**REPORT**

**OF THE**

**DIRECTOR OF AUDIT**

**ON THE ACCOUNTS OF THE**

**RODRIGUES REGIONAL ASSEMBLY**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**The National Audit Office**

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

**Mandate of the Director of Audit**

Section 110 of the Constitution provides the Director of Audit with the mandate to audit and report on the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government. The same Section of the Constitution also provides that in the exercise of his functions, the Director of Audit shall not be subjected to the direction and control of any person or authority.

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, provides the authority for me to audit and report upon the examination of all accounts relating to the Rodrigues Regional Assembly (RRA).

**Administrative Set Up**

The Island of Rodrigues became autonomous as from 1 October 2002 with the enactment of Rodrigues Regional Assembly Act 2001, and the internal affairs are dealt with at the level of RRA.

For the purpose of the RRA Act, an Executive Council has been established which is responsible for carrying out the functions of the RRA. Members of the Regional Assembly are elected through universal suffrage. Seven Commissions have been set up under the Executive Council.

**Accounting Officers**

The Island Chief Executive is the administrative head of the RRA and is responsible to the Chief Commissioner. Each Commission is under the responsibility of at least one Departmental Head.

There are departments that do not fall under the administrative control of RRA, among others, the Police Department and the Judiciary.

**Accountability and Control**

***Financial Statements***

The financial statements of the RRA are prepared according to Section 19 (6) of the Finance and Audit Act. This Act also 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 financial statements showing fully the financial position of the Island of Rodrigues on the last day of such fiscal year.

***Audit of Accounts***

The Finance and Audit Act requires the Director of Audit to submit to the Minister responsible for finance within eight months of the close of every fiscal year, copies of annual financial statements together with a certificate of audit and a report upon his examination and audit of accounts relating to public money, securities, stores and other property of the Rodrigues Regional Assembly.

**Acknowledgement**

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

**Kwee Chow Tse Yuet Cheong (Mrs)**

**Director of Audit**

**Head of SAI Mauritius**

**28 July 2014**

**2.1 Introduction**

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

The accounts of the Rodrigues Regional Assembly (RRA) for the fiscal year ended 31 December 2013 were closed on 29 March 2014. The approved financial statements were submitted to the National Audit Office (NAO) on the same day.

The annual financial statements of 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 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 used only to the extent and for the purpose intended by the National Assembly and the Regional Assembly,
* that value for money is obtained in the use of resources, and
* the safe custody of assets and stores.

The Programme Based Budget Estimates 2013 of Mauritius were approved by the National Assembly on 11 December 2012, providing current grant of Rs 1,326 million and capital grant of Rs 390 million under Programme 311 - Rodrigues Development of the Prime Minister’s Office. Total actual contribution disbursed to the RRA amounted to Rs 1,972,229,044, including additional contribution of Rs 256,230,000.

**2.2 Programme Based Budgeting**

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

I drew the attention of RRA in both the 2011 and 2012 Audit Reports, of the need to submit a report on performance by the different Commissions, to be included in its Financial Report. However, such report has still not been prepared. In that connection, to make it mandatory for the RRA to prepare such report, 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 in the Financial Report of the RRA.

***RRA’s Reply***

A Legal Consultant is working on the revitalisation of the RRA Act and the need to submit a progress report on performance will be included in the amended version.

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

A comparative Statement of Assets and Liabilities as of 31 December for the past three fiscal years is shown in Table 1:

*Table 1 Assets and Liabilities as of 31 December*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2013****Rs** | **2012****Rs** | **2011****Rs** |
| **Assets** |  |  |  |
| Cash and Bank balances | 100,800,095 | 69,439,712 | 57,072,539 |
| Advances | 54,868,870 | 35,101,442 | 35,196,436 |
| **Total** | **155,668,965** | **104,541,154** | **92,268,975** |
| **Liabilities** |  |  |  |
| Rodrigues Consolidated Fund | 43,166,517 | 14,805,181 | 13,940,916 |
| Deposits | 59,759,671 | 53,401,718 | 42,484,297 |
| Loan from Govt. of Mauritius | 52,742,777 | 36,334,255 | 35,843,762 |
| **Total** | **155,668,965** | **104,541,154** | **92,268,975** |

The accounts of the RRA were prepared on a cash basis. Current assets, such as arrears of revenue amounting to Rs 25,430,841 as of 31 December 2013, and liabilities, such as pension liabilities, passage benefits, the monetary value of accumulated sick leaves and vacation leaves were therefore not disclosed in the Statement of Assets and Liabilities.

***RRA’s Reply***

The accounts of the RRA are prepared on a cash basis in line with the current policy of Central Government. The RRA will follow suit when the main land will shift to accrual accounting whereby prepayments and accruals will be disclosed in the Final Accounts.

***2.3.1 Advances – Rs 54,868,870***

This amount represents total advances outstanding on motor-car, motor-cycle and other loans as of 31 December 2013, as detailed in the Table 2.

*Table 2 Advances as of 31 December 2013*

|  |  |  |
| --- | --- | --- |
| **Details** | **2013****Rs** | **2012****Rs** |
| Advances to Members of the Regional Assembly  | 4,827,800 | 2,396,246 |
| Motorcar loan to RRA Officers | 21,631,781 | 11,163,684 |
| Motorcycle loan to RRA Officers | 10,851,519 | 6,624,799 |
| Advances – Cooperative Societies i.r.o. Fibre Glass Boats | 14,847,000 | 14,827,913 |
| Advance Account – Personal | 88,800 | 88,800 |
| Advance RTMC | 2,621,970 | - |
| **Total** | **54,868,870** | **35,101,442** |

*Advances to Members of the Regional Assembly – Rs 4,827,800*

In September 2011, an amount of Rs 1.6 million was advanced to a member of the Regional Assembly who ceased to be a member with effect from 6 February 2012. The outstanding capital and interest accrued thereon amounted to Rs 1,493,333. Legal action was initiated for the non-payment of the advance and the vehicle was seized. It was found damaged and was sent to Mauritius for repairs at a cost of Rs 102,989, which was later brought down to
Rs 25,028. In November 2012, the vehicle was auctioned at a bid of Rs 1.5 million. After deduction of customs duty and other costs associated with the sale totalling Rs 667,243, the net proceeds of Rs 832,757 were remitted to RRA. An outstanding balance of Rs 743,976 has still to be recovered. In April 2013, the Attorney of the RRA was requested to initiate legal action to recover the outstanding amount from the ex-member of the Regional Assembly.

* On 20 September 2013, the Attorney of RRA informed the Acting Island Chief Executive that he had put in appearance in the Supreme Court on 12 September 2013.
* As of 28 February 2014, the ex-member still owed an amount of Rs 829,376 that comprised outstanding capital amount of Rs 743,976 and accrued interest of Rs 85,400.

***RRA’s Reply***

The matter was called on 29 May 2014 before the Supreme Court for the plaintiff’s stand on the plea *in limine* filed by the defendant and is still outstanding.

*Advance – Fibre Glass Boats – Rs 14,847,000*

Loans totalling Rs 14,585,000 made in December 2011 to five co-operative societies for the acquisition of five fibre-glass boats under the “Promotion of Outer Lagoon Fishing Development Scheme” were reviewed. Loan agreements with the cooperative societies were signed for Rs 13,207,750, that is Rs 2,641,550 for each society. Agreements in respect of the difference of Rs 1,377,250 were still not signed.

In 2012, additional expenditure totalling Rs 262,000, that is Rs 52,400 for each cooperative society were incurred by the RRA for the purchase of satellite phones/hooks and accessories which were issued to the societies. Despite the RRA’s reply to paragraph 2.3.1 of the Audit Report 2012 to the effect that the Commission for Fisheries is taking steps for signing the agreement in relation to the additional loans of Rs 1,639,250, these were still not signed as of 31 March 2014. Total advance made to each society as of 31 December 2013 amounted to
Rs 2,969,400.

These observations were also noted:

* Monthly interest amounting to Rs 11,006 is payable as from January 2012 by each society on the loan of Rs 2,641,550 as per loan agreement signed in December 2011. While principal repayment was due after a moratorium of one year, that is, in January 2013, none of the societies has so far made any repayment as of 26 March 2014. Furthermore, the modalities of reimbursement by each society in respect of the loan for the fishing equipment amounting to Rs 327,850 have yet to be defined.
* Inscription of a lien in favour of RRA on the boats has still not been done to safeguard the interest of both parties. The boats are registered with the Commission of Fisheries.
* The Accountant General has requested RRA to settle an amount of Rs 1,130,812, being interest at five per cent per annum payable at 30 June 2013, on the loan of Rs 14,847,000. As of 31 December 2013, the interest amounting to Rs 1,505,038 has not yet been paid.

***RRA’s Reply***

A new management plan is being implemented which is expected to sort out the recovery of the advance of the five Co-operative Societies.

*Advance to Rodrigues Trading and Marketing Company Limited (RTMC) – Rs 2,621,970*

On 18 November 2013, an agreement to advance an amount of Rs 2,621,970 was signed between RTMC and the RRA. RTMC has to repay the advance in one instalment within a period of three months as from the date of the agreement, that is 18 February 2014. The company agreed to use the advanced money solely as working capital to meet costs relating to the purchase of onions from local planters and the marketing of the onions.

Despite the fact that the company had accumulated losses of Rs 3.2 million, together with an outstanding loan of Rs 4 million as of 31 December 2012, RRA still made the advance of
Rs 2,621,970. As of 30 April 2014, two months after due date, the company has not yet reimbursed the amount due.

Contrary to the agreement which makes provision for the registration of a lien in the form of a fixed charge on the company’s assets and a general floating charge on the company, no such lien has been inscribed in favour of RRA. Hence, the interest of RRA has not been safeguarded.

***RRA’s Reply***

The RTMC is working on a business plan geared towards the strengthening of its financial bases to salvage it from the current precarious situation.

**2.4 Rodrigues Consolidated Fund – Rs 43,166,517**

The Rodrigues Consolidated Fund was established under Section 75D (b) of the Constitution. Section 42 of the RRA Act mentions the revenue that is to be credited to the Fund, namely money appropriated by the National Assembly and all revenue of the RRA.

During 2012, an amount of Rs 12,436,833 was transferred from the Rodrigues Consolidated Fund to two deposit accounts, namely, “Temporary Closing of Octopus Fishing”
(Rs 9,407,500) and “Winding up of Rodrigues Water Company Ltd” (Rs 3,029,333), to meet expenditure not provided for in the Estimates. Over the years, the surplus standing to the credit of the Fund has reached a balance of Rs 14,805,180 as of 1 January 2013.

* On 20 November 2013, an advance of Rs 2,621,970 was made to the RTMC Ltd, a private company where the RRA is the majority shareholder, to meet its working capital. No provision has been made in either the Constitution or the RRA Act that advances can be made from the Rodrigues Consolidated Fund. Such advances are normally granted, under the Finance and Audit Act, from the Consolidated Fund and not from the Rodrigues Consolidated Fund.
* An amount of Rs 16,836 was transferred from the Rodrigues Consolidated Fund to a deposit account “Winding up of the Rodrigues Water Company”. There is no legal framework to transfer fund from the Rodrigues Consolidated Fund to any deposit account.

***2.4.1 Abstract Account of Revenue and Expenditure of the Rodrigues Consolidated Fund***

*Revenue*

Revenue collected in Rodrigues during 2013 amounting to Rs 30,142,250,was credited to Rodrigues Consolidated Fund.

The revenue figures of the past three fiscal years are stated in Table 3.

*Table 3 Revenue collected by RRA during the past three fiscal years*

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **2013****Rs** | **2012****Rs** | **2011****Rs** |
| Taxes ( licences, fees etc) | 2,237,875 | 2,263,250 | 2,542,419 |
| Other social contributions | 618,705 | 181,869 | 537,497 |
| Other revenue | 27,285,670 | 24,653,891 | 22,473,915 |
| Total | **30,142,250** | **27,099,010** | **25,553,831** |

*Other Revenue – Rs 27,285,670*

Overpayments made in Previous Years: Rs 473,297. The amount of Rs 473,297 represents overpayment made to Officers prior to 2012 and recouped during 2013. The overpayments were due to inadequate control over payment of salaries and travelling.

Fishing Vessel Licence Fees: Rs 16,035. The fishing vessel licence fees are collected under the Rodrigues Boat Tax Regulation of 1921 at the rate of Rs 5 per boat. As of 31 December 2013, some 1,932 fishing boats were registered with the Fisheries Protection Service, of which 1,687 boats were still in arrears with their licence fees. Yet, they were operating without valid licences.

Water Rates: Rs 75,411. The amount collected is insignificant compared to huge investment made in the water sector. The rate which is presently Rs 22 per year has never been revised.

***RRA’s Reply***

A Senior Internal Control Officer has now been posted to the RRA from Mauritius and he has been requested to review the internal check system with a view to avoid overpayment of salaries and travelling allowances in the future.

The Legal Adviser is drafting new regulations which will include a revision of the water rates.

*Expenditure*

An annual increase is noted in total expenditure of RRA. The figures of the past three fiscal years are given in Table 4.

*Table 4 Total expenditure for the past three fiscal years*

|  |  |  |
| --- | --- | --- |
| **Fiscal Year** | **Total Expenditure Rs** | **% Increase** |
| 2013 | 1,973,993,122 | 9.5 |
| 2012 | 1,802,757,146 | 6.7 |
| 2011 | 1,688,520,107 | - |

For 2013, total expenditure amounting to Rs 1,973,993,122 has exceeded the actual amount received of Rs 1,715,999,044 by Rs 257,994,078. The additional expenditure was financed from funds received from the Prime Minister’s Office amounting to Rs 256,230,000 and revenue collected in Rodrigues amounting to Rs 30,142,251.

The amount standing to the credit of the Rodrigues Consolidated Fund as of 31 December 2013 was Rs 28,378,173.

**2.5 Statement of** **Investments**

The total amount of Rs 42,639,590 was invested as equity in seven private companies set up by the RRA. The position as of 31 December 2013 is shown in Table 5.

*Table 5 Investments of RRA in Private Companies as of 31 December 2013*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Date of Incorporation** | **Total Investment as of 31 December 2013****Rs** | **Winding up in process since** |
| Rodrigues Educational Development Company Ltd. (REDCO) | 30 December 1988 | 51,000 |  |
| Rodrigues Trading and Marketing Company Ltd | 30 June 2006 | 4,000,000 |  |
| Discovery Rodrigues Company Ltd | 15 November 2006 | 2,000,000 |  |
| Rodrigues General Fishing Company Ltd | 8 June 2007 | 6,400,000 | April 2012 |
| Rod Clean Company Ltd | 19 September 2007 | 10,188,590 |  |
| Rodrigues Water Company Ltd | 29 October 2007 | 17,000,000 | August 2012 |
| Rodrigues Housing & Property Development Company Ltd | 12 January 2010 | 3,000,000 | March 2012 |
| **Total** |  | **42,639,590** |  |

Five of the seven companies are fully owned by RRA, being the sole shareholder. RRA and State Trading Corporation are shareholders in the Rodrigues Trading and Marketing Company Ltd in the proportion of 60:40, whilst RRA, Government of Mauritius and State Investment Corporation Company Ltd are shareholders in REDCO in the proportion of 51:29:20.

***2.5.1 Winding up of Companies***

Three companies, namely Rodrigues General Fishing Company Ltd, Rodrigues Water Company Ltd and Rodrigues Housing and Property Development Company (RHPDC) Ltd were in the process of winding up since 2012. RRA has invested Rs 26,400,000 in shares and contributed Rs 41,171,568 as grant to meet the operating cost of these companies as of
31 December 2013.

As of 30 April 2014, the three companies have still not been wound up.

***2.5.2 Return on Investment***

The RRA has so far not received any dividend from investments made in these companies.

**2.6 Statement of Arrears of Revenue – Rs 25,430,841**

The arrears of revenue for the past three fiscal years are listed in Table 6.

*Table 6 Arrears of Revenue for the past three fiscal years*

|  |  |  |  |
| --- | --- | --- | --- |
| **Division/Unit** | **2013****Rs** | **2012****Rs** | **2011****Rs** |
| Fisheries | 78,526 | 68,476 | 62,661 |
| Judicial | 153,600 | 1,103,927 | 926,827 |
| Rental of Government Property  | 20,118,769 | 23,392,403 | 12,247,832 |
| State Land - Old leases | 1,469,834 | 1,469,834 | 1,469,834 |
| Water Unit | 2,021,972 | 1,893,287 | 1,772,091 |
| Health and Sanitary | 81,025 | 720 | 1,170 |
| Rental of Snacks/Market Stalls  | 594,203 | 627,203 | 594,203  |
| NHDC Houses | 881,025 | 745,670 | 545,260 |
| Rental kiosk | 19,000 | 63,750 | - |
| Sand Removal | 12,887 | 12,686 | - |
| **Total** | **25,430,841** | **29,377,956** | **17,619,878** |

The following were noted:

* *Rental of Government Property: Rs 20,118,769*

Details of this figure as of 31 December 2013 are shown in Table 7.

*Table 7 Arrears of Revenue in respect of leases*

|  |  |  |  |
| --- | --- | --- | --- |
| **Lease Categories** | **2013****Rs** | **2012****Rs** | **Percentage change** |
| State Land-Residential | 11,914,940 | 10,962,920 | 8.6 |
| State Land-Commercial | 1,292,742 | 346,982 | 272 |
| State Land-Industrial | 6,513,552 | 11,735,518 | (44.5) |
| State Land-Agricultural | 397,535 | 346,983 | 14.5 |
| **Total** | **20,118,769** | **23,392,403** |  |

Increases in the arrears of rental figure have been noted in three of the four categories of leases of State Land and in particular, for “State Land- Commercial” the arrears figure for 2013 is highest at 272 per cent over the previous year.

The existing debt management system is poor and has not been reviewed to recover the debts promptly. Follow up action is necessary. Debtors are to be chased to settle the amounts due. RRA may contemplate other appropriate measures to recover the arrears of rental.

Arrears were long overdue in the case of State Land-Residential, in some cases for more than 20 years. If the arrears are not collected on time, there is a risk that they become time-barred and therefore a loss of revenue to RRA. Moreover, the Revenue Management System did not include an ‘Ageing Analysis’ for debtors.

* *NHDC Houses:* *Rs 881,025*

Measures and enforcement mechanisms put in place by RRA were inadequate and ineffective. The arrears have increased from Rs 545,260 in 2011 to Rs 881,025 in 2013, that is an increase of 61.5 per cent.

At paragraph 2.6 of the Audit Report for the year ended 31 December 2012, I reported on the following cases of arrears for which no remedial action had been taken:

* *State Land - Old Leases: Rs 1,469,834*

The amount of Rs 1,469,834 due by the lessees has been written off on 19 April 2013. However, the accounts in the Lease Management System have not been updated.

* *State Land Industrial: Rs 6,513,552*

In April 2004, a 20-year industrial lease was granted to a hotel promoter which was subsequently 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. As of April 2014, the unpaid rent has not been recovered and no follow up in this respect was seen. In the meantime, RRA has allocated the site to a new promoter.

* *Water Unit Arrears: Rs 2,021,972*

The RRA did not have recourse to legal action for the recovery of arrears for water rates amounting to Rs 2,021,972, as advised by its Legal Adviser since February 2009. Section 12 of the Rodrigues Water Rates Regulations (1928) was also not being enforced for the recovery of debts.

According to Financial Instructions No. 1 of 2013 issued by the Ministry of Finance and Economic Development, Accounting Officer should ensure, among others, that a proper management information system is maintained to generate information on arrears of revenue and a timely follow-up of enforcement action is made. There is no evidence that the instructions have been complied with.

***RRA’s Reply***

The default cases will be referred to Legal Advisor for appropriate action.

**3.1 Investment in Private Companies**

At paragraph 3.1 of the Audit Report for the years ended 31 December 2011 and 2012, I reported on a number of shortcomings relating to six private companies set up by RRA since 2006. Among the weaknesses noted were the non-compliance with the RRA (Investment Management) Regulations and requirements of the Ministry of Finance and Economic Development (MOFED). A lack of accountability by the private companies was also noted.

Since the incorporation of the six companies up to 31 December 2013, the RRA had disbursed a total amount of Rs 149.1 million to enable them to meet their operating costs. Investments as equity totalled Rs 42.5 million.

The Executive Council approved the winding up of three of the companies, namely the Rodrigues Housing and Property Development Company (RHPDC) Ltd, the Rodrigues General Fishing Company (RGFC) Ltd and the Rodrigues Water Company (RWC) Ltd as from March, April and August 2012 respectively. Procedures for the removal of the three companies from the Register of Companies were initiated as stipulated in Section 309(2) of the Companies Act. As of 30 April 2014, the companies were not yet wound up.

**3.2 Disbursements**

During 2013, RRA disbursed a further amount of Rs 24,659,387 to meet the operating costs of three companies, namely Discovery Rodrigues Company Ltd, Rod Clean Company Ltd and RWC Ltd, the latter being in the process of winding up.

Appropriation of funds in the PBB Estimates of RRA is made on the basis of programmes/sub-programmes appearing in the Estimates approved by the National Assembly. Funds for extra budgetary units are provided under the Sub-Head “Grants” of the respective Commission.

For 2013, grants to the above companies were not approved by the National Assembly indicating that it was not in the intention of the Assembly to allocate any amount from the RRA budget to those companies. Nevertheless, funds were disbursed to the three companies from Items of different Programmes appearing in the PBB Estimates of the Commission of Environment, Forestry, Tourism, Marine Parks and Fisheries, and a deposit account, as shown in Table 8.

*Table 8 Funds granted to Companies during fiscal year 2013*

|  |  |  |
| --- | --- | --- |
| **Company** | **Amount****Rs** | **Programme/Account** |
| Discovery Rodrigues Co. Ltd | 4,665,255 | Tourism Development |
| Rod Clean Co. Ltd | 19,964,510 | Environment Protection and Conservation |
| Rodrigues Water Company Ltd | 29,622 | Deposit account |
| **Total** | **24,659,387** |  |

**3.3 Audited Accounts and Annual Reports**

Contrary to Section 19 of the RRA Investment Management Regulations, the accounts of four companies, including two of the three companies in process of winding up, have not yet been audited as of 6 April 2014. The remaining two of the six companies have submitted their audited accounts for the years ended 31 March 2012 and 31 December 2012 respectively. The Annual Reports of all the six companies were not seen to have been laid at the Regional Assembly as required by Section 20 of the Regulations.

**3.4 Review of Projects in the Education Sector**

At paragraph 3.6 of the Audit Report for the year ended 31 December 2012, I adversely commented on the implementation of projects by the Commission for Education**.** Conditions of contracts were not strictly followed and were thus not in the interest of RRA.

A review of Projects 1 to 4, as shown in Table 9, was carried out in April 2014. Provisions of the Public Procurement Act (PPA) have not been followed. Conditions of contracts were again not complied with, while projects were not properly supervised, resulting in delays in completion and liquidated damages not applied.

*Table 9 Details for Projects 1 to 4*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project No** | **Projects** | **Contract Value****Rs** | **Date of award** | **Contractual****Completion date** | **Practical completion date****(as per Notes of Meeting)** | **Amount paid as of March 2014** **Rs** |
| 1 | Two classrooms at Montagne Charlot Government School (GS) | 2,691,000 | 24.06.13 | 06.11.13 | 10.12.13 | 2,129,685 |
| 2 | Four classrooms at Roche Bon Dieu GS | 5,502,229 | 22.05.13 | 08.11.13 | 17.04.14 | 3,489,305 |
| 3 | Two classrooms at Terre Rouge GS | 2,711,000 | 14.09.12 | 11.12.12 | 04.02.13 | 2,445,603 |
| 4 | Six additional classrooms at Terre Rouge Secondary School | 9,287,127 | 18.09.12 | 20.03.13 | 07.03.13 | 7,847,838 |

***3.4.1 Non-compliance with Public Procurement Act***

As a public body, RRA is legally required to comply with provisions of PPA, the accompanying Regulations and related Instructions/Directives/Circulars issued under the Act. However, these were not always complied with.

*Notification of Award of Procurement Contracts to Unsuccessful Bidders*

For Projects 1, 3 and 4, contrary to the PPA and Directive of the Procurement Policy Office (PPO), unsuccessful bidders were not notified about the name and address of the successful bidder and the contract amount.

*Bid Evaluation*

Regarding Project 4, PPO had, on 10 September 2012, recommended a re-bidding exercise due to substantial price difference between the two lowest bidders amounting to some Rs 2.66 million. However, in view of the urgency to have the classrooms ready by the school resumption date in January 2013, RRA approved the second lowest bid, in complete disregard of the advice of PPO. The project was, however, practically completed on 7 March 2013 according to Notes of Meeting.

***RRA’s Reply***

Regarding project 4, in view of the urgency to have the construction of the six classrooms ready to cater for admission in January 2013, the RRA approved the second lowest bid. Three out of the six classrooms were handed over in 15 February 2013.

***3.4.2 Non-compliance with Terms and Conditions of Contract***

*No Formal Handing Over/Liquidated Damages*

Handing over of Projects 1 to 4 to the Commission for Education were not supported by formal Handing Over Certificates as provided in General Conditions of Contract (GCC). Hence, the correctness of liquidated damages amounting to Rs 75,000 charged for late completion of Project 1 could not be verified. Regarding Project 3, no liquidated damages have been charged for late completion of works.

*Performance Bond and Insurance Policy*

For Projects 1 and 2, no steps have been taken to renew the Performance Security to cover the Defects Liability Period. For Projects 2 and 4, the insurance policies did not cover the Defects Liability Period.

*“As Built Drawing” and Operating and Maintenance Manual*

For Project 4, “As Built Drawing” and Operating and Maintenance Manual were not provided by the Contractor at time of handing over. The amount of Rs 100,000 was not withheld from payments for failure to submit the above, as required by GCC.

*Updated Programme of Works*

For Project 3, an amount of two per cent of each Interim Certificate as required by the GCC, was not withheld from payments made to the Contractor for failure to submit an updated programme of works.

*Submission of Guarantee Certificate*

For Project 1, an amount of Rs 350,000 was spent for covering of roof. However, a 10-year Warranty Certificate to the effect that the roof structure could withstand the worst cyclonic conditions, as required in bidding documents, was not given by the Contractor.

For Project 2, the Contractor did not submit an irrecoverable 10-year Guarantee Certificate with terms and conditions as approved by the Project Manager for roof waterproofing works and for aluminium windows, costing Rs 99,964 and Rs 377,600 respectively.

***RRA’s Reply***

For Project 1, the Contractor will be requested to extend performance security and for Project 2, the Contractor will be required to extend insurance policy and performance bond to cover the defect liability period. For both Projects, Contractors will be requested to submit compliance certificate.

**3.5 Consultancy Fees**

At paragraph 3.9 of the Audit Report for the year ended 31 December 2012, I reported that fees of Rs 990,000 were overpaid to the Consultant responsible for the construction of the Terre Rouge Secondary School. Payments were wrongly calculated on the original project value of Rs 100 million instead of the actual contract value of Rs 42.6 million. During 2013, an additional amount of Rs 862,500 was paid on 17 December 2013, bringing total payments to Rs 4,312,500 as of 31 December 2013.

Despite the fact that Rs 990,000 were overpaid, only an amount of Rs 618,119 has been recouped as per Payment Certificate dated 22 April 2014.

***Recommendation***

Overpayment should be recouped as soon as possible. The Commission for Public Infrastructure should exercise due care and diligence before approving release of payments.

***RRA’s Reply***

The remaining balance of consultancy fees will be recouped on the next certificate.

**3.6 Construction of Terre Rouge Secondary School (Phase II) and Montagne Goyaves Community School**

Bids for both the construction of Terre Rouge Secondary School (Phase II) and Montagne Goyaves Community School were invited through the open advertised bidding method on 13 June 2013. Opening of bids was carried out on 18 July 2013 at the Central Procurement Board (CPB). However, on 27 September 2013, the latter recommended the cancellation of the exercise due to alleged cases of conflict of interest as provided in the PPA.

On 7 October 2013, CPB advised RRA to carry out an enquiry with a view to establishing whether there had been any breach of the PPA.

***Observations***

* Relevant files and documents for the two projects could not be examined as these were in the custody of the Independent Commission Against Corruption since 31 October 2013.
* As of 11 April 2014, no enquiry as requested by the CPB has been carried out.

***Recommendation***

Adequate control measures are to be put in place to ensure that officers having access to confidential information with regards to capital projects are not involved in any form of conflict of interest.

**3.7 Grant to REDCO Ltd – Rs 1 million**

RRA is the majority shareholder of Rodrigues Educational Development Company (REDCO) Ltd, a private company responsible for the management of Secondary Colleges in Rodrigues.

On 22 October 2013, RRA provided a grant amounting to Rs 1 million to REDCO Ltd for the procurement of furniture, other equipment and for upgrading works at Citron Donis College. On 6 November 2013, the Commission for Education requested REDCO Ltd to submit a detailed report on expenditure incurred.

***Observations***

* Grantof 1 million to REDCO Ltd is not an Item appearing in the PBB Estimates but was disbursed from Item “Construction/Extension of Secondary Schools, Equipment and Furniture”.
* An Expenditure Report and invoices supporting the different purchases and upgrading works were not available for audit purposes.

***Recommendation***

Expenditure should be made strictly in accordance with Programmes in the PBB Estimates as approved by the National Assembly.

**3.8 Underutilisation of Assets**

***3.8.1 Tractors – Rs 4.53 million***

In October 2011, three tractors costing some Rs 4.53 million were purchased by the Commission (Agriculture) for mechanisation purposes. Since their acquisitions, the three tractors have been encountering problems in their brake and hydraulic systems, and gear box.

During the period December 2011 to March 2014, each of these three tractors was unavailable for use for an average period of 300 days. As of March 2014, the three tractors were still not in operation due to mechanical problems. These were being addressed by the supplier with long delays even though the vehicles were under their warranty period of two years.

* Two of the three tractors were sent to workshop only one month after their receipts. In November 2012, the supplier reported that the wheel cylinder should be renewed on the two tractors. These were renewed in July 2013, that is some six months later.
* In August 2013, the supplier was notified of the repairs of brake discs and brake plates of the three tractors. The repairs were only effected in February 2014, that is more than five months later. An amount of Rs 193,925 had to be paid by the Commission since repairs were effected outside the warranty period.

The Commission could not take corrective action since a bank guarantee, representing five per cent of the final contract price was not submitted, contrary to the special condition of contract. Hence, the interest of the RRA has not been safeguarded.

***3.8.2 Honey Processing and Bottling Unit – Rs 1.6 million***

In December 2009, several items of equipment costing some Rs 1.6 million were purchased by the Commission (Agriculture) for the setting up of a Honey Processing and Bottling Unit. As of March 2014, that is more than four years later, the Unit was still not yet set up. All the items of equipment were lying idle in a mini laboratory since their receipt.

According to the special condition of contract, the warranty period of some of these equipment would expire in December 2014. By the time the Unit would be set up and equipment put to use, the warranty period might have lapsed.

The Commission has not yet derived any economic benefits from the assets purchased.

***Recommendations***

The Commission should ensure that, in future, all clauses of contract are strictly adhered to by the supplier. Appropriate action should be taken against the supplier for cases of non-compliance.

The Commission should consider the setting up of the Honey Processing and Bottling Unit as soon as possible so as not to further delay the utilisation of the equipment purchased.

**3.9 Food Security Fund**

At paragraph 3.11 of the Audit Report for the year ended 31 December 2012, mention was made of various shortcomings and discrepancies noted in the implementation and monitoring of the projects which were financed by the Food Security Fund (Mauritius).

***3.9.1 Projects Financing***

A sum of Rs 14,660,000 was received from the Food Security Fund (Mauritius) in 2013, bringing the total contribution to Rs 81,009,458. The amount spent in 2013 was
Rs 26,722,479, bringing the total expenditure for Food Security Fund projects to
Rs 94,711,023. An amount of Rs 16,180,764 was financed by RRA for the project “Construction of Slaughter House”.

Two on-going and two new projects have been reviewed as follows:

***3.9.2 Increase in Meat Production***

*Construction of Slaughter House*

At paragraph 3.11.2 of the Audit Report for the year ended 31 December 2012, mention was made that in December 2011, contract for the construction of a Slaughter House - Phase I was awarded to a private company for an amount of Rs 56,212,886 (inclusive of VAT). Works started on 14 January 2012 and was scheduled to be completed on 13 January 2013. At the initial stage, it was decided that there would be a Phase II, comprising the construction of a Cattle Slaughter House which would cost an additional Rs 15 million. However, in April 2012, it was decided to re-organise the space of Phase I to cater for the Cattle Slaughter House with a view to reducing cost of the whole project.

In June 2013, the RRA has informed that an extension of time of 134 days starting 14 January 2013 was approved and that liquidated and ascertained damages would be applied according to the conditions of the contract.

Detailed examination of this project was hampered by the fact that the Independent Commission Against Corruption has, on 20 March 2014, secured nine files relating to the construction and consultancy services of the Slaughter House, and the supply of equipment. According to notes of site meetings available at the Commission for Public Infrastructure, the completion dates have been extended several times due to slow execution of works. Further, extension of time was under consideration as of 31 March 2014. It could not be ascertained whether any liquidated damages were payable.

According to records available, total payments made to the Contractor and for consultancy services amounted to Rs 44,169,585 and Rs 1,955,575 respectively as of 31 December 2013.

Food Security Fund (Mauritius) was reluctant to release the necessary funds. Subsequently, re-allocation had to be made to Programme/Item “*Improvement to Livestock and Local Poultry”* of the Chief Commissioner’s Office (Agriculture) to be able to effect payments of Rs 6,342,023 and Rs 9,838,741 to the Contractor on 6 and 20 November 2013 respectively.

On 18 December 2013, an amount of Rs 14,660,000 was finally released by the Ministry of Agro-Industry and Food Security to RRA to meet commitments.

***3.9.3 Emphasising on Capacity Building to enhance the Agro Industry Sector***

*Setting up of Mini Laboratories in Rodrigues – Project Value Rs 5 million*

At paragraph 3.12.3 of the Audit Report for the year ended 31 December 2012, I reported that the ex-Environment Building at Citronelle was found convenient to house the three mini laboratories, namely laboratory for testing soil, water, plants, pests and diseases, laboratory for testing of animal feed, fodder and silage, and laboratory for testing of agro processed products. In April 2012, laboratory equipment was delivered and commissioned at a revised cost of Rs 710,707. There were not enough qualified personnel to operate the three laboratories.

The following were noted:

* Since the setting up of the laboratories, only some basic tests were carried out. Although the laboratories were equipped to test finished products, same were not carried out.
* Staffing problem as regards to the performance of tests was a major issue, although several Officers have received training to gain insight and exposure on the operation of the laboratories.
* Consumables for the three laboratories totalling some Rs 115,000 were purchased in February 2013. These consumables were not taken on charge in Store Ledgers. As of
28 March 2014, almost all the consumables were found in their original state in the laboratories.
* ‘Modus Operandi’ for the functioning of the laboratories has not yet been formulated.

***3.9.4 Derocking and Provision of Drains and Terraces***

*Breaking of Stones at Montagne Goyaves*

Request for Quotation (RFQ) was made to seven potential Contractors in June 2013 for the contract “Breaking of boulders into 250 to 300 mm diameter/size, transport and deposit the broken stone along contour line and terraces at Mt. Goyaves/Baladirou”. On 20 August 2013, the contract was awarded for the sum of Rs 920,000. The site was handed over to the Contractor on 12 September 2013 and works were due to start soon after. However, due to mechanical problems, the Contractor did not start works until 14 November 2013, after the grant of 30 working days of extension of time.

* In the RFQ, no mention was made of the quantity of boulders that would be required for land terracing but the Departmental Tender Committee reported that it was estimated to be 2,000 cubic metres.
* Some 1,400 cubic metres of boulders were reported to have been distributed to planters and that some 600 cubic metres have been left lying at the places where the breaking of stones was carried out. However, during a site visit effected at Mt. Goyaves and Baladirou on 8 April 2014, it was observed that no land terracing had been done although there were stacks of broken stones.

On 13 December 2013, a claim for an amount of Rs 920,000, representing the full amount of the contract, was received from the Contractor. As of 8 April 2014, the claim was not yet settled.

***3.9.5 Harvesting of Rainwater for Irrigation***

*Harvesting of Rainwater at Roche Bon Dieu*

On 9 October 2013, a contract was awarded for the construction of a pond for rainwater harvesting, supply and fixing of approved geo-membrane layer, construction of inlet, outlet and overflow structure with pre-treatment facilities, and construction of perimeter boundary wall with provision of a 5-metre wide gate for an amount of Rs 7,327,720 (inclusive of VAT).

The site was handed over to the Contractor on 12 November 2013 and works were due to start within seven days from the date of handing over of site, with completion date of
24 March 2014. Works actually started on 2 December 2013.

During a site meeting held on 9 January 2014, the attention of the Contractor was drawn to the fact that one month delay was noted in excavation works and the Contractor was requested to catch up with delays. As of 8 April 2014, the geo-membrane layer had still not been installed. Total payments made to the Contractor amounted to Rs 2,025,187.

**4.1 Construction of Roads, Track Roads and other Civil Works**

A contract for the “Construction and Maintenance of Roads” was awarded on 28 March 2013 for the sum of Rs 94 million. 15 Works Orders were issued in respect of this contract for the sum of Rs 117 million.

An amount of Rs 46 million was provided for 2013 in respectof another road project from Brulé to Pointe Coton and actual payments were some Rs 96 million.

The contract for the Construction of Track Roads and Minor Civil Works was awarded on
26 March 2012 for a total sum of some Rs 24.5 million. Three Works Orders were issued during 2013 for the total sum of Rs 16 million.

Total payments during 2013 in respect of the above projects amounted to some Rs 198.1 million.

A review of the contract and a sample of Works Orders was carried out and the following were noted:

***4.1.1 Lack of Competitive Bids***

During the past four years, successive annual rate contractsfor a total amount of some Rs 431 million were awarded to the same Contractor for the construction, maintenance and upgrading of Roads in Rodrigues. This Contractor was the only bidder who responded in each of these four tender exercises. In the absence of competitive bids, it is not possible to ascertain whether a competitive price has been obtained.

Already, in June 2013, the Commission reported to the Central Procurement Board (CPB) that yearly tender brings limited competition because of the difficulty for a bidder to invest heavily in an asphalt plant and be able to cover costs over one year only and recommended for a three-year contract to attract more bidders.

***4.1.2 Works not Related to Roads Contracts***

Certain works entrusted to the Contractor were found to fall outside the scope of road works as defined in the bidding documents. The rates retained in the Roads contract were related to road works and bids were invited from Contractors meeting qualification and experience with respect to road works. However, four Works Orders issued during 2013 and valued at Rs 7,381,631 were not related to the Road contracts**.** These works comprised, among others, the fencing of football ground, basket ball ground, handrail and pedestrian security.

In the absence of competitive bids, a fair price might not have been obtained for these Works Orders.

***4.1.3 Defects Liability Period***

Irrespective of the value of Work Orders, Defects Liability Period has generally been specified at six months from date of issue of Practical Completion Certificate.

The Defects Liability Period should not be the same for all Works Orders. Where appropriate, depending on contract value, it should be extended for a period of 12 months, as usually, most defects in road works arise during the first year due to different climatic conditions.

***4.1.4 Liquidated Damages***

According to General Conditions of Contract, the rate of liquidated damages are set between 0.05 to 0.1 per cent of contract price per day, and the total amount should not exceed between five per cent to 10 per cent of contract price.

The rate of liquidated damages in respect of Works Orders was specified at Rs 12,000 per day up to a maximum amount of 10 per cent of each final Works Order value. Thus, the condition of contract as stipulated in the Standard Bidding Documents of works was not being complied with.

***4.1.5 Delay in Completion of Works***

Only two out of 15 Works Orders issued in 2013 were completed within the contractual completion dates, while in nine cases, works were completed with a delay ranging from 20 to 160 days. Four Works Orders which were due to be completed in 2013 were ongoing as of
31 March 2014.

***4.1.6 As-Built Drawings***

According to Bidding Documents for road works, “as-built drawings” should be submitted by the Contractor within 25 days from the issue of Practical Completion Certificate for each Works Order. It is also stated that the amount to be withheld for failing to produce ‘as built drawings’ is two per cent for each specific final Works Order value.

In respect of the two Works Orders that were completed during 2013, no deduction was made for failing to submit “as-built drawings”.

***4.1.7 Site Survey at Planning and Design Stage***

In some road works, site surveys at design stage were inadequate as shown below:

* TheWorks Order for the Construction of Road from Citronelle to Terre Rouge was issued on 14 June 2013 for an amount of Rs 59.8 million. Works started on 17 June and were to be completed on 17 August 2013. As of 31 May 2014, the project had not yet been completed due to land acquisition issue and the Contractor was denied access to part of the site.

This issue should have been dealt with at design stage of the project, and not after award of contract. As of 31 March 2014, total payment amounted to Rs 46,524,243.

* The Commission awarded the contract for the Construction of Track Roads and Minor Civil Works on 26 March 2012 for a sum of some Rs 24.5 million.

No proper site surveys were carried out before awarding two of the three Works Orders issued during 2013 as shown below:

* A Works Order CTR 4/12 was due to be completed on 31 May 2013, but was practically completed on 16 July 2013 due to inaccurate survey regarding ownership of land. In May 2013, the RRA gave one month notice to a lessee to vacate his plot of land because of the alignment of track road.
* On 1 August 2013, some two weeks after the date of award of another Works Order, the Commission requested the Cadastre Section to enquire on the encroachment on private land or residential leased land.

The effects of inadequate site surveys are delays in completion of works, and in some cases, increase in costs of Works Order.

***4.1.8 Project Implementation***

Planning of the works to be effected during the year under review, and the budgeted amount required were inadequate.

A contract for the “Construction and Maintenance of Roads” was awarded on 28 March 2013 for the sum of Rs 94 million. 15 Works Orders were issued in respect of this contract for the sum of Rs 117 million.

An amount of Rs 46 million was provided in respectof another road project from Brulé to Pointe Coton, and actual payments amounted to Rs 96 million.

Projects costs should as far as possible be contained within budgets.

***4.1.9 Non-Compliance with Contract Conditions***

*Handing over of Sites to Contractor*

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*

The Contractor failed to submit updated programme of works as required by Works Orders, and an amount of two per cent of each interim certificate was not withheld.

*Laboratory Tests*

In one of the Clauses of a Contract, it is provided that “tests shall be carried out in an independent laboratory as approved by the employer”. However, tests were carried out at the Contractor’s laboratory to determine whether the works were up to required specifications and there was no approval of the Commission.

***4.1.10 Construction of Brulé to Pointe Coton Road***

Detailed examination of this project was hampered by the fact that the Independent Commission Against Corruption (ICAC) has secured contract files since September 2013. As a result, the following could not be ascertained among others: approval for extension of time, whether any liquidated damages were payable, the validity of the performance bond and insurance policy.

According to terms stipulated in the Works Order, written authorisation of the Commission should be obtained prior to execution of variation works. There was no approval for works amounting to Rs 14,846,911.

***Recommendations***

* Projects should be properly administered, contract terms and conditions must be strictly complied with and the RRA should ensure that projects are completed on time.
* The RRA should consider whether a longer term contract for road works would be more appropriate than one-year contract to attract more bidders.
* Sufficient time should be devoted to planning of works. Proper site surveys should be carried out at design stage of projects.

***RRA’s Reply***

* The Rodrigues Regional Assembly and the Central Procurement Board have agreed that future procurement exercise will be on a two-year basis in order to attract more potential bidders.
* The Contractor has been notified that submission of “as-built drawings” is pre-requisite to finalise pending applications for payments. As per condition of contract, 2 per cent of final works order will be deducted for non-submission of the requested As-Built drawings.

**4.2 Revetement Wall**

With reference to paragraph 4.1.4 of the Audit Report for the year ended 31 December 2012, regarding the construction of a “Revetement wall” at Oyster Bay for containing the dredged materials arising from the desilting works at Oyster Bay and Pointe Monier which would be undertaken by the Mauritius Port Authority, I reported that dredging materials were not deposited within the wall structure 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. Follow up of the project has not been possible as the files and all the related documents were still in the custody of the ICAC for enquiry.

**5.1 New Maternity Block - Rs 39 million**

A new Maternity Block of an area of 2,500 square metreswas constructed in the compound of the Queen Elizabeth Hospital in 2007 at a contract amount of Rs 39,045,950. It comprised an Operating Theatre, an Intensive Care Unit (ICU), various Wards and Units.

Some six years after its construction, the Maternity Block was not fully operational. The ICU, which has a capacity of accommodating six patients at a time, and the Operating Theatre which were equipped with all the necessary amenities, were not being used.

A contract was awarded for the purchase, installation and commissioning of medical apparatus and equipment for the Maternity Block at a cost of some Rs 5.8 million in April 2009. As it was not fully operational, most of the equipment was transferred to other Units and Area Health Centres. During a physical survey carried out on 9 April 2014 at the Operating Theatre, a sciallytic lamp purchased at Rs 374,000 was found lying in its original package and still unused.

The Maternity Block was not being fully utilised for the purposes intended for and hence, maximum benefits were not being obtained for the huge investment.

***Recommendation***

Necessary measures should be taken to make maximum use of the available space, facilities and the equipment.

***RRA’s Reply***

Operating Theatre will be operational as from 2015. All measures are being taken in 2015 budget for same.

New Maternity Block is being reorganised to optimise use of space as from 2015.

**5.2 Stores Management**

The Pharmacy Section of the Queen Elizabeth Hospital is responsible for the distribution of drugs in the Hospital, two Area Health Centres, nine Dispensaries, six Community Health Centres, and the Prison Service. Drugs and surgical stores amounting to some Rs 30 million were purchased during 2013.

Financial Regulations provide for some basic principles of stores management. In respect of physical conditions of stores and store accounting, it is stated, among others, that store rooms and areas should be kept clean and tidy, properly ventilated and weatherproof, fluids contained in tins should, whenever possible, be stored off the ground and all Store Ledgers should be self-balancing, with a new balance being recorded after the entry of each receipt and issue. During a physical survey of stores at the Queen Elizabeth Hospital on 10 March 2014, the following were noted:

***5.2.1 Surgical Store***

Surgical consumables were stored in two staff quarters, where boxes of items were stacked from the floor up to the ceiling. There was no easy access to the rooms, and there was no emergency exit door in both quarters.

Inflammable gases were stored in another building where risk of fire is high due to lack of ventilation.

***5.2.2 Main Store of the Pharmacy Section***

At the Pharmacy Main Store, drugs were stored from the floor to the ceiling. Cold items were stored in domestic refrigerators instead of biomedical refrigerators.

Electrolytes were stored in a building which was previously used as a mortuary, and where the room temperature was not appropriate for such items.

Store Ledgers were not always kept updated. For instance, as of 6 March 2014, receipts were posted up to 30 September 2013.

***Recommendation***

Appropriate measures should be taken for proper storage of the medical items.

***RRA’s Reply***

Provision is being made in 2015 budget for proper storage shelves and facilities in Surgical and Main Store of Pharmacy.

**6.1 Assistance to Professional Fishermen - Rs 44,098,967**

Bad Weather Allowance (BWA) is paid to all registered professional fishermen on days which are declared as bad weather by the Meteorological Services. In June 2006, Government decided to change the criteria for payment of the allowance and the Island of Rodrigues was divided into four zones for the purpose of assessment of state of sea in the lagoon. As regards the off-lagoon, the state of the sea was to be the same everywhere.

During 2013, a total amount of Rs 44,098,967, including arrears of Rs 15,706,562 was paid to fishermen.

***6.1.1 Arrears of BWA- Rs 15,706,562***

The allowance is paid according to rates established under Social Aid Regulations, as subsequently amended. Amendments brought in the Regulations have been overlooked for payments between January 2008 to August 2013. As a result, fishermen had been underpaid a total amount of Rs 15,706,562.

In December 2013, the fishermen were refunded the sum of Rs 15,706,562. However, a scrutiny of the payment vouchers revealed that they were neither verified nor certified by the responsible officers prior to payment. Also, no mention was made whether the fishermen were registered as off-lagoon, lagoon/off-lagoon, lagoon or closed season and of their respective fishing zones.

On 7 January 2014, the Ministry of Finance and Economic Development advised that an enquiry be carried out, given that the arrears related to a period covering more than five years. By the time the Ministry recommended for an enquiry, payments had already been effected.

***6.1.2 Recovery of Overpayments- Rs 15,394,731***

Arrears of Rs 15,706,562 had been refunded to the fishermen without giving due consideration to the overpayments of Rs 15,394,731 made in 2006-07. In that financial year, various payments were not in line with the Social Aid Regulations and criteria established by Government. This resulted in the overpayments.

As of 31 March 2014, the amount overpaid was not yet recovered.

***Recommendations***

* The Commission must recover the overpayments made during 2006-07 from the BWA payable for 2014.
* The allowance should always be paid in line with Regulations.

***RRA’s Reply***

An enquiry will be conducted to determine the course of action.

**6.2 Projects in Fisheries Sector**

The projects in the Fisheries Sector as mentioned at paragraph 5.1 of the Audit Report for the year ended 31 December 2012 relating to the acquisition and management of five fibre glass fishing boats and six outer-lagoon fishing boats costing Rs 52,831,000 and Rs 15,639,425 respectively by the Commission were reviewed in April 2014.

***6.2.1 Procurement of Five Fibre Glass Fishing Boats – Rs 52,831,000***

The fishing boats were purchased by RRA in December 2011 at a cost of some Rs 52 million financed by a loan of Rs 13,207,750, and a grant of Rs 39,623,250 from International Fund for Agricultural Development in support to Rodriguan fishermen for demersal fishing and were handed over to five Cooperative Societies.

*Loan Agreements*

Loan agreements were signed between RRA and the Cooperative Societies in December 2011, for the sum of Rs 13,207,750, that is Rs 2,641,550 by each Society. During 2011 and 2012, RRA also incurred expenditure totalling Rs 1,639,250 for the purchase of fishing equipment for the five Societies for which loan agreements were not yet signed as of 30 April 2014. Therefore, modalities of repayment were not known.

*Loan Repayment*

The total loan amounted to Rs 14,847,000, that is, Rs 2,969,400 for each Society. The loan agreement provides that interest of Rs 11,006 is payable monthly as from January 2012. The capital repayment was due after a moratorium of one year, that is, in January 2013.

Capital and interest due as of 31 December 2013 amounted to Rs 3,059,000 and Rs 1,251,280 respectively, that is, a sum of Rs 862,068 for each Society. As of 31 December 2013, none of these Societies have made their monthly repayments.

***Recommendations***

In view of the incapacity of Cooperative Societies to repay their loans, a re-assessment of the viability of the project of providing fibre glass fishing boats to support fishermen for demersal fishing should be made. Alternatively, the Commission should look out for means of recouping the loan.

***RRA’s Reply***

A new management plan, approved by the Executive Council is being implemented for more effective utilization of the boats and to ensure that repayment of loans are done regularly after each fishing outing.

***6.2.2 Procurement of Six Outer Lagoon Fishing Boats - Rs 15,639,425***

As of 31 March 2012, the six outer lagoon fishing boats were under the responsibility of the Rodrigues General Fishing Company (RGFC) Ltd. Subsequently, in May 2012, the Executive Council approved the winding up of the RGFC Ltd, and hence the operation of the fishing boats had ceased. These boats were moored at Pointe Monier boatyard without any maintenance and protection.

The boats were taken over by the Fisheries Research and Training Unit (FRTU) on
16 September 2013. According to an independent Surveyor’s report in November 2013, the boats were left idle for a long time, and this had led to the deterioration of the engine and equipment. The estimated cost of repairs may be substantial, as the warranty period of the boats had already expired in June 2011.

As of 30 April 2014, all these boats were seen grounded at Pointe Monier boatyard.

***Recommendation***

The six outer lagoon boats should be repaired and made seaworthy.

***RRA’s Reply***

The Commission has initiated necessary action to repair the boats and make them seaworthy again. A contract has been awarded for the repairs and rehabilitation of the six fishing boats.

***6.2.3 Francois Leguat Fishing Vessel***

An agreement was signed on 23 October 2012 between the RRA and a Cooperative Society whereby the Francois Leguat Fishing Vessel with estimated market value of Rs 800,000 was allocated to that Society for outer lagoon fishing activities. The duration of the contract was for a period of one year in consideration of one per cent of its monthly revenue from fishing activities.

* A review of performance of the Society in relation with fishing activities revealed that there was gross underutilization of the fishing vessel which has a fish hold volume of
2.3 cubic metre. 27 outings were undertaken during the contractual period, and only an amount of Rs 1,312 was remitted to the Commission in November 2013.
* The financial sustainability of the Society has not been assessed by the Commission prior to signing the contract. The financial statements of the Society for the year ended June 2013 showed a loss of Rs 556, and its expenses of Rs 330,568 were financed from donation.
* As of April 2014, the vessel was seen idle, moored at Pointe Monier boatyard.

***Recommendation***

The vessel should not remain idle in an abandoned state. New modalities should be worked out to make maximum use of it.

***RRA’s Reply***

The Executive Council has approved that Expression of Interest be launched to invite Cooperative Societies to submit their proposals for the utilisation of the boat. It will be provided to the Society which is most responsive to the criteria set out in the Expression of Interest.