the renewal of the 248 General Workers for the period July to December 2011 and for the year 2012.

- The offers of the renewal of employment setting out the period of employment, the salary as well as the terms and conditions for the six months period July to December 2011 and for the year 2012 were not seen issued to the General Workers. The letters of acceptance and the PSC Forms 3 were also not seen. As per the conditions attached to the Instrument for delegation, the ICE is required to report all appointments made by virtue of the above delegation to the PSC

3.3.3 Disbursements by RRA - Rs 30.3 million

During the fiscal year 2011, RRA disbursed Rs 18 million for the payment of salaries to General Workers under two programmes, namely Protection of the Environment (Rs 11.1 million) and Improvement of Food Crop Production (Rs 6.9 million) falling under the Commissions for Public Infrastructure and Agriculture. As of 31 December 2011, total disbursements amounted to some Rs 30.3 million.

Expenditure incurred was not correctly reflected under the programmes of the different Commissions. As of 30 November 2011, 93 workers were posted in the Commission for Public Infrastructure and 71 in the Commission for Agriculture. The remaining 84 workers were deployed at six other Commissions, namely Fisheries (2), Women’s Affairs (7), Education(15), Health (22), Youth and Sports(21) and Water Resources (17) but no appropriation was made from the items falling under them.

3.3.4 Duties Performed by the General Workers not related to approved Projects

The situation as previously reported by the NAO, concerning the posting of workers in the different Commissions and duties performed by them has remained the same. Some Workers were still engaged in the cleaning of office premises, dispatching of letters and answering telephone calls while others were carrying out maintenance works at sports and youth infrastructures, community/area health centres and schools. It has to be pointed out that the 248 General Workers were however, employed with effect from 2010 for the implementation of projects, namely

- desilting of dams
- water pipe laying network
- reafforestation
- land and natural resources rehabilitation, pasture development, environment protection works and coastal zone management.

As per their offer of employment issued in June 2010, they were required to perform manual work, such as the collecting, piling of and loading of stones, assist in construction of retaining walls and masonry structures, collection of seeds, tree and grass planting, and desilting of dams. Many of the workers were therefore performing duties which were not at all associated with the approved projects or as those prescribed in the offer of appointment.

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

Hence, it was again not possible to assess to what extent the recruitment of the Trainees/ General Workers has contributed to the efficiency and effectiveness of projects during their five years at the RRA.

Recommendations

The approval of the Executive Council must be obtained regarding the renewal of the employment of the General Workers. Procedures as prescribed by the PSC under the delegation of authority for appointment must be followed.

As of December 2011, some Rs 30.3 million were disbursed for payment of salaries of 250 General Workers/Trainees. The duties performed by them in the different Commissions/Departments of the RRA should be according to approved conditions. Otherwise, necessary authority should be obtained for deviations.

In view of the fact that in September 2011, MOFED has clearly stated that funding would not be provided for the filling of the vacancies in the grade of General Workers, RRA should seriously find a solution regarding the placement/employment of the Trainees/General Workers which has by now covered a period of almost five years.

COMMISSION FOR EDUCATION, ARTS & CULTURE, FIRE SERVICES, PRISONS AND POSTAL SERVICES

4.1 Projects in the Education Sector

During the year 2011, the Commission disbursed some Rs 48.6 million for implementation of various projects under the programmes "Education Infrastructure Development Project" and "Construction/Extension of Secondary Schools, Equipment and Furniture". The projects were supervised by a private firm of Consultants.

4.1.1 Financing of Projects and Over Commitment of Funds

With Programme Based Budgeting, budget allocation is based on the programmes submitted by each Commission with predefined outcomes, priority objectives, outputs and performance indicators. A comprehensive list of projects targeted for 2011 together with the estimated costs and implementation dates was however not available. During the year 2011, the Commission undertook eight projects for a total contract value of Rs 112.2 million under the two programmes. Other works estimated at Rs 828,041 were also executed during the year.

Financial Clearance and Funds Availability

Although only Rs 40 million were voted for the year 2011 for the two programmes and there were several projects which were on- going as of December 2010, the Commission did not seek the necessary financial clearance before launching of tenders for two major new projects namely "Construction of a new Secondary School at Terre Rouge" and "Completion of building works at Montagne Charlot Community School" estimated at some Rs 39 million and Rs 22 million respectively.

Contrary to Financial Regulations, no earmarking was done as and when works were entrusted to Contractors. Request for funds availability was also not made to the Finance Section of the Central Administration before launching of bids and award of contracts.

Over Commitment of Funds

A total amount of Rs 40 million was budgeted under the two programmes and Rs 8.6 million were reallocated from other items during the fiscal year 2011. As of 31 December 2010, there were commitments of some Rs 19.5 million in respect of five on-going projects for a contract value of Rs 41.8 million. During the year 2011, three new projects were entrusted to Contractors for a total contract sum of some Rs 70.3 million. Payments amounting to Rs 48.6 million were made in 2011. As of 31 December 2011, commitments in respect of projects that had either been completed or still ongoing or outstanding totalled some Rs 41.2 million.

Budgeted amount of Rs 29 million for fiscal year 2012 will not be enough to finance the above commitments. Hence, there are risks that the Commission might not meet its contractual obligations.

Delay in Payments for Works Certified

Contrary to Section 47 of the Public Procurement Act, several payments due to Contractors were not made within the deadlines set out in the procurement contract. For example in the case of the extension works at Mangues Government School, works certified on 6 September 2010 for an amount of Rs 4.1 million were paid in two instalments – Rs 3.1 million on 15 October 2010 and Rs 1million on 1 August 2011, that is, nine months later. Another claim for Rs 1.1 million certified on 8 November 2011 was paid on 12 January 2012.

Payments not supported - Rs 46.3 million

Payments amounting of Rs 46.3 million made in 2011 were certified by the Consultants. These payments were supported by a summary of works done for each bill of quantity together with the progress achieved itemwise. However, the amount paid, quantity and rate applied for each item of work were not detailed.

Wrong Allocation of Expenditure

Expenditure for the year 2011 in respect of works at Montagne Charlot Community School and Mangues Primary School amounted to Rs 13.3 million and Rs 1 million respectively, that is a total of Rs 14.3 million. Contrary to Financial Regulations, only Rs 6.6 million were debited to the first programme which relate to primary/community schools. The difference of Rs 7.6 million were wrongly charged to the second programme which is meant for the construction/extension of secondary schools, to avoid incurring excess expenditure.

4.1.2 Approval of Projects by Project Plan Committee

Instructions contained in the Investment Project Process Manual and the Ministry of Finance and Economic Development (MOFED) were not fully complied with.

Project Requests Forms were not seen to have been submitted to the Projects Plan Committee (PPC) for the projects for the construction of a new school at Terre Rouge and for the completion of building works at Montagne Charlot although the project value exceeded the threshold of Rs 25 million. The approval of the PPC was not seen.

4.1.3 Non Compliance with Conditions of Contract

The six projects for a total contract value of some Rs 102.5 million which were supervised by the Consultants were examined. The following shortcomings were observed.

Performance Security and Insurance Policies

In four out of the six projects, Performance Security (Bond) and Insurance Policies were not extended after the due expiry dates in respect of works which were not completed within the contractual period and also to cover the defects liability period.

Delay in Completion of Works

In two cases, works were completed within a delay ranging from 4 to 65 days after the contractual completion dates. As of end February 2012, two projects which were due to be completed since August and November 2011, were still ongoing. Liquidated damages were not deducted from payment and the approval of Engineer was not seen for extension of time. In one case, namely Mangues Government School, no amount was deducted from payment made to the Contractor although the Consultants noted that "*liquidated damages of Rs 250,000 may be applied at the Client's discretion".*

Practical Completion / Taking Over Certificates

For works at Mangues Government School, no Practical Completion Certificate (PCC) was seen issued by the Consultants although half of the retention money was released in June 2011. With respect to Grand La Fourche Corail Government School, the PCC was issued four months after the date on which the works were certified as having been completed while in two other cases, namely Grande Montagne School and Terre Rouge School (earthworks), this was done more than 14 and 6 months afterwards.

Final Handing Over Certificates issued by the Consultants for release of retention money were not signed by a representative of the Commission as per Financial Regulations.

Defects noted during Maintenance Period

Defects noted during the maintenance period were not duly rectified by Contractors as provided in the contract. At Mangues Government School, the works were handed over to the Commission on 17 June 2010 but as of 21 December 2010, six months later, there were still outstanding works such as testing and commissioning by CEB and CWA, water supply to toilet areas. As of end February 2012, there was no evidence that these had been completed.

4.1.4 Consultancy Fees

During the period June 2009 to December 2011, payments totalling Rs 2,415,000 (i.e Preliminary Design - Rs 690,000 and Tender Stage - Rs 1,725,000).were made to the Consultants for the provision of consultancy services for construction of the new Terre Rouge College.

According to the contract awarded in January 2009, a lump sum fee is payable to the Consultants at the rate of six per cent of the project value of Rs 100 million, that is, Rs 6 million. This project value was estimated by the Consultants in December 2007 for a building area of 6,000 m^2. In 2009, the Commission decided to implement only Phase 1 due to budgetary constraints and in June 2010, the Consultants estimated the cost for Phase 1 for a building area of 1,550 m^2 at Rs 39 million. The building contract was awarded in December 2010 for the sum of Rs 42.6 million.

Although the Commission did not go ahead with Phase 2 in 2009 resulting in a decrease of the project value, the two payments for the Tender stage made in September 2010 and

December 2011 were calculated on the original project value of Rs 100 million instead of Rs 39 million (estimated cost for Phase 1 by Consultants in June 2010) and Rs 42.6 million (building contract awarded in December 2010) respectively. The Consultants should have been paid Rs 336,375 and Rs 398,474 respectively. Hence, they were overpaid an amount of some Rs 990,000.

Conclusion

The Commission did not properly plan projects so as to ensure that sufficient funds are available for implementation. This has led to over commitments of some Rs 41 million as of 31 December 2011. Besides, approval of PPC and financial clearance were not seen obtained for two major projects.

Financial and Procurement procedures were not duly complied with. Payments were not duly supported and in the absence of details for each item of work paid, the correctness of the value of works certified by the Consultants could not be ascertained. Changes in project value were not considered in computing fees payable to Consultants resulting in overpayment.

Projects were not adequately supervised and monitored. The Contractors failed to comply with many contract conditions.

Recommendations

The Commission should set a proper control mechanism such that the financial resources allocated in the budget are sufficient to meet all commitments. The approval of PPC and financial clearance should be obtained for all investment projects.

Projects management should be enhanced to ensure compliance with financial and procurement procedures and contract conditions, in particular the timely completion of projects.

The fees paid to the Consultants in connection with the construction of the secondary school at Terre Rouge should be recomputed and the amount overpaid must be recouped. The Commission should also review consultancy fees paid for other projects and recoup any amounts overpaid.

COMMISSION FOR AGRICULTURE, FOOD PRODUCTION, PLANT AND ANIMAL QUARANTINE

5.1 Food Security Fund

5.1.1 Background

In June 2008, the Food Security Fund (FSF) was set up under the Finance and Audit (Food Security Fund) Regulations 2008. In April 2009, a FSF Implementation Committee (Rodrigues) was set up to supervise and monitor the implementation of the projects by the Commission for Agriculture under the Chairmanship of the Commissioner for Agriculture.

5.1.2 Project Objectives

The main objectives of the FSF for Rodrigues are to increase local production of food, crop and livestock, to substitute import, to increase export and to reduce poverty. In that context, twenty-one projects were approved by the FSF Steering Committee (Mauritius). In June 2008, the total cost of these projects was estimated at Rs 187 million and was included in the Strategic Plan 2008-2011 for FSF. To meet the objectives, seven main proposals were set by the FSF (Rodrigues) as shown below.

Proposal	Description
1	Improving Milk Production
2	Increasing Meat Production
3	Boosting up Production of Staple Foods
4	Setting up of Special Production Zones
5	Emphasizing on Capacity Building to Enhance the Agro Industry Sector
6	Rehabilitating Abandoned Agricultural Lands
7	Promoting Aquaculture

5.1.3 Project Financing

The projects were financed directly from the FSF - Mauritius upon submission of all related documents and vouchers. As from 1 March 2010, projects were financed under the item FSF of the Ministry of Agro Industry and Food Security (MOA). The amounts claimed were credited into a deposit account since January 2011. As of 31 December 2011, total expenditure financed by the FSF was Rs 53.5 million, of which Rs 5.6 million were incurred in the construction of the Slaughter House. Out of a total amount of Rs 19.1 million released by the MOA during the fiscal year 2011, an unspent balance of Rs 15.4 million was in the Deposit Account of the RRA as of 31 December 2011.

5.1.4 Project Implementation and Monitoring

In July 2009, the Commission for Agriculture selected eleven projects to be completed during the first two years to achieve the objectives of the FSF set in the three- year strategic plan out of 21 projects approved. As of December 2011, ten projects were on going, six projects had not yet been started, four projects were completed and one project had substantially been done by the Decentralised Cooperation Programme (DCP) in 2010.

RRA's Reply

The balance held in the deposit account represents the amounts of Rs 9.9 million and Rs 5.5 million payable as advance payment in respect of the contract for the construction of the slaughter house and for the repair of tractors respectively.

Due to non confirmation of fund by the FSF Committee, six projects were not started.

5.1.5 Proposal 1 - Improving Milk Production

To meet the challenges in the milk sector in Rodrigues, three projects at a total estimated cost of Rs 9 million were approved by the FSF. The completion of each of these projects would lead to an increase in milk production in the island. As of December 2011, some Rs 5 million were disbursed in respect of projects earmarked for increasing milk production.

Setting Up of Model Dairy Farm

Setting up of Milk Pasteurisation Unit and Milk Production. The Commission for Agriculture installed and commissioned a Milk Pasteurization Unit in August 2010 for an amount of Rs 2,232,474. The attention of the Commission was drawn to specific recommendations, made by a private company regarding hygiene and the method of operating the Unit. However, no remedial action was taken by the Commission in that respect.

In 2009, an amount of Rs 3 million was earmarked for the purchase of 50 dairy cows. In May 2010, the Commission therefore planned to purchase 50 dairy cows of improved breeds in order to increase the capacity of milk production. As of mid March 2012, some two years later, no dairy cows were purchased. In the meantime in 2010, 60 litres of milk were being processed daily and in 2011, an average of 34 litres of milk per day representing three per cent of the Unit's capacity were processed and hence, available for pasteurization. The Unit was therefore highly underutilized. The FSF is not gearing towards meeting its objective to increase milk production in Rodrigues.

Transfer of Milk Pasteurisation Unit to Rodrigues Trading and Marketing Company (RTMC). It was stated that in June 2011, the Milk Pasteurisation Unit was transferred to RTMC. Neither a certificate of handing over nor a Memorandum of Understanding were signed by the Commission and the RTMC. As the Unit was an asset owned by the RRA, its value was not converted into equivalent shares in the private company in favour of the RRA, contrary to Section 5(2) of the RRA (Investment Management) Regulations 2008.

RRA's Reply

On 27 January 2012, the then Executive Council had taken a decision that RTMC will take over the management and operation of the Milk Pasteurisation Unit and a Memorandum of Understanding has been prepared but not signed by the new Regional Government.

5.1.6 Proposal 2 – Increase in Meat Production

In order to increase meat production, three projects, namely the construction of a slaughter house, the setting up of three multiplier farms and the setting up of 12 model production farms, were to be financed under the FSF.

The Construction of the Slaughter House – Rs 56 million

The project for the construction of a Slaughter House at Baie Diamant is one of the major components of Proposal 2 to improve meat production in Rodrigues. In July 2008, the Technical Committee FSF-Mauritius proposed to include in the Strategic Plan for FSF the project for the construction of a Slaughter House which was estimated at Rs 10 million. The Committee suggested that a pre-study be carried out by an FAO Consultant to assess its ten-year needs. However, it could not be ascertained whether the services of the FAO Consultant had been sought to define the type of slaughter house and equipment to be used, taking into consideration the culture and habit of the Rodriguan population. During the same meeting, the Mauritius Meat Authority highlighted that the Slaughter House could either be centralised or be a mobile one, depending on the requirements of the Livestock Sector. In August 2008, the Animal Production Division of the MOA informed the Commission that the project for setting up of three small-scale mobile slaughter units with chill units to ensure proper sanitation and to obtain good quality meat had been approved and a pre-study should be carried out by the FAO Consultant. In 2009, FSF approved and earmarked an amount of Rs 20 million for that project.

<u>Project Planning.</u> Since the approval of the project in 2009 and prior to the launching of bids for the consultancy services for the construction of a Slaughter House, the Commission had not adequately planned the project. During the planning process, there had been no adequate consultations with the relevant authorities having wide experience in the field both in Mauritius and the Food and Agricultural Organisation regarding:

- the model of Slaughter House that would best cater for the needs of the Rodrigues people,
- the lists of equipment needed including specialized vehicles,
- the costs and benefit of implementing the project and any other economic alternatives,
- the availability of necessary funds from the financing agency.

<u>Consultancy Services.</u> On 29 March 2010, the contract for consultancy services for the design, supervision and monitoring of the construction of the Slaughter House was awarded for a lump sum of Rs 1.9 million. The Consultant A proposed the construction of the Slaughter House into two phases, namely Phase I - Pig slaughter module, goat and sheep

slaughter module, administrative block and Phase II - Beef module, treatment plant and desalination. The Consultant designed only Phase 1 of the construction of the Slaughter house based on the statistics submitted by the Commission. There was no indication in the contract file or the inception report as to who will design, prepare and supervise Phase II of the project, the timing and cost involved.

Project Financing. In June 2008, an amount of Rs 20 million was earmarked by the FSF. In May 2010, the contract for the design, supervision and monitoring Phase 1 of the project was estimated at the costs of Rs 50 million. In PBB Estimates 2011 and 2012, Rs 10 million and Rs 36.5 million were provided respectively under the MOA's budget. The Commission was requested to include the additional provision of Rs 19.5 million in the RRA Estimates for the year 2012 and 2013 proposal of RRA. However, no such provision was made in the RRA's PPB Estimates 2012.The initial project value being Rs 20 million was finally increased to Rs 66 million. As of 31 December 2011, a total amount of Rs 7,515,839 had been disbursed.

Model of Slaughter House. In May 2010, according to the Consultant, the Commission should launch the tender for the construction of Phase I only, as Phase II of the project would not be economically profitable given that slaughtering of beef is negligible. As per latest Statistics' data for the year 2011, an average of five pigs and one goat/sheep were slaughtered per day while one cattle was slaughtered in every two to three days. The Commission had not carried out a feasibility study to determine the model of Slaughter Unit which would best suit the number of animals slaughtered per day in Rodrigues.

Construction of the Building. The contract for the construction of a Slaughter House Phase I was awarded to private company B for an amount of Rs 56,190,690 (inclusive of VAT) on 5 December 2011. Work started on 14 January 2012 and was scheduled to be completed on 13 January 2013.

Consultancy Services for Commissioning of Equipment for the Slaughter House

The Consultant designed the project without submitting the lists of equipment required and their estimated costs. Moreover, in the submission of the inception report this was again not notified to the Commission. The estimated cost of equipment has not been worked out as of mid March 2012.

RRA's Reply

The Consultant met different organizations and authorities to discuss the project prior to finalizing the project specifications and designed. The new Regional Government is reviewing the design of the building to maximize space utilization to accommodate the cattle module initially scheduled for Phase II. The additional expenses would be met from related item of the RRA estimates for financial year 2012. The commissioning of equipment was not within the scope of the consultancy services.

5.1.7 Proposal 5 - Emphasizing on Capacity Building to Enhance the Agro Industry Sector

Three projects for a total amount Rs 22 million were approved by the FSF under the above component, namely the setting of an incubation centre, the construction of the three community kitchens, and the setting of a minilab to professionalise the agro processing sector in Rodrigues.

Construction of Three Community Kitchens

The construction of three community kitchens would enable bulk manufacturing of product using local crops and livestock raw material. In July 2008, an amount of Rs 12 million was earmarked by the FSF. On 8 September 2011, the Commission requested for fund from the MOA, no reply was received as such there was no indication when the project would start. The more the project takes time to be implemented; the costs of the project might suffer from increases in price due to economic conditions.

RRA's Reply

Fund had not been secured from FSF and the project could not be started.

Design and Construction of an Incubation Centre at Citronelle - Rs 455,000

The incubation Centre would be constructed to enable to dispense training (basic food processing, hygiene and sanitation, pickling, etc) on a much more regular basis while tapping higher number of agro processors. In March 2010, a contract for the consultancy services for the construction of an incubation centre at Citronelle was awarded to a private company C for the sum of Rs 455,000. In July 2010 the Commission was informed that the works pertaining to research into the subject of hygiene, sets of drawings for tendering, tender documents, contract and specifications were completed. However, the followings were noted.

- Neither the letter of award nor any agreement was produced.
- The Terms and Conditions of the contract were not available; the start date and contract duration for the consultancy work were not known.
- No report was available regarding the research in the subject of hygiene.
- The contract for the construction of the incubation centre was scheduled to be launched in May 2010. However two years later, the contract had still not been launched.

RRA'S Reply

Payment was effected after satisfactory completion and submission of the Consultancy report.

Setting of up of Mini Laboratory in Rodrigues

The mini laboratory had to be set up to cater for microbiological, chemical and physical analysis of processed products thereby creating consumer confidence in the locally produced foodstuff.

Funding of Project by DCP. In July 2008, the project for the setting up of the three mini laboratories (mini lab) was submitted to the FSF and an amount of Rs 5 million had been earmarked. However, it was noted that this project was initially included in the recommendation of EU-DCP Report of 2007. On 19 November 2009, the Commission submitted an information paper to the Executive Council, however the approval of the Executive Council to seek fund from FSF to finance the project was not seen. The cost of this project was estimated at Euros 45,450.

On 25 November 2011, the contract for the supply of an autoclave and other equipment was awarded to Company D for an amount of Rs 794,148. Contrary to the terms of the contract, the equipment was not supplied within 30 days i.e. 25 December 2011. Some equipment were supplied on 14 December 2011 and the remaining on 3 March 2012. As of 27 March 2012, the equipment pertaining to the Food Lab were lying packed in a room in the Mini laboratory and waiting commissioning.

RRA's Reply

As fund was not secured from FSF, the Commission had to have recourse to the DCP to fund the project. All the equipment were delivered on 26 April 2012 and liquidated damages will be applied upon payment.

Conclusion

Since the start of the projects of the FSF in 2009, an amount of Rs 53.5 million had been spent in their implementation leaving a balance of Rs 15 million in the deposit account of the RRA as of 31 December 2011. The Commission should seek for expert advice from the relevant authorities in Mauritius and review the project on a regular basis so that the population could obtain maximum benefit from the implementation of these projects in terms of food security in the island.

The Milk Pasteurisation Unit was still being underutilized since its commissioning in 2010. The Unit had been transferred to the RTMC in July 2011 and no Memorandum of Understanding was seen. The quantity of milk was still low, that is three per cent per day as the acquisition of the 50 cows stated in the FSF strategic plan had not materialized.

The proposal of increasing meat production in Rodrigues has still not been achieved as the construction of a Slaughter House was still under construction and was split into two Phases. The cost of the construction for Phase I has increased threefold from Rs 20 million to Rs 66 million. The difference of Rs 46 million had not been secured prior to the start of the project. Costs of the equipment were also not available.

Quotation for the design and construction of an incubation centre was not launched. A Consultant was appointed for the design and the construction of the centre. A set of plans were submitted by the Consultant and the latter had been paid accordingly. The construction project had still not been started.

Equipment for mini laboratories received in December 2011 and March 2012 for the food laboratory had not yet been commissioned and installed.

Recommendations

The Commission should prepare a proper project write up for each project prior to its start including costs and benefits to be derived by implementing the projects.

The Commission should ensure that adequate fund is available prior to launching of any tender so that the payment could be made in time.

Following the transfer of the Milk Pasteurization Unit to the RTMC and having purchased no cows, the Commission should review all the projects related to Proposal 1.

The Commission should without delay seek for expert advice on whether it is still cost effective to continue with the construction of the Slaughter House which was definitely not properly planned. The initial overall cost of the project of Rs 20 million has now gone up to Rs 66 million for Phase 1 only and this, without the associated costs including chill room and the ancillary equipment.

Commission for Public Infrastructure, Housing, Transport and Water Resources

6.1 Programmes for the Construction of Roads and Minor Projects

During the fiscal year 2011, payments totalling some Rs 78.1 million were made under the Programmes 503 "Construction and Maintenance of Roads and Bridges" (Construction of Roads) and 506 "Improvement, Renewals, Minor Projects and Infrastructural Works in Villages" (Minor Projects). A total of 49 Works Orders for an estimated cost of Rs 242.7 million were issued in 2011 under four Rate Contracts. Other works of a value of Rs 47.7 million were also carried out by the Commission during the year.

6.1.1 Financing of Projects and Over Commitment of Funds

Under Programme Based Budgeting, funds are allocated on a programme wise basis. In fiscal years 2010 and 2011, two contracts for a total sum of Rs 211.4 million were awarded to a private Contractor (the Contractor) under the Programme for the Construction of Roads. In the year 2011, two other contracts were awarded to the same Contractor for a contract value of Rs 37 million under the Programme for Minor Projects. A total of 49 works orders were issued under these four Rate Contracts in 2011. Other works of a value of Rs 47.7 million were also implemented. The estimated cost of works amounted to Rs 242.7 million. This is summarised in Table 6.

Table 6 Projects undertaken by Commission for Public Infrastructure

Contract Ref No	Description	Contract Value Rs	Estimated Costs of Works Rs	No of Works Orders issued
CPB/14/2/2010	Construction of Roads	91,088,084	40,157,832	11
CPB/4/2011	Construction of Roads	120,249,405	122,003,016	25
RRA/PI/C/1/2011	Construction of Track Roads	24,368,533	22,966,263	6
RRA/PI/C/14/2011	▪ Civil Works	12,631,519	9,899,045	7
	▪ Other Works		47,712,411	
Total		**248,337,541**	**242,738,567**	**49**

Financial Clearance and Funds Availability

As per instructions issued by the Ministry of Finance and Economic Development (MOFED), Accounting Officers are required to obtain prior financial clearance from MOFED before seeking Cabinet's approval (Executive Council in Rodrigues) on all proposals that would entail additional provision or commitment of public funds. Although the cost estimates for projects for "Roads Construction" to be undertaken in 2011 were Rs 115.3 million and exceeded the budgeted amount of Rs 32.5 million, by some Rs 82.8 million, no financial clearance was sought for the additional provision. It is to be noted that a detailed breakdown of the estimated figure of Rs 115.3 million together with a list of proposed roads to be constructed in 2011 were not available.

No request for funds availability was made to Finance Section of the Central Administration before launching of tenders and award of contracts. Contrary to Financial Regulations, no earmarking was done for works orders issued.

Over Commitment of Funds - Rs 164.6 million

Roads. For the fiscal year 2011, a sum of Rs 32.5 million was budgeted under the programme for the Construction of Roads and Rs 5 million were reallocated from other expenditure items. As of 31 December 2010, an amount of Rs 11.6 million was already committed under the programme. In the year 2011, 19 works orders of a total value of Rs 138.1 million related to roads works and other works of a value of Rs 9.5 million were issued by the Commission. Payments during the year 2011, amounted to some Rs 37 million. Hence, outstanding commitments as of 31 December 2011 for Roads projects amounted to Rs 122.2 million.

Minor Projects A sum of Rs 40 million was budgeted under the programme for Minor Projects for the fiscal year 2011. During the year 2011, projects and other works of a total value of some Rs 83.6 million were carried out and payments amounted to Rs 41.1 million. As of 31 December 2011, outstanding commitments amounted to Rs 42.5 million.

The Commission undertook far more projects than what were initially planned in the budget. This has led to commitments totalling Rs 164.7 million in respect of projects that had either been completed or still ongoing or outstanding as of 31 December 2011.

Delay in Payments for Works Certified - Rs 40.4 million

Roads Payments to the Contractor for the construction of roads were not made within 28 days of date of certificate as per terms of the contract. In four cases, payments were made with delays ranging from 38 to 77 days. In 14 cases, payment certificates amounting to Rs 38.9 million certified during the period 1 September 2011 to 27 January 2012, were not yet made as of end February 2012.

Minor Projects No payment was yet effected as of end February 2012 for works certified amounting to Rs 1,504,813 under the Contract for Civil Works.

Wrong Allocation of Expenditure

Payments amounting to some Rs 5,382,000 in connection with the purchase of ten "Double Cabs Mitsubishi L200" and six Concrete Mixers were wrongly charged to the programme for Minor Projects. Regarding the ten vehicles, the purchase was made by the Chief Commissioner's Office (CCO) for Rs 8,493,000 but only Rs 5 million were debited to the CCO and the difference of Rs 3,493,000 was charged to the programme of the Commission for Public Infrastructure. This is contrary to Financial Regulations.

6.1.2 Approval of Projects by MOFED and the Executive Council

During the fiscal year 2011, a total of 43 works orders (19 under Roads Programme and 24 under Minor Projects Programme) for the total estimated sum of Rs 183 million were issued by the Commission.

No Approval of MOFED.

Instructions contained in the Investment Project Process Manual and MOFED requirements regarding approval of projects, were not complied with. The Commission has not submitted Project Requests Forms (PRFs) for 18 projects for the construction of roads for a total contract value of some Rs 100 million nor was any approval obtained for these projects.

MOFED's approval for 11 Works Orders for a value of some Rs 12.5 million issued under Roads Contracts for the construction of three green spaces and four basketball pitches, one volley ball pitch, upgrading of two football grounds and a primary school was not seen.

No Approval of Executive Council

The Executive Council's approval in respect of eight roads projects totalling some Rs 82.9 million and representing 34 per cent of the total cost of the works issued in fiscal year 2011 was not seen.

6.1.3 Contracts for the Maintenance, Upgrading and Construction of Roads

Roads Section

The situation concerning the staffing at the Roads Section has not improved. There was still a lack of segregation of duties for the different functions of work pertaining to projects implemented by the Commission. Although there are one post of Senior Engineer and two posts of Civil Engineers on the establishment of the Commission, the Section was still manned by one Acting Senior Engineer. The Commission did not properly plan a comprehensive list of projects to be executed and did not correctly estimate the funds needed for the year 2011.

In the years 2010 and 2011, two contracts for the sums of Rs 211.3 million were awarded to the Contractor for the Maintenance, Upgrading and Construction of Roads.

Contract for Year 2010 - Rs 91,088,084

In April 2010, a contract for the "Maintenance, Upgrading, and Construction of Roads in Rodrigues" for the fiscal year 2010 was awarded for the sum of Rs 91,088,884 to the Contractor, the sole bidder, after obtaining the approval of the Central Procurement Board (CPB).

As per Clause 1.1 (v) of General Conditions of Contract (GCC), the intended completion date for the whole of the Works was 365 calendar days from the date of issue of letter of award. The contractual period therefore ended on 5 April 2011. The RRA issued five Works Orders in 2011, out of which four were issued on 24 March 2011 and due to be completed between two days and one month after the expiry of the contract period. None of the five Works Orders were completed as of 5 April 2011.

Contract for Year 2011 - Rs 120,249,405

On 16 March 2011, the CPB approved the award of the contract to the Contractor for the sum of Rs 120,249,405. Prior to launching of tender and award of the contract, request for availability of funds was not made to the Finance Section of the Central Administration.

<u>Works Orders issued in Excess of Contract Value.</u> According to the Public Procurement Office's (PPO) instruction issued in May 2011, works issued under Rates Contracts are "generally limited for a defined period of time and a maximum total contract amount whichever occurs first". The value of the contract for the construction of roads for the year 2011 was Rs 120,249,405 while the contract period was from 8 April 2011 to 7 April 2012, that is, 365 days from the date of issue of the first Works Order. As of 8 March 2012, 26 Works Orders totalling Rs 122,131,193 were issued under the contract. Hence, works for a value of Rs 1,881,788 were issued over and above the maximum contract value, contrary to the PPO's instruction.

<u>Works Orders issued outside Scope of Works.</u> Certain works entrusted to the Contractor were found to fall outside the scope of works as defined in the bidding documents. The rates retained in the Roads contracts are related to road works, and bids were invited from Contractors meeting qualification and experience with respect to road works. However, 11 Works Orders issued in the years 2010 and 2011 and valued at Rs 12,513,687 were not related to the Roads contracts**.** These works comprised among others, the construction of volleyball and basketball pitches and upgrading of football ground.

<u>Changes in Contract Conditions.</u> Certain conditions of the new contract CPB/4/2011 for the year 2011 compared to that under contract CPB 14/2010 for the year 2010, were changed. It was noted that some of them might be more favourable to the Contractor than to the RRA while interests of RRA were not adequately safeguarded.

- *Progress Report*. As per Clause 1.8 (Section V) of the GCC for Road contract for the year 2010, the Contractor was required to furnish a weekly progress report depicting the detailed quantities of the respective items of the Works Orders achieved on a weekly basis and the cumulative amount thereof. However, in the contract for the year 2011, this clause was omitted.

- *Liquidated Damages.* As per Clause 46.1 of GCC for contract for the year 2010, liquidated damages for each Works Order were Rs 25,000 per day up to a maximum amount of Rs 250,000. However, as per contract for the year 2011, the rate was Rs 12,500 per day for each Works Order up to a maximum amount of five per cent of each final works order value.

<u>Non Compliance with Contract Conditions.</u> 16 out of the 30 Works Orders issued in 2011 under contracts CPB 14/2010 and CPB 4/2011 and valued at Rs 122,132,658 were examined. The following were observed.

- *Performance Security undervalued - Rs 2,975,059. C*ontrary to Clause 49.1 of GCC of the Roads Contract for the year 2011, a performance security for a sum of Rs 12,024,940 that is ten per cent of the contract value, instead of Rs 15 million, was submitted by the Contractor. The bond was therefore undervalued by Rs 2,975,060.

- *Handing over of Sites to Contractor*. In eight Works Orders, the Contractor was required to start the works immediately. In eight other cases, the notice given to the Contractor ranged from one to ten days. In the absence of notes of site meetings, it could not be ascertained whether joint site visits were effected and when the sites of works were handed over to the Contractor.

- *Non Submission of Programme of Works*. In the case of three Works Orders, the programme was submitted from 22 to 61 days from the date of issue of Works Order instead of 15 days as required in the Orders issued. No programmes of work were submitted in the remaining 13 cases.

- *Laboratory Tests.* Clause 1.21 of GCC of the Roads Contract 2010 provides that tests should be carried out in an independent laboratory while the contract for 2011 requires that the laboratory be approved by the Engineer. In two cases, no tests certificates were submitted by the Contractor. For four Works Orders for 2010, laboratory tests were effected by the Contractor in its own laboratory instead of an independent one. In ten cases, the approval of the Engineer was not seen.

- *Delay in Completion of Works*. Only two out of 30 Works Orders issued in the year 2011, were completed within the contractual completion dates while in 18 cases, works were completed within a delay ranging from 3 to 116 days. Ten Works Orders which were due to be completed during the period 15 November 2011 and 25 February 2012, were still ongoing.

- *Taking Over Certificates*. Contrary to Clause 54 of the GCC, no taking over certificates were produced in respect of seven Works Orders although more than four months had elapsed since the issue of the Practical Completion Certificates in November 2011.

- *As Built Drawings and Operating and Maintenance Manuals.* Contrary to Clause 56 of the GCC the Contractor did not supply “As built drawings” and operating and maintenance manuals. The submission of the manuals was not mentioned in the Practical Completion Certificates issued in respect of the seven completed projects.

6.1.4 Contracts for Improvement, Renewals, Minor Projects and Infrastructural Works in Villages

In the year 2011, the Commission awarded two contracts for the construction of track roads and minor civil works in Rodrigues (Rs 24.4 million) and another for civil works (Rs 12.6 million). Eleven Works Orders at the estimated cost of Rs 12.5 million were also issued under Roads contracts for the years 2010 and 2011. All these works were entrusted to the same Contractor.

Contract for the Construction of Track Roads and Minor Civil Works - Rs 24,368,533

On 25 March 2011, the contract for the construction of track roads and minor civil works in Rodrigues was awarded to the Contractor for a total sum of Rs 24,368,533 (inclusive of VAT). Six Works Orders were issued for six regions for a total value of Rs 22,966,263. The following were observed:

The construction of track roads in Region 5 was completed on 26 January 2012, that is, some three months after the contractual due date. The works in Regions 1, 2, 3 and 6 were also not completed within time but from one to two months after the due dates. Extension of time approved by the Engineer was not obtained. However, no liquidated damages at the rate of Rs 5,000 per day up to a maximum of 10 per cent of the final Works Order value, were deducted from payment due to delay in completion. Further, no practical completion certificates were seen for track roads for Regions 4 and 5.

Contract for Procurement of Civil Works - Rs 12, 631, 519

Seven Works Orders were issued during the fiscal year 2011 under the above contract for a total sum of Rs 9,899,045. As of end February 2012, five projects were nearly completed while one was 50 per cent completed. For one Works Order, liquidated damages for delay in completion of the works were Rs 12,500 per day up to a maximum of five per cent of final works order while for the others, the amount that shall be deducted from payment is Rs 5,000 per day up to a maximum of 10 per cent of final works Order. One project was not yet started as of mid March 2012.

Works Orders issued under Roads Contracts - Rs 12,513,687

The Commission issued eleven Works Orders for the construction of green spaces, upgrading of football pitches and upgrading of basketball pitches for a value of Rs 12,513,687 under Roads Contracts for fiscal year 2010 and fiscal years 2011. The projects were not completed within the contractual completion dates.

Implementation of Minor Projects

During the year 2011, several minor projects at a total cost of some Rs 45 million were implemented throughout the island. The following were noted during site visits effected in February and March 2012 at the green spaces and basket ball pitches and football ground.

Green Spaces. The children playground in the green spaces were not provided with the necessary amenities. No sand was laid in the playground areas as per the contract. The green space was left in an abandoned state with weeds and grasses up to 45 centimetres high and there was no indication that it was being used by the inhabitants. One side of the roof of two kiosks was rusty and the paint was removed.

Basket Ball Pitches. For all the basket ball pitches, there were no poles fixed and they were not marked, with the exception of that at GLF Mangues.

Upgrading of Football Ground at Ile Michel. The football ground was not properly fenced and levelled. The goal post poles were broken on both sides of the pitch. The grass was 45 centimetres high on the pitch.

6.1.5 "Revetement" Wall

At paragraph 4.1.8 of the Audit Report for the year ended 30 June 2009, I mentioned that dredging materials were not deposited in the structure of the "Revetement" Wall at Oyster Bay as of August 2009 and the contract was executed without any feasibility study having been carried out. The wall was completed on 30 June 2008 and payments amounting to Rs 26,325,949 were made to the Contractor while retention money of Rs 2,289,213 had been released. Follow up of the project had not been possible as the files and all the related documents were with the Independent Commission Against Corruption.

Conclusion

The Commission did not exercise adequate control over funding of projects. This has led to over commitments of funds totalling some Rs 164 million as of 31 December 2011. Besides, approval of MOFED and financial clearance were not sought for several projects.

Projects were not properly monitored so that certain works were executed beyond the contract value and others were outside the scope of the contract.

Many contract requirements were not duly complied with. The amount of performance security was lower than that required. The Contractor did not submit the programme of works within time or not at all. Laboratory tests were not carried out as per contract. The works were not completed within the contractual period but no liquidated damages were deducted from payment.

Recommendations

The execution of projects should be properly planned so that the financial resources allocated are sufficient to meet all commitments. The approval of MOFED should be obtained for all investment projects.

Request for availability of funds should be sought before launching of tenders and issue of Works Orders. Budgetary control should be enhanced by the RRA so that funds are released only for projects which have been duly approved and for which funds have been provided.

The RRA should ensure that all works fall within the scope of the contract and are limited to the defined period of time or to the total contract value. Projects should be properly supervised, administered and completed in time, and contract terms and conditions must be strictly complied with. Liquidated damages should be claimed for late completion of works and the RRA should ensure that the Contractors attend promptly to all defects noted during the maintenance period.

All the four Rate Contracts as well as other works for a total contract value of over Rs 248 million were awarded to the same Contractor. The latter did not comply with many contract conditions and in particular, failed to complete several projects on time. The RRA should consider seriously in the future to award contract for works on a lot basis and regionwise, bearing in mind the technical and financial capabilities of the Contractors. Hence, the RRA could obtain more competitive prices and also benefit from timely completion of projects.

RRA's Reply

All the outstanding claims in respect of Roads Projects have been settled by 16 March 2012.

Various attempts have been made to file the vacant posts of Civil Engineer without success. In the meantime, the Executive Council has decided to have recourse to Global Consultancy Services and action is being initiated accordingly.

Regarding the Works Orders for the year 2011 issued in excess of contract value, Works Order No 23 has been scaled down from Rs 10.1 million to Rs 2.2 million in April 2012 and the total value of Works Orders has remained within the contract value. The conditions for 2011 provides for a higher ceiling of liquidated damages ,that is, five per cent of the Works Order compared to a maximum of Rs 250,000 irrespective of the value of the Works Order though the daily rate is half that of the 2010 contract. Liquidated damages were deducted from payment for nine Works Orders and for other Orders, this will be done after final accounts are compiled.

The Contractor will be requested to submit "as built drawings" wherever required.

6.2 Projects in the Water Sector

6.2.1 Over Commitment of Funds - Construction and Rehabilitation of Dams and Reservoirs Programme

During the fiscal year 2011, 21 contracts were awarded to various Contractors under the above programme for a total contract sum of some Rs 97.6 million. An amount of Rs 34.1 million has been disbursed including some Rs 9.7 million for projects committed in fiscal year 2010. Hence, outstanding commitments which the Commission has to meet in fiscal year 2012 and onwards, totalled some Rs 73.2 million as of 31 December 2011.

Contrary to instructions issued in September 2010 by the Ministry of Finance and Economic Development (MOFED) to the Rodrigues Regional Assembly (RRA) that investment projects below Rs 25 million should be submitted to MOFED for examination and for approval, the Commission has not submitted a Project Request Form (PRF) to MOFED nor was any approval obtained for these projects. Further, ten contracts for the value of some Rs 63 million were awarded when no funds were available, which were not in line with the MOFED's Circular No 3 of 2011 which stated that Accounting Officers should obtain prior financial clearance before seeking Cabinet (Executive Council's) approval on all proposals that would entail additional provision.

6.2.2 Projects under the Programme Based Budget

Under the Programme Based Budget (PBB), funds appropriated by the National Assembly are linked to Outputs (major services to be provided) and outcomes. These might not be realised since projects, which were among the major targets for fiscal year 2011, were not implemented during the fiscal year 2011. On the other hand, two projects though not targeted were implemented among the 21 projects.

6.2.3 Implementation of Projects

During the fiscal year 2011, the following five projects of a total contract value of some Rs 26.5 million were reviewed as shown in Table 7

Table 7 Projects reviewed under the Construction and Rehabilitation of Dams and Reservoirs Programme

Project No	Contract	Date awarded	Contract Value (Rs)	Disbursements as of 31.12.11 (Rs)
1	Upgrading of Water System at Roche Bon Dieu	08 .11.11	9,680,200	-
2	Construction of Tracks Roads at Graviers and Bigarade pumping station	16.11.11	6,997,395	-
3	Upgrading of reservoir at Mourook	25.11.11	5,286,550	4,757,895
4	Upgrading of Water System at Dan Limon	15.08.11	2,918,527	2,918,527
5	Extension of Drainage work for Brackish Plant at Hauteur Accacia	10.06.11	1,628,000	1,863,632
	Total		**26,510,672**	**9,540,054**

Non Compliance with Public Procurement Act

The RRA as a public body is legally required to comply with the provisions of the Public Procurement Act (PPA), the accompanying Regulations and related instructions/directives /circulars issued under the Act and Regulations. However, these were not always complied with.

Annual Procurement Plan

No annual procurement plan was prepared in compliance with Section 50 of the PPA which shall include the type and quantity of the goods, works or services to be procured, the timing and implementation of the procurement, their value as well as procurement methods to be used.

Notification of Award of Procurement Contracts

Contrary to Section 40(3) of the PPA, in many cases, the Commission had not notified the unsuccessful Contractors before the award of the contracts.

Evaluation not done in line with PPA

In Projects 1, 2 and 4, competitive bids have not been obtained due to wrong evaluation of tenders, discarding the rate contract of the Commission for Public Infrastructure, and evaluation of bids not done within the stated time frame respectively.

6.2.4 Non Compliance with Terms of the Contract

No Formal Handing Over

Handing over of sites was neither supported by formal handing over certificates nor were the notes of the site meeting signed. Contractual completion date which has been computed by the Commission could not therefore be verified. As such, the accuracy of liquidated damages that should have been charged for late completion of works could not be ascertained.

Works not done according to Specifications

During site visits by Officers of the NAO accompanied by an Assistant Inspector of Works effected during March 2012, it was noted that the projects were not properly supervised since several terms and conditions of the contracts were not complied with.

Liquidated Damages

Projects were not completed within their contractual completion dates but in certain cases, liquidated damages were not charged as provided in the contracts.

Performance Security

This document is essential for the safeguarding of the Commission's interest in case the Contractors default. No steps were taken for the renewal of performance security before its expiry date when contracts have not been completed in time.

6.2.5 Review of Specific Projects

Upgrading of Water System at Roche Bon Dieu - Rs 9,680,200

The above contract for the upgrading of Water systems at Roche Bon Dieu was awarded to Contractor A on 8 November 2011. The works which consisted of earthworks associated with the wall foundation, supply and lay reinforcement, excavation of trenches, fencing works and masonry were to be completed on 22 February 2012.

<u>Bid Security and Bid Validity Period.</u> According to the tender documents, the bid validity was for a period of 90 days that is up to 26 December 2011. One bid for Rs 8,764,092 was rejected by the Bid Evaluation Committee (BEC) due to submission of a bid security with expiry date of 28 December 2011, that is, two days after the bid validity period. Being given that the bidder had submitted a bid security of validity period of 90 days as specified in the bidding documents, the bid should not have been rejected. By rejecting this bid, the Commission had made a loss of some Rs 915,000.

Negotiation. The approved bid in the project was more than 15 per cent of the estimated price. Regulation 8 of the Public Procurement Regulations recommends procedures for negotiations when a re-bid exercise is not considered practical. Negotiation with the Contractor was done in such a way as not to have recourse to a re-bid exercise. The latter was requested to lower its quoted price to Rs 9,680,200, thereby making its bid to drop to the threshold of 15 per cent.

Construction of Track Roads at Graviers Reservoir and Bigarade Pumping Station - Rs 6,997,175

The above contract was awarded on 21 November 2011 to Contractor B for an amount of Rs 6,997,175 through restricted bidding. Works were due to start on 29 November 2011 and were to be completed on 19 December 2011.

The competitiveness of the bids could not be ascertained due to the following:

- Resorting to restricted bidding limits the participation of Contractors according to pre-approved eligibility lists of Contractors. However, no such list was kept by the Commission, so as to ensure that the Contractors have and maintained the technical and financial capabilities to provide their services. The list of bidders that were invited for bidding might be outdated as only three out of the six bidders that were invited, have responded.

- Contrary to Section 15(e) of the PPA, the ground for not resorting to Open Advertised bidding (OAB) as a method of procurement was not recorded.

Bids which are not major ones are dealt with at the level of different Commissions. However, there was no coordination between the Commission for Public Infrastructure (CPI) and that of the Water Resources. Although an already approved rate contract for track roads was signed between CPI and a Contractor, it has not been used for the above contract. Potential savings of Rs 657,098 could have been made.

Performance bond of Rs 349,859 had expired on 18 January 2012 but has not been renewed. As of 21 March 2012, the works had not yet been completed. No practical completion certificate was seen. Liquidated damages were not applied.

Upgrading of Reservoir at Mourouk - Rs 5,292,300

The above contract was awarded to Contractor C through restricted bidding on 25 November 2011 for an amount of Rs 5,292,300. The works consisted of upgrading of the roof of reservoir, masonry and fencing works and the construction of a generator house together with a generator. The roofing, cladding, gutters and downpipes should be fixed to withstand a basic wind speed of 280 km/h and should have a ten-year warranty against defective paintings, rust and should be watertight. Total payments as of March 2012 amounted to Rs 4,726,825.

The site was to be handed over as from the date of the letter of award so that the contractual starting date of the works was 25 November 2011. Thus, the works were due to be completed

on
9 January 2012 instead of 18 January 2012. Liquidated damages of 9 days amounting to Rs 23,700 were not deducted from payment.

The site was taken over on 19 January 2012. No practical completion certificate was issued.

The performance security of Rs 264,615 was not renewed although it expired on 14 January 2012, before the completion date. It should have been valid up to, at least 28 days from the issuance of certificate of practical completion, in accordance with the tender documents.

The existing roof corrugated iron sheets were dismantled at a cost of Rs 75,000 but were not carted away. These were left on site.

No ten-year warranty certificate was seen and as such, there was no guarantee given by the Contractor that the roofing, cladding, gutters were safeguarded against defective paintings, rust and water infiltration.

Site Visit. During a site visit on 7 March 2012, the following were noted:

- There was no generator in the newly generator house constructed at a cost of Rs 325,000.

- The stones in the masonry walls costing some Rs 1.3 million were not jointed with mortar contrary to drawings and specifications.

RRA' s Reply

The Contractor was requested to submit a ten- year warranty certificate.

Upgrading of Water System at Dan Limon (La Ferme) - Rs 2,956,610

The works consisted of upgrading the reservoir, desilting of existing spring, supply, laying of masonry walls and fencing works. The estimated cost was Rs 2,358,075.

Some three and a half months after the opening of bids, that is 8 October 2010, the Departmental Tender Committee (DTC) had not submitted a Technical Evaluation Report. Consequently, the bid validity period had lapsed. It was then decided to extend the validity of the bids to 150 days, which is contrary to Regulation 30 of the Public Procurement Regulations stating that "*the validity period of local bidding shall not exceed 90 days".* Moreover, the bidders were asked to modify their bid prices. According to the BEC meeting held on 3 March 2011, there was only one responsive bidder who has quoted Rs 4,941,504 and thus considered the deviation of 109 per cent of the estimates as substantial.

Although the Commission recognised that re-bidding was time consuming, new bids were re-launched following BEC's recommendations. The approval of the Executive Council was however not seen although BEC mentioned that the contract be refloated subject to the final decision of the Council. The contract was awarded to Contractor D for the sum of Rs 2,956,610 on 4 August 2011.

Extension of Drainage Works at Hauteur Accacia - Rs 1,628,000

On 10 June 2011, the above contract was awarded to Contractor E for an amount of Rs 1,628,000. According to the letter of award, all works should be completed within a period of 75 days as from date of handing over of site. The handing over of the site was neither supported by a formal handing over certificate nor were the notes of meeting signed. According to the Commission, the contractual completion date was 3 September 2011 and the works were completed on 10 September 2011.

Although, a total amount of Rs 1,863,632 was paid to the Contractor, no certificate of joint measurement between the Contractor and the Commission was seen.

<u>Site Visit.</u> Following a site visit on 28 March 2012, effected jointly by Officers of the NAO and an Inspector of works, it was noted that works were not done as per specifications as shown in Table 8

Table 8 Works not done as per Specifications

Details	As per tender (metres)	Site observations (metres)
Length of masonry drain	105	75
Width of masonry drain	1.6	1.2
Height of masonry drain	0.6	0.3

The Commission should ensure that the Contractor takes remedial action on all the above discrepancies.

Recommendations

The Commission should prepare a priority list of projects for inclusion in the Budget. The projects should also be planned in accordance with the availability of financial resources. A proper mechanism should be put in place for the earmarking of funds before making any financial commitments.

Financial Regulations should be strictly complied with. Further, procurement procedures should be adhered to ensure that the Commission carries out its procurements in an efficient and effective way and obtains value for money. It is imperative that the staff of the Commission be fully conversant with the PPA and its Regulations.

The Commission has to enforce the contract terms and conditions so as to safeguard its interest. Projects should be closely supervised to ensure timely completion. Poor quality works should be promptly rectified by the Contractors.

6.2.6 Review of Past Projects

At paragraph 3.4 of the Audit Report for the year ended 31 December 2010, with regard to the supply, installation and commissioning of five water treatment plant - three brackish water purification plant and two seawater desalination plant, I drew attention to late completion of the projects, operational problems as well as provision of training.

Supply, Installation and Commissioning of Containerised Brackish Water Purification Plant and Seawater Reverse Osmosis Desalination Plant - Rs 49.7 million.

The contracts for the supply, installation and commissioning of three brackish water purification plant were awarded to Contractor F at a cost of Rs 15 million in December 2007 and April 2008 while that of the two desalination plant to Contractor G for the sum of Rs 34.8 million in May 2008.

Brackish Water Purification Plant - Rs 15 million

- *Operation and Maintenance of Plant.* An amount of Rs 749,271 was spent for training of the staff of the Water Resources Unit(WRU) and the Rodrigues Water Company Ltd (RWC Ltd) in 2010 for the operation and maintenance of the plant over and above the cost incurred for training already included in the contracts for the supply of the plant. Nevertheless, the contract with Contractor F was renewed with effect from 1 January 2012 for the fourth year at a cost of Rs 2.9 million and the plant which should have been taken over by the staff of the RRA was still being operated by the latter. Total amount paid up to December 2011 was some Rs 9.5 million.

Desalination Plant - Rs 34.8 million

- *Retention Money - Rs 508,052.* According to the General Condition of Contract, half of retention money will be released after formal taking over of the works and the balance shall be released after the defect liability period subject to the Contractor making good all defects.

  Although Contractor G was unable to repair the defective desalination plant, a final payment of Rs 508,051 representing 1.6 per cent of the contract amount was released as retention money in August 2011. The approval of the Executive Council was not seen.

- *Operation and Maintenance of Plant.* The operation and maintenance of the Plant for a period of three years from May 2009 to May 2012 was not performed by Contractor G, although these costs had already been included in the contract for the procurement of the plant at an amount Rs 2,032,408.

- *Rehabilitation of the Plant - Rs 4.5 million.* On 19 November 2011, a contract for the supply of spare parts, repairs and commissioning of the desalination plant was awarded to another private Contractor H for an amount of Rs 4,572,859. The works consisted of the upgrading of the existing plant, equipment and other fittings used in connection with the repairs of the plant and to make necessary repairs and replacement of appropriate spare parts as required. The contract completion date was 13 March 2012. However, as of

23 March 2012, the works had not been completed and the plant had not been commissioned yet.

Site Visit. The following observations were made during a site visit on 28 February 2012 by Officers of the NAO accompanied by an Assistant Inspector of Works of the WRU.

- Both Plant No1 and No 2 were broken down.
- Both generators for the Plant received in April 2009 were not working and were exposed to the inclemencies of the weather.
- The risk of theft or sabotage was high as the site was left unattended
- The two sets of membranes purchased at a cost of Rs 1.1 million were not used. One set was stacked in a container and was not fixed. The second set was kept in a solution to ensure its functionality.

Although the Commission has invested significantly in the two desalination Plant, it has not resolved the problem of water in the area. One of the Plant did not operate for some five months while the other one was not operating as of 31 March 2012, that is, for more than 27 months. Nevertheless, retention money of Rs 508,052 was released to Contractor G.

The Commission has committed additional funds to have the plant repaired so that they restart their operations. However, the two plant were still not functioning.

Construction of a new 1000 m³ Concrete Reservoir at Creve Coeur - Rs 13,500,017

The contract for the construction of the above reservoir was awarded to Contractor I on 6 September 2010 for a total sum of Rs 13,500,017. As of March 2012, the total amount paid was Rs 11,820,828. The duration of the works was 150 days and the works were due for completion on 23 February 2011. The Contractor did not inform the Commission of the additional time that would be needed for completion of the works but stated that the works were practically completed on 23 May 2011.

Liquidated damages should have been deducted from the payments made to the Contractor as of 18 May 2011, that is, after the due date for completion, the Project Manager had approved the request of extension of time to 28 May 2011.

Practical handing over certificate was issued on 23 May 2011 although testing of the maximum water level that could be reached had not been effected.

RRA's Reply

Extension completion period has arisen because of additional works not included in original scope of the contract. In order not to disrupt distribution for the Queen Elizabeth Hospital, it has been agreed to put in service the newly constructed reservoir and to monitor performance during Defects Liability Period. The Contractor is responsible to take corrective measures at its own cost in respect of any defect.

6.3 Promotion of Rain Water Harvesting - Rs 13,323,900

6.3.1 Background

The main objective of the project for the "Promotion of Rain Water Harvesting" is to encourage and optimise water collection and storage through rain water harvesting so as to alleviate the acute shortage of water. In February 2011, the Executive Council decided to start the project for the promotion of rain water harvesting by providing households with a concrete water tank. Rodrigues would be divided into six zones and it was also decided that one local contractor would be able to bid for only one zone so as to enable an equal distribution among the contractors and to avoid any delay in the project implementation.

On 9 August 2011, however, a contract was awarded to only one Contractor for the sum of Rs 13,323,900 for the construction of 360 domestic concrete water tanks of six cubic metres for households all around the island in the six zones, that is 60 water tanks per zone. The letter of acceptance was signed on 15 August 2011 and work was to be completed on 15 November 2011, that is, within 90 days as from the date of acceptance of the contract.

6.3.2 No Approval from the Executive Council

Approval of the Executive Council was not seen prior to the award of the contract on 9 August 2011 to a single Contractor for all the six zones and not to a Contractor per zone as initially decided. The Council was informed of the award of the contract on 26 August 2011.

6.3.3 Disbursement of Funds

Total payments to the Contractor amounted to Rs 8,310,688 as of December 2011 and were disbursed from the budget item "Promotion of Rain Water Harvesting - Rs 10 million". The project was to be partly financed from a grant of Rs 3 million from the Ministry of Energy and Public Utilities. As of March 2012, no such grant was received.

6.3.4 Eligibility Criteria

No criteria were set out as to who would be eligible to benefit from the project. No assessment of the vulnerability of the beneficiaries was made on the basis of their status, occupation, age, income, irregular supply of water and whether beneficiaries were already in possession of a water tank.

6.3.5 Construction of Additional 114 Water Tanks

At date of awarding the contract, the lists of beneficiaries in the six zones had not been finalised and they had been updated thereafter, on several occasions bringing the total to 474. On 18 November 2011, the Executive Council approved the construction of additional water tanks by the same Contractor, without mentioning the number of units to be built. Based on the original contract, the additional cost amounted to more than thirty per cent. This was not in accordance with Section 25 of the Public Procurement Act 2006, whereby direct procurement is permitted only where additional works are within the prescribed limit of thirty per cent of the contract value.

6.3.6 Non Compliance with the Terms of Contract

Programme of Works

A detailed programme of works was not submitted by the Contractor.

Supervision of Works

The construction of the water tanks was not properly supervised since several requirements of the contract were not met. For instance, no certificate of testing and commissioning for a minimum of five days for each water tank constructed was seen. Instead, payment certificates were approved on the basis of a certificate from the beneficiaries, having acknowledged the construction of one water tank on their premises.

Performance Security

The Contractor had submitted a Performance Security of Rs 666,195 which had expired on 30 January 2012 while works were still not completed. Hence, the interests of the RRA have not been safeguarded.

Liquidated Damages.

By the 15 November 2011, the original contract should have been completed. The Commission has increased the number of water tanks to 474 and the Contractor was given 28 additional days to complete the contract. Liquidated damages amounting to some Rs 354,000, for a delay of 121 days with effect from the extended due date of completion, that is 13 December 2011, should be claimed.

6.3.7 Site Visits

Following site visits effected by my Officers during March 2012, jointly with an Assistant Inspector of Works, the following were noted:

- some of the tanks were leaking, were empty, and some were used for storing water from the normal distribution systems
- some beneficiaries had already one tank
- no gutters leading to the water tanks were installed for the collection of rainwater.

Recommendations

Campaigns to encourage the harvesting of rain water and its storage should be promoted so as to sensitise the families to reduce dependence on water from dams and reservoirs.

A complete survey should be carried out to determine the total number of defective tanks and the Commission should ensure that the Contractor takes immediate remedial action.

The terms and conditions of contract should be strictly followed with a view to obtaining value for money. No payments should be released unless works have been done according to specifications. Liquidated damages should be retained from payments made to the Contractor.

Tenders should be launched only when funds are available in the budget.

RRA's Reply

As per conditions of contract, the Contractor had to complete the construction of 360 tanks, 90 days after receiving the list of beneficiaries which was on 6 December 2011. As the Commission has increased the number of water tanks from 360 to 474, the Contractor was given 28 additional days to complete the contract. An amount of Rs 32,200 has been retained as liquidated damages

Following a radio communiqué, 28 complaints were received and were referred to the Contractor for necessary repairs which have been completed. A complete survey is being carried out to determine the number of defective tanks.

COMMISSION FOR ENVIRONMENT, FORESTRY, TOURISM, MARINE PARKS AND FISHERIES

7.1 Project in Fisheries Sector

7.1.1 Procurement of Five Fibre Glass Fishing Boats - Rs 52.8 million

Background

In 2005, the RRA had initiated the project for the purchase of five fibre glass fishing boats in support of Rodriguan Fishers for demersal fishing. The project was to be carried out jointly by an international funding organisation and the RRA. In September 2009, approval of the Ministry of Finance and Economic Empowerment was obtained for the purchase of the boats under the Rural and Diversification Programme/Marine and Agricultural Research Scheme (RDP/MARS) programme.

Project Financing

The total cost of the project was estimated at an amount of Rs 40.25 million inclusive of VAT. The project was planned to be funded through the Food Security Fund under a 75 per-cent grant and 25 per cent loan scheme.

Award of Contract

In December 2010, the contract for supply, delivery and commissioning of five fibre glass fishing boats was awarded to a Contractor for the sum of Rs 52,831,000 inclusive of all taxes. Works started in January 2011 and were scheduled to be completed by September 2011. The contract price of Rs 52,831,000 was 31 per cent higher than the estimated costs. No feasibility study of the project was carried out to assess its viability and sustainability. As of 31 December 2011, an amount of Rs 54,208,250 was paid to the Contractor including equipment for an amount of Rs 1,377,500.

Contract Agreement between Five Co-operative Societies and RRA

On 21 October 2009, the approval of the Chief Commissioner, instead of the Executive Council was obtained to provide the five boats to five Co-operative Societies involved in fishing activities. As of date of audit in March 2012, handing over was still not yet made. Four Co-operative Societies were incorporated on 8 December 2009 and another one on 3 December 2009, therefore, there is ground to believe that these Co-operatives were quickly set up by the members so that they could benefit from this project. It was noted that neither the project was advertised nor were criteria set for the public to show their interest in the project of demersal fishing undertaken by the Commission

On 17 December 2011, a loan agreement amounting to Rs 2,641,550 was signed between the RRA and each of the five Co-operative Societies. However, loan agreement pertaining to the value of the equipment amounting to Rs 275,450 for each of the Societies was not finalised. According to the terms of the loan agreement, the repayment of the loan amount should start one year after the signature of the agreement and that of interest in January 2012. However, as of 25 March 2012 no repayment had yet been made by the Cooperative Societies.

Delivery and Commissioning of Boats

According to the contract document, the boats were to be supplied, delivered and commissioned by September 2011. On two occasions, that is on 17 December 2010 and on 7 September 2011 respectively, requests for extension of time were made by the Contractor. Three months after the expiry of the contract period, that is on 9 December 2011, both extensions of time were approved by the Commission, thus bringing the new completion date to the same day. Coincidently, on that day, the five boats were delivered to five Co-operative Societies and commissioned as well. No penalty clause for late delivery was seen in the contract documents.

The warranty period was valid for one year as from 9 December 2011. However, the boats have remained unutilised since the date they were commissioned as they were not equipped with the satellite telephone and the necessary fishing equipment. The Commission had estimated that these equipment for all the boats would cost some Rs 1.3 million. As of March 2012, that is with eight months of warranty period left, these boats were still left idle. It has to be pointed out that no liens on the boats were inscribed in favour of the RRA to safeguard its interest.

7.1.2 Procurement of six Outer Lagoon Fishing Boats - Rs 15,639,425

On 25 September 2009, the contract for the supply of six outer lagoon fishing boats was awarded to a private company for an amount of Rs 15,639,425 inclusive of VAT, for off lagoon fishing. The boats were delivered to the Commission and were commissioned in July 2010. Since that date, records pertaining to the following were not seen:

- Registration of the vessels with the relevant authority;
- The seaworthiness of the boats;
- The use of the boats.

These boats were seen moored in the boatyard at Port Mathurin. The performance bond and the warranty period had expired on 30 June 2011 and 23 May 2011 respectively.

In the absence of documentary evidence, it was difficult to ascertain the ownership, the responsibility, and the management of these boats.

Conclusion

Eleven boats for an amount of Rs 69.8 million were acquired for off lagoon fishing without any feasibility study and planning. To ascertain the viability and sustainability of the projects, Co-operative Societies were incorporated quickly to reap the benefit of this project. Extension of time to the Contractor was approved on the date of delivery, that is on 9 December 2011. No liquidated damages clause was included in the contract documents. Six boats were seen moored at the boatyard and the benefits for this project had not yet been derived.

Recommendations

The Commission should draw the loan agreements in respect of the five fibre glass fishing boats and register the signed copies to enforce the agreements. The Commission should ensure that liens had been inscribed on the boats to safeguard the interest of the RRA.

The six outer lagoon fishing boats amounting to Rs 15.6 million received in July 2010 have to be put to use to ensure that benefits are derived from the investment made.