REPUBLIC OF MAURITIUS

NATIONAL AUDIT OFFICE

REPORT OF THE DIRECTOR OF AUDIT

ON THE ACCOUNTS OF

THE GOVERNMENT

FOR THE FINANCIAL YEAR 2018-19

FEBRUARY 2020

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Contributing to Strengthening Good Governance in the Public Sector

NATIONAL AUDIT OFFICE

My Ref: NAO/ADM/ARA/AUD

24 February 2020

Dr. the Honourable Renganaden Padayachy
Minister of Finance, Economic Planning and Development,
Ministry of Finance, Economic Planning and Development
Government House,
Port Louis.

Honourable Minister,

Pursuant to the provisions of Section 110 of the Constitution of the Republic of Mauritius and Section 20 of the Finance and Audit Act, I am pleased to submit copies of the Annual Statements for the financial year 2018-19, submitted to me in accordance with Section 19 of the Act, together with the Certificates of Audit and the Reports upon my examination and audit of the Accounts of:

(a) the Government; and

(b) the Rodrigues Regional Assembly.

Subsequent to the laying of the above documents before the National Assembly, they will be posted on the Website of the National Audit Office- http://nao.govmu.org.

Yours sincerely,

C. ROMOOAH
Director of Audit

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OVERVIEW

Pursuant to the provisions of Section 110 of the Constitution of the Republic of Mauritius and Section 20 of the Finance and Audit Act, I am pleased to submit my report on the results of the audit of the Accounts of the Government of the Republic of Mauritius for the financial year 2018-19.

This Report is submitted to the Minister of Finance, Economic Planning and Development to be laid before the National Assembly, in accordance with Section 20 of the Finance and Audit Act. The Public Accounts Committee deliberates on the Report and may call upon government officials to account for lapses, where it deems necessary.

I am submitting this Report within the required statutory time-frame, together with –

(a) a Report on the audit of the Accounts of the Rodrigues Regional Assembly (RRA);

(b) copies of the Annual Statements of the Government and the Rodrigues Regional Assembly for the financial year 2018-19, submitted to me in accordance with Section 19 of the Finance and Audit Act; and

(c) Certificates of Audit on those Annual Statements.

The above Reports, Statements and Certificates will be posted on the website of the National Audit Office (NAO) after they are laid before the National Assembly.

Scope of Report

This Report contains a summary of the most significant audit observations which resulted from audits carried out by the NAO on the accounts of the Government. These are typically observations which, in my opinion, indicate shortcomings that may have significant impact on finances, resources and service delivery, or that may adversely affect financial governance and controls if not corrected.

These audit observations were communicated and discussed with the respective Accounting Officers of Ministries and Government Departments concerned.

This Report also contains-

(a) at Appendix I, an overview of the NAO mandate and audit process; and

(b) at Appendices II to V, the lists of other public entities which are audited by NAO, together with the status of the submission of their respective financial statements. They comprise Statutory Bodies, Local Authorities, Special Funds, State Owned Companies and Other Bodies.

I am also enclosing a copy of my audit certificate on the accounts of the Government, together with copies of the Statement of Financial Position of the Government as at 30 June 2019 and the Statement of Financial Performance, the Statement of Changes in Net Assets or Equity, the Cash Flow Statement and the Statement of Comparison of Budget Estimates and Actual Amounts for the financial year then ended.

Audit Authority

NAO's mandate stems from Section 110 of the Constitution of the Republic of Mauritius, making the Office one of the state institutions that support constitutional democracy.

The Constitution provides that the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit, and for that purpose the Director of Audit or any person authorised by him in that behalf shall have access to all books, records, reports and other documents relating to those accounts. In the case of a body corporate directly established by law, the accounts of that body corporate shall be audited and reported on by the Director of Audit provided it is so prescribed.

Scope of Audit

The scope of my audit includes determining whether:

(a) the annual statements submitted by the Accountant-General present fairly the financial transactions of Government during 2018-19 and the financial position as at 30 June 2019; and

(b) Ministries and Government Departments are managing and utilising resources economically, efficiently and effectively, and laws and regulations are being complied with.

In accordance with Section 16 (1) of the Finance and Audit Act, I am required to provide reasonable assurance to the National Assembly that –

(a) all reasonable precautions have been and are taken to safeguard the collection of public money;

(b) all laws, directions or instructions relating to public money have been and are duly observed;

(c) all money appropriated or otherwise disbursed is applied to the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it;

(d) 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; and

(e) satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively.

Section 20 of the Act further provides that I should send to the Minister (responsible for the subject of Finance) copies of the statements submitted by the Accountant-General in accordance with Section 19 together with a certificate of audit and a report upon my examination and audit of all accounts relating to public money, stamps, securities, stores and other property –

(a) of Government;

(b) of the Regional Assembly relating to the Island of Rodrigues.

Audit Approach

NAO adopts a risk-based approach in determining the areas to be covered. In carrying out the audit, NAO examines records, files, reports and other documents, conducts site visits and interviews relevant officers. The audit observations reported are based on the information and evidence so gathered. As audits are conducted on a sample basis, they do not reveal all irregularities and weaknesses. However, they should help uncover some of the serious lapses and at same time provide those charged with governance of Ministries and Government Departments an indication of areas where improvements are required.

Audit findings which are considered significant and of a nature to be brought to the attention of the National Assembly, are communicated through "Reference Sheets" to the respective Accounting Officer. The latter is given the opportunity to comment on the truth and fairness of these findings and to give any additional explanations he/she deems necessary. A summary of the Accounting Officer's comments is included in the Report.

Based on explanations and/or any information provided by the Accounting Officer, I may retain, amend, or consider not including any of the audit findings in my report. Accounting Officers are notified that where I do not receive a reply within the time specified in the Reference Sheet, it will be assumed that they agree with the matters reported therein.

For the 2018-19 audit, I have issued 94 Reference Sheets to 33 Ministries/Departments and have received replies to 79 of them. At the time of finalising my Report, one Ministry had not yet replied to any of the six Reference Sheets issued to it.

Responsibility of Accounting Officers

The Accounting Officer is designated under Section 21(1) of the Finance and Audit Act by the Minister responsible for the subject of finance and is charged-

(a) with the duty of controlling expenditure on any service in respect of which public funds have been appropriated; and

(b) with the duty of collecting revenue and paying that revenue into public funds.

The Accounting Officer is the officer who is answerable to the Public Accounts Committee.

According to the *Financial Management Kit* (*Volume I – Duties and Responsibilities in Management of Public Finance*) issued by the Ministry of Finance, Economic Planning and Development, it is the responsibility of the Accounting Officer to put in place a sound system of internal control designed to provide reasonable assurance regarding -

(a) the effectiveness and efficiency of operations in the Ministry/Department;

(b) the safeguarding of assets and data of the Ministry/Department;

(c) reliability of financial and non-financial reporting;

(d) prevention of fraud and irregularities; and

(e) compliance with applicable laws, regulations and instructions as well as policies and established procedures.

Annual Statements 2018-19 - Financial Highlights

- Government expenditure in 2018-19 totalled Rs 147.1 billion compared to an original appropriation of Rs 159.5 billion. Expenditure included mainly Compensation of Employees (Rs 30.3 billion), Social Benefits (Rs 31.8 billion), Government Debt Servicing (Rs 28.1 billion), Grants to Parastatal Bodies/Local Authorities/Rodrigues Regional Assembly (Rs 24.5 billion), and Acquisition of Non-Financial Assets (Rs 7.8 billion).

- As for revenue, the total amount collected was Rs 108.3 billion compared to the original estimate of Rs 117.4 billion. The major source of Government revenue was from taxes which totalled some Rs 98.3 billion.

- As at 30 June 2019, Public Sector Debt has reached Rs 320.6 billion, and as a percentage of Gross Domestic Product, it was 65.3 per cent compared to 63.9 per cent at end of June 2018. Debt of Public Enterprises has increased from Rs 29.7 billion at 30 June 2018 to Rs 35.6 billion at 30 June 2019.

- As at 30 June 2019, outstanding loans advanced from revenue to Statutory Bodies, Private Bodies and Other Bodies, mainly to finance capital projects, have reached Rs 10.6 billion. Loans, interests and penalties due but not yet paid to Government amounted to some Rs 3.4 billion, representing an increase of 16 per cent over the previous year.

- Arrears of revenue have reached Rs 13.2 billion, representing a 20 per cent increase over the previous year, and arrears of the Mauritius Revenue Authority represented 63 per cent of total arrears of Government.

- As at 30 June 2019, Government investments in Quoted and Unquoted Shares, Equity Participation and Other Investments totalled some Rs 30.7 billion. Only Rs 186 million were received as dividends during financial year 2018-19, representing a return of less than one per cent of investments in Companies. Investments of Rs 22.2 billion have not been yielding any return since acquisition.

Audit Observations

NAO's observations for financial year 2018-19 are mainly in the areas of financial reporting, procurement, project management and contract administration, assets management, and grant administration. I am providing a Summary of my Audit Observations and a list of Key Audit Findings after this Overview.

Most of the shortcomings highlighted in this Report are similar to those reported in previous years. It is of vital importance that Ministries and Government Departments implement effective measures to enhance governance and controls on the use of public funds.

In this regard, I am pleased to note that the Finance and Audit Act was amended in August 2018, to provide for Ministries and Government Departments to include in their Report on Performance a statement showing an implementation plan for remedial action and for preventing the recurrence of the shortcomings, including wastage of public funds referred to in the Report of the Director of Audit.

In addition, Government had, in March 2019, set up a Committee to examine the Report in consultation with Ministries/Departments and to propose measures to address the weaknesses and shortcomings mentioned in the Report of the Director of Audit for financial year 2017-18, and to follow up with Ministries/Departments to ensure that remedial actions proposed by the Committee are implemented.

The above measures are commendable initiatives taken to improve governance in the management of public finances. It now rests upon accounting officers and other public officers concerned to ensure proper implementation so that expected outcomes are achieved. I will examine and comment on the effectiveness of the above measures in a subsequent report.

Upcoming Reports

I will also submit the following four Performance Audit Reports in the course of the last quarter of the current financial year:

- *Moving Towards E-Government Through ICT-Enabled Projects*
- *Environment Protection- Ensuring Proper Disposal of Hazardous Wastes*
- *Food Production- Are We making Optimal Use of Agricultural State Lands?*
- *Ensuring Safe Disposal of Wastewater*

These Performance Audits are being carried out by NAO as per provisions of Section 16(1A) of the Finance and Audit Act.

Acknowledgement

I wish to express my sincere thanks to the Heads of Divisions and all the staff of the NAO for their continual support. Without their contribution and commitment, the submission of this Report would not have been possible. I would also like to take this opportunity to thank the Secretary to Cabinet and Head of the Civil Service, the Financial Secretary, all the Senior Chief Executives, Permanent Secretaries and other Accounting Officers, the Accountant-General, the Government Printer and all their staff for their cooperation and collaboration.

C. Romooah
Director of Audit
National Audit Office

24 February 2020

SUMMARY OF AUDIT OBSERVATIONS

As required under the Constitution of the Republic of Mauritius and the Finance and Audit Act, the accounts of Ministries and Government Departments for the financial year 2018-19 were audited. The audits aim at giving reasonable assurance to the National Assembly on the proper accounting, management and use of public resources. In the process, they help strengthen financial governance of the public service and enhance the accountability of Accounting Officers, as custodians and stewards of public resources.

NAO's observations for financial year 2018-19 are mainly in the areas of financial reporting, procurement, project management and contract administration, assets management and grant administration. These could be summarised into the following key areas:

a) Lack of oversight on financial reporting by Statutory Bodies

b) Lapses in procurement proceedings

c) Deficiencies in project management and contract administration, particularly in the areas of civil works and development of computerized systems

d) Non-compliance with legislations and non-enforcement of rules

e) Shortcomings in revenue management and ineffective debt recovery procedures

f) Lapses in administration of grants

g) Weaknesses in asset management

Lack of oversight on financial reporting by Statutory Bodies

Statutory Bodies use taxpayers' resources to invest in infrastructure and provide services and need to be accountable for how those resources are used. It is important that they provide accurate and complete information on assets and liabilities, as well as revenues and expenses. Providing complete information on all transactions demonstrates accountability and stewardship; reinforces credibility; and provides clear and comprehensive information regarding the financial consequences of economic and social decisions.

As of 14 February 2020, 43 Statutory Bodies had not yet submitted a total of 137 financial statements to my Office for audit purposes. Also, 237 financial statements in respect of 74 Statutory Bodies have been certified by NAO but had not yet been laid before the National Assembly.

Lapses in Procurement Proceedings

One of the main objectives of procurement rules/regulations is to achieve economy and efficiency in public procurement of goods, public works and services, and ensure that best value is obtained for public expenditures.

Lapses were noted in the procurement proceedings of Ministries/Departments. These included use of inappropriate procurement method, non-compliance with procurement rules, and inadequate procurement planning leading to stock out.

For instance, at the Ministry of Health and Quality of Life, the contracts for procurement of orthopaedic implants and instruments for the years 2018 and 2019 with estimated cost totalling Rs 226 million were not yet finalised as of December 2019 and almost all items from previous procurements were out of stock.

For the procurement of vehicle maintenance services by the Mauritius Police Force (MPF), it was noted that the MPF had recourse to direct procurement method since the year 2008 for annual contracts of some Rs 100 million. In the absence of competitive prices, it could not be ascertained whether the maintenance cost incurred was fair and reasonable.

Deficiencies in Project Management

Every year Government spends a significant amount of public funds on capital projects. It is important that Ministries/Departments properly plan and monitor the implementation of these projects to ensure value for money is obtained and expected objectives are attained.

NAO identified deficiencies in the management of capital projects. These included significant contract variations, non-compliance with conditions of contract, projects objectives not attained, termination of contract due to poor performance of contractors, budgeted projects not implemented and considerable delays in projects completion.

For instance, at the Ministry of Civil Service and Administrative Reforms, shortcomings were noted in the implementation of the project 'Human Resource Management Information System' (HRMIS) for which some Rs 395.2 million had been spent as of September 2019. Six years after the start of the project, none of the five modules of the HRMIS have been operationalised.

In the case of the Ministry of Public Infrastructure and Land Transport, variation works were a recurring feature in the implementation of the project 'Construction and Installation of Traffic and Road Safety Devices'. Variations for a total sum of Rs 114.2 million were approved for the three contracts with a total initial project value of Rs 456.6 million awarded up to 2018-19.

Non-Compliance with Legislations and Non-Enforcement of Rules

It is imperative that operations in Ministries and Government Departments are carried out in accordance with set rules and regulations. Enforcement of rules is one of the key elements of a good governance framework in the public sector.

However, I have noted instances where Ministries and Government Departments have not complied with laws and regulations. For instance, Government vehicles are not examined for roadworthiness, although exemption for such vehicles are not provided in the Road Traffic Act or in Regulations.

Furthermore, holders of contract bus and contract car licences did not submit returns as required by the Road Traffic Act. However, no action was taken by the National Transport Authority to enforce the provision of the Act.

Shortcomings in Revenue Management and Ineffective Debt Recovery Procedures

The maintenance of proper records, such as a Revenue Register, is instrumental for efficient and effective revenue management. Revenue records should at all times be kept up to date and should be reconciled with accounting records. There were cases where the reliability of revenue records could not be ascertained.

For instance, at the Registrar-General's Department, there was a difference of some Rs 600 million between the amounts reported to have been collected as per the Treasury Accounting System and the Mauritius e-Registry System.

The effectiveness of Government's revenue management system can be measured with reference to collection, assessment and arrears. Ministries/Departments must have proper mechanisms in place to ensure that all revenues that are raised under the relevant laws are collected promptly. When the amount due is not paid within the prescribed period, it will result in arrears. Long outstanding arrears may become bad debts if necessary recovery actions are not taken promptly.

Arrears of Revenue of Government have increased by 20 per cent over the previous year to reach Rs 13.2 billion on 30 June 2019. A total amount of Rs 195 million of bad debts was written off by Ministries/ Departments in 2018-19.

One of the main reasons for the increase in arrears was the ineffective debt recovery procedures in place.

For instance, at the Customs Department, as at 30 June 2019, two companies owed some Rs 24.6 million, representing VAT short paid on an imported yacht, as well as interests and penalties thereon. Since 2012, the yacht has been placed under Customs surveillance. The two companies were dissolved before settlement of their debts. In November 2016, the Attorney General's Office advised to reinstate both companies and to have a 'saisie conservatoire' on the yacht. Three years had lapsed, but the two companies had not yet been reinstated. The yacht was still in the Port area. Undue delay to apply the 'saisie conservatoire' would result in further loss of value.

At the Corporate and Business Registration Department, recovery of arrears was slow. The Department was relying only on the issue of reminders and on compounding exercises. The rate of recovery ranged from 2.5 to seven per cent for the past four accounting periods.

Lapses in Administration of Grants

NAO found instances where grants were disbursed by Ministries/Departments although conditions set out in Financial Instructions issued by the Ministry of Finance, Economic Planning and Development, were not being complied with. For example, in the case of the Ministry of Youth and Sports, applications for funds were not supported by relevant documents, such as Cash Flow Statements, Cash Flow Forecasts and Bank Statements.

According to Financial Instructions, Accounting Officers should ensure that an annual Grant Memorandum is duly completed and signed in respect of each grant recipient before disbursement of grants. In the case of the National Development Unit (NDU), an amount of Rs 67.2 million was provided under its 2018-19 budget as grants to the Land Drainage Authority. However, the Grant Memorandum was signed only on 10 February 2020.

Grants disbursed by the Ministry of Social Integration and Economic Empowerment to the National Empowerment Foundation (NEF) for the implementation of Social Housing Projects were not being adequately monitored. As at 30 June 2019, NEF had an unspent and uncommitted balance totalling some Rs 107.2 million, represented by unutilised fund of Rs 85.7 million and Rs 21.5 million due to cancellation of projects relating to the construction of Fully Concrete/Modular Houses.

In several instances, recipients of grants, falling under the purview of the Statutory Bodies (Accounts and Audit) Act have not submitted their financial statements together with the Annual Reports within the period specified in the Act.

In view of the above, it was difficult to assess whether grants were released only after a proper assessment of the cash requirements had been made by the respective Ministries/Departments and that a mechanism is in place to ensure that funds do not remain idle in the recipients' bank accounts.

Weaknesses in Asset Management

Asset management is an essential component of public sector governance as assets are key resources required for service delivery. It is important to have a proper asset management system that will address key issues such as acquisition, recording, performance monitoring, maintenance, replacement and disposal. Deficiencies were noted in the management of assets by Ministries and Departments.

In July 2017, the Treasury took the initiative to develop a computerised Government Asset Register with a view to having a centralised record of all the physical assets owned by Government. As of January 2020, after more than two and a half years, there was a significant backlog in the recording of asset information in the Register by Ministries/ Departments, although manual records on assets are kept at their end.

At the Ministry of Health and Wellness, due to the unduly long time taken to purchase or renew certain medical equipment, services provided by hospitals were affected. For example, the mammography services at Victoria Hospital were disrupted due to breakdown of the only machine available there and the long time taken for its repair. At Dr AG Jeetoo Hospital, there was a long waiting list for angiographies because of regular breakdowns of the angiography machine.

Concluding Remarks

The above shortcomings had a significant impact on public finances, resources and service delivery, and revealed weaknesses in financial governance. The main causes mentioned by the Accounting Officers in response to my Reference Sheets include financial constraints, inadequate human resources, delays by other government agencies, delays by contractors, and procurement issues.

As I have pointed out, most of the shortcomings are similar to those reported in previous years. Those charged with the governance of Ministries and Government Departments should exercise due care and diligence, as well as foresight to ensure that government operations are conducted efficiently and effectively with a view to ensuring that expected outcomes are achieved. They should take appropriate measures to strengthen financial governance and ensure that lapses do not recur.

The following measures may be considered –

(a) a review of the current framework governing public procurement, project management and financial controls;

(b) establishment of an effective performance management system setting proper performance indicators for public officers at managerial levels;

(c) setting up of a statutory committee under the Finance and Audit Act to

  (i) review shortcomings highlighted in the Audit Report and enforce corrective actions by Accounting Officers; and

  (ii) deal with cases of malpractices, negligence and repeated defaults;

(d) developing capacity in Public Financial Management matters for those charged with financial governance;

(e) strengthening internal controls by putting in place a proper regulatory framework for Internal audit and Audit Committee; and

(f) providing the Procurement Policy Office with resources to carry out procurement audits as provided in the Public Procurement Act.

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PART I

AUDIT OF ANNUAL STATEMENTS

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2 - ANNUAL STATEMENTS

2.1 Annual Statements of the Government of the Republic of Mauritius

The Finance and Audit Act requires the Accountant General to sign and submit to the Director of Audit, within six months of the close of every fiscal year, statements presenting fairly the financial transactions and financial position of Government on the last day of such fiscal year.

The set of statements of the Government of the Republic of Mauritius for the financial year ended 30 June 2019 included a Statement of Financial Position showing the assets and liabilities, a Statement of Financial Performance, and other Statements as prescribed by Section 19(3) of the Act.

2.2 Statement A - Statement of Financial Position as at 30 June 2019

2.2.1 Five Financial Periods Summary of Assets and Liabilities

Assets and Liabilities for the past five financial periods are shown in Table 2-1.

Table 2-1 Summary of Assets and Liabilities for Past Five Financial Periods

	Financial periods ended				
	30.06.2015 Rs m	**30.06.2016 (Restated) Rs m**	**30.06.2017 (Restated) Rs m**	**30.06.2018 (Restated) Rs m**	**30.06.2019 Rs m**
Assets					
Cash and Cash Equivalents	15,551.3	27,854.1	25,841.7	14,551.8	5,628.5
Loans and Advances	2,813.3	14,827.1	14,455.50	13,547.2	16,641.8
Investments	17,695.6	17,345.9	22,091.5	23,410.9	30,707.2
Inventories	-	-	1,602.6	1,305.3	1,531.1
Property, Plant and Equipment	-	277,247.4	360,243.7	364,244.3	369,069.2
Intangible Assets	-	2,284.7	954.9	922.8	826.2
IMF-SDR Deposits	3,998.6	3,518.7	3,398.8	3,443.5	3,488.4
IMF-Reserve Tranche Position	1,586.3	2,036.4	1,205.6	1,031.1	1,069.4
Other Assets	-	-	96.9	58.9	56.7
Total Assets	**41,645.1**	**345,114.3**	**429,891.2**	**422,515.8**	**429,018.5**
Liabilities					
Deposits	1,458.5	1,790.0	2,171.8	2,932.2	2,210.8
Government Debt	76,304.1	242,608.6	256,668.8	261,514.4	280,774.0
IMF-SDR Allocations	4,775.3	4,803.7	4,639.9	4,700.9	4,762.2
Other Liabilities	4,431.6	4,528.9	6,565.8	6,484.5	7,232.4
Total Liabilities	**86,969.5**	**253,731.2**	**270,046.3**	**275,632.0**	**294,979.4**
Net (Liabilities)/ Assets	**(45,324.4)**	**91,383.1**	**159,844.9**	**146,883.8**	**134,039.1**
Represented by:					
Special Funds	7,480.8	7,099.8	7,739.9	4,344.7	2,225.4
Consolidated Fund	(52,805.2)	84,283.3	152,105.0	27,772.4	28,320.9
Reserve (Assets)	-	-	-	299,025.3	299,025.3
Accumulated Deficit				(184,258.6)	(195,532.5)

Source: Statement A - Statements of Assets and Liabilities/ Financial Position

2.2.2 Financial Statements under Accrual Based IPSAS

Audit of Statement A – 'Statement of Financial Position as at 30 June 2019' revealed the following:

(a) Major liabilities have still to be recognised in the accounts.

(b) The implementation of the Government Asset Register was still in progress.

Recognition of Assets and Liabilities – Major liabilities yet to be recognised

In view of the implementation of IPSAS Financial Statements as from financial year 2016-17, the Statement of Assets and Liabilities was replaced by the Statement of Financial Position showing the assets and liabilities of Government. Consequently, the following assets and liabilities which were not recognised previously in the Statement of Assets and Liabilities were recognised for the first time in the accounts in financial year 2016-17:

- ➢ Loans
- ➢ Property, Plant and Equipment
- ➢ Intangible Assets
- ➢ Long Term Borrowings (included in Government Debt)

All transactions were accounted for on a cash basis, except for 'Cost of Borrowings' and 'Carry-Over of Capital Expenditure' which were accounted for on an accrual basis.

As from financial year 2017-18, the following additional assets and liabilities were recognised for the first time in the Statement of Financial Position:

- ➢ Inventories
- ➢ Depreciation and Amortisation
- ➢ Prepayments
- ➢ Accrued expenses
- ➢ Additional State Lands

During financial year 2018-19, some expenditure items were reported on an accrual basis, whilst all revenue was accounted on cash basis, and no new items of assets and liabilities have been recognised in the Statement of Financial Position.

The following assets and liabilities were still not accounted/disclosed in the Financial Statements for the year ended 30 June 2019:

- ➢ Pension Liabilities

- Other Liabilities, including Provisions for Other Employee Benefits

- Contingent Liabilities

The Treasury informed NAO that although no new items have been added to the financial statements for 2018-19, refinements and additional notes based on the International Monetary Fund (IMF) roadmap have been made. Accounting for Pension Liabilities has been postponed for financial year 2019-20.

Property, Plant and Equipment – Government Asset Register still in progress

Property, Plant and Equipment (PPE) owned by Government were recognised at some Rs 369 billion in the Statement of Financial Position as at 30 June 2019.

The accounting policies adopted by the Treasury for the accounting of PPE were based on the historical cost concept, except for State Lands which were recognised at the value estimated by the Government Valuation Department.

Completeness

The PPE figure did not include all the assets owned by Government as detailed below:

- All acquisition values for assets from a defined period of time as disclosed in Note 7 to the Accounts have been captured and aggregated (for example Infrastructure Assets as from 1 July 1990, Ships/Vessels as from 1 July 1992, Aircrafts/Helicopters as from 1 July 1997, Other Vehicles as from 1 July 2007 and Other Machinery and Equipment as from 1 July 2007), and the assets were categorised. As regards existing assets at the level of Ministries/ Departments outside the defined range, no identification and valuation were made, and were not included as PPE.

- Equipment acquired as from 1 July 2018 under recurrent expenditure items have been capitalised, whilst those acquired prior to that date were not included in the PPE figure. Furthermore, all furniture, fixtures and fittings acquired under recurrent expenditure items were not included in the PPE figure.

- The value of assets received as donation was not included in the PPE figure.

The Treasury pointed out that priority has been given to recognition of major classes of assets acquired by Government over the past years based on information available. Assets which have been acquired before the defined period as disclosed in Note 7 to the Accounts are already fully depreciated based on the depreciation policy, and have therefore not been included. Furthermore, the decided policy was to recognise equipment acquired under recurrent expenditure as from 1 July 2018 and to expense furniture, fixtures and fittings acquired both under the Recurrent and Capital Budget. As for donated assets, their value was considered to be immaterial and were not accounted for.

NAO's view is that the useful life of all major assets which are still in use should be reviewed on a regular basis and their values recognised. Treasury should therefore put a proper system in place to facilitate identification and valuation of all items that ought to be considered as assets according to Accounting Standards.

Valuation

State Lands

State Lands were recognised at the value estimated by the Valuation Department. No site visits have been carried out and the valuation exercise was based on information, such as district, locality, site plans, Parcel Identification Number, extent, names of lessees, types and purposes of leases submitted by the Ministry of Housing and Lands and the Ministry of Agro Industry and Food Security.

Furthermore, the estimated value excluded the value of all improvements which were made on the sites.

For State Lands, the Valuation Department stated that in certain cases, the location plans, zoning status, and lease agreements were not made available to it.

The Valuation Department further stated that notwithstanding the above, the value for State Lands of Rs 307.6 billion it has provided was the best estimate and would not change significantly.

The Treasury explained that given a full valuation of lands owned by Government was done at 30 June 2018, a revaluation was not required at 30 June 2019. During the next valuation exercise, improvements made to Government properties will be accounted for and revalued for alignment with their actual market value.

Assets under Construction

All capital expenditures incurred during financial year 2018-19 were being accounted as additions to PPE. Capital projects which were not yet completed at year end were not identified, but were included in the 'Additions' figure. Consequently, assets under construction were being depreciated despite they were not completed and not yet available for use.

The Depreciation Charge for the year was therefore overstated, and the carrying amount of PPE understated.

The Treasury informed NAO that Ministries/Departments concerned were not able to confirm the correctness of the details in the list of assets under construction provided by the Ministry of Finance, Economic Planning and Development, and in the absence of the relevant details, a general policy of depreciation was agreed and applied as in the previous years.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of PPE should be derecognised on disposal or when no future economic benefits or service potential is expected from its use or disposal. Also, depreciation of an asset ceases when the asset is derecognised.

PPE comprised all assets acquired from the specific defined period of time as detailed in Notes 7 to the Accounts. Assets acquired within the defined period, and later on, disposed or from which no future economic benefits or service potential were expected, have not been identified and derecognised.

The carrying amount of PPE might be overstated.

The Treasury explained that most of the Ministries/ Departments submitted nil or incomplete returns on the disposal of assets. Regarding assets which have been recognised but which are no longer in use or have become obsolete or loss/stolen, the aggregate value of such assets is not material and would not affect the truth and fairness of the figure reported in respect of those classes of assets.

Government Asset Register

As from 1 July 2017, a computerised Government Asset Register was developed to enable Ministries/ Departments to record their physical assets. However, as of 24 January 2020, the exercise was not yet completed. The accuracy of the PPE figure disclosed in the accounts could not be substantiated with an appropriate complete list of assets.

The Treasury pointed out that the implementation of a Government Asset Register has proved to be very time consuming and tedious task. The software has already been developed and running live, but the input therein is heavily dependent on Ministries/Departments. As such, it has continued to deliver training on the Government Asset Register, and is closely working with Ministries/Departments for the input to be completed.

Existence

Existence of the reported assets could not be ascertained as a reconciliation exercise between the reported PPE figure and actual physical existence was not carried out. There may be the risk that assets acquired since the defined periods are no more in use, obsolete and even stolen/lost.

Also, since no disposal had ever been accounted for, there is no doubt that several assets accounted for as PPE no longer existed as at 30 June 2019.

Classification

Land and Buildings as detailed in Note 7(f)(i) to the Accounts included several types and categories of State Lands, which were mainly leased to individuals and companies. These State Lands, which meet the definition and recognition criteria of Investment Property, as per IPSAS were included in PPE, instead of being recognised and disclosed separately as Investment Property on the face of the Statement of Financial Position.

The Treasury stated that State Lands do not meet the definition of Investment Property as per IPSAS 16 - Investment Property, and thus, have been classified as Property, Plant and Equipment.

Most of the above issues regarding completeness, valuation and existence of PPE were highlighted in my Audit Reports for years 2016-17 and 2017-18. On 15 January 2018, the Accountant General stated that with the recording of the stock of existing assets in the

Government Asset Register by Ministries and Departments, coupled with a more precise inspection and valuation of assets, the PPE figure would gradually be firmed up in the following financial years. However, as at end of January 2020, after two years, the Government Asset Register was still in progress, and thus, there was no basis to substantiate the completeness and existence of the assets recorded as at 30 June 2019.

As the PPE figure represents a major asset in the Statement of Financial Position, Treasury should devise a proper strategy and develop an action plan for the early completion of the inputs in the Government Asset Register, to ensure that the latter forms a reliable basis for the recognition of PPE in the Statement of Financial Position.

2.3 Revenue and Expenditure of the Consolidated Fund – Excess of expenditure over revenue reached Rs 11 billion

According to Statement B – 'Abstract Account of Revenue and Expenditure of the Consolidated Fund' for financial year 2018-19, expenditure exceeded revenue by Rs 11.0 billion. The excess expenditure over revenue for the year significantly increased by some Rs 10 billion (792 per cent), from Rs 1.2 billion for 2017-18 to Rs 11 million for 2018-19, and was the highest recorded excess for the past 10 years

Table 2-2 shows the revenue and expenditure for the past five financial periods.

Table 2-2 Revenue and Expenditure for the Past Five Financial Periods

Period	Revenue Rs	Expenditure Rs	Excess of Expenditure over Revenue Rs
January to June 2015	55,500,075,726	57,973,968,343	(2,473,892,617)
July 2015 to June 2016	114,753,385,991	112,833,772,710	1,919,613,281
July 2016 to June 2017	123,053,995,739	130,501,784,088	(7,447,788,349)
July 2017 to June 2018	134,696,987,693	135,932,944,515	(1,235,956,822)
July 2018 to June 2019	136,132,378,988	147,154,358,137	(11,021,979,149)

Source: Statement B - Abstract Account of Revenue and Expenditure of the Consolidated Fund

Government's revenue increased by Rs 1.4 billion (only one per cent) over the previous year. The increase was mainly due to an increase in Government's taxation revenue of some Rs 6.8 billion (7.4 per cent) as compared to previous year, and this increase was considerably offset by a fall in non-taxation revenue of Rs 5.4 billion (12.4 per cent).

On the other hand, Government's expenditure increased significantly by Rs 11.2 billion (8.3 per cent) over the previous year. The increase in expenditure was mainly due to increases in Compensation of Employees by Rs 1.7 billion, Social Benefits by

Rs 1.9 billion, Interest paid by Rs 1.3 billion, Repayment of Government Debts by Rs 4.9 billion, and acquisition of financial assets by Rs 1.7 billion. These increases were, however, offset by a decrease in Grants to Parastatal Bodies/ Local Authorities/ Rodrigues Regional Assembly by Rs 5.5 billion.

2.3.1 High dependence of Government on borrowings to finance its expenditure

The major source of Government revenue was from taxes where some Rs 98.3 billion were collected during financial year ended 30 June 2019. Other sources of Government revenue included Borrowings, Grants, Social Contributions, and Other Revenue (Interest, Dividends, Withdrawals from Quasi Corporations, Rent and Royalties, Sales of Goods and Services and Other Receipts) as shown in Table 2-3.

Table 2-3 Sources of Government Revenue

	12 months to 30.06.2017		**12 months to 30.06.2018**		**12 months to 30.06.2019**	
	(Rs m)	**%**	**(Rs m)**	**%**	**(Rs m)**	**%**
Taxes	84,148	68.4	91,490	67.9	98,300	72.2
Grants	2,904	2.4	2,600	1.9	1,648	1.2
Social Contributions	1,377	1.1	1,349	1.0	1,326	1.0
Other Revenue	8,742	7.1	13,582	10.1	7,089	5.2
Total Revenue excluding Borrowings	***97,171***		***109,021***		***108,363***	
Borrowings	25,883	21.0	25,676	19.1	27,769	20.4
Total Revenue	**123,054**		**134,697**		**136,132**	
Total Expenditure	**130,502**		**135,933**		**147,154**	
Deficit	**7,448**		**1,236**		**11,022**	

Source: Statement B - Abstract Account of Revenue and Expenditure of the Consolidated Fund

As shown in Table 2-3, during the past three financial years, Government was highly dependent on borrowings to finance its expenditure. Borrowings ranked second as a source of Government revenue, and represented some 20 per cent of total revenue for the year ended 30 June 2019.

During 2018-19, some Rs 28.1 billion were spent towards Government debt servicing, comprising Capital Repayments, Interests and Management/Service Charges, and excluding redemption of Treasury Bills and Treasury Notes. This sum represented some 20 per cent of total Government expenditure.

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PART II

AUDIT OF MINISTRIES

AND

GOVERNMENT DEPARTMENTS

3 - JUDICIARY

3.1 Financial Management – Lack of Oversight and Financial Control

Audit of the financial records of the Judiciary revealed the following:

(a) Budgeted funds of Rs 247.1 million, representing 20.1 per cent of budget allocated for financial year 2018-19 were not utilised;

(b) Weaknesses in financial controls on salaries and Suitors Monies

(c) Inadequate records and follow-up for Arrears of Revenue.

3.1.1 Management of Budget - Budgeted Funds for Financial Year 2018-19 not utilised

Some Rs 247.1 million, that is 20.1 per cent of the budget allocated to the Judiciary, were not utilised. For instance, 92 vacant posts have not been filled in the Judiciary and some Rs19.8 million were not utilised. Only 70 per cent of funds provided for the construction of the new Supreme Court Building were spent at 30 June 2019.

Out of its budget provision of Rs 1,230 million for the financial year 2018-19, the Judiciary disbursed Rs 982.9 million, as shown in Table 3-1 below:

Table 3-1 Budgeted Funds not utilised for Financial Year 2018-19

	Budgeted Amount Rs million	Actual Expenditure Rs million	Unutilised Funds Rs million	Percentage Not Utilised
Compensation of employees	433.2	408.7	24.5	5.7
Goods and services	130.8	107.1	23.7	18.1
Acquisition of non-financial assets	666.0	467.1	198.9	29.9
Total	**1,230.0**	**982.9**	**247.1**	

Source: Treasury Abstract

The Judiciary has informed NAO that:

- Several funded posts for the financial year 2018-19 were not filled.
- As regards the posts filled by the Judicial and Legal Service Commission (JLSC), the HR section has no say in the matter because the decision lies with JLSC.
- The maintenance costs for the software agreement of the e-Judiciary was not paid.
- Provision made for payment in respect of New Supreme Court Building in financial year 2018-19 was worked out on the basis of estimated costs provided by the Project Management Consultant.

- The project of re-roofing of Flacq District Court was not proceeded with.

- A sum of Rs 3 million in respect of Digital Court Recording System was not paid as the project was delayed.

- The project of Revenue Collection and Case Management System (RCMS) was not completed.

- The revamping of the e-Judiciary of the Commercial Division is now reaching completion.

NAO's Comments

Whilst it is recognised that variances between actual expenditure and budget may be expected, a variance of 20 per cent involving a sum of some Rs 247 million is considered not to be reasonable, the moreso as underspending under a capital item accounts for 30 per cent of total variance.

3.1.2 Weaknesses in financial controls on Salaries and Suitors Monies

Dormant Deposit Account for Suitors Monies. The Deposit Account for Suitors Monies totalled Rs 273.2 million at 30 June 2019. No detailed listing was available to ascertain whether it reconciled with the control accounts figures. No ageing analysis was available.

The above figure included Rs 53 million for 5,870 cases for bails that have already lapsed since more than five years. No decision has been yet taken whether to transfer the Rs 53 million to the Consolidated Fund.

The Judiciary has informed that:

- With regard to the detailed listing of Deposit Account Suitors Monies, it is agreed that no reconciliation of the control accounts figures is done but this will be cured with the implementation of the new Revenue Collection and Case Management System (RCMS).

- Ageing Analysis is not available presently. This issue will be solved with the coming into operation of the RCMS.

- Due to the fact that mention is made in the Financial Management Manual (FMM) to the effect that deposits of more than 5 years shall be transferred to the Consolidated Fund, except for suitors' monies, the advice of the Ministry of Finance, Economic Planning and Development (MoFED) has been sought with a view to derogating from the standard practice to allow transfer of this sum (Rs 53 million) to the Consolidated Fund. The MoFED has referred the matter to the Attorney-General's Office.

3.1.3 Arrears of Revenue - Inadequate Records

Arrears of revenue, which comprised mainly Fines and Court Fees, amounted to some Rs 39 million as at 30 June 2019.

(a) Contrary to directives of the MoFEPD, no Revenue Register was maintained and the debtors figures were worked out from Court files;

(b) 15 case files with debts totalling Rs 475,000 were not made available to audit; and

(c) No follow up was done for some Warrants of Arrest or Warrants to Levy that were issued some four years back.

The Judiciary has informed NAO that

- No Revenue Register is presently available. This issue will be taken care of upon the implementation of RCMS.

- As regards Warrants of Arrest, all Courts are adopting the practice to summon Police Officers to depose and to explain as to why these warrants have not yet been executed. In certain cases, Warrants of Arrest issued since long are recalled and fresh warrants are issued.

- For Warrant to Levy, the Chief Ushers and the Court Managers have been instructed to closely monitor the situation.

3.2 E-Judiciary Project - Nugatory Expenditure of Rs 204.9 million

The e-Judiciary System was designed to restructure the Court process and to reduce the paper based operations and reducing the need for physical storage and security to leverage the benefits of electronic storage within the Courts.

Total payments for the implementation of the project as of 30 September 2016 amounted to some Rs 98.8 million, of which the Investment Climate Facility contributed Rs 74.1 million. As of 30 June 2019, payments for maintenance contracts totalled Rs 106.1 million.

Due to high maintenance charges amounting to some Rs 28 million annually, to service the Commercial Division only, the e-Judiciary System is being revamped.

A review of the project revealed the following:

(a) The e-Judiciary computerised system was implemented only at the Commercial Division though it was also expected at the Mediation Division, Master's Court and Supreme Court. The whole contract sum was paid by September 2016. Some Rs 15.2 million were paid, under the contract, for a Business Process Reengineering but the system has never been rolled out to other Courts of the Judiciary. Value for money has thus not been obtained for expenditure totalling some Rs 204.9 million;

(b) No business case and feasibility report were available;

(c) The annual maintenance cost of the e-Judiciary System of Rs 28 million to service some 1600 cases for the Commercial Court for the year 2016 was unreasonably high, that is an average of Rs 17,500 per case.

(d) There was no detailed pricing of each item in the Bill of Materials of the contract. No details of a payment of US$ 590,544, that is some Rs 20 million, for Third Party hardware and software, were available as at 14 January 2020; and

(e) A balance of US $91,347 as of 30 September 2016 could not be traced in the Annual Statement of Deposit as per "USD Account-Accountant General's Investment Climate Facility-Modernisation of the Supreme Court Account".

The Judiciary informed NAO that:

- The e-Judiciary system was implemented for the Commercial Division and the management decided not to roll over to the other Divisions/Courts.

- The Judiciary is coming up with the revamping of the e-Judiciary which will considerably reduce costs.

- The Supplier, a private firm, has been requested to submit the detailed pricing of each item of the Bill of Materials but same has not yet been received.

- As regards the balance of $91,347, the Finance Section of the Judiciary has been asked to look into the matter with the office of the Accountant General.

Funding of the Project – Phase 1

In February 2010, an agreement was signed between the Government of Mauritius (GOM) and the Investment Climate Facility for Africa Trust (ICF) in respect of the modernisation of the Supreme Court of Mauritius. The estimated cost of the project was US$ 3.6 million, that is, some Rs 108 million, of which GOM and ICF would contribute US$ 0.9 million and US$ 2.7 million respectively.

In March 2010 a contract was signed for US$ 3 million, excluding VAT, between the Judiciary and a private firm for Phase 1 of the Project. The supplier had thus to computerize all the Divisions or Courts dealing with civil cases and falling under the Supreme Court other than the Family Division. The contract, for Phase 1, was meant to deliver an e-filing and case management system for the Supreme Court, restricted to civil cases only, within a period of 18 months.

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4 – PRIME MINISTER'S OFFICE, MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT AND EXTERNAL COMMUNICATIONS

4.1 National Development Unit

4.1.1 Drains Projects – Lapses in Project Management

An examination of a sample of 8 drains projects, for a total contract value of some Rs 437 million revealed that the National Development Unit (NDU) faced difficulties in implementing drains projects due mainly to poor planning and absence of proper definition of scope of works at inception. The difficulties related principally to the obtaining of clearance for way leaves, acquisition of lands, relocation of utilities and agreement with land owners. The following were noted as of November 2019:

(a) Only 10 out of 31 major contracts for drains projects planned for 2018-19 were awarded;

(b) A Land Drainage Master Plan had not yet been prepared;

(c) Scope and Design of urgent works were not yet finalised although Consultants were recruited;

(d) A contract of Rs 139.9 million for urgent drain works awarded under Emergency Procurement in January 2019 was not yet completed; and

(e) Considerable delays in awarding contracts for high flood risk regions and significant increase in project cost.

Only 10 out of 31 contracts awarded

Out of 31 contracts for major drain projects on the priority list for 2018-19, Works Orders (WOs) for only ten projects amounting to some Rs 215 million were issued during 2018-19. Flooding in certain areas prompted the contracts to be awarded immediately.

Furthermore, as mentioned in the Performance Audit Report 2017-18 issued by NAO on 'Government Response to Mitigate the Impact of Flooding', there was no centrally and scientifically drawn database on flood prone areas to be used in determining priority drainage works.

NDU informed NAO that with a view to reducing the time factor to obtain clearances for way leaves, a number of initiatives have been taken. For instance, legal advice has been sought and obtained to start project once the right of entry is obtained from land owners. As for emergency projects, NDU can go directly towards compulsory acquisition, in case land owners are not agreeable to cede their lands.

Land Drainage Master Plan not yet prepared

Contract for the procurement of a Digital Elevation Model (DEM) at a cost of some Rs 16.7 million was awarded on 16 November 2018 to enable the Land Drainage Authority (LDA) to prepare a 'Land Drainage Master Plan'. The aerial imagery was to serve as primary tools to enable identification of flood prone areas and determination of most appropriate and sustainable flood mitigation measures.

The contract for the DEM scheduled for completion on 31 May 2019 was extended twice and as of November 2019, 75 per cent of the works were completed due to prevailing cloudy weather conditions which were not suitable for aerial LiDAR and data capture and images. This has resulted in delays to identify flood prone areas using this approach.

NDU informed that the draft master plan is expected to be ready by the end of this year and the final version will be delivered by April 2021.

Scope and Design of Urgent Works not yet Finalised

Although there was urgency to address flood issues, contracts for the two projects mentioned below were not yet awarded as at November 2019, as the scope and design of the works were not finalised.

For project *'Design and construction of flood mitigation measures, Ave B Source Pamplemousses',* Order Form for an amount of some Rs 1.9 million for consultancy services was issued on 13 October 2017. The project was still at design stage as of 19 September 2019. Clearances from land owner, Instructions for Bid documents to be given to the Consultant, and land acquisition from the Ministry of Housing and Lands were still being awaited.

For project *'Drain Works, Piton',* following heavy rainfall on 10 December 2018, NDU appointed a Consultant to address the flooding problem at the region of Piton. In April 2019, the Consultant submitted updated design, which was communicated to land owners for way leaves. In June 2019, LDA agreed that this region was flood prone where life and quality of life or environment may be seriously compromised in the event of another downpour. Project cost was estimated at Rs 54 million.

NDU informed NAO that:

- For the project Ave B Source in Pamplemousses, the scope of works and the design have been finalized and the LDA has declared the area as flood prone area on 29 January 2020. The project will now be implemented in a phased manner under Emergency Procurement (EP).

- For drain works at Piton, estimated cost of projects is Rs 61.9 million. The project is being implemented under EP. The letter of Acceptance is being issued.

Contract for urgent drains works awarded under Emergency Procurement not yet completed

The contract for '*Urgent Drain Works, Cottage – Contract Value (CV) Rs 139.9 million'* awarded under EP in January 2019, was to be completed in March 2019. The intended completion date was rescheduled for 30 June 2019. However, the project was delayed and not completed by the date due to bad weather conditions and procedures involved for securing way leaves from land owners. Although the project was awarded under EP, NDU further allowed Extension of Time up to 30 August 2019 and thereafter up to 31 March 2020 to the Contractor.

Following a site visit effected by NAO Officers on 23 October 2019, it was found that construction of the culvert appeared to be still at preliminary stage. The culvert, being a link between the land drain from one side of the road to the other, was still not completed. Further, only two of the 10 culverts were completed while three others were under construction.

NAO is of the view that the significant delay in completing the works defeats the purpose for which the Emergency Procurement method was resorted to, that is, to bring immediate relief.

Considerable delays and Significant increase in Project Cost

Considerable delays in awarding contracts in the two drain projects listed hereunder, where the regions were affected by flood in 2013, 2016 and at end of 2018/beginning of 2019, have resulted in significant increase in their contract value.

Drain Works, Fond du Sac - CV Rs 103.9 million

Although a Consultant was appointed in 2013, it was noted that the WO for an amount of some Rs 50 million was cancelled on 23 October 2013 due to difficulty in obtaining way leaves. After flooding in 2016, another Consultant was appointed on 8 September 2016 and in December 2017, he submitted details of the way leaves requirements and land acquisition of 70 plots of land.

A contract was finally awarded on 30 April 2019 under EP to a Contractor for an amount of Rs 103.9 million. The completion of works was scheduled to be completed by 23 November 2020. As at September 2019, the overall progress of work was 14 per cent only.

Further, according to NDU, to complete the drain works project, additional works would have to be carried out in order to discharge water up to sea outlet.

Culvert, Middle Rd Mapou – CV Rs 15.9 million

The contract for the construction of a culvert, awarded on 29 September 2014 for some Rs 4.5 million, was cancelled in August 2015 due to delay in completion of the works. On 2 May 2017, a Consultant was appointed for the design and supervision of works. It was only on 9 January 2019, that a contract was awarded to another Contractor for a total amount of some Rs 15.9 million.

The intended completion date of 26 June 2019 was revised to 31 October 2019. However, following a site visit effected on 23 October 2019, the progress of work on the culvert was not satisfactory as CWA pipes and MT cables were not yet removed to allow work to start. The works were still not completed as at mid November 2019.

4.1.2 Consultancy Services – Threshold of Rs 50 million Exceeded

In accordance with Section 1 of the Framework Agreement 2018 for Consultancy Services, '*Consultants can be allocated consultancy assignments for projects having an estimated cost not exceeding Rs 50 million*'. A scrutiny of 21 Order Forms (OFs) issued during 2018-19 revealed that:

- No cost estimates of projects to be undertaken were made prior to issuing the OFs. The estimated costs for drain projects exceeded Rs 50 million. Consultants even estimated five projects at Rs 200 million each, after preparation of the Preliminary Design (PD).

- Of the 21 OFs, 11 would have to be cancelled in view of the fact that the associated drain works projects would not be implemented under EP. As per advice obtained from the Attorney General's Office, the consultancy services would have to be terminated and Consultants would be paid a percentage on the basis of the cost estimate in the PD report. This might entail expenditure of some 9 million.

NDU explained that with regard to Consultancy contracts which are cancelled, the Preliminary Design Reports prepared by the Consultants provide valuable technical information to decide on the way forward.

4.1.3 Disbursement of Grants – Non-compliance with Financial Instruction

Total amounts of Rs 7 million and Rs 67.2 million were provided under the budget of NDU for 2017-18 and 2018-19 respectively, as grants to be disbursed to Land Drainage Authority (LDA).

All payments were effected by NDU on behalf of LDA. However, no Grant Memorandum was signed between NDU and LDA, contrary to Financial Instruction No. 2 of 2014 'Administration of Government Grants'.

NDU informed that the Grant Memorandum has been signed on 10 February 2020.

NAO's Comment

It should be pointed out that Financial Instructions stipulate that '*before disbursement of approved grants, Accounting Officers should ensure that an annual Grant Memorandum is duly completed and signed in respect of each grant recipient*'.

4.1.4 Funds for Capital Projects – Commitments largely exceed Budget Allocation

For 2018-19, a total amount of Rs 1,149.5 million (inclusive of funds provided under National Environment Fund) was provided to NDU for the implementation of capital projects. As at 30 June 2019, NDU had spent a total amount of Rs 840 million.

During 2018-19, NDU had been issuing WOs/OFs/Financial Clearances (FCs) without due regard to the availability of funds. The following were noted:

(a) Funds committed in excess of budget allocation; and

(b) Proper procedures not followed prior to issuing Financial Clearances.

Funds Committed in Excess of Budget Allocation

Over the past years, NDU had issued WOs to undertake more projects than initially planned in the budget and without having duly assessed the financing requirements.

For 2018-19, NDU had issued WOs/OFs/FCs that exceeded its budget by some Rs 1,872.5 million, as shown below:

- 495 WOs were issued for a total of some Rs 1,968 million, thus exceeding the budgetary provisions of Rs 1,149.5 million by an amount of Rs 818.5 million;

- In addition to above excess of Rs 818.5 million, NDU had also issued the following:

  - 159 OFs to Consultants for total estimated fees of some Rs 387 million based on the minimum rate of 4.87 per cent and the estimated cost of Rs 50 million for each project

  - FCs totalling some Rs 667 million to Local Authorities to carry out capital projects on its behalf.

According to the records of NDU, commitments outstanding as at 30 June 2019 amounted to some Rs 3,421 million, made up of Rs 2,367 million, Rs 387 million and Rs 667 million for WOs, OFs and FCs respectively. However, a budget of only Rs 1,000 million (inclusive of the provisions from NEF) has been provided for in the 2019-20 Budget.

NDU explained that in the budget speech 2018-19, it was indicated that as Government develops new urban space it will support some 1,178 NDU projects with a project value of Rs 5.6 billion across Mauritius. NDU could not stop issuing contracts, especially for projects which were considered very important for the population. Consultations were held with MoFED and it was agreed to proceed with the principle of issuing contracts based on the disbursement schedule instead of the total amount provided in the budget.

Financial Clearances to Local Authorities and Central Water Authority – Proper Procedures not followed

Proper procedures were not followed in respect of FCs:

- *Local Authorities (LAs).* Approval of the Ministry of Finance and Economic Development (MoFED) was not seen prior to NDU issuing FCs amounting to Rs 667 million to LAs.

- *Central Water Authority (CWA).* FC of Rs 20.3 million was issued to CWA for the resurfacing of the full width trench, instead of excluding the width of trench damaged by CWA.

NDU has submitted documents from MoFED wherein it is mentioned that MoFED has no objection to NDU issuing FCs.

NAO's Comments

- From the documents submitted to NAO, it is noted that MoFED had no objection to NDU issuing FCs for the year 2018-19 provided that the financial implications would be contained within the financial provisions of 2018-19. However, as per above paragraph 4.1.4, NDU had already exceeded the budgetary provisions by Rs 818.5 million.

- FC for CWA should not have been sought for full width as CWA should have reinstated the trench width it has damaged at its own costs.

4.1.5 Records for Capital Projects – Amounts of Outstanding Commitments not Reliable

At paragraph 3.1.2 of the Audit Report 2017-18 it was mentioned that the records on Projects/WOs kept at the Engineering Section (ES) and Finance Section (FS) were not updated and reconciled between them with the result that the completeness and accuracy of the amounts of outstanding commitments at a particular period/year end could not be ascertained. It should be pointed out that this matter has been continuously highlighted for the past four financial years/periods.

A review of the records for capital projects during the 2018-19 Audit revealed that the records from both Sections were still not being updated and reconciled between them, and the following were noted:

(a) Figures for outstanding commitments as per the records from the FS were not reliable;

(b) Difference in amounts of WOs issued from the records of the ES and FS.

Outstanding Commitments – Amounts not reliable

According to the records of the FS, commitments in respect of WOs still outstanding as at 30 June 2019 totalled some Rs 2,367 million. This figure did not tally with the figure Rs 2,521 million, calculated on the basis of the total outstanding balance prior to July 2018 (provided by the FS itself), the total amount of WOs issued in 2018-19 and the total payments as shown in Table 4-1 below:

Table 4-1 Outstanding Commitments (Works Orders)

Period	Balance b/f	Payment 2018-19	Balance at 30.6.2019 Should have been	As per FS	Difference
	Rs m	Rs m	Rs m	Rs m	Rs m
Prior to 2015	230	60	170	66	104
Jan 15–Jun 16	52	3	49	8	41
Jul 16–Jun 17	189	38	151	111	40
Jul 17–Jun 18	670	331	339	364	(25)
Sub Total	**1,141**	**432**	**709**	**549**	**160**
Jul 18- Jun 19 (WOs issued)	2,068	256	1,812	1,818	(6)
Total	**3,209**	**688**	**2,521**	**2,367**	**154**

Source: Finance Section Records

According to the FS, the net difference of Rs 160 million for the period prior to July 2018 might be due to adjustments made to the opening balances after an exercise of perusal of files. However, neither approval nor documentation of such adjustments were made available.

Difference in amounts of Works Orders

For the period July 2018 to June 2019, a difference of Rs 100 million was noted between the figures of WOs issued of Rs 2,068 million and Rs 1,968 million as per FS and ES respectively.

Further, the ES could not confirm the outstanding amounts of claims as at 30 June 2019.

NDU should put in place proper control mechanisms to ensure that management information generated from the records kept by the FS and ES is accurate, complete and reliable.

NDU informed NAO that a mechanism has been put in place regarding records for capital projects in consultation with the Ministry of Finance, Economic Planning and Development. However, in view of its complexity, the system is being fine-tuned prior to becoming fully operational.

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4.2 Department of Civil Aviation

4.2.1 Arrears of Revenue - Ineffective Debt Recovery Mechanism

As of 30 June 2019, some Rs 8.3 million were due by airline companies and private jets owners in respect of route air navigation charges. Recovery of most of these debts is doubtful. Actions taken by the Department of Civil Aviation (DCA) were limited to reminders and letters of concern.

- Rs 7.9 million, or 95 per cent of the total arrears, were over five years old. Cases of arrears were not referred to the Attorney-General's Office for legal recovery.

  Financial regulations provide that when a claim for any item of revenue or for any sum due to Government should either be abandoned or recovered by legal process, the advice of the Attorney General should be sought.

- Rs 3.8 million or 45 per cent of the total arrears were due by one Airline Company for the period July 2008 to December 2011. In May 2019, DCA was informed that the Airline Company had been placed under "*Reconstruction*" in terms of its country's Reconstruction of State-Indebted Insolvent Companies Act.

- In 2018-19, DCA carried an analysis of its debtors, owing more than Rs 10,000. Apart from the above mentioned Airline Company, the analysis revealed that:

  - Invoices could not be traced in respect of 29 cases, with debts totalling Rs 1.4 million. These amounts were outstanding since September 2001 and up to March 2010.
  - Three companies, with debts totalling some Rs 935,000, were in the process of liquidation.
  - No response was received from 11 companies. Amount due by these companies amounted to some Rs 200,000.

- In 2018-19, there had been hardly any recovery in respect of the Rs 8 million due over the period 2003 to 2013. Only some Rs 120,000 were recovered.

DCA informed that it is still continuing its effort to recover the unpaid amount by seeking the assistance of the Civil Aviation Authority of the Airline/Private Aircraft. In case DCA does not succeed in recovering the remaining debts, as a last resort, the advice of the Attorney General will be sought.

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4.3 Ministry of Finance and Economic Development

4.3.1 Office Accommodation - Rent Paid for Unoccupied Office Space at Belmont House reaching Rs 2.9 million

A Lease Agreement was entered into with the landlord of Belmont House for the rental of an area of 4,456 square feet on Level 5 of Belmont House for a period of three years as from 1 December 2017 to accommodate staff of the Independence Review Panel (IRP). The monthly rental payable is Rs 124,010.

At paragraph 3.2.5 of the Audit Report for the financial year ended 30 June 2018, it was mentioned that as of November 2018, the office space was not yet occupied. Rent paid for the unoccupied office space for period December 2017 to November 2018 amounted to some Rs 1.5 million.

There were delays in the finalisation of the IRP's relocation due to the fact that the Panel had to be reconstituted, and the long time taken to award the contract for refurbishment works, and that for the Supply, Installation and Commissioning of Local Area Network, Wireless Access Points and Telephony System at Belmont House. The contracts were awarded in May and September 2019 respectively. Works from the initial contract were completed on 27 November 2019. Additional works requested by the members of the IRP had to be carried out separately. As at end of December 2019, the works were ongoing.

The Ministry entered into a 3-year lease agreement with the landlord as from December 2017. Two years have already elapsed, and the office space was still unoccupied. Rental charges disbursed by the Ministry for the unoccupied office space from December 2017 to December 2019 amounted to some Rs 2.9 million.

The Ministry explained that the delay in the relocation of the IRP to the Belmont House was merely due to unforeseen circumstances, such as changes in the performance contract owing to additional works requested for by the IRP, and which were beyond its control. However, the overall works have been completed, and the IRP is being requested to move to Belmont House.

4.3.2 MauBank Holdings Ltd – Equity Participation in MauBank Holdings Ltd reaching some Rs 5,200 million at end of July 2019

MauBank Holdings Ltd was incorporated on 3 September 2015 as a public company limited by shares with stated capital of Rs 100,000, fully subscribed by Government, and is also the major shareholder of MauBank Ltd with shareholding above 99 per cent.

The objective of Government was to invest capital in MauBank Holdings Ltd, which would in turn reinvest these funds into the capital of MauBank Ltd created to take over the merged activities of the Mauritius Post and Cooperative Bank (MPCB) Ltd and the National Commercial Bank (NCB) Ltd.

The longer term objective of the MauBank Holding Ltd was to realise partial disposal of its stake in MauBank Ltd once the latter would realise substantial profits and capital growth to enable Government to recoup its investments.

The Ministry highlighted that the longer term objective of MauBank Holdings Ltd, that is disposal of partial stakes in MauBank Ltd, is still valid.

Mention was made at paragraph 3.3 of my previous Audit Report, that as at 30 June 2018, Government had already injected some Rs 3,200 million as equity into Maubank Holdings Ltd, and two advances to the Company totalling Rs 63 million were still due. In March 2017, the Company also took a loan of Rs 3,000 million from a private bank. Both the loan and accrued interest thereon which as at 30 June 2019 amounted to Rs 60.3 million were guaranteed by Government.

The two advances were cleared in January 2019, and the loan and accrued interest were fully repaid in October 2019.

Since the creation of MauBank Ltd, the non-performing loans of the bank, inherited from the ex-MPCB and the ex-NCB have been restricting its growth, and also affecting its performance. As at 30 June 2018, the legacy non-performing loans of MauBank Ltd were valued at Rs 5,100 million. A proposal for the carving out of the non-performing loans of MauBank Ltd was put forward, as through their removal, the value of the bank would immediately go up, and would also enable the bank to grow to its full potential.

In September 2018, Government approved the mechanism of carving out of the non-performing loans. The carved out portfolio of non-performing loans of Rs 5,100 million would be ‘sold’ to a newly incorporated wholly owned subsidiary of MauBank Holdings Ltd, created for that particular purpose.

In return for the above transfer, with retrospective effect as from 30 June 2018, the subsidiary company would pay some Rs 5,100 million to MauBank Ltd for the portfolio, and this amount would be obtained from a loan from MauBank Holdings Ltd.

In line with the above, the following were approved by Government:

- Government would provide a loan of Rs 2,000 million to MauBank Holdings Ltd to part finance the transfer of the debt portfolio;

- MauBank Ltd would provide a Government guaranteed loan of Rs 3,100 million to MauBank Holdings Ltd, and the loan would be repaid from the subsequent recovery of the non-performing loans.

As no provision was made in the 2018-19 Budget for disbursement of the loan of Rs 2,000 million to MauBank Holdings Ltd, on 25 October 2018, funds were provided by way of Advance to the latter. In the 2019-20 Budget Estimates, a provision of Rs 2,000 million was made under Vote 25-1: ‘Centrally Managed Initiatives of Government’. The Advance of Rs 2,000 million was cleared in July 2019 against Item: ‘Share and Equity Participation – MauBank Holdings Ltd’.

As at end of July 2019, Government equity participation in MauBank Holdings Ltd amounted to some Rs 5,200 million, and up to now, in the absence of profits generated by the Company, Government has not been able to earn any return from its investments.

In October 2018, a loan of Rs 3,100 million was granted to MauBank Holdings Ltd by MauBank Ltd. The loan was guaranteed by Government.

NAO's views are that

- MauBank Holdings Ltd has still not been able to meet its long term objective which was to dispose of its stake in MauBank Ltd, as up to now, the latter has still not been able to attain substantial profits and capital growth. As mentioned above, some Rs 5,200 million have been invested in MauBank Holdings Ltd by Government. The Company also owed some Rs 3,100 million to MauBank Ltd.

- As far as the non-performing loans now transferred to MauBank Holdings Ltd, through a subsidiary, are concerned, their subsequent recovery may represent a major challenge for the Company as these loans have originally been granted without proper credit base and without adequate conditions and collaterals.

The Ministry explained that:

- Consequent to the merger of the ex-MPCB and the ex-NCB, there was an accumulated loss of Rs 4.2 billion on the Balance Sheet of MauBank Ltd. Distribution of dividend to equity shareholders is possible only if the bank generates distributable profits. The bank has initiated a capital reduction to clear all accumulated losses, and will pay dividend to Government once it starts generating distributable profits.

- With regard to the disposal of MauBank Holdings' stake in MauBank Ltd, the bank has made an operating profit of Rs 6.3 million during financial year ended 30 June 2019. Disposing its stake in the bank is an ongoing process in line with MauBank Holdings Ltd longer term objectives. As at end of January 2020, MauBank Holdings Ltd, through the subsidiary company, has recovered Rs 1.1 billion.

- The setting up of the wholly owned subsidiary of MauBank Holdings Ltd for the taking over of the non-performing loans of the bank was considered as an opportunity for the bank and its shareholders, with benefits, such as improvement in the Capital Adequacy Ratio from 12 to 17 per cent providing room for future expansion, improvement in liquidity situation with a net cash surplus of Rs 2 billion, and improvement in Non-Performing Loans ratio from approximately 40 to five per cent.

  Had the above decision not been implemented, the significance of the provision would have impacted the capital base of the bank, and the Capital adequacy ratio would have fallen to three per cent, well below the statutory limit of 11.25 per cent.

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4.4 Treasury

4.4.1 Investment Management

An examination of the records relating to investments of Government revealed that:

(a) Loan balance of the Mauritius Shipping Corporation Ltd amounting to Rs 155.2 million was converted into shares despite Government never having received any dividends from its previous shareholdings in the Company.

(b) Investments in National Insurance Co. Ltd and NIC General Insurance Co. Ltd were disclosed in the Statement of Investments as at 30 June 2019, although Government did not hold any shares in these Companies at that date.

(c) Investments totalling Rs 2.8 million were impaired/written-off during financial year 2018-19;

(d) Only Rs 186 million were received as dividends during financial year 2018-19, representing a return of less than one per cent of investments in Companies.

(e) Investments of Rs 6.7 billion yielded no return during financial year 2018-19.

(f) Investments of Rs 22.2 billion have not been yielding any return since acquisition.

Statement F – 'Statement of Investments' gives details of all investments made out of monies standing to the credit of the Consolidated Fund and Special Funds. The investments comprised Quoted and Unquoted Shares in Companies, Equity Participation and Other Investments. As of 30 June 2019, total investments (at cost) was some Rs 30,700 million as shown in Table 4-2

Table 4-2- Investments as of 30 June 2018 and 30 June 2019

Details	**Cost**	
	30.06.2019	**30.06.2018**
	Rs	**Rs**
Quoted Shares	140,251,221	140,251,221
Unquoted Shares	24,389,350,622	17,740,839,122
Equity Participation	5,258,453,317	4,907,402,111
Sub Total	***29,788,055,160***	***22,788,492,454***
Other Investments	919,095,000	622,359,273
Total	**30,707,150,160**	**23,410,851,727**

Source - Statement F – Detailed Statement of Investments as at 30 June 2019

‘Other Investments’ comprised long term placement with the Development Bank of Mauritius (DBM) Ltd of Rs 599 million, and Fixed Deposits of Rs 6 million, Rs 114 million and Rs 200 million in respect of Morris Legacy Fund, Prime Minister’s Relief Fund and National Resilience Fund respectively.

New Investments

During financial year 2018-19, Government invested some Rs 6,835 million in six Companies and one Government Body. Details of the new investments are shown in Table 4-3.

Table 4-3 New Investments during Financial Year 2018-19

	Approved Estimates 2018-19	**Virement 2018-19**	**New Investments 2018-19**	**New Investments 2017-18**
	Rs	**Rs**	**Rs**	**Rs**
Companies				
Airports of Mauritius Co. Ltd	301,000,000	-	301,000,000	-
Airport of Rodrigues Ltd	-	-	-	20,000,000
Cargo Handling Corporation Ltd	178,000,000	-	178,000,000	135,340,811
Mauritius Africa Fund Ltd	100,000,000	-	100,000,000	-
Mauritius Multisports Infrastructure Ltd	2,200,000,000	-	1,782,000,000	400,000,000
Metro Express Ltd	4,800,000,000	-	4,323,345,464	2,752,729,159
Multi Carrier (Mauritius) Ltd	-	10,000,000	10,000,000	75,000,000
SME Mauritius Ltd	-	-	-	25,000
Government Bodies				
Central Water Authority	-	-	-	900,000,000
National Transport Corporation	-	-	-	127,257,202
Wastewater Management Authority	957,500,000	(92,300,000)	141,051,206	108,903,299
Total	**8,536,500,000**	**(82,300,000)**	**6,835,396,670**	**4,519,255,471**

Source: Statement D1, Vote 3-104-Wastewater Services, and Vote 27-1 – Centrally Managed Initiatives of Government

Mauritius Shipping Corporation Ltd - Loan balance converted into shares despite dividends not received from previous shareholdings

Three loans totalling Rs 107.2 million were advanced to the Mauritius Shipping Corporation Ltd over the years 2010 to 2013. The Company has never effected any repayment of capital and interest due on those loans.

On 31 March 2019, the total outstanding loan balance of Rs 155.2 million (capital – Rs 107.2 million, interest and penalties – Rs 48 million) was converted into 155,200 fully paid Ordinary Shares of Rs 1,000 each and were issued in favour of Government by the Company.

Prior to 31 March 2019, Government held 135,493 shares in the Company, comprising 6,493 shares and 129,000 shares purchased in years 1999 and 2011 respectively. Despite the fact that Government had never received dividends from its previous shareholdings costing Rs 135.5 million, decision was taken to convert the outstanding loan balance of Rs 155.2 million into shares.

The Treasury pointed out that the primary objective of the investments in the Mauritius Shipping Corporation Ltd is not to generate cash returns or dividends, but to enable the entity to sustain its operations, undertake capital investments and improve service delivery.

Investments in National Insurance Co. Ltd and NIC General Insurance Co. Ltd disclosed in Statement F, although Government did not hold any shares in these Companies

The NIC General Insurance Co. Ltd (NICG) and the National Insurance Company Ltd (NIC) were set up by Government in 2015. Upon incorporation, Government injected amounts of Rs 30 million in NICG and Rs 30 million in NIC as share capital, representing 3,000,000 paid up Ordinary Shares in each Company.

At the same time, Government also invested Re 1 for one Ordinary Share in National Property Fund Ltd (NPFL).

Government was the sole shareholder of all the three companies: NIC, NICG and NPFL.

On 21 May 2015, NPFL increased its authorised share capital, and consequently, the number of its shares in issue from one to three Ordinary Shares. The two additional Ordinary Shares were subscribed by NIC against a consideration of Rs 2.

On 4 August 2015, NIC transferred its two shares held in NPFL to NICG against a consideration of Rs 2.

On 8 March 2016, the following transactions took place:

- Government transferred its 100 per cent shareholding in NIC to NICG against a consideration of Re 1;

- Government transferred its 100 per cent shareholding in NICG to NPFL against a consideration of Re 1;

- NICG transferred its two shares held in NPFL to Government against a consideration of Re 1 only.

After the above transactions on 8 March 2016, Government now holds all the three Ordinary Shares of NPFL, as a holding company which owns 3 million Ordinary shares in NICG, which in turn holds 3 million Ordinary Shares in NIC.

- As at 30 June 2019, investments in NIC and NICG were shown at a cost of Rs 30 million for each Company in Statement F – 'Detailed Statement of Investments as at 30 June 2019', despite the fact that Government did not hold shares in these Companies since 8 March 2016.

- Three shares held by Government in NPFL were not disclosed in Statement F – 'Detailed Statement of Investments as at 30 June 2019'. The Share Certificate for these three shares could not be produced. It was stated that they were not yet issued by NPFL.

The Treasury explained that Government as ultimate shareholder is still the beneficial owner of the shares held in NICG and NIC. As regard the share certificates in NPFL, the latter is in the process of issuing them.

NAO's Comments

The Treasury presents the accounts of the Central Government, and not a Consolidated Account incorporating its entities in which it hold investments, such as the NPFL. Thus, the Statement of Investments should only record Government's direct investments in Companies.

Investments Written-off/Impaired during financial year 2018-19

During financial year 2018-19, investments totalling Rs 2.8 million were written-off/ impaired as detailed in Table 4-4 below:

Table 4-4 Investment written-off/Impaired during Financial Year 2018-19

Company	**Investment as at 30 June 2018**		**Date Acquired**
	Nominal Value Rs	**Cost Rs**	
Stafford Mayer Company South Africa Ltd	15	15	Shares transferred to Government under the Curatelle Act in financial year 1983-84
Events Mauritius Ltd	1,800,000	1,800,000	20 June 2007
Films Confluences Co Ltd	1,000,000	1,000,000	1 October 2012
Total	**2,800,015**	**2,800,015**	

Investments in Stafford Mayer Company South Africa Ltd and Events Mauritius Ltd were written off since both companies have been wound up, whilst investment in Films Confluences Co. Ltd has been fully impaired as the Company was under winding up process.

Government has invested Rs 1.8 million in Events Mauritius Ltd since 20 June 2007 and has never received dividends from this investment.

The Treasury highlighted that the primary objective of the investments made by Government is to enable the entities to sustain their operations, undertake capital investments and improve service delivery rather than generating cash returns or dividends.

Return on Investments

Dividends received of Rs 186 million, representing a return of less than one per cent

As at 30 June 2019, total cost of investments in Quoted and Unquoted Shares amounted to some Rs 24,500 million. During 2018-19, dividends received amounted to some Rs 186 million, representing a return of some 0.8 per cent only on its investments in Companies. The estimated dividend receivable for financial year 2018-19 was Rs 480 million.

The budgeted and actual dividends received from investments during the past five financial periods are given in Table 4-5.

Table 4-5 Dividends Received during Financial Periods January 2015 to June 2019

Period	Budgeted Rs	Actual Rs
January to June 2015	303,000,000	295,187,828
July 2015 to June 2016	1,519,000,000	319,268,338
July 2016 to June 2017	1,238,500,000	298,024,518
July 2017 to June 2018	525,000,000	303,053,677
July 2018 to June 2019	480,000,000	185,865,844

Source: Statement D – Detailed Statement of Revenue of the Consolidated Fund for the Financial Year 2015 to 2018-19

Dividends received for financial year 2018-19 were relatively low as compared to the previous four financial years/period as shown in Table 4-6.

Details of dividends received during financial years ended 30 June 2018 and 2019 are shown in Table 4-6.

Table 4-6 Dividends received during Financial Years ended 30 June 2018 and 2019

Details	Investment at Cost 30.06.2019	Dividend Received 01.07.2018 to 30.06.2019	Dividend Received 01.07.2017 to 30.06.2018
	Rs	Rs	Rs
Quoted Shares			
Alteo Group Ltd	1,140	346	370
Excelsior United Development Companies Ltd	37	63	33
IBL LTD	125	3	6
Lux Island Resorts Ltd	401	18	-
Medine Ltd	300	87	72
New Mauritius Hotels Ltd	240	16	8
SBM Holdings Ltd	41,058,573	44,857,845	74,763,075
The Bee Equity Partners Ltd	16	22	-
The United Basalt Products Limited	415	-	17
The Mauritius Development Investment Trust Co Ltd	2	5	8
Unquoted Shares			
AfrAsia Bank Limited	197	5	-
African Export-Import Bank	24,622,934	-	326,014
African Reinsurance Corporation	32,312,976	2,488,467	1,818,398
Airports of Mauritius Co. Ltd	2,207,085,170	-	145,133,100
Air Mauritius Holding Ltd	87,354,608	-	22,866,276
COVIFRA Limitée	-	-	17,702,361
Mauritius Housing Company Ltd	59,161,634	25,174,451	30,013,993
Mauritius Telecom Ltd	63,625,174	87,802,740	-
Overseas Telecommunications Services Co Ltd	-	1,691,674	-
PTA Reinsurance Company (ZEP-RE)	4,790,750	778,291	703,003
Sugar Investment Trust	19,999,980	1,018,577	1,018,577
State Informatics Ltd	32,800,000	4,606,734	8,708,366
State Investment Corporation Ltd	85,000,000	17,446,500	-
Total	**2,657,814,672**	**185,865,844**	**303,053,677**

Source: Treasury Abstract– Item Code 1412 – Dividends

Investments of Rs 6.7 billion yielding no returns during financial year 2018-19

Investments (at cost) totalling Rs 6,654 million did not yield any return during 2018-19. Details of these investments are given in Table 4-7.

Table 4-7 Investments Yielding no Returns during 2018-19

	Year of Investments	Cost of Investment Rs
Quoted Shares		
Air Mauritius Limited	1997 – 2008	99,178,348
The United Basalt Products Limited	2016	415
United Docks Ltd	1991	9,600
Unquoted Shares		
African Export-Import Bank	1993 – 2018	24,622,934
Airports of Mauritius Co. Ltd	1998- 2019	2,207,085,170
Air Mauritius Holding Ltd	1994 and 2008	87,354,608
Cargo Handling Corporation Limited	1983 - 2019	943,600,000
Development Bank of Mauritius Ltd	1990 - 2018	496,223,953
Editions de L'Ocean Indien Ltée	1979 - 2000	1,140,000
Mauritius Shipping Corporation Ltd	1999, 2011 and 2019	290,693,000
National Real Estate Ltd	2009	500,000,000
Shelter- Afrique	2013	4,039,122
Equity Participation		
Bank of Mauritius	2005 and 2011	2,000,000,000
Total		**6,653,947,150**

Source: Statement F – Detailed Statement of Investments as at 30 June 2019 and Investment Register

Investments of Rs 22.2 billion not yielding any return since acquisition

Investments (at cost) totalling some Rs 22,225 million and representing 72 per cent of total investments, did not yield any return since they have been acquired. Details are given in Table 4-8.

Table 4-8 Investments not Yielding any Return since Acquisition

	Year of Investment	Cost of Investment Rs
Quoted Shares		
Blue Life Ltd	2013	1,976
United Investment Ltd	Prior 2001	48
Unquoted Shares		
African Development Bank	1992	592,293,352
Discover Mauritius Ltd	2006	500,000
Eastern and Southern African Trade & Development Bank Ltd	1991	205,433,309
Landscope (Mauritius) Ltd	2016	3,167,566,278
MauBank Holdings Ltd	2001 - 2005 and 2015 - 2016	3,196,266,400
Mauritius Africa Fund Ltd	2015 – 2019	179,980,000
Mauritius Educational Development Company Ltd	1995	16,000,000
Mauritius Multisports Infrastructure Ltd	2018 – 2019	2,182,000,000
Mauritius Infrastructure Fund Ltd	2014	100,000
Metro Express Ltd	2017 – 2019	8,486,370,872
Multi Carrier Mauritius Ltd	2001 – 2019	219,000,000
National Housing Development Company Ltd	2008	200,000,000
Polytechnics Mauritius Ltd	2013 – 2017	299,937,111
SME Equity Fund	2017	105,317,588
SME Mauritius Ltd	2017	25,000
The Mauritius Post Ltd	2002 – 2016	626,111,200
Equity Participation		
Central Water Authority	1993 – 2018	1,862,250,913
Civil Service College	2012	15,000,000
Economic Development Board	2004 – 2005	79,782,747
Mauritius Cooperative Livestock Marketing Federation	1993	450,000
Mauritius Cane Industry Authority	1984 – 2013	173,803,732
National Transport Corporation	Prior 1.07.01 -2018	267,887,202
Rodrigues Educational Development	1989	80,000
Rose Belle Sugar Estate Board	1987 – 1996	98,844,218
Wastewater Management Authority	2017 – 2019	249,954,505
Total		**22,224,956,451**

Source: Statement F – Detailed Statement of Investments as at 30 June 2019 and Investment Register

The Treasury explained that actual dividend is dependent upon the financial situation of the institutions/ enterprises concerned. Furthermore, the primary objective of the investments in various entities is more to enable them to sustain their operations and improve service delivery than to generate dividends or other financial returns.

4.4.2 Public Sector Debt

An analysis of debt data disclosed in Statement J –'Statement of Public Sector Debt' as at 30 June 2019 showed the following:

(a) Public Sector Debt (PSD) reached Rs 320.6 billion (an increase of 6.8 per cent over last year), made up of Domestic Debt of Rs 267.7 billion (an increase of 10 per cent over last year), and External Debt of Rs 53.0 billion (a decrease of 7.5 per cent over last year).

(b) Over the past five financial periods, PSD as a percentage of Gross Domestic Product consistently increased to reach 65.3 per cent.

(c) Non-Financial Public Sector Entities held some Rs 4.5 billion of Government Securities. The PSD figure was adjusted by this amount.

(d) Some 24 per cent of Domestic Debt (Rs 59 billion) will mature by 30 June 2020, which represents an average of nearly Rs 5 billion monthly in 2019-20.

(e) In four of the past five financial periods, issue of Government instruments has exceeded redemption, taking domestic debt level on the upward path.

(f) External Debt has consistently been decreasing over the past five financial periods - from Rs 54.7 billion at 30 June 2015 to Rs 40.2 billion at 30 June 2019.

(g) Debt by Public Enterprises has increased from Rs 25.1 billion at 30 June 2015 to Rs 35.6 billion at 30 June 2019, representing an increase of 42 per cent.

(h) Government Debt Servicing represented more than 19 per cent of total Government Expenditure in 2018-19.

(i) Pursuant to Section 47(5) of the Bank of Mauritius Act, the Bank of Mauritius transferred a sum of Rs 18 billion to the Consolidated Fund on 11 December 2019. On 31 January 2020, Rs 7.2 billion from that sum were used to repay external debts.

PSD comprised debts of the Central Government raised both internally and externally, as well as debts of Public Enterprises. All these debts are detailed in Statement J – 'Statement of Public Sector Debt'.

Public Sector Debt reached Rs 320.6 billion

As of 30 June 2019, PSD amounted to Rs 320.6 billion, compared to Rs 300.2 billion as of 30 June 2018, representing an increase of 6.8 per cent.

Details are given in Table 4-9.

Table 4-9 Public Sector Debt as at 30 June 2019 and 30 June 2018

Debt Category	**30 June 2019 Rs**	**30 June 2018 Rs**
Government Debt		
Domestic	249,276,100,000	225,783,100,000
External	40,258,172,937	44,538,204,977
	289,534,272,937	***270,321,304,977***
Guaranteed by Government		
Agencies Extra Budgetary Units	69,684,853	91,917,893
Public Enterprises	29,701,346,181	25,856,881,542
	29,771,031,034	***25,948,799,435***
Not Guaranteed by Government		
Public Enterprises	5,893,959,211	3,892,831,518
Sub Total	**325,199,263,182**	**300,162,935,930**
Less Consolidation Adjustment	(4,544,750,000)	**-**
Total	**320,654,513,182**	**300,162,935,930**

Source: Statement J - Statement of Public Sector Debt as at 30 June 2019 and 30 June 2018

Government Domestic Debt was made up of obligations which include proceeds from issues of Treasury Bills, Treasury Certificates, Treasury Notes, Government of Mauritius (GoM) Bonds, Mauritius Development Loan Stocks (MDLS) and GoM Savings Bonds.

Government External Debt refer to Loans from Foreign Governments and Institutions, Government Securities held by Non Residents and the International Monetary Fund (IMF) Special Drawing Rights (SDR) Allocations[1].

[1] IMF SDR Allocations represent obligations which arise through the participation of the Republic of Mauritius in the SDR Department of the IMF, and are related to the allocation of SDR Holdings. SDR Holdings are international Reserve Assets created by the IMF and allocated to members to supplement reserves.

Public Sector Debt has been increasing over the Past Five Financial Periods

The Public Sector Debts as at the end of the past five financial periods to 30 June 2019 are given in Table 4-10.

Table 4-10 Public Sector Debt as at end of Financial Periods 2015 to 2019

Financial period ended	Public Sector Debt Rs million	Increase over the previous period Rs million	Increase over the previous period %
30.06.2015	251,788	14,088	5.93
30.06.2016	274,395	22,607	8.98
30.06.2017	290,103	15,708	5.72
30.06.2018	300,163	10,060	3.47
30.06.2019	320,654	20,491	6.83

Over the past five financial periods, Public Sector Debt has been increasing. The figure for 30 June 2019 has increased by Rs 68.9 billion when compared to Rs 251.8 billion recorded for 30 June 2015.

Evolution of Public Sector Debt as a percentage of Gross Domestic Product

Table 4-11 shows data as regards PSD and PSD as a percentage of Gross Domestic Product (GDP) as at end of June 2015 to end of June 2019. The PSD figure of Rs 320.7 billion has been arrived at after a Consolidation Adjustment of Rs 4.5 billion, representing Government Securities held by Non-Financial Public Sector Entities.

Table 4-11 Public Sector Debt and Gross Domestic Product

As at end of	PSD Rs billion	GDP* Rs billion	PSD as a % of GDP
Jun-15	251.9	400.6	62.9
Jun-16	274.4	422.1	65.0
Jun-17	290.1	446.4	65.0
Jun-18	300.2	469.6	63.9
Jun-19	320.7	491.1	65.3

Source: Statistics Mauritius Website **Reactualised figures as at December 2019*
As per the Budget Estimates 2019-2020, GDP for the Financial Year ended 30 June 2019 was estimated at Rs 496.3 billion. Based on this figure, actual PSD as a percentage of GDP for the same period was 64.6 per cent

PSD has increased significantly since June 2015. At the end of June 2019, PSD stood at some Rs 320.7 billion, that is an increase of some Rs 20.5 billion as compared to end of June 2018. As at end of June 2016, June 2017, June 2018 and June 2019, PSD as a percentage of GDP stood at 65.0, 65.0, 63.7 and 65.3 respectively as compared to a percentage of 62.9 recorded four years back at 30 June 2015. There was an increase of PSD as a percentage of GDP of some 1.4 per cent as at end of June 2019 when compared to end of June 2018.

Government Domestic Debt

Government Securities issued to Public Enterprises and State Owned Companies

In June 2019, the Bank of Mauritius (BoM) issued, on behalf of Government, Treasury Certificates specifically designed for Non-Financial Public Sector Bodies (NFPSBs) bearing maturities of 91, 182 and 364 days. As at 30 June 2019, Treasury Certificates for a total amount of Rs 1,900.1 million were issued to different NFPSBs as detailed in Table 4-12.

Table 4-12 Treasury Certificates issued to Non-Financial Public Sector Bodies

Bodies	**Nominal Value Rs million**
Mauritius Ports Authority	80.0
Construction Industry Development Board	10.0
Airports of Mauritius Co Ltd	250.0
Cargo Handling Corporation Ltd	250.0
The Municipal Council of Beau Bassin-Rose Hill	41.0
Agricultural Marketing Board	250.0
Mauritius Revenue Authority	12.0
Central Electricity Board	1,000.0
The District Council of Moka	7.1
Total Investments in Treasury Certificates	**1,900.1**

Source: Listing of Investments from MoFED and the Treasury

Government Securities amounting to Rs 4.5 billion held by Non-Financial Public Sector Entities not included in Public Sector Debt

As per Statement J - 'Statement of Public Sector Debt as at 30 June 2019', the PSD figure of Rs 320.7 billion has been arrived at after a Consolidation Adjustment of Rs 4.5 billion, representing investments made by Public Corporations and State Owned Companies on Treasury Bills, Mauritius Development Loan Stocks (MDLS), Bonds, Treasury Notes and Treasury Certificates. This approach has been adopted for the first time. Details of the Consolidation Adjustment are given in Table 4-13.

Table 4-13 Details of Consolidation Adjustment

Details	Nominal Value Rs million
Investment in Government Treasury Certificates	1,900.1
Investment in Treasury Bills by Non-Bank Sector	
Financial Services Commission	20.0
Public Corporations	2,233.3
State Informatics Ltd	19.0
State Property Development Company	89.0
Investment in MDLS/GoM Bonds by Non-Bank Sector	
Financial Services Commission	118.4
Public Corporations	80.0
Investment in Treasury Notes by Non-Bank Sector	
Public Corporations	85.0
Total	**4,544.8**

Source: Listing of Investments from MoFED and the Treasury

A detailed breakdown for the amount of Rs 2.2 billion, being investment in Treasury Bills by Public Corporations was requested on 8 January 2020. As at 13 January 2020, the breakdown was not yet made available.

The Ministry of Finance, Economic Planning and Development explained that in line with the IMF Government Finance Statistics Manual, PSD is presented on a consolidated basis. Inter-sectoral and intra-sectoral consolidations have always been done. For instance, debt contracted by public enterprises from Government are not included in PSD. Debt contracted by one public enterprise from another is also eliminated. Earlier, the investments made by such entities in Government securities were not significant and no consolidation was being made. Given that a new debt instrument, namely Treasury Certificates, is being issued as from June 2019, investments in the instrument and other Government securities by Non-financial Public Sector entities have increased. Thus, it was decided to consolidate these debts for a better picture of the debt position of the Public Sector.

In relation to the breakdown of the investments held by Public Corporations amounting to Rs 2.2 billion, the BoM was requested to furnish same. However, the Ministry was informed that only aggregate data is provided by the Primary Dealers and it would not be possible to obtain the name of all the Public Corporations. The Ministry is envisaging to take up the matter with the BoM to obtain investments made by major Non-financial Public Sector entities and enhance the reporting methodology.

Maturity Structure of Government Domestic Debt - 24 per cent of total debt (Rs 59 billion) maturing within one year

Government Domestic Debt, excluding Government Securities issued for the mopping up of excess liquidity of Rs 0.9 billion, amounted to Rs 248.4 billion as at 30 June 2019 and represented 77.5 per cent of total PSD as at 30 June 2019. This amount comprised Treasury Bills of Rs 29.69 billion, Treasury Certificates of Rs 1.90 billion, Treasury Notes of Rs 56.11 billion, MDLS of Rs 1.10 billion and GoM Bonds of Rs 159.59 billion.

The maturity of the outstanding Government Domestic Debt as at 30 June 2019 is indicated in Table 4-14.

Table 4-14 Maturity Structure of Government Domestic Debt

Years of Maturity	Treasury Bills Rs m	Treasury Certificates Rs m	Treasury Notes Rs m	MDLS Rs m	Bonds Rs m	Total Rs m	%
2019-20	29,689.7	1,900.1	14,890.0	1,098.5	11,459.6	59,037.9	23.77
2020-21	-		20,194.7	-	13,641.6	33,836.3	13.62
2021-22	-		21,021.5	-	16,126.6	37,148.1	14.96
2022-23	-		-	-	20,609.4	20,609.4	8.30
2023-24 and Onwards	-		-	-	97,751.9	97,751.9	39.35
Total	**29,689.7**	**1,900.1**	**56,106.2**	**1,098.5**	**159,589.1**	***248,383.6**	**100.00**

Source: Ledger of Respective Securities

**The figure excludes the balance of securities issued for the mopping up of excess liquidity of Rs 892.5 million.*

As shown in Table 4-14, some 24 per cent of the Government Domestic Debt, that is some Rs 59 billion will mature within one year.

Moreover, some 14 per cent amounting to Rs 33.8 billion will fall due for repayment in the financial year ended 30 June 2021.

Government of Mauritius Securities Issued for Mopping up of Excess Liquidity

Prior to July 2018, the Bank of Mauritius (BoM) had issued securities on behalf of Government for mopping up excess liquidity in the economy. The balance of these securities, consisting of five-year GoM Savings Bonds, stood at Rs 892.5 million (Nominal Value) as at 30 June 2019.

The sum of Rs 892.5 million was deposited with the BoM and included in the Statement of Assets and Liabilities under 'Cash and Cash Equivalents'.

Redemption of Main Financial Instruments lower than their issue, resulting in increase in debt

Table 4-15 shows issues and redemptions of Treasury Bills, Treasury Notes and Treasury Certificates by Government for the past five financial periods:

Table 4-15 Issues and Redemptions of Treasury Bills, Treasury Notes and Treasury Certificates for Financial Periods 2015-2019

Details	**6-month period ended 30 June 2015**	**Year ended 30 June 2016**	**Year ended 30 June 2017**	**Year ended 30 June 2018**	**Year ended 30 June 2019**
	Rs billion	**Rs billion**	**Rs billion**	**Rs billion**	**Rs billion**
Issued					
Treasury Bills	16.1	58.5	67.7	37.2	39.7
Treasury Notes	8.6	16.3	19.1	20.1	21.0
Treasury Certificates	-	-	-	-	1.9
Total	**24.7**	**74.8**	**86.8**	**57.3**	**62.6**
Redemption					
Treasury Bills	17.2	50.1	63.4	49.9	36.2
Treasury Notes	6.9	16.8	16.1	17.7	19.3
Total	**24.1**	**66.9**	**79.5**	**67.6**	**55.5**

Source- Report of Director of Audit and Treasury Financial Statements

Except for financial year 2017-18, the redemption of these three financial instruments was lower than the issue during each of the other financial periods mentioned above. Debts therefore continue to increase year after year.

Moreover, during financial year 2018-19, Government Bonds amounting to Rs 27.7 billion were issued, whilst redemption of same totalled Rs 9.9 billion.

Government Debt - External and Public Enterprise Debt – Public Enterprise Debt Increased by Rs 5.9 billion

Table 4-16 shows the balances of the Government External Debt and the Public Enterprise Debt from end of June 2015 to end of June 2019.

Table 4-16 Government Debt – External and Public Enterprise Debt

Debts (As at)	30.06.15 Rs billion	30.06.16 Rs billion	30.06.17 Rs billion	30.06.18 Rs billion	30.06.19 Rs billion
Government - External	54.7	53.5	46.2	44.5	40.2
Public Enterprise	25.1	23.0	24.6	29.7	35.6
Total	**79.8**	**76.5**	**70.8**	**74.2**	**75.8**

Source: Accountant General's Report- Statement J - Statement of Public Sector Debt

As at 30 June 2019, Government External Debt and Public Enterprise Debt totalled some Rs 75.8 billion. This represented an increase of Rs 1.6 billion compared to 30 June 2018.

Government External Debt has decreased by Rs 4.3 billion, when compared to that as at 30 June 2018. This was mainly due to the repayment of several external loans by Government. During financial year 2018-19, repayment of outstanding loans to the tune of some Rs 4 billion was effected, while total loans from foreign sources was Rs 92 million as per Statement D – Detailed Statement of Revenue of the Consolidated Fund for financial year 2018-19. There were also differences due to fluctuations in exchange rates.

The Public Enterprise Debt as at 30 June 2019 showed an increase of some Rs 5.9 billion and Rs 11.0 billion as compared to end of financial years 2017-18 and 2016-17 respectively. This was mainly due to the increase in Domestic Debt of Public Enterprises and included the following:

(i) Loans/credit facilities of some Rs 3 billion not guaranteed by the Government taken by Air Mauritius Ltd from several local banking institutions;

(ii) Loans totalling some Rs 135.6 million were advanced to Landscope (Mauritius) Ltd by SBM Bank (Mauritius) Ltd during financial year 2018-19. Consequently, the outstanding loan due by the Company and not guaranteed by Government, which amounted to Rs 33.1 million as at 30 June 2018, reached some Rs 168.7 million as at 30 June 2019.

(iii) Loan of Rs 200 million taken by the State Investment Corporation Ltd in September 2018. This loan was financed by the MauBank Ltd and was not guaranteed by Government.

(iv) Loans taken by the Mauritius Housing Company Ltd from the AFRASIA Bank in November 2018. Amount still due at end of June 2019 was Rs 477.6 million. The loan was not guaranteed by Government.

(v) Loans of Rs 400 million disbursed to the National Housing Development Company Ltd by MauBank Ltd during 2018-19. The loan was guaranteed by Government.

(vi) New loan of Rs 3.1 billion granted to MauBank Holdings Ltd by MauBank Ltd in October 2018 and which was guaranteed by Government.

(vii) Interests of some Rs 60.3 million accrued for the period December 2018 to June 2019 on loan of Rs 3 billion taken by MauBank Holdings Ltd from the SBM Bank (Mauritius) Ltd in 2016-17. The loan was guaranteed by Government.

(viii) Interests of some Rs 94.8 million accrued for the year 2018-19 on previous loan of Rs 3.5 billion taken by National Property Fund Ltd from the Bank of Mauritius, and guaranteed by Government.

(ix) Interests of some Rs 233.6 million accrued as at 30 June 2019 on loan of Rs 6.4 billion taken by National Property Fund Ltd from the SBM Bank (Mauritius) Ltd in September 2017, and guaranteed by Government.

Government Debt Servicing – More than 19 per cent of total Government expenditure were on Government debt servicing

Government debt servicing comprised capital repayments and interest payments on Domestic and External Debts, as well as management service charges.

Government debt servicing as per Statement D1 – 'Detailed Statement of Expenditure of the Consolidated Fund' for the past five financial periods is shown in Table 4-17.

Table 4-17 Government Debts Servicing as per Statement D1 for Financial Periods 2015-2019

	6 months ended	**Year ended**			
Particulars	**30.06.2015 Rs m**	**30.06.2016 Rs m**	**30.06.2017 Rs m**	**30.06.2018 Rs m**	**30.06.2019 Rs m**
Interests External Debt	348.4	668.9	720.6	675.0	710.6
Interests Domestic Debt	4,522.6	9,448.9	10,237.7	10,703.3	11,937.0
Management Service Charges	9.5	11.6	7.2	4.5	3.5
Sub Total	***4,880.5***	***10,129.4***	***10,965.5***	***11,382.8***	***12,651.1***
Capital Repayments External Debt	1,120.6	2,579.0	6,695.2	3,028.9	4,067.2
Capital Repayments Domestic Debt	8,130.1	3,298.2	10,737.3	7,508.8	11,356.5
Total	**14,131.2**	**16,006.6**	**28,398.0**	**21,920.5**	**28,074.8**

Source Treasury Accounting Systems
** Interest is computed on an accrual basis*

For the financial year 2018-19, interest payments on Public Debt amounted to some Rs 12.6 billion, and some Rs 3.5 million were incurred in respect of management service charges.

Table 4-18 shows Government debt servicing as a percentage of total Government expenditure (as per Statement D1 – 'Detailed Statement of Expenditure of the Consolidated Fund') for the past five financial periods 2015 to 2019.

Table 4-18 Government Debt Servicing as a Percentage of Total Government Expenditure

Period	Government Debt Servicing Rs m	Total Expenditure Rs m	Government Debt Servicing as a % of Total Expenditure
January to June 2015	14,131.2	57,974.0	24.4
July 2015 to June 2016	16,006.6	112,833.8	14.2
July 2016 to June 2017	28,398.0	130,501.8	21.8
July 2017 to June 2018	21,920.5	135,932.9	16.1
July 2018 to June 2019	28,074.8	147,154.4	19.1

Source Statement D1 – 'Detailed Statement of Expenditure of the Consolidated Fund'

For the financial year ended 30 June 2019, Government debt servicing amounted to Rs 28.1 billion, representing an increase of 28 per cent over last year.

Some 19 per cent of total Government expenditure for financial year ended 30 June 2019 were on Government debt servicing.

Furthermore, as per Statement A – 'Statement of Financial Position' as at 30 June 2019, Government debt stood at Rs 280.8 billion (cost price) and this represented 95 per cent of total Government liabilities, and 65 per cent of total reported assets of Rs 429.0 billion.

Commitment Fees of Rs 2.1 million paid during 2018-19

Commitment Fees were still being paid on undrawn balances. Commitment Fees are paid when disbursement of funds in respect of projects are effected after the scheduled date specified in the Loan Agreements due to delays in the implementation of projects. For the year under review, some Rs 2.1 million were paid as Commitment Fees in respect of the Grand Bay Sewerage Project.

Transfer of Rs 18 billion from Bank of Mauritius

Pursuant to Section 47(5) of the Bank of Mauritius Act, as amended by the Finance (Miscellaneous) Provisions Act 2019, an amount of Rs 18.0 billion was transferred to the Consolidated Fund on 11 December 2019. A sum of Rs 7.1 billion from the transferred amount was used to repay external debts on 31 January 2020.

4.4.3 Loan Administration – Loan Portfolio increases by Rs 642 million to reach Rs10.6 billion

Government advanced loans from revenue to Statutory Bodies, Private Bodies, Other Bodies and Private Individuals, mainly to finance capital projects. A review of the records relating to these loans showed that:

(a) Outstanding loans as at 30 June 2019 have reached Rs 10.6 billion.

(b) Loans, interests and penalties due but not yet paid to Government have reached some Rs 3.4 billion, representing an increase of 16 per cent over the previous year.

(c) Loans, interests and penalties due by the Mauritius Shipping Corporation Ltd totalling Rs 155.2 million were converted into equity despite Government never having received any dividends from its previous shareholdings in the Company.

(d) Loans totalling Rs 1.9 million to the Central Water Authority were written off.

Outstanding Loans reaching Rs 10.6 billion

As per Statement M – 'Statement of All Outstanding Loans financed from Revenue' as at 30 June 2019, total amount of loan due to Government (Capital only) amounted to some Rs 10.6 billion. Details are shown in Table 4-19.

Table 4-19 Loans due to Government as of 30 June 2019

Name of Borrowers	Original Loan Rs	Outstanding Loan Rs
Statutory Bodies		
Central Water Authority	6,604,417,787	3,641,500,684
Mauritius Cane Industry Authority (ex SPMPC)	20,408,214	16,277,375
Mauritius Cane Industry Authority (ex MSIRI)	2,631,395	422,208
Mauritius Meat Authority	5,717,943	5,669,085
Irrigation Authority	278,370,422	287,582,938
National Transport Corporation	156,022,528	154,071,447
Rose Belle Sugar Estate	96,577,646	97,110,650
Mauritius Broadcasting Corporation	67,268,268	67,268,268
Wastewater Management Authority	4,862,172,616	3,277,836,268
Sub Total	***12,093,586,819***	***7,547,738,923***
Private and Other Bodies		
Development Bank of Mauritius Ltd	371,100,000	250,126,239
Mauritius Housing Company Ltd	58,894,315	5,077,635
Bus Companies	25,555,614	4,460,006
Mauritius Cooperative Central Bank (MCCB) Ltd (in liquidation)	81,880,000	81,308,000
National Housing Development Co Ltd	776,223,428	495,158,090
Landscope (Mauritius) Ltd	163,121,466	163,121,466
Mauritius Shipping Corporation	107,200,000	-
Cargo Handling Corporation Ltd	515,000,000	517,330,201
Airports of Mauritius Ltd	513,372,400	304,397,601
MauBank Ltd	8,000,000	8,000,000
Polytechnics Mauritius Ltd	486,000,000	651,213,763
Airport Terminal Operations Ltd	494,130,000	511,737,234
Pamplemousses District Council	23,520,000	15,288,000
Riviere Du Rempart District Council	18,480,000	12,012,000
The Municipal Council of B. Bassin R. Hill	42,000,000	33,600,000
Rodrigues Regional Assembly	14,847,000	14,694,000
Sub Total	***3,699,324,223***	***3,067,524,235***
Private Individuals		
Repatriation Expenses	2,827,070	823,834
Small Scale Industries	546,277	171,914
Sub Total	***3,373,347***	***995,748***
Total	**15,796,284,389**	**10,616,258,906**

Source: Statement M – Statement of all Outstanding Loans Financed from Revenue as at 30 June 2019
Note: The original amounts of foreign loans are stated at their rupee equivalent on date of issue

As of 30 June 2019, the Central Water Authority and the Wastewater Management Authority owed some Rs 3.6 billion and Rs 3.3 billion respectively, representing some 65 per cent of the total outstanding loans of some Rs 10.6 billion.

Loans, interests and penalties due but not yet paid reaching some Rs 3.4 billion

Arrears with regard to loans comprised capital due but not yet paid and interest and penalty due in respect of claims issued by the Treasury as at 30 June 2019. Eight Statutory Bodies and nine Other Bodies have not repaid their loan instalments, accrued interests and penalties by the due dates. As at 30 June 2019, total arrears amounted to Rs 3.4 billion, comprising capital of Rs 1.5 billion and interests and penalties of Rs 1.9 billion. Details are shown in Table 4-20.

Table 4-20 Arrears of Capital and Interest and Penalty due as of 30 June 2019

Statutory Bodies	Arrears Capital Rs	Interest and Penalty Due Rs	Period due	Remarks
Central Electricity Board	-	865,142	2011-2015	Arrears interest
Central Water Authority (*Note 1)*	660,599,139	513,830,950	1999-2019	No repayment
Irrigation Authority (*Note 2)*	282,116,637	223,837,228	1983-2019	No repayment since Aug1996
National Transport Corporation (*Note 3)*	154,071,448	317,072,378	1988-2019	No repayment.
Mauritius Meat Authority *(Note 4)*	5,669,085	-	1986-1990	No repayment since 1980
Rose Belle Sugar Estate *Board (Note 5)*	84,355,113	117,700,345	1982-2018	Repayment to be made in kind
Mauritius Broadcasting Corporation		6,726,827	2017-2019	Arrears interest
Wastewater Management Authority (Note 6)	153,533,893	570,227,349	2014-2019	Outstanding since 2014
Other Bodies				
NHDC. Ltd	4,347,826	4,958,904	2018-2019	paid 01.07.19
Small Scale Industries (*Note 4*)	171,914	1,183,020	1985-2017	No repayment since 1993/94
MCCB Ltd (In liquidation) (*Note 7)*	81,308,000	76,454,298	1996-2019	In liquidation
DBM Ltd	2,244,010	1,956,274	2017-2019	No Repayment
Bus Companies (*Note 4*)	4,460,006	-		No repayment since 1995
Rodrigues Regional Assembly *(Note 8)*	14,694,000	9,046,404	2011-2019	Insufficient repayment
The Municipal Council of Beau Bassin Rose Hill		1,728,247	2017-2019	Arrears interest
Mauritius Housing Co Ltd	105,628	13,880	2018-2019	Paid 01.07.19
Polytechnics Mauritius Ltd	32,560,688	25,977,185	2018-2019	
Total	**1,480,237,387**	**1,871,578,431**		**3,351,815,818**

Source: The Treasury's Records

Note 1 - Central Water Authority

Claims in respect of arrears on capital, interests and penalties issued to the Authority as at 30 June 2019 amounted to some Rs 1.2 billion, that is, some 35 per cent of total arrears of Rs 3.4 billion. During 2018-19, no repayment in respect of arrears has been effected by the Authority.

The Ministry of Finance, Economic Planning and Development explained that Government loans are provided to the Central Water Authority to enable it to finance its capital projects. Due to its difficult financial situation, the Authority is not able to meet its interest and capital repayments.

As part of the reform process, the World Bank is presently providing support to Government to address key issues in the water sector, including non-revenue water, mode of financing of water projects and possible options to increase the revenue of the Authority to meet its financial requirements.

Note 2 - Irrigation Authority

The Irrigation Authority contracted 15 loans totalling Rs 278 million over the years 1979 to 2011. Total arrears as at 30 June 2019 amounted to Rs 506 million (capital - Rs 282 million and interests plus penalties - Rs 224 million). Since August 1996, that is, some 23 years back, no repayment has been effected by the Authority despite regular claims being issued.

Note 3 - National Transport Corporation

Total arrears of Rs 471 million (Capital - Rs 154 million and Interests - Rs 317 million) were in respect of 11 loans contracted by the National Transport Corporation from the years 1986 to 1998. The original amounts of these loans totalled Rs 156 million. The Corporation has been effecting regular monthly repayments of Rs 10,000 as interest in respect of only one loan contracted in year 1995 (Indian Line of Credit Loan of Rs 41.6 million). No repayments have been effected in respect of the other loans since a long time.

Note 4 - Loans to Mauritius Meat Authority, Bus Companies and Small Scale Industries

As at 30 June 2019, total arrears in respect of the Mauritius Meat Authority, Bus Companies and Small Scale Industries stood at Rs 5.7 million, Rs 4.5 million and Rs 1.3 million respectively. These loans were long overdue. The last repayment effected by the Mauritius Meat Authority, Bus Companies and Small Scale Industries dated as far back as the years 1980, 1995 and 1993-94 respectively. In March 2016, the matter was referred to Ministry of Finance and Economic Development (MoFED) for a decision on whether the loans could be written off. As of December 2019, the decision of the Ministry of Finance, Economic Planning and Development was still being awaited.

Note 5 - Rose- Belle Sugar Estate Board

The Rose-Belle Sugar Estate Board has two loans advanced by Government in local currency, and one by the African Development Bank (ADB) in both foreign and local currencies. At paragraph 2.8.1 of the Audit Report for financial year ended 30 June 2018, I reported that due to financial difficulties being faced by the Board, several requests have been made to MoFED by the Ministry of Agro Industry and Food Security since 2010 for the write off of the arrears which, at 30 June 2018 stood at Rs 198 million (Capital Rs 83 million and interests Rs 115 million).

On 11 April 2019, Government agreed to waive the total arrears in respect of the three loans as at 31 December 2018 amounting to Rs 210.8 million (Capital Rs 95.1 million and interest Rs 115.7 million) in exchange for 56 arpents of land being transferred to Landscope (Mauritius) Ltd. The figure of Rs 210.8 million includes outstanding loans and interests advanced by the ADB in foreign currencies translated at their rupee equivalent at the closing exchange rate as at 31 December 2018.

As at mid-January 2020, the transaction regarding the transfer of land to Landscope (Mauritius) Ltd has not yet been finalised.

- An amount of Rs 97.1 million was recorded as outstanding (capital only) in Statement M – 'Statement of All Outstanding Loans Financed from Revenue' as at 30 June 2019, although only an amount of Rs 95.1 million (capital) was approved in exchange for the transfer of land. The difference of Rs 2 million represents adjustment due to currency revaluation of the ADB loan as at 30 June 2019.

- Interests in respect of the loan to the Rose-Belle Sugar Estate Board accounted as arrears as at 30 June 2019 amounted to Rs 117.7 million, although an amount of Rs 115.7 million was approved in exchange for the transfer of land. The difference of Rs 2 million represents adjustment due to currency revaluation of the interests due on the ADB loan as at 30 June 2019.

The Treasury explained that

- the delay in the transfer of land to Landscope (Mauritius) Ltd was due to, amongst others, the need to have the land surveyed, to obtain clearance under the Morcellement Act and Parcel Identification Number from the Ministry of Housing and Land Use Planning, and then to proceed to the Notary to effect the transfer.

- it provided the figures of Rs 95.1 million (capital) and Rs 115.7 million (interests) as at 31 December 2018 to MoFED, based on the exchange rate prevailing as at that date. Given that the transaction did not materialise as at 30 June 2019, loan, which is recognised as a financial asset in the accounts of Government, needs to be translated at closing rate as per Government accounting policy.

  However, NAO is of the view that the amounts of capital loan (Rs 95.1 million) and arrears of interests (Rs 115.7 million) in exchange of the land have already been agreed upon. The difference of Rs 2 million between the recorded and agreed amounts for the loan, as well as the other difference of Rs 2 million between the recorded and agreed arrears of interests would not be realised.

Note 6 – Wastewater Management Authority

As per the Loan Agreements, interest was accrued as from the date of the first drawdown of the loans by the Wastewater Management Authority. The latter was unable to pay the interests on their due dates. As of 30 June 2019, claims already issued in respect of capital and interests plus penalties due totalling Rs 723.8 million (Capital – Rs 153.5 million, Interests and Penalties – Rs 570.3 million) have remained unpaid.

The Ministry of Finance, Economic Planning and Development explained that Government loans are provided to the Wastewater Management Authority to finance, amongst others, upgrading of wastewater infrastructure for safe disposal of wastewater and house service connections to ensure maximum households are connected to the public sewer system where available. The Ministry of Energy and Public Utilities has been requested to review the framework under which the Authority is currently operating and to propose a new financing arrangement for capital projects, and a business plan to demonstrate the financial viability of the Authority.

Note 7 – Mauritius Cooperative Central Bank (In liquidation)

As per the order of priority set out in the schedule to the Mauritius Cooperative Central Bank (MCCB) Liquidation Act, Government was ranked at the 6th position to be repaid. As at end of November 2017, the only outstanding case before payment to Government was a case lodged at the Supreme Court by another creditor for an amount of Rs 45 million, excluding interest and other costs. The case, which was fixed for Merits on 11 March 2019, was put for mention on 28 March 2019, and has now been fixed for merits on 13 January 2020. The exact date of payment to Government in respect of the outstanding balance was still not known.

Note 8- Rodrigues Regional Assembly

A loan of some Rs 15 million was granted to the Rodrigues Regional Assembly to finance development projects in the Fisheries Sector in year 2011. As of 30 June 2019, there has been insufficient repayment of capital and interest by the Assembly. Arrears outstanding as at 30 June 2019 amounted to some Rs 24 million. (Capital Rs 15 million and interests and penalties Rs 9 million).

The Ministry of Finance, Economic Planning and Development highlighted that loans were granted to five fishing cooperatives as a contribution towards the purchase of fishing vessels with a view to promoting outer lagoon fishing in Rodrigues. However, the cooperatives have effected only a partial repayment so far. Several reminders were sent to the cooperatives to settle their debts, including interests. Due to their failure to respond positively to the different solicitation, the Executive Council has taken the decision to repossess the fishing vessels.

Several Statutory Bodies/ Other Bodies have not effected any repayments since long, and some of them have not effected any payment. The recoverability of most of the debts is doubtful.

With regard to the loans, interests and penalties due by the Statutory Bodies and Other Bodies, the Treasury has emphasized that repayment notice is sent on a regular and timely basis as per terms and conditions of their respective contract.

The Ministry of Finance, Economic Planning and Development further stated that these organisations are generally not in a capacity to service their debts due to their financial situation. In some of these organisations, reforms are being undertaken with expert's assistance to re-engineer their business operations with a view to enhancing efficiency and optimising their revenue generating capabilities. The Ministry is analysing each loan on a case to case basis, and is assessing any possibility for future repayment by the organisations based on their updated business plan, including their cash flow forecasts. Accordingly, consideration will be given to possible course of actions, such as re-scheduling loan repayment, conversion of loan into equity participation, etc.

Loans, interests and penalties due by the Mauritius Shipping Corporation Ltd totalling Rs 155.2 million converted into equity despite Government never having received any dividends from its previous investments

Three loans totalling Rs 107.2 million were granted to the Mauritius Shipping Corporation Ltd over the years 2010 to 2013. The Company has never effected any repayment of capital and interests due on these loans.

As of 31 March 2019, the total outstanding balance amounting to Rs 155.2 million (capital – Rs 107.2 million and interest and penalties – Rs 48 million) was converted into equity despite the fact that Government had never received any dividends from its previous investments in the Company costing Rs 135.5 million. 155,200 fully paid Ordinary Shares of Rs 1,000 each were issued by the Company in favour of Government.

Loans totalling Rs 1.9 million to the Central Water Authority written off

In 2013 and 2014, a total amount of Rs 53 million in respect of consultancy services payable to a foreign enterprise for Non-Revenue Water Projects was advanced to the Central Water Authority (CWA) by the Ministry of Energy and Public Utilities. Value Added Tax (VAT) and Tax Deducted at Source (TDS) paid on the consultancy services totalling some Rs 8.7 million were waived by Government, and a sum of Rs 1.9 million in respect of VAT and TDS paid was written off.

4.4.4 Arrears of Revenue – 20 per cent increase over previous year

Statement N – 'Statement of Arrears of Revenue' as at 30 June 2019 was prepared by the Treasury on the basis of the returns submitted by all Ministries and Government Departments. The observations arising from an examination of Statement N and the relevant records include:

(a) Arrears of Revenue have reached Rs 13.2 billion, representing a 20 per cent increase over the previous year.

(b) Arrears of Revenue of the Mauritius Revenue Authority represented 63 per cent of total arrears figure of Government.

(c) Arrears in the books of the Treasury increased by Rs 400 million

(d) During financial year 2018-19, Ministries/ Departments have written-off arrears of revenue totalling Rs 195 million.

During financial year 2018-19, Government revenue has increased by one per cent over last year, whilst arrears increased by 20 per cent. NAO is of the view that Ministries and Government Departments should review the recovery mechanism currently in place, to ensure that arrears of revenue do not become bad debts.

The Treasury explained that as provided under Financial Instructions issued by the Ministry of Finance, Economic Planning and Development, Accounting Officers are required to take necessary actions at their level to ensure timely recovery of arrears, and also to initiate action for the write-off of irrecoverable amounts.

Arrears of Revenue increased by 20 per cent compared to end of previous year

As of 30 June 2019, arrears of revenue of Government totalled some Rs 13.2 billion. The arrears of revenue as at the end of the past five financial periods are given in Table 4-21.

Table 4-21 Arrears of Revenue as at end of Past Five Financial Periods

As at	Arrears of Revenue Rs	Increase/(Decrease) over end of Previous Financial Period Rs
30 June 2015	9,084,401,110	612,901,433
30 June 2016	9,323,651,370	239,250,260
30 June 2017	*11,245,197,290	1,921,545,920
30 June 2018	*11,009,366,366	(235,830,924)
30 June 2019	13,161,428,281	2,152,061,915

Source: Annual Reports of the Accountant-General
**The figures for financial years ended 30 June 2017 and 30 June 2018 have been restated in financial years 2017-18 and 2018-19 respectively.*

Annual increases have been noted in the arrears of revenue figure. There has been a significant increase of some Rs 2.2 billion (20 per cent) as at 30 June 2019 compared to the end of the previous financial year.

Arrears of Revenue of the Mauritius Revenue Authority representing 63 per cent of total arrears figure of Government

Arrears of the Mauritius Revenue Authority (MRA) classified as ‘Collectible Debts’ and reported in Statement N – ‘Statement of Arrears of Revenue’ as at 30 June 2019 totalled some Rs 8.3 billion. This represented some 63 per cent of the total arrears figure of Rs 13.2 billion.

The total book balance of arrears of revenue for the MRA as at 30 June 2019 stood at Rs 29.2 billion. The remaining sum of Rs 20.9 billion represented mainly disputed claims pending under objection at the MRA, cases lodged at the Assessment Review Committee, Supreme Court and Privy Council, and also cases where assessments had been raised, but objections could still be lodged within the statutory time limit of 28 days, referred to as 'Sums Otherwise not Due'. Details are given in Table 4-22:

Table 4-22 Mauritius Revenue Authority - Book Balance of Arrears of Revenue

	Customs	**Income Tax and Other Taxes**	**Total**
	Rs	**Rs**	**Rs**
Amount Under Dispute (Customs)	559,915,388	-	559,915,388
Pending under Objection	-	554,117,714	554,117,714
Pending at Assessment Review Committee	-	15,164,512,760	15,164,512,760
Pending under the Alternative Tax Dispute Resolution and the Expeditious Dispute Resolution Tax Scheme	-	797,414,813	797,414,813
Non-Collectible Others	-	617,712,199	617,712,199
Sum Otherwise not Due	-	3,210,724,998	3,210,724,998
Arrears of Revenue	53,531,936	8,248,169,047	8,301,700,983
Total Book Balances	**613,447,324**	**28,592,651,531**	**29,206,098,855**

Source: Returns of Arrears of Revenue submitted by MRA

Arrears of the Treasury increased by Rs 400 million

Arrears in the books of the Treasury as of 30 June 2019 comprised mainly Loans, Interests and Penalties, Guarantee Fee and Accidents and Claims, as shown in Table 4-23.

Table 4-23 Treasury - Arrears of Revenue

Arrears of Revenue	**30 June 2019**	**30 June 2018**
	Rs	**Rs**
Loans, Interests and Penalties	3,351,815,818	2,895,899,840
Guarantee Fee	60,952,986	113,616,680
Accidents and Claims	10,976,574	9,685,146
Total	**3,423,745,378**	**3,019,201,666**

Source: Returns of Arrears of Revenue for Treasury as at 30 June 2018 and 2019

Arrears of Revenue for Loans, Interest and Penalties – Rs 3.4 billion

The arrears figure for loans, interests and penalties of Rs 3.4 billion comprised Rs 1.5 billion as capital repayment due, and Rs 1.9 billion as interests and penalties due by 17 Statutory Bodies/ Other Bodies.

There has been an increase of Rs 455 million, that is, some 16 per cent when compared to the previous year figure of Rs 2.9 billion.

Arrears of Revenue for Guarantee Fee – Rs 61 million

As per the Public Debt Management Act, a public enterprise may be required to pay an annual fee not exceeding one per cent of the amount of any loans, bank overdraft or credit facilities taken by any public enterprise or any institution providing services to Government, or to any public sector entity guaranteed by Government.

Of the Rs 61 million of arrears of revenue as at 30 June 2019, some Rs 48 million referred to Guarantee Fees due in respect of two loans and a bond guaranteed by Government in favour of the Central Electricity Board (CEB) in June 2009 and July 2009 respectively. The bond and the two loans had been fully repaid by CEB since July 2012, July 2015 and October 2016 respectively, but the corresponding Guarantee Fees, which were due annually, had not been paid by the CEB to Government.

Arrears of Revenue for Accidents and Claims – Rs 11 million

The arrears of revenue of Rs 11 million in respect of accidents have increased by Rs 1.3 million (some 13 per cent) when compared to the previous financial year end which stood at Rs 9.7 million.

Of the outstanding amount for Accidents and Claims of some Rs 11 million, some 26 per cent with claims totalling Rs 2.9 million (29 cases) were due for more than 10 years since the arrears were recorded by Treasury. The possibility of recovery for such long overdue claims would be remote.

In 34 cases, claims submitted for recovery totalling some Rs 1.2 million were returned to the Treasury due to incorrect addresses. Furthermore, in 19 cases for claims totalling some Rs 0.8 million which were time barred as per the Attorney General's Office were accounted for as Arrears of Revenue as at 30 June 2019 by the Treasury.

The Treasury informed NAO that out of the Rs 2.9 million, representing claims made to third parties, cases totalling Rs 1.2 million have been forwarded to Attorney-General's Office for write off. The remaining cases are currently being investigated to initiate action for write off. Furthermore, the cases of incorrect address have been referred to the Police Department for further enquiry. In the event that those parties are not traced, appropriate actions will be taken accordingly.

Regarding the 29 long outstanding cases, approval for write-off was obtained in October 2019 in respect of 14 cases based on advice received from Attorney-General's Office as being time-barred. Action for write off will be initiated in respect of five cases considered as time-barred by the Attorney-General's Office. For the remaining 10 cases, it could not be proceeded further due to considerable delay, amongst others, in obtaining the required information from Ministries/Departments.

Arrears of Revenue of Rs 195 million written-off by Ministries/ Departments

During financial year 2018-19, a sum of Rs 195 million was written-off by Ministries/ Departments, being long outstanding and irrecoverable debts, compared to Rs 153 million for financial year 2017-18. This included Rs 173 million, 12 million and Rs 9 million written off by the MRA, Corporate and Business Registration Department and Judiciary respectively.

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4.5 Mauritius Revenue Authority

4.5.1 Revenue Collection

Mauritius operates a self-assessment system of taxation. The Mauritius Revenue Authority (MRA) has, nevertheless, the power to raise assessments as per various sections of revenue laws, namely the Income Tax Act, Value Added Tax (VAT) Act and the Gambling Regulatory Authority Act.

Revenue collected by the MRA (excluding Customs and Excise collections) has increased by nine per cent from Rs 61.4 billion in the previous year to some Rs 67 billion in financial year 2018-19. Of this amount, Rs 25 billion were in respect of Income Tax (Individuals, Companies & Bodies Corporate) and Rs 34.9 billion were in respect of Value Added Tax (VAT). Revenues collected are credited to the Consolidated Fund.

An analysis of the revenue records of the MRA has shown the following:

(a) As of 30 June 2019, some 19 per cent of Income/Corporate Taxpayers had not filed their returns. As for Value Added Taxpayers, some 7 and 16 per cent did not file monthly and quarterly returns respectively.

(b) Of the total debt of Rs 28.6 billion reported to the Accountant General, some 29 per cent, that is, Rs 8.2 billion, was classified as ‘collectible debts’.

(c) An Age analysis of 'collectible debts' was not available as at 30 June 2019. Information provided as at 31 December 2019 showed that some 43 per cent of total ‘collectible debts’, that is, Rs 5.4 billion, related to periods prior to 1 July 2018.

(d) Out of ‘collectible debts’, an amount of Rs 173 million considered as irrecoverable, was written off during the financial year ended 30 June 2019.

(e) Some 75 per cent, that is, Rs 15.2 billion, of total ‘non-collectible debts' of Rs 20.3 billion were pending at the Assessment Review Committee as at 30 June 2019.

(f) 193 cases were pending at the Alternative Tax Dispute Resolution (ATDR) panel and under the Expeditious Dispute Resolution Tax Scheme (EDRTS) for a total amount of some Rs 800 million as at 30 June 2019.

(g) In respect of collection of Social Security Contributions:

- Late Receipt of Debtors List from the Ministry of Social Security, National Solidarity and Environment and Sustainable Development (MSS).
- Only 75 per cent of the Data received from MSS migrated into the Tax System.
- Rs 552 million of the total debts of Rs 1,161 million outstanding as at 30 June 2019, that is some 48 per cent, were in respect of debts of over Rs 1 million each.

Filing Obligations - Significant number of Non-Filers

Income Tax/Corporate Tax - At the close of financial year 2018-19, there were 322,262 taxpayers (employees, self-employed, companies and other forms of businesses) on the Taxpayer's Register, as compared to 307,365 taxpayers at the start of the year. There was a total of 24,807 new registrations during the year whilst some 9,910 taxpayers de-registered.

Of the 307,365 taxpayers on the Register as at 1 July 2018, 283,181 taxpayers have filing obligations towards the MRA. During 2018-19, 230,443 taxpayers had filed their returns, representing some 81 per cent of the number of taxpayers having a filing obligation.

Value Added Tax - The number of VAT Payers (individuals and companies) having to submit their returns either on a monthly or quarterly basis totalled 19,745 as at 30 June 2019. Of these, 6,770 and 12,975 had monthly and quarterly filing obligations respectively.

Of the 6,770 VAT Payers who have monthly filing obligations, 6,259 had submitted their returns for the month of June 2019, representing 93 per cent compliance. For those having quarterly filing obligations, 10,942 returns were received for the quarter March to June 2019. This represents a 84 per cent compliance rate.

I was informed that, since the MRA has a self-assessment system of taxation, it is the onus of each and every taxpayer, be it a company, an individual or any form of business, to submit a return of all income, other than exempt income, derived by him during the preceding year and to pay the tax, calculated on the chargeable income at the appropriate rate. MRA also stated that automatic systems generated reminders are issued to all non-filers and in case of non-compliance, the Non-Filers Unit enforces compliance by a formal request for return followed, wherever warranted, by field audits for automatic tax claims or assessments.

Debtors Management – Non-collectible Debts represent 71 per cent of Total Debts

The MRA is required to submit a Statement of Arrears of Revenue to the Accountant General (AG) on a half-yearly basis in respect of the half year ending 30 June and 31 December, not later than 30 September and 31 March, respectively. Both figures of collectible and non-collectible debts are communicated to the AG.

- Collectible debts comprise mainly taxes, penalties and interests due for payment at year-end.

- Non-Collectible debts represent mostly tax claims pending under 'objection' at the MRA and cases lodged at the 'Assessment Review Committee' (ARC) after netting off the 10 or 5 per cent which a taxpayer has to pay at the time of lodging the objection/appeal. Non-collectible debts also include those cases where assessments have been raised but objections can still be lodged within the statutory time limit of 28 days, and known as 'sum otherwise not due'.

Details of collectible and non-collectible debts are as shown in Table 4-24 hereunder:

Table 4-24 Collectible and Non-Collectible Debts as at 30 June 2019

	Collectible Debts Rs	Non-Collectible Debts Rs
Arrears of Revenue	8,217,768,169	
Cases pending at Supreme Court & Privy Council	30,400,876	
Pending Under Objection	-	554,117,713
Pending at ARC	-	15,164,512,760
Pending under ATDR & EDRTS	-	797,414,813
Sum Otherwise not due	-	3,210,724,998
Others	-	617,712,199
Total	**8,248,169,045**	**20,344,482,483**

Source: Statement of Arrears submitted to Accountant General

Collectible Debts - Rs 8.2 billion

Increase in arrears compared to the previous year. Total Arrears of revenue (excluding customs and excise) as at 30 June 2019 stood at Rs 8.2 billion as compared to Rs 6.7 billion as of 30 June 2018. This represents an increase in arrears of some 22 per cent. Details are as in Table 4-25.

Table 4-25 Arrears of Revenue as of 30 June 2018 and 30 June 2019

Taxes	30 June 2019 Rs	30 June 2018 Rs
Income Tax (Including companies & body corporate)	3,821,929,795	3,281,151,857
Value Added Tax	3,499,262,207	2,789,182,857
Betting & Gaming	259,632,444	174,727,040
Others	667,344,599	476,352,091
Total	**8,248,169,045**	**6,721,413,845**

Collection of Arrears of Tax. Arrears of tax collected during the year amounted to Rs 3,712.4 million compared to Rs 2,611.9 million for the year ended 30 June 2018, representing an increase of 42 per cent.

Age Analysis of Collectible Debts - Information not available as at 30 June 2019. For the year 2018-19, listing provided in respect of collectible debts did not contain the 'date period key'. As such, an age analysis of debts as at 30 June 2019 could not be carried out to determine the length of time a particular debt is due.

I was informed that the above situation arose as a result of the new reporting system adopted by the MRA. However, needful has already been done and an age analysis as at 31 December 2019 (collectible debts of Rs 12.5 billion) has been carried out and the result is as per Table 4-26.

Table 4-26 Age Analysis of Collectible Debts as at 31 December 2019

Period	**Collectible Debt Rs million**	**Total Collectible Debts %**
Prior to 30 June 1993	26.74	0.21
01.07.93 to 30.06.99	63.77	0.51
01.07.99 to 30.06.05	225.90	1.80
01.07.05 to 30.06.08	149.95	1.20
01.07.08 to 30.06.15	2,675.15	21.32
01.07.15 to 30.06.18	2,275.97	18.14
1.07.18 to 31.12.19	7,128.14	56.82
Total	**12,545.62**	

It was noted that some 43 per cent of total collectible debts amounting to Rs 5.4 billion related to periods prior to 1 July 2018.

Irrecoverable Debts - 24,159 cases for an amount of Rs 173 million written off. The MRA has established procedures for write off of debts. Section 17 of the MRA Act provides that no tax which has become irrecoverable shall be written off without the prior comments of the Director, Internal Audit Division of the MRA and the approval of the Board.

During 2018-19, debts to the tune of Rs 173 million in respect of 24,159 cases were written off, as shown in Table 4-27.

Table 4-27 Irrecoverable Debts written off in 2018-19

Debt Written Off by Range	Number of Cases	Amount Rs
Less than Rs 100	14,075	194,405
Between Rs 101 and Rs 500	4,858	1,052,646
Between Rs 501 and Rs 1,000	1,318	950,667
Between Rs 1,001 and Rs 5,000	2,612	6,751,890
Between Rs 5,001 and Rs 10,000	979	6,925,119
Between Rs 10,001 and Rs 30,000	197	2,800,469
More than Rs 30,000	120	154,435,450
Total	**24,159**	**173,110,646**

MRA informed that irrecoverable debts are written off to show a realistic figure of arrears of tax. It also writes off long outstanding small debts on ground of cost effectiveness of arrears collection. In all cases, the approval of the Board had been obtained.

Non Collectible Debts – Rs20.3 billion

A person/licensee who is dissatisfied with an assessment issued by MRA, has the opportunity to object to the assessment within 28 days of the date of the notice of assessment. All objections are dealt with independently by the Objections, Appeals and Dispute Resolutions (OADR) Department of the MRA to ensure that the Officer who raised the assessment is in no way involved in the determination of the objection.

Cases at the Assessment Review Committee. Where taxpayers are still not satisfied with the review carried out at the OADR Department, they have the opportunity to get a second stage external review at the Assessment Review Committee (ARC), which is an independent body under the aegis of the Ministry of Finance, Economic Planning and Development.

Of the amount of Rs 20.3 billion reported to the Accountant General as 'non-collectible' debts, a total amount of Rs 15.2 billion, representing some 75 per cent of total non-collectible debts, was pending at the ARC as at 30 June 2019. I was informed by MRA that these appeal cases are not under the purview of the MRA but that of the ARC.

Alternative Tax Dispute Resolution and Expeditious Dispute Resolution Tax Scheme. MRA has set up incentive schemes aiming at reaching an agreement with taxpayers on the amount under dispute so that these cases can be cleared and removed from the list of outstanding cases. Two of the schemes are Alternative Tax Dispute Resolution (ATDR) Panel and the Expeditious Dispute Resolution Tax Scheme (EDRTS).

The ATDR reviews cases where the amount of tax payable under dispute exceeds Rs 10 million whereas for EDRTS, the tax claimed under assessments does not exceed in aggregate Rs 10 million.

During 2018-19, 96 cases and 576 cases for a total of Rs 1.3 billion were lodged under the ATDR and EDRTS respectively. As of 30 June 2019, a total of 30 and 163 cases were pending under the ATDR and EDRTS respectively. Tax involved in these 193 cases totalled some Rs 800 million.

The MRA informed that for ATDR and EDRTS schemes, it has a time lag of six and four months respectively to deal with the applications and these statutory time limits have so far been complied with in all cases.

4.5.2 Collection of Social Contributions - Additional Responsibilities entrusted to MRA

As from January 2018, MRA's role as the major collector of revenues has been extended to cover the collection of Social Security Contributions for the National Pension Fund (NPF) and the National Savings Fund (NSF), as well as the collection of Recycling Fee and Training Levies. Employers are required to submit returns and effect payments to the MRA.

Collections during the period January to June 2018 and in the financial year 2018-19 respectively are as shown in Table 4-28.

Table 4-28 Collection of Contributions

Contributions	**July 2018 to June 2019 Rs million**	**January to June 2018 Rs million**
NPF	4,458.32	2,071.89
NSF	2,075.60	941.36
Training Levy	1,116.75	491.04
Recycling Fee	11.30	4.40
Total	**7,661.97**	**3,508.69**

Source: MRA Collection Section

The role of the MRA is limited to the collection of social contributions, which are thereafter credited to the account of the Ministry of Social Security, National Solidarity and Environment and Sustainable Development *(*MSS) at the Bank of Mauritius.

Social Contributions due as at December 2017

In addition to the responsibility of collecting Social Security Contributions as from January 2018, MRA also has to manage debts/arrears of contributions prior to that date.

Late Receipt of Debtors List from the Ministry of Social Security, National Solidarity and Environment and Sustainable Development (MSS)

A list of 34,871 employers, owing a total of Rs 1,511.17 million for contributions up to November 2017, was submitted by the MSS to the MRA only in November 2018.

Only 75 per cent of the Data received from MSS migrated into the Tax System

After analysing the list of debtors submitted by the MSS, MRA had migrated debtors' data for a total of Rs 1,133.71 million into the Integrated Tax Administration Solution (ITAS). It was noted that Rs 77.6 million, representing seven per cent of the debts migrated, referred to cases prior to the year 2006.

A balance of Rs 377.46 million has not been migrated into the ITAS system. I was informed that reasons thereof included the following: 'Employers having ceased business or with debts smaller than Rs 1,000', 'Taxpayer not live or not identified on ITAS'.

On 30 August 2019, MRA informed MSS that the migrated debt of Rs 1,133.71 million included an amount of Rs 365.88 million in respect of 1,056 employers who are in financial distress, with low chances of recovery.

Arrears of Social Contributions as at 30 June 2019

Total arrears of NPF, NSF, Training Levy and Recycling Fee in the ITAS System as at 30 June 2019 totalled Rs 1,161 million. This includes arrears due as from 1 January 2018, date on which the MRA has taken over the responsibility for the collection of Social Security Contributions, together with arrears for the MSS relating to period prior to January 2018 and migrated into the ITAS System.

The following were noted:

- A significant number of employers owed some Rs 114,000 and Rs 276,000 in the range less than Rs 100 and between Rs 100 and Rs 200 respectively for the different types of contributions.

- Rs 552 million of the total debts of Rs 1,161 million, that is some 48 per cent, were in respect of debts of over Rs 1 million each.

4.6 Customs

4.6.1 Arrears of Revenue – Deficient Recovery Procedures

The Return of Arrears of Revenue for the Customs Department as at 30 June 2019 showed total arrears of Rs 613.44 million, of which Rs 559.91 million (91.3 per cent) were classified as "*Disputed debts*", that is debts where the debtors have objected to pay while the remaining Rs 53.53 million (8.7 per cent) were classified as "*Collectible debts"* and accounted for in the Statement of Arrears of Revenue of the Accountant General as at 30 June 2019.

An audit of the Return of Arrears of Revenue revealed the following shortcomings:

(a) Outstanding debts aged five to 20 years
(b) Amounts were included in arrears of revenue despite advices for "No further action" and "Discontinuance of procedures"
(c) Cases of lengthy enquiry and processing time.

Outstanding Debts aged five to 20 years

Included in the total arrears of revenue figure was a sum of Rs 181.13 million (29 per cent, representing 90 cases) which was outstanding for periods ranging from five to 20 years back. Hence, recovery of some of these debts appeared to be remote. These cases were outstanding mainly due to lack of information, and lengthy enquiry and processing time at the Customs, Police Department, Court, Assessment Review Committee (ARC) and Objection Appeal and Dispute Resolution (OADR) Department.

MRA informed that of the 90 cases, 77 cases (Rs 157.10 million) are pending at the Police/Court/Legal Service Department (LSD)/ARC, two cases (Rs 19.73 million) are under receivership and for the remaining 11 cases (Rs 4.30 million) necessary action will be taken accordingly.

Amounts included in arrears of revenue despite advices for "No further action" and "Discontinuance of procedures"

Two cases were noted where the Director of Public Prosecution (DPP) has advised for "No further action" and "Discontinuance of procedures" but the respective arrears were still included in the total arrears of revenue figure as at 30 June 2019:

(i) A Returning Citizen benefited excise duty concession on a motor car under the First Schedule to the Excise Act on 10 May 2006. However, the car was sold on 21 January 2010 before the allowed period of four years in breach of the Excise Act and a Customs Offence Report (COR) was raised in the name of the person in possession of the car, in 2010. On 12 June 2013, the DPP advised for "No further action". However, the amount of some Rs 1.1 million, inclusive of penalties and interests of some Rs 950,000, was still included in the total arrears of revenue.

Customs informed that on 12 June 2013, the DPP had advised for "No further action" against the person who was in possession of the car but prosecution be initiated against the beneficiary upon his arrival in Mauritius.

NAO's Comments

The arrears were still in the name of the person in possession of the car. A COR should be raised in the name of the beneficiary and the arrears records amended accordingly.

(ii) A COR was raised in 2008 against an importing company where the value of goods as per the sales invoice differed from that in the Bill of Entry, resulting in short payment of duties and taxes of some Rs 500,000. On 28 February 2017, the Court informed Customs that the company was struck out from the Register of Companies and the DPP, on 15 February 2017, advised for "Discontinuance of procedures". On 19 July 2017, the LSD also advised that the case was time barred and hence, could not be prosecuted.

Despite the advices of the DPP and LSD, Customs on 15 August 2017, requested the Attorney General's Office (AGO) to initiate legal proceeding to restore the company. However, on 14 December 2018, Customs decided not to proceed with the case as it would not be cost effective. The amount Rs 1.1 million, inclusive of penalties and interests of Rs 680,000, was still included in the total arrears of revenue.

Customs informed that the case has been referred to the Audit and Oversight Committee on 30 September 2019 for approval for write off.

Cases of Lengthy Enquiry and Processing Time

An analysis of total arrears of revenue and scrutiny of some debtors' files revealed cases which were outstanding for several years but were still not resolved due to lengthy enquiry and processing time:

(i) 15 cases, for a total amount of some Rs 44 million, had been referred to the Police Department prior to 2015. These cases were still pending at the Police.

MRA informed that 14 cases for an amount of some Rs 43.95 million are still pending at the Police while one case has been filed by the DPP.

(ii) A company imported goods during the period 2009 to 2013 and subsequently gave instructions to the Freight Forwarding Agent to amend the Bill of Lading, by replacing the name of the company by the names of 53 residents of "Integrated Resort Scheme". This had resulted in an undervaluation of Customs Duty and VAT totalling some Rs 50 million and a COR was raised in 2015 against the company. On 3 July 2017, the LSD informed Customs of the numerous difficulties that would be encountered in proceeding with a Court case. Due to lengthy processing time, the arrears of Rs 95.7 million, inclusive of penalties and interests, were still included in total arrears of revenue.

Customs informed that the LSD had advised for "No further action" on 26 April 2019. However, the COR has been kept in abeyance as the Revenue Department has also raised an assessment on the company related to the same issue. The assessment is before the ARC and will be heard in March 2020.

(iii) In October 2016, a claim was raised against a company under the Inward Processing Scheme for importation of raw materials in 2013 and 2014. However, the raw materials were not used in the production of finished goods, in breach of conditions of the Scheme.

Furthermore, the company provided a Security Bond of Rs 1,400,000 to cover the amount of exempted duties and taxes. In October 2016, when Customs was contemplating to recover the amount of exempted duties and taxes through encashment of the Security Bond, it had already expired on 20 August 2015 and had not been renewed.

Since 2017, the LSD has informed that the company did not have any bank account and did not hold any asset. As at November 2019, no decision was taken and the case was still at LSD. The arrears of some Rs 4 million were still classified as "Collectible debts" and included in total arrears of revenue.

MRA informed that they are currently in the process of recommending that this debt be written-off.

(iv) At paragraph 3.5.3 of the Audit Report for the financial year ended 30 June 2018, I highlighted that two companies that were dissolved before settlement of their debts had not been reinstated and a "Saisie Conservatoire" on the imported yacht had not been effected, as advised by the AGO in July 2016. The yacht was placed under Customs surveillance since 2012 and the arrears have kept on increasing annually and stood at some Rs 24.6 million, inclusive of penalties and interests as at 30 June 2019. Three years had lapsed and yet the two companies had still not been reinstated. The yacht had remained idle in the Port area for the past seven years. Undue delay to apply a "Saisie Conservatoire" would result in further loss of value of the yacht.

MRA informed that as at 11 September 2019, the matter was still under study at the AGO. Given that the companies had no asset, coupled with the fact that no inscription had been taken on behalf of the MRA, the idea of restoring the two companies does not appear to be a correct one. Customs is currently in the process to recommend that this debt be written-off.

4.6.2 Port Surveillance and Inspection – Lack of Coordination Among Authorities

An audit on the use of CCTV cameras for Port surveillance and supervision of containers in the Examination Bay at Cargo Handling Corporation Limited (CHCL) as well as for unstuffing of imported goods from containers at Freight Stations, revealed a lack of coordination between Customs and CHCL in the upgrading of the CCTV surveillance system.

In 2017, Customs had been working on a CCTV project. However, in 2018, instruction was received from the National Maritime and Harbour Security Committee for Customs, Mauritius Ports Authority (MPA) and CHCL to collaborate in the CCTV project, instead of each coming with its own plan whereby there might be duplication or even triplication of cameras at same locations.

Contrary to instruction received from the National Maritime and Harbour Security Committee, the CHCL upgraded its CCTV surveillance system in the second semester of 2018 without the collaboration of Customs. The latter subsequently decided to install new cameras in areas not covered by those of CHCL and to reach an agreement with CHCL to enable Customs to have control on some of their cameras. However, as at November 2019, the new CCTV cameras were not yet installed and no agreement was signed with CHCL. Customs, therefore, has only viewing access of the images of the 144 cameras belonging to CHCL.

MRA informed that they had several consultations/meetings with MPA and it was agreed for MRA not to make further investments in CCTV cameras as all locations of interest to MRA were covered by the CCTV cameras of CHCL and by the planned installation of CCTV cameras by MPA.

4.6.3 Management of Freeport Zone – Expired Pharmaceutical Products overlying in Freeport Zone

The Freeport Act and the Freeport Regulations 2005 provide for the sale of goods on the local market, issue, transfer, renewal, suspension and revocation of licenses, among others. The Customs Freeport Section is responsible for the overall control of all Freeport goods entering and leaving the Freeport Zones, and follow up of Freeport licences at the seaport and airport.

As at November 2019, the licences of three of the 16 Freeport Operators had expired and had not been renewed.

An audit of the Freeport Zone at Sir Seewoosagur Ramgoolam International Airport revealed the following:

(a) Overlying expired pharmaceutical products

(b) Timely follow up not done

(c) Physical surveys of pharmaceutical products were slow

Overlying Expired Pharmaceutical Products

A large quantity of pharmaceutical products were overlying in the Freeport Zone in the warehouses of two Freeport Operators. As per Customs Management System, the products of the two Operators totalling some 876,000 and 18,000 units had expired over the periods 2010 to 2015 and 2005 to 2011 respectively. As at November 2019, these products were still not disposed of and therefore represented a potential health hazard.

Timely Follow up Not Done

The two Operators did not apply for renewal of their licences which had expired on 22 August 2016 and 12 March 2019 respectively. The licensees had not complied with the Freeport Regulations 2005 whereby they were allowed three months to remove the expired pharmaceutical products from the Freeport Zone. These products were left overlying in the Freeport Zone since expiry of their respective licences. Timely follow up was not done with the two Operators for the disposal of the expired products.

Physical surveys of pharmaceutical products were slow

With the passage of time, the boxes containing the expired products had deteriorated, the labels had faded out and the products had spilled. The physical surveys which were being carried out jointly by Customs and the Freeport Developer were still on-going as at November 2019.

MRA informed that physical surveys of the pharmaceutical products at the two Freeport Operators have been completed on 10 December 2019 and 22 January 2020 respectively. Necessary actions are being taken for disposal of the overlying pharmaceutical products by mid-February 2020.

NAO's Comments

MRA should initiate prompt action for the disposal of the expired pharmaceutical products as they may represent health hazard.

4.7 Valuation Department

4.7.1 LAVIMS Project, Valuation Component - Delay in Project Implementation

The Land Administration, Valuation and Information Management System (LAVIMS) project is designed to modernise land administration by improving access to information among different departments and creating a complete and up to date national Valuation Roll (VR) with details of each property. The project which is under the control of the Ministry of Housing and Lands (MoHL) includes among others three major components, one of which is the Valuation Component, managed by the Valuation Department (VD). The deliverables under the Valuation Component include among others the development of the Valuation Component Software, the production of the VR and the provision of "Personal Digital Assistants" (PDAs).

A review of the implementation of the Valuation Component, as well as the enhancement of the Valuation Module (Component Software) revealed the following:

(a) User Acceptance Testing for Valuation Component not yet signed after eight years

(b) Funds voted for the Production of New Valuation Roll not fully utilized

(c) Delay in Enhancement of Valuation Module

(d) Performance issues still outstanding since 2018

(e) Delay of over one year in the production of VR by the Municipal Council of Quatre Bornes

(f) Property Valuation Bill not yet finalised after one year

User Acceptance Testing for Valuation Component Not Signed Off

At paragraph 6.4.1 of the Audit Report for the financial year ended 30 June 2018, I reported that the VR was not operational as the Valuation Component had not been signed off. As of December 2019, the User Acceptance Testing (UAT) for the Valuation Component which was carried out in 2011-12 was still not signed off by the VD. The VR delivered by the Contractor did not meet all the requirements and specifications laid down in the Contract signed with the MoHL on 8 October 2010.

Production of a New Valuation Roll - Funds not fully Utilised

Out of a total amount of Rs 33 million budgeted in the financial year 2018-19 for the production of a new VR, the acquisition of IT equipment and software, only Rs 2.95 million were spent by the VD for the procurement of IT equipment.

Included in the amount of Rs 33 million, were Rs 12 million for the acquisition of software which had remained unspent as of 30 June 2019.

The VD informed NAO that the acquisition of software involved several procedures. The approval of Government was obtained on 27 September 2019 and the contract was signed on 6 December 2019.

Delay in Enhancement of the Valuation Module

Subsequent to the go-live of the LAVIMS in 2011, the Contractor submitted several proposals for the enhancement of the Valuation Module.

Proposal by VD - Need for Production of Valuation Roll

According to the proposal submitted by the VD in the context of the budget exercise for the financial year 2018-19, the purpose of the VR for the whole island is to bring equity, fairness and transparency in the property market mainly on Property Taxation System. This involves survey and valuation of some 500,000 immovable properties across the island for the production of a VR to be used for raising revenue by the Registrar General's Department and all Municipal Councils, estimated at some Rs 3.5 billion per annum.

The proposal included enhancements in LAVIMS which would allow Officers of the VD to carry out the survey and assess the market value of properties in a timely and less costly manner.

Delay in Replacement of "Personal Digital Assistants" for Field Data Collection and Enhancement

In June 2015, the Contractor submitted a proposal for alternative devices to be acquired to replace all PDAs for field data collection during site surveys which were long outdated and out of market. 50 tablets for field data collection and for the enhancement of the LAVIMS Project costing Rs 442,000 were purchased only on 27 May 2019, that is, nearly four years later.

Contract for Valuation Module Enhancement - Delay in Award

A contract for the Valuation Module Enhancement for the sum of USD 727,500 (equivalent to some Rs 26.9 million) was awarded to the Contractor on 9 October 2019, that is, one year after submission of the proposal made by the Contractor on 17 October 2018.

The enhancement of the Valuation Module was initially planned to be completed by November 2019. The Contract was however signed on 6 December 2019 and the enhancement had not yet started as of 20 January 2020.

VD informed NAO that the contract was signed only after obtaining all the approvals and reports from the various committees involved in direct procurement procedures.

Contract for Performance Issues and Database Optimisation – Issues still Outstanding

Several representations were made by users of LAVIMS (Valuation Module) concerning access to the LAVIMS Application and slow running of the system since 2018.

A second Contract was awarded to the same Contractor to address Performance Issues and Database Optimisation for USD 70,171 (equivalent to some Rs 2.6 million), exclusive of VAT on the same date as for the contract for Valuation Enhancement Module, that is, 9 October 2019. The Letter of Acceptance was submitted on 15 October 2019 and the Contract was signed on 6 December 2019.

As of 20 January 2020, there was no documentary evidence that the performance issues outstanding since 2018, were duly resolved.

Production of VR by the Municipal Council of Quatre Bornes – Delay in Survey of Properties and Setting Up of Valuation Roll Unit

In March 2018, the Municipal Council of Quatre Bornes (MCQB) was selected as the first Council to prepare the VR on a pilot basis. The timeframe to complete the VR was eight months. The VD was to re-survey and update all properties for the MCQB for the updating of its VR after which the VD would re-survey and update VRs for the other Municipal Councils. A comprehensive up-to-date status report on the survey of properties by VD for the production of the VR for the MCQB was however not available, so that progress achieved could not be assessed.

A Valuation Roll Unit (VRU) to monitor the updating of the VR was set up on 14 January 2020, more than one year after the scheduled date.

Property Valuation Bill not yet finalised

The main objective of the Property Valuation Bill (PVB) is to provide a legal framework for the simplification of the property valuation system and for keeping and maintaining the valuation component in the Digital Cadastral Database kept by the Ministry responsible for the subject of land surveys with a view to promoting transparency and good governance and for related matters.

The PVB was initially to be enacted and proclaimed by November 2018. However, as of December 2019, the PVB had not yet been finalised.

VD informed NAO that it had already submitted a proposal for the PVB. It is the responsibility of the parent Ministry to take the appropriate policy decision.

4.7.2 Valuation of Immovable Properties – Loss of Revenue to Government due to Delay in Alteration of Valuation Lists

According to the Local Government (LG) Regulations promulgated in November 2017, the VD is empowered to ascertain the Net Annual Value for Immovable Properties for the purpose of levying general rate by Municipal Councils. Valuation Orders are raised by the Cadastre Section of the Councils and forwarded to the VD for altering the Valuation Lists kept by the Councils for valuation of Immovable Properties.

Audit revealed delays in the alteration of Valuation Lists which might result in significant loss of revenue to Government and Municipal Councils.

Alteration of Valuation Lists

During the period 2011 to 2015, the VD issued proposals for alterations of Valuation Lists to ratepayers under the LG Act 1989. However, these were kept in abeyance following the LG Regulations 2017 and the Valuation Lists were not amended. In October 2018, following the Attorney General Office's advice, it was agreed that these Lists have to be amended with the coming into operation of these Regulations.

Outstanding Rating Cases and Loss of Revenue to Government

There were 17,358 rating cases outstanding as of 15 May 2019. The backlog was to be completed over a period of six months. The Municipal Councils were requested to submit information for the assessment of properties in July 2019, more than eight months after obtaining the AGO's advice. A Work Plan showing the dates of start and end of the rating exercise was not prepared for monitoring purposes. Progress Reports were also not available at the VD, therefore, progress achieved could not be assessed.

Given that the Valuation Lists at the Municipal Councils in respect of ratepayers/owners have not been amended by the VD since 2011, the General Rates on immovable properties pertaining to the years 2011 to 2018 were not updated accordingly. Hence, any delay in the assessment of immovable properties by the VD would entail significant loss of revenue to the Councils and the Government.

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4.8 Corporate and Business Registration Department

4.8.1 Revenue Management - Weaknesses in Recording and Recovery Procedures

At paragraphs 3.9 and 3.10 of the Audit Report for the financial year ended 30 June 2018, I reported, among others, that:

- The completeness and accuracy of revenue collected at the end of a particular financial year could not be ascertained because the total amount of revenue collected as per the Corporate Business Registration Information System (CBRIS) report differed from that of the Treasury Records (TR), different rates of exchange used and overpaid fees not updated in CBRIS.

  The reports generated from CBRIS could also not be relied upon due to deposits wrongly accounted twice, and large gaps detected in the receipts issued.

- Recovery of arrears was slow and the Department was relying solely on the issue of reminders and on compounding exercises. The decrease in arrears of revenue since January 2013 was mainly due to the write off of significant amount of arrears.

Audit of revenue for 2018-19 revealed that there has not been much improvement as the Corporate and Business Registration Department has still not yet resolved the above mentioned shortcomings as explained hereunder:

Revenue Collection

As per 'Miscellaneous Reports' in CBRIS, collection of revenue during 2018-19 amounted to some Rs 391.5 million, made up of Rs 348.7 million and some US $ 1.3 million. The completeness and accuracy of the total revenue collected could not be ascertained due to:

- *Difference in amounts*. As per CBRIS and TR, the revenue collected during 2018-19 for Company License, Fines and Lodging & Others totalled some Rs 228.4 million and Rs 228.9 million respectively.

- *Different Rate of Exchange used.* Receipts in US $ were converted into Mauritian Rupees according to the Bank of Mauritius' Indicative Exchange Rate that prevailed on the day particular amount was received by the Accountant General. However, these payments were credited to revenue in CBRIS on a monthly basis at the average monthly rate of exchange in CBRIS.

- *Refunds for Overpaid Fees.* As at 30 June 2019, refunds of an amount of some Rs 1.2 million, representing overpaid fees by debtors, effected through the Treasury Accounting System, were not recorded/updated in the respective debtor's account in CBRIS.

- *Deposits Accounts.* Deposits of Rs 133.5 million and US $ 625,000 were wrongly accounted twice as Revenue in CBRIS. Receipts from Companies are initially credited to the Deposit Account, and at the same time posted as revenue in CBRIS. Subsequently, the amounts are transferred from the Deposit Account to again posted to relevant revenue items in CIBRIS.

- *Reports from CBRIS.* Other reports generated from CBRIS were not reliable given that the revenue of Rs 348.7 million and US $ 1,226,986 collected under different payment modes did not tally with reports of the summary total of Rs 345.6 million and US $ 1,225,426 respectively. There were differences of Rs 3.1 million and US $ 1,560 as at 30 June 2019.

- *E-Payments*. Revenue received through e-Payments was also not reconciled with the daily list of e-Payments received from the Accountant General.

- *Receipts Issued.* There was a difference of some 92,000 in the number of receipts issued as per the 'Daily Cash and e-Payment' report and the 'Total revenue collected for a specified period' report.

Procedures for accounting, recording and updating amounts of registration and other fees collected in the CBRIS need to be reviewed so that reports generated from the System are complete, accurate and reliable.

The Department informed NAO that:

- The matter was taken at the level of a Committee set up by the Ministry of Justice, Human Rights and Institutional Reforms and it was understood that recommendation would be made to address the issue of difference in amounts between CBRIS and TR;

- It is difficult to do a proper reconciliation for Credit Card Payments effected on the Accountant General Platform and CBRIS due to the absence of a common identifier.

- The System Developer is presently making the necessary adjustment regarding reports from CBRIS. The gap has been reduced significantly compared to the last financial year. The Developer has been called upon to look into the matter and to come up with ways to reduce the gap further. The proposal to have two sequences of receipts, one for the Cash Office and another one for the online payments has been effective as from 1 July 2019.

NAO's concern is that reconciliation between records is an important element of financial control and the Department should address the system issues promptly.

Slow Recovery of Arrears

As of 30 June 2019, arrears of revenue reached some Rs 91 million. The Department has not yet implemented other measures for recovery of the outstanding arrears despite that:

- *Recovery of Arrears*. The rate of recovery was slow ranging from 2.5 to 7 per cent of total arrears for the past four financial periods. Of the Rs 79 million due as at 30 June 2018, only Rs 2 million were recovered during financial year 2018-19.

- *Amounts written off*. Arrears of some Rs 12 million were written off in 2018-19. Significant amount of arrears totalling some Rs 431 million was written off over the period 1 January 2013 to 30 June 2019. Moreover, on 10 September 2019, another list of companies with irrecoverable arrears of some Rs 15.5 million was sent to the Director of Internal Control for write off purposes.

- *Long Outstanding Debts*. Arrears up to 30 June 2015 totalling some Rs 37.3 million represented some 41 per cent of total outstanding debts of Rs 91 million as at 30 June 2019.

The Department informed that:

- All avenues have been explored to recover these arrears before having resort to write off.

- Compounding of offences has reduced arrears of revenue significantly and has proved to be an efficient and effective method of collecting revenue.

- The recovery rate is something well beyond its control.

4.8.2 Offences under Companies Act – Fines not imposed and Prosecution not initiated

The Department was relying on compounding exercises for those companies which failed to pay Registration fees/to file Annual Returns and Financial Statements. However, no action was taken for imposing fines and prosecution of those companies or persons who fail to comply with the following Sections of the Companies Act (CA):

Section of CA	**Offences**	**Max Fine Payable Rs**
15	Failure to produce books called for by Registrar	200,000
52	Failure to file with the Registrar a return of allotment	100,000
115	Failure to call an annual meeting of shareholders	200,000
127	Failure to file the statement of particulars of charge.	200,000
142	Failure by the Board to notify the Registrar of any change…	200,000
163	Failure by a company or its directors to appoint a secretary	100,000
189	Failure by a company to change its registered office	200,000
294	Failure to inform the Registrar within 14 days when ceasing	200,000
334	Any director, employee, shareholder who falsifies any records of the company	Rs 1m + 5 yrs imprisonment

A list of companies which have committed the above offences was also not available. Thus, the amount of fines payable could not be determined.

The Department informed that this matter is under consideration.

4.9 Registrar-General's Department

4.9.1 Reassessment of Immovable Properties – Loss of Revenue due to Delays in Re-assessment and Improper Database

A review of records of cases re-assessed revealed the following:

(a) Cases awaiting determination since long

(b) Valuation mechanism not yet reviewed

(c) Loss of Revenue due to delays in re-assessment

(d) Significant cases at the Assessment Review Committee (ARC) since long

(e) MeRS Database was not updated with Reassessed Amounts

Cases Awaiting Determination Since Long

As at 30 June 2019, there were 3,125 cases totalling Rs 143.6 million that were excluded from the debtors figure pending determination by the Objection Unit and Assessment Review Committee as shown in Table 4-29

Table 4-29 Cases excluded from Debtors

	At 30 June 2019		**At 30 June 2018**	
	Number of cases	**Rs million**	**Number of cases**	**Rs million**
Cases of Untraceable debtors	800	52.0	1,969	56.0
Cases at Objection Unit	837	15.3	728	346.6
Cases at Assessment Review Committee	1,488	76.3	2,202	238.9
Total	**3,125**	**143.6**	**4,899**	**641.5**

Source: Registrar General

Registrar-General's Department (RGD) informed NAO that

- Arrears of revenue as at 30 June 2018 amounted to Rs 403.5 million. As at this date some Rs 641.5 million were not considered as arrears as they were still being processed at either the Objection Unit (OU) or Assessment Review Committee (ARC).

- As at 30 June 2019, there were 21 cases of untraceable debtors, 21 cases at Objection Unit and 1,221 cases at Assessment Review Committee amounting to Rs 2.1 million, Rs 1.8 million and Rs 102.4 million respectively.

Valuation mechanism not yet reviewed.

Despite previous Audit Reports, no proper action has yet been taken to review the process of the Valuation mechanism though assurance was given by management to have a Valuation Roll as a tool that would enable the availability of the open market value, prior to registration.

RGD has informed that introduction of a Valuation Roll is a policy decision which has not been formulated yet. Reviewing of the valuation mechanism is hence beyond the authority of the RGD. Information has been received from MOFEPD that the Valuation Roll is still at the development stage.

Loss of Revenue due to Delays in re-assessment

A list of 1,115 cases with additional taxes of some Rs 116 million was retrieved from the MeRP system for the period April 2015 to February 2019. Though objections were lodged against the assessments, they have not been dealt with by the Objection Unit, which is chaired by the Government Valuer, within the prescribed period. There is a risk of loss of revenue for the RGD**.**

RGD has informed that in virtue of Section 28 (Registration Duty Act) which stipulates that "where an objection is not dealt with within the specific period specified in sub-section (3D)(b), the objection shall be considered to have been allowed by the Registrar-General." The responsibility for fixing cases to be heard at the Objection Unit lies on the Chief Government Valuer, RGD has no control on that issue. As per our records, there are only 570 cases amounting to Rs 55.8 million for the period April 2015 to February 2019.

Significant cases at the Assessment Review Committee since long

There were some 2,200 cases, involving claims for additional duties of Rs 238.9 million, at the Assessment Review Committee (ARC) at 30 June 2018. As at 30 June 2019, there were four companies still being heard at the ARC for arrears of Rs 146.7 million. Two of those cases for a total amount of Rs 105 million arose since 2014.

Also, debtors' records for financial year 2018-19 have not been updated to include cases already determined by ARC for five debtors' balances totalling some Rs 455,000.

RGD informed NAO that

- Two companies owing Rs 105 million were still at ARC. The responsibility of scheduling and hearing cases lies on the ARC. As such RGD has no control on that issue.

- All records have been updated as at date

MeRS Database was not Updated with Reassessed Amounts

Out of 1050 cases, no reassessment value was available in the Mauritius e-Registry System (MeRS) for 152 cases with a declared value of Rs 978.3 million though payment has been effected in seven cases.

378 cases with a declared value of Rs 3.1 billion were wrongly reassessed downward by a total amount of Rs 946.2 million due to different currencies used in the database.

RGD has informed that for cases where reassessed value was less than declared value, the declared values were considered good. It is only for administrative purposes that the lower value is entered by the Valuation Department.

4.9.2 Arrears of Revenue – Ineffective Recovery of Arrears and Lack of Financial Control

Arrears of Revenue remain a high risk area for the RGD due to a significant number of defaulting debtors. As at 30 June 2019, Rs 350.4 million were reported as arrears to the Accountant General. This included Registration Duty, Land Transfer Tax and Leasehold Right Tax of Rs 307.3 million, that is, 88 per cent of the total.

Past four years review. There has not been much improvement in the recovery of debtors over the past four financial years. Of Rs 440 million due at 1 January 2015, there were new debtors for Rs 388 million arising from January 2015 to June 2019. Only Rs 154 million were recovered or an annual average of Rs 34.2 million. The debtors balances were reduced by Rs 325 million representing Write off and Adjustments.

High Value Debtors. As at 30 June 2019, there were 16 companies and 11 individuals who owed a total amount of Rs 72.9 million to RGD. There was often no evidence of reminders sent to these debtors to recover those outstanding debts. Among those arrears, was one amounting to Rs 2.0 million which was due since June 1991 that is, nearly over 28 years.

RGD informed NAO that

- Cases of two companies, owing additional duties of Rs 4.6 million, have been at the Supreme Court between 2013 and 2014.
- Service of Contrainte was served onto one company, owing additional duties of Rs 4.4 million, since 2014.
- No service of Contrainte could be served between 2007 and 2013 onto six companies owing additional duties totalling Rs 12.5 million.
- Two companies, owing additional duties of Rs 1.1 million, between 2010 and 2013 have been under receivership.
- Additional duties of Rs 1 million owed by one company since 1998 has become time barred.
- Two companies, owing additional duties of Rs 2.6 million, between 1984 and 2002, have been reported as defunct and dormant years back.

Recovery of arrears by the Mauritius Revenue Authority (MRA). As stated in our NAO's previous report, pursuant to the S(30)b of the Finance (Miscellaneous Provisions) Act 2016, 220 debtors owing duty or tax exceeding Rs 100,000 and totalling Rs 79.8 million were transferred to MRA in March 2017. In July 2019, another list of 11 debtors exceeding Rs 1 million and totalling Rs 208 million was transferred to MRA. RGD has been informed by the MRA on 1 August 2019, that the latter was not ready to enforce the collection of arrears due to several issues including the development of a relevant IT system. The status of the above debtors was not known.

RGD has informed that the amount of Rs 208 million and Rs 79.8 million referred to the MRA, are still included in the arrears of revenue figures as the recovery of these arrears has not yet been effected by the MRA.

Absence of financial controls. The debtors figures as at 30 June 2019 were provided by the Registration Officers. There was no evidence of any financial control being exercised by the Finance Section.

RGD informed NAO that

- Given that at the RGD the operations are automated, the amount due, amount paid and the balance can be viewed in the Module of the Finance Section.

- In view of the technical nature of the work, management of arrears of revenue has to be done by the staff of Valuation Section of the RGD.

- List of debtors prior to 2015 is available in an excel sheet and from 2015 onwards such list is in the MeRS

- The report showing arrears of revenue is generated by the MeRS but it is under review due to lack of certain information.

Debtors 2018-19. At paragraph 3.11.1 of the 2017-18 Audit Report, it was reported that no details were available for negative debtors adjustments of Rs 71 million and for debtors write off of Rs 14.6 million.

A sum of Rs 404 million was due at 1 July 2018 and new debtors of Rs 28 million arose during 2018-19, while collections totalled Rs 34 million and adjustments/write offs totalled Rs 48 million. No listing was available for adjustments/write offs of Rs 42.3 million. For adjustments totalling Rs 4.3 million, 12 cases totalling some Rs 606,000 were not in the debtors list at 30 June 2018 and 30 June 2019 but debtors figure were being revised downwards.

The Movement of Arrears of Revenue for the period 2015-16 to 30 June 2019 is shown in Table 4-30

Table 4-30 Movement of Arrears of Revenue

	2015/16 Rs million	**2016/17 Rs million**	**2017/18 Rs million**	**2018/19 Rs million**	**Total Rs million**
Balance 1 Jan/1July	440	359	369	404	440
Less Adjustment to Debits	135	28	71	47	281
Less Write Off	29	-	15	1	44
Add Penalty	-	-	0	-	0
Less Collections	30	40	49	34	154
Sub Total	***246***	***291***	***235***	***322***	***(38)***
New Debtors	113	78	169	28	388
Balance 31 Dec/30 June	***359***	***369***	***404***	***350***	***350***

Source: Statement Accts F.258 A and Audit Report

RGD informed NAO that

- In December 2018, due to a bug in the system, debts were moved to arrears before determination (28 days after notice was issued). Corrective action was taken, but debts accounted as arrears prematurely remained in arrears. Hence adjustments appeared in the arrears as and when a case was determined.

- Adjustment is a necessary step to reflect the real amount due as the initial claims are subject to reviews by Objection Unit, Assessment Review Committee, Supreme Court or the Privy Council.

- Write-off of debts are duly approved by Internal Control in exceptional cases, for example death of party without heirs.

- Debtors are allowed to sign an agreement to pay in six monthly installments. It is only at the expiry of the six months' delay, that the debt is moved to arrears if payment is still pending.

NAO is of the view that further delay to develop a proper Valuation Roll or put in place an alternative appropriate mechanism would perpetuate the ongoing lengthy reassessment processes and the inherent inefficient and ineffective debt recovery mechanism.

Matters Arising From Audit Report 2017-18

4.9.3 Revenue Collection – Inadequate Control

Audit of the financial records of the RGD revealed the following:

a) Short remittances of collections not yet recovered
b) Deficiency in accounting for Revenue Collection

Short Remittances of Collections Not Yet Recovered

At paragraph 3.11 of the 2017-18 Audit Report, it was reported that collections of Rs 398,700 were short remitted between April and August 2017 by a Cashier whereby 25 receipts were altered. The officer was transferred to another Ministry in October 2017. In September 2019, that is more than two years later, the amount short remitted to Government has not been refunded.

RGD informed NAO that

- In August 2019. the Police Department had informed that, after an investigation and enquiry, the officer has been arrested under the offence of "Embezzlement by Person in Receipt of Wages".

- In December 2019, the Ministry of Finance, Economic Planning and Development (MOFEPD) informed the Department that Financial Management Manual/ financial instructions only provide for circumstances whereby an Advance Account should be opened in the name of an officer, but does not make provision to impose immediate recovery from that officer.

- On 27 January 2020, the State Law Office, has advised the Department to await for the outcome of the criminal proceedings before taking action against the Officer, disciplinary or otherwise, including the recouping of the sum of Rs 398,700 that he had allegedly embezzled.

  The Department has been informed that as at date the case is still under enquiry at the level of the Police Department.

Deficiency in Accounting for Revenue Collection

There was a difference between the amount reported by the Treasury Accounting System (TAS) and the cash book of the Mauritius e-Registry System (MeRS). This was mainly due to some revenues collected by RGD in foreign currencies being recorded in the cash book of MeRS without being converted to Mauritian Rupees. No corrective action has yet been taken. For instance, for 2018-19, TAS showed collections totalling Rs 6.2 billion for the RGD compared to the cash book of MeRS of Rs 5.6 billion, that is a difference of Rs 0.6 billion.

Despite irregularities committed by a Cashier in 2017 and misappropriation of some Rs 398,700, no reconciliation exercise is being done by the Finance Section with TAS.

For instance, some Rs 26.1 million were collected by other institutions on behalf of RGD whereas the cash book of MeRS showed a total amount of Rs 19.0 million collected.

There were some 19,300 transactions for revenue collections of Rs 370.4 million for which the Tracking Number., Title Number. and Receipt Number were missing.

RGD informed NAO that

- The MeRS does not cater for foreign currency conversion though our legislations provide for collection of revenue in foreign currencies for transactions under specific schemes. However, if required, an enhancement of the MeRS can be considered. A monthly record of amount collected in foreign currencies convertible into Mauritian rupees is kept in Excel Files which can be cross-verified with MeRS records and TAS.

- Reconciliation of the revenue is done with TAS. However, in the absence of a proper return from the institutions collecting the revenue, it becomes difficult to identify some discrepancies.

- With regards to the 19,300 transactions, a receipt number is generated for each payment is made as per a Tracking Number, except for reassessed cases prior to 2015 where payment is made as per a manual voucher indicating the transaction code and payment of duty for making search in records of the RGD.

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5 – DEPUTY PRIME MINISTER'S OFFICE, MINISTRY OF ENERGY AND PUBLIC UTILITIES

5.1 Loan to Wastewater Management Authority for Construction of Wastewater Infrastructure – Arrears Soar up to Rs 723.8 million as at 30 June 2019

Principal amount, interests and penalties accrued on loans disbursed to the Wastewater Management Authority (WMA) in respect of claims issued as at 30 June 2019 totalled some Rs 723.8 million. No reimbursement has ever been effected by the WMA.

In July 2018, the WMA informed the Ministry that it was not in a position to repay the interests on loans granted as its revenue from wastewater charges just covered its operational expenditure. WMA further stated that the customer base, as well as the present tariff applied, was not sufficient to recover the capital investment costs incurred in the implementation of wastewater projects.

Under such circumstances, it is doubtful whether Government would ever be able to recover the amount lent to the WMA.

Government was financing sewerage projects implemented by the WMA as follows:

- prior to January 2013 – through 'Grants';
- from January 2013 to June 2017 – through 'Loans';
- from July 2017 to June 2019 – through 'Loans' and 'Shares and Equity Participation'.

At paragraph 4.1 of the Audit Report for the financial year ended 30 June 2018, I reported that over the period January 2014 to June 2018, some Rs 3.1 billion and some Rs 109 million were disbursed by the Ministry to the WMA as 'Loan' and by way of 'Shares and Equity Participation' respectively. Principal amount, interests and penalties accrued on loans already disbursed in respect of claims issued as at 30 June 2018 totalling some Rs 479.5 million were not paid by the WMA.

During financial year 2018-19, some Rs 179.2 million were disbursed by the Ministry as 'Loan', and some Rs 141 million by way of 'Shares and Equity Participation' to the WMA. As of 30 June 2019, total amounts disbursed as 'Loan' and by way of 'Shares and Equity Participation' were some Rs 3.3 billion and Rs 250 million respectively.

I was informed by the Ministry that

- The WMA Board, at a meeting held in July 2019, approved the setting up of a Committee to review the WMA Act. The Committee is presently working on the amendments to be brought to the Act. It is expected that the proposals for review of the WMA Act will be submitted by end of February 2020. Thereafter, the Ministry will initiate necessary action accordingly.

- The WMA has made proposals to the Ministry to review the tariff for wastewater charges and Free House Connection Policy to increase its revenue. The Waste Water (Licence for Discharge of Industrial Effluent into a Waste Water System) Regulations have been gazetted.

5.2 Bagatelle Dam Project –Two fold increase in Project Cost and Dispute with Contractor not yet settled

A review of the Bagatelle Dam Project revealed the following:

(a) There was a two-fold increase in the project cost.
(b) Several claims and disputes with the Construction Contractor have not yet been settled.
(c) There was an increase in the contract value of the Consultancy Contract from Rs 183.6 million to Rs 228.6 million.
(d) There was delay in the completion of the construction of the Bagatelle Water Treatment Plant.

Moreover, the Final Performance Certificate, which was still outstanding as of mid-November 2018, was issued by the Consultant in June 2019. As for the seepages from the Meanders of the Cascade River, monitoring was ongoing.

5.2.1 Construction Contract – Twofold Increase in Project Cost

As at 31 October 2019, total payments under the Construction Contract reached Rs 6,412 million (including Rs 1,970 million for Cut Off Wall), which was almost twice the initial contract value.

In my previous Audit Reports, I mentioned that the value of the contract for the construction works of the Bagatelle Dam Project awarded to a foreign firm in July 2011 was increased from Rs 3,332 million to Rs 5,654 million in July 2014, due to two major design changes, namely change of the design of the "Spillway" from an "Ogee" type to a "Morning Glory" type, and change in dam foundation from grouting to "Cut Off Wall". In May 2016, the contract value was further increased to Rs 6,120 million, as a result of the increase in quantities of bill items, cost indexation and variation works. A Contingency Sum of Rs 575 million to cover costs of pending claims from the Construction Contractor was also approved.

5.2.2 Claims and Disputes with the Construction Contractor not yet Settled

At paragraph 4.2.2 of the Audit Report for the financial year ended 30 June 2018, mention was made that the Construction Contractor had submitted 28 claims for extension of time and additional costs totalling some Rs 2.7 billion to the Ministry.

It was also mentioned that in June 2017, in an attempt to settle all claims amicably in line with the Construction Contract, the Contractor proposed an amount of Rs 746.9 million (excluding two claims for amounts of Rs 19.8 million and Rs 13 million, already determined by the Consultant) as a final settlement.

In January 2019, the Ministry informed NAO that the Consultant had submitted a proposal for the final settlement of the Contractor's claims at Rs 400.2 million, out of which a sum of Rs 360 million had already been paid by the Ministry. It was also mentioned that though the Contractor did not agree to the amount determined by the Consultant, he has not pursued the matter further with the Ministry since May 2018.

However, in the 'Draft Final Statement' submitted on 20 December 2018, the Contractor had included an amount of some Rs 3,325 million for claims, disputes and value engineering, to which the Consultant disagreed. On 31 July 2019, the Contractor gave notice that a dispute existed and affirmed its intention to find an amicable settlement to the dispute.

As at end of November 2019, the matter was under consideration by the Ministry. Pending the settlement of dispute, the Final Payment Certificate has not been issued by the Contractor to discharge the Ministry of its liabilities for payment under the contract.

The Ministry informed NAO that it is prepared to amicably settle the dispute up to the amount proposed by the Consultant.

5.2.3 Consultancy Contract - Increase in Cost

Following termination of the consultancy contract for the 'Detailed Design and Construction Supervision of the Bagatelle Dam Project' with the first Consultant, in February 2014, a second Consultant was appointed on 25 March 2014 to take over the Consultancy Services Contract for a total amount of Rs 183.6 million.

In May 2016, approval was obtained for an increase in cost of consultancy of the second Consultant from Rs 183.6 million to Rs 226.7 million to cover cost of increased scope of work, extension of the contract for the supervision of construction works from January to July 2017, and additional services in connection with assessment of claims submitted by the Contractor.

On 8 January 2018, the ceiling amount of the contract was further increased to Rs 228.6 million to cater for additional mobilisation of personnel from the Consultant to complete the construction works on site and for the Defect Liability Period.

The final payment was effected in April 2019. As at 30 June 2019, total payments to the second Consultant amounted to Rs 228 million.

5.2.4 Construction of Bagatelle Water Treatment Plant – Delay in Contract Completion

The contract for the Construction of the Bagatelle Water Treatment Plant was awarded to the successful bidder for the sum of Rs 1,024 million on 10 November 2016. The duration of the project was 22 months. The commencement date was 2 February 2017, and the original completion date was scheduled for 1 December 2018.

Due to changes in the implementation schedule, the completion date was extended a first time to 20 February 2019 and further to 23 June 2019. On 12 September 2019, a soft launch of the Treatment Plant was effected pending its full operation.

Following the soft launch, around 25,000 to 30,000 m^3 of water per day were being produced and injected in the pipe network for supply to the regions of Beau Bassin and Rose Hill. Upon completion of the outstanding pipe laying works, the volume of water injected would increase gradually to reach its maximum of 60,000 m^3 per day. The ancillary works were expected to be completed by end of November 2019.

The Ministry informed NAO that the contract for the construction of the Bagatelle Water Treatment Plant is being managed by the Central Water Authority. All ancillary works have been completed, except the replacement of pipelines along Avenue Belle Rose in Quatre Bornes which was expected to be completed by end January 2020 as per the revised programme of work submitted by the Contractor.

5.2.5 Seepages from Cascade River Meanders – Ongoing Monitoring

On 27 May 2017, the Consultant reported that seepages were observed from the Meanders of the Cascade River, mainly from Meander 4. As at end of November 2019, the seepages were being closely monitored at the level of the Water Resources Unit.

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6 – MINISTER MENTOR'S OFFICE, MINISTRY OF DEFENCE AND RODRIGUES

6.1 Subsidy Schemes on Airfare for Rodrigues – Inadequate Checks over Disbursements

Audit of the Subsidy Schemes on Airfare for Rodrigues revealed that the Ministry of Defence and Rodrigues has been relying solely on claims submitted by the airline company to effect payment. There was no evidence of any check by the Ministry, even on a sample basis. A total amount of some Rs 777 million has thus been disbursed since inception of the Schemes in August 2009, including Rs 85 million for 2018-19. There was also no mechanism to ensure that conditions for granting subsidy were satisfied.

The airfares were subsidised by the Government and the airline company in the ratio of 2:1. The subsidised airfare, which was initially a temporary stimulus package to boost the tourism sector in Rodrigues has been renewed over the past 10 years. A seasonal subsidised airfare was introduced as from September 2017 to ensure sustainability of the Schemes.

Payments were effected solely on the basis of monthly claims submitted by the airline company. These claims were not supported by a certified list of passengers. Their accuracy and genuineness could thus not be ascertained. The airline company had informed the Ministry that it would be cumbersome to provide detailed list of passengers.

The Ministry informed that an Officer of the Internal Control Unit would carry out verification in February 2020.

No Memorandum of Understanding (MOU) was signed between the Ministry and the airline company. This would have provided for exchange of information and facilitated verification of claims.

The Ministry informed that an MOU will be formalised by way of a letter to be addressed to the airline company.

6.2 Police Service

6.2.1 Procurement of Uniforms - Poor Planning resulting in Stockout

An audit of procurement of uniforms effected by the Mauritius Police Force (MPF) revealed that the procurement of newly designed shirts for a sum of Rs 29 million delivered to MPF since May 2019 could not be issued to Police Officers due to specifications issues in the procurement of newly designed trousers.

Faced with a risk of stock out of uniforms, the MPF had to have recourse to urgent procurement of trousers and shirts in the existing design for the estimated sum of Rs 15.7 million.

The contract for supply of 65,200 units of newly designed readymade shirts was awarded in December 2018 for the sum of Rs 29 million. These were delivered in May and July 2019.

As of December 2019, these shirts could not be issued as the contract for procurement of newly designed trousers with new corded piping has not yet been awarded. Three tender exercises were carried out in February 2018, July 2018 and March 2019. The first tender was non responsive, and as a result, specifications had to be revised. For the second tender, the bidders did not quote in accordance with requirements, and it was decided to re-launch tenders with revised specifications. In August 2019, the Bid Evaluation Committee recommended for volunteer Police Officers to wear the trousers on a trial basis to check quality of the corded piping supplied by a bidder. As of December 2019, the contract for the newly designed trousers had not yet been awarded.

The above reveals poor planning in the procurement of uniforms due to inaccurate and incomplete specifications which had to be revised with each tender. This may result in further delay in the use of the shirts costing Rs 29 million until finalisation of bid for newly designed trousers.

In September 2019, the Warehousing Unit notified Management of MPF that there was an urgent need for provision of uniforms to Police Officers as the inventories had reached re-order levels, and in some cases there were nil balances.

As a result, the Warehousing Unit requested for procurement of existing designed shirts and trousers for the estimated sum of Rs 15.7 million.

Despite availability of newly designed shirts costing Rs 29 million in the warehouse, an urgent need to buy shirts and trousers in current design for Rs 15.7 million was necessary to cater for Police Officers requirements.

The MPF should take prompt measures to finalise contract for newly designed trousers. Henceforth, it should prepare clear, accurate and complete specifications based on proper market survey.

The MPF informed NAO that it was decided to remove corded piping in the specification of newly designed trousers. Fresh tender for newly designed trousers will be launched and the newly designed uniform is expected to be issued to Police Officers within six months.

6.2.2 Repairs and Maintenance of Vehicles - Inappropriate Procurement Method

An audit of repairs and maintenance costs incurred on vehicles by the Mauritius Police Force (MPF) revealed that the latter had recourse to the direct procurement method in awarding contract for maintenance of vehicles.

In the absence of competitive prices, it could not be ascertained whether the maintenance cost incurred was fair and reasonable.

Since the year 2008, the contract for maintenance of vehicles has been awarded to nine local agents through direct procurement. The same contract has been extended for the ninth time in October 2019.

In 2015, the Procurement Policy Office (PPO) stated that the provision of the services for repairs and periodic servicing of vehicles does not meet any condition required for direct procurement and stated that this procurement method could not be used for maintenance services. In May 2019, the PPO revised its advice given in 2015 to enable the MPF to consider going directly with the local agents in view of the sensible nature of servicing and to conduct competitive bidding exercise for specific repairs.

The MPF spent a sum of Rs 132.1 million on repairs and maintenance costs of vehicles during 2018-19. This figure stood at Rs 117.9 million in 2017-18.

NAO's test checks results of repair files of 26 vehicles are shown in Table 6-1.

Table 6-1 Number of Servicing/Maintenance Cost of Vehicles

Vehicle	Period	Cost of vehicle Rs	No of servicing	Total cost of repairs/ Servicing cost Rs	No Tyres used	Cost of Tyres Rs	Distance covered Km
210RM16	23.06.16 to 06.08.19	1,267,300	39	717,849	29	166,582	227,779
12RM16	22.01.16 to 25.06.19	1,140,000	58	702,899	16	81,596	310,678
226RM17	08.01.18 to 05.08.19	1,410,000	25	367,216	14	101,781	125,163
09RM16	22.01.16 to 24.07.19	1,140,000	55	689,562	22	115,745	299,985
204RM16	23.06.16 to 17.06.19	1,267,300	37	663,070	24	138,879	209,814
216RM16	23.06.16 to 19.08.19	1,267,300	41	707,401	29	145,849	210,983
159RM17	14.11.17 to 02.07.19	930,000	16	208,442	10	50,480	85,630

The NAO is of view that with direct procurement method it cannot be ascertained whether a fair and reasonable price has been obtained. This method has been adopted since the year 2008 and the MPF should find other alternatives. For certain minor repairs, separate bidding exercise may be carried out on a zone-wise basis. For instance, a bidding exercise may be carried out for the northern region to cater for vehicles for that region. Consideration may also be given for certain repairs to be carried out by the current workshop of the Special Mobile Force.

6.2.3 Repairs and Maintenance of Aircrafts and Helicopters – Inadequate Replacement Planning

An audit of the repairs and maintenance costs incurred on aircrafts and helicopters by the Mauritius Police Force (MPF) revealed the following:

(a) Inadequate replacement plan for aircraft. Total maintenance cost of Rs 8.6 million was incurred on Defender aircraft - MPCG 02 during 2016-17 and 2017-18. The aircraft became unserviceable since December 2016, and thus the decision taken by Government for its disposal in November 2018. The maintenance cost also included acquisition of an Air Conditioning System in July 2016 for the sum of £39,827 (or approximately Rs 2.1 million) which could not be used.

(b) Inadequate planning for replacement of a high pressure fuel pump for Dhruv helicopter MPH 07. Pending delivery of a new pump, the life of the existing pump had to be extended causing damage to the engine which had to be repaired for a sum of Rs 12.4 million. This figure included an amount of Rs 1.1 million for rental of another engine during the repairs of the damaged one.

Also, in the absence of tender procedures, it could not be ascertained whether the contract sum of US$ 7.75 million (approximately Rs 270 million) for the mid-life upgrade (MLU) of Dornier aircraft - MPCG 03 was fair and reasonable as no certificate to that effect was obtained.

The contract included purchase of spares for a sum of US$ 2.31 million (approximately Rs 80 million) for a newly installed radar. These spares are presently kept in inventories.

Inadequate Replacement Planning for Aircraft

The maintenance cost incurred on Defender aircraft – MPCG 02 which was in the final stages of its serviceability amounted to Rs 7.2 million and Rs 1.4 million for the financial years 2016-17 and 2017-18 respectively. The aircraft became unserviceable in December 2016 and after nearly two years, in November 2018, Government decided to sell it. As of 31 October 2019, the aircraft was not yet sold.

The maintenance cost also included acquisition of an Air Conditioning System in July 2016 for the sum of £39,827 (or approximately Rs 2.1 million) which could not be used on the aircraft.

NAO is of view that if the MPF had a proper replacement plan, the expected disposal date would have been known and appropriate decision could have been taken on the nature and extent of the maintenance.

Inadequate Planning for Replacement of a High Pressure Pump

The Dhruv Helicopter is fitted with two engines including high pressure fuel pumps with useful life ending in November 2016 and February 2017. It was decided to replace one of these pumps. Pending receipt of the new pump which was to be delivered after expiry date of November 2016, a decision was taken to extend the life of the pump due to be replaced by carrying out pre-extension test.

This process damaged the engine and it was sent to the manufacturer for repairs. In January 2018, a sum of Rs 11.3 million was paid for repairs and installation and another sum of Rs 1.1 million for rental of another engine pending repairs of the damaged one.

NAO is of view that if the MPF had a proper procurement plan for timing of replacement of pressure pumps, it could have avoided the repair cost of Rs 12.4 million.

No evidence certifying the Fairness and Reasonableness of cost of US$ 7.75 million (approximately Rs 270 Million) for MLU of Dornier aircraft

A MLU was carried out on the Dornier aircraft MPCG-03 by the manufacturer in India for the contract sum of US$ 7.75 million (approximately Rs 270 million). No procurement procedures were carried out as it was stated that the MLU had to be effected by the manufacturer itself. Same was undertaken between December 2018 and May 2019. As of October 2019, US$ 1,937,500 (Rs 67.3 million) representing 25 per cent of the contract value were paid.

In the absence of tender procedures, there was no evidence certifying that the contract value for US$ 7.75 million was fair and reasonable.

The sum of US$ 7.75 million included an amount of US$ 2.31 million (approximately Rs 80 million) for the purchase of spares for the newly installed radar to be utilised as and when required.

NAO is of view that buying spares for such amount for a newly installed radar and keeping same in inventory is not reasonable. This may also entail risk of obsolescence.

Matters Arising from Audit Report 2017-18

In the course of audit for 2018-19, I reviewed the matters raised at paragraphs 5.16, 5.17, 5.19 and 5.20 of Audit Report for the financial year ended 30 June 2018. The review has revealed that there has not been satisfactory progress as explained below:

6.2.4 Irregularity in Revenue Collection at Northern District Headquarters

As of November 2018, there was an unexplained difference of Rs 33.2 million representing collections not banked. This included a sum of Rs 10.9 million in respect of receipts issued but not posted in Cash Book. The MPF was first informed of the irregularities in April 2015 and the enquiries were not yet completed.

A Police Officer, acting as Revenue Clerk, was interdicted from duty as from April 2015 and was drawing salary, as well as rent allowance pending finalisation of the case.

As of October 2019:

(a) Additional 139 cheques for a sum of Rs 1.2 million was cleared bringing down the unexplained difference to Rs 32 million;

(b) The interdicted Police Officer was paid salaries and rent allowances for the sums of some Rs 1.3 million and Rs 50,000 respectively.

(c) 54 months after being informed, enquiries have not been completed.

NAO is of view that the time taken to complete the enquiries is unreasonably long.

The MPF should take prompt measures to finalise the case for ultimate Court actions.

The MPF informed NAO that

- The enquiry is ongoing. All receipts and documents pertaining to the issue of Game and Firearm Licences, Certificate of Character and Passport for the stated period are in possession of the Independent Commission Against Corruption which is concurrently enquiring into corruption offences in these shortages.

- On completion of this limb of enquiry a report will be forwarded to Director of Public Prosecution for advice.

6.2.5 No Optimum Use of Crime Occurrence Tracking System (COTS)

The primary objective of COTS was to automate the process of file creation and handling, providing an efficient and effective means of tracking criminal cases and crime occurrences. COTS was not being optimally used. As of October 2018, some Rs 385.3 million were spent on this project. Out of 56 modules/functionalities, only three were used extensively. Movements of files were not recorded electronically through COTS, as well as submission of case files to the respective Prosecutor's Office.

As of October 2019, movements of files at Police Stations as well as submission of case files to the respective Prosecutor's office were still not being fully processed through COTS,. Another objective of COTS was to enhance the monitoring process for Supervising Officers by having an audit trail on status of case files. However, this objective has still not been attained.

The MPF informed NAO that:

- All Police Stations are making entries of cases reported directly on COTS.

- Area Deputy Commissioners of Police hold monthly coordinating and monitoring meetings with Divisional Commanders in their area of responsibility in respect of policing issues and administration which include COTS implementation.

- Training is on-going at the Police IT Unit on COTS usage.

NAO is of view that the MPF should expedite the operationalisation of COTS so as to obtain maximum benefits therefrom.

6.2.6 Weaknesses in the Procurement System

Inaccurate, out-of-date and incomplete specifications were noted in several procurement exercises which led to several bids being cancelled more than once. This resulted in delays in procurement of goods, increase in administration cost and non-availability of items for users.

A review carried out in 2018-19 on some procurement exercises revealed that the MPF was still having the same procurement issues as explained above.

NAO is of view that the MPF should review its procurement process.

The MPF informed NAO that procurement of goods and services is a dynamic process when drawing specifications, calculating cost estimate, carrying market surveys and looking for potential bidders. MPF is also constantly searching for all possible means and solution in order to reduce the rate of cancellation of bid exercise.

6.2.7 Newly Acquired Remotely Operated Vehicle (ROV) Never Utilised

ROV was meant to be used by the Explosive Handling Unit of the Special Mobile Force (SMF) with a view to minimising direct manual involvement and intervention for disposal of explosives. ROV was acquired in 2014-15 for the sum of Rs 14.3 million and could not be used since its acquisition due to several operational defects.

As of October 2019, five years after acquisition of the vehicle, ROV could still not be used due to defects and was lying idle at the Special Mobile Force (SMF). As a result, the Explosive Handling Unit of the SMF had to perform 23 manual interventions relating to bomb threats, with risk of injuries or fatalities.

A sum of Rs 12.9 million, after deducting liquidated damages of Rs 1.4 million, was paid out of public funds for an asset which is defective. In June 2018, the Attorney-General's Office advised appointment of an Arbitrator, and as of 31 October 2019, the case has not yet been finalised.

6.3 Prison Service

6.3.1 Embezzlement of Funds – Advance Account of Rs 1.2 million not cleared

A case of embezzlement of funds of some Rs 1.2 million at Petit Verger Prison was reported in July 2013 and concerned collections of detainees' earnings and private cash and operation of imprest, that occurred from March 2012 to June 2013. The Prison Officer was interdicted with effect from 30 July 2013 and sentenced by the Court on 13 June 2018.

At paragraph 5.25 of the Audit Report for the financial year ended 30 June 2018, I reported that an Advance Account was opened in the name of the Prison Officer who was dismissed from the service with effect from 13 June 2018. As of 30 June 2019, the Advance Account of Rs 1.2 million in respect of the embezzlement of funds has not been cleared.

Prison Service (PS) stated that on 8 July and 9 August 2019, the Attorney-General's Office (AGO) was requested to give updates on this issue. A reminder is being issued.

6.3.2 Detainees' Cash – Absence of Control resulting in Misappropriation

Money deposited by detainees' relatives and earnings derived by prisoners were credited in a Deposit Account. The amounts deposited were used for the purchase of goods on behalf of detainees at their requests. The requests were processed by the Earnings Section of each prison. Goods were mainly supplied by a Contractor and upon issue to detainees, the cost of such goods was deducted from the respective detainee's individual account and the supplier was thereafter paid out of the Deposit Account. The detainee, on release, was refunded any balance of cash outstanding held on his account through Imprest Accounts.

As of 30 June 2019, some Rs 1.3 million in the Deposit Account in respect of "Detainees Private Cash/Earnings" was insufficient to cater for all the liabilities. This has been attributed to misappropriation and malpractices in its operation.

Imprest not operated as per Financial Instructions Leading to Misappropriation of Funds

An imprest is an allocation of funds to individual officers to finance expenditure for improved service delivery. A Deputy Commissioner of Prisons was authorised to issue sub-imprests for a total amount of Rs 412,000 mainly for payments in connection with detainees' expenses from their earnings/private cash. However, the imprests were not operated in accordance with Financial Instructions as:

- Payments were made to 13 "sub-imprest holders" on 6 July 2018 although sub-imprest warrants were not seen issued.

- 12 sub-imprests issued which ranged from Rs 10,000 to Rs 90,000 were not operated through bank accounts nor was the prior approval of the Accountant General sought.

  PS stated that it is more cost effective to keep money in safe as imprest is used up rapidly.

- The main imprest holder responsible for authorising issue of sub-imprest was not apprised of change in imprest holders made during the financial year 2018-19 on seven occasions.

- A scrutiny of vouchers at the start of financial years 2018-19 and 2019-20 showed substantial amount of payments to detainees on release being effected prior to the date of the receipt of imprest amount. At the start of financial years, cash collected from fine and costs was used pending the issue of new imprest.

Negative Balance in Deposit Account

The Deposit Account as at 1 July 2018 stood at negative Rs 1.5 million. In September 2018 the Commissioner of Prisons was informed of "misappropriation of funds" from the Deposit Account. The negative balance of the Deposit Account was attributed to various weaknesses in internal controls and oversight mechanism in the management of the detainees' private cash:

- Request for purchase of goods and their supply was not promptly recorded in the respective Detainee's Individual Account and these records were not verified by a senior officer.

- Consolidated list of all requests and distributions of goods to detainees were not prepared and verified with available records.

- Availability of funds in the respective Detainee's Account was not always verified prior to acquisition and issue of goods.

The National Audit Office (NAO) was informed that instructions have been issued for proper management of Detainees Earnings and processes.

Malpractices noted in Claims

Malpractices noted in the claims for replenishment of imprest for detainees' earnings pertaining to one Prison were reported to the Police Service. Signatures of detainees in Deposit Repaid Forms for December 2018 did not correspond with those in May 2019. As of November 2019, the outcome of the Police enquiry was not known.

Internal Audit reveals Loopholes in the Monitoring of Deposit Account/Detainees Private Cash

In February 2019, the Commissioner of Prisons requested the Internal Control Unit to carry out an examination of the process for replenishment of Imprest Accounts for payment to the supplier. Internal Audit concluded loopholes in the monitoring of detainees' private cash, incomplete records and even signatures that might have been falsified.

The PS informed that remedial action has been taken.

Implementation of a New Framework

In August 2019, the Ministry of Finance and Economic Development proposed a new framework for the proper management of the detainees' private cash to be implemented by the PS. However, the PS had not been able to reconcile figures from the Finance Section with the total balances available as per detainees' cards (individual account) for all institutions as no returns were submitted to the Finance Section.

Advance Account to cater for Outstanding Claims

In July 2019, an Advance Account for the sum of some Rs 4 million was opened in the name of the Commissioner of Prisons to settle outstanding payments.

Concluding Remarks

The NAO is of the view that the malpractice has been the result of a serious lapse in financial control and a lack of oversight on the management of the detainees' money. This had also escaped the attention of officers of the Internal Control Cadre.

6.3.3 Assets Management – Security Equipment not Fully Operational due to Poor Maintenance

The Eastern High Security Prison (EHSP) was constructed in 2013 at a cost of Rs 2 billion. It was equipped with modern equipment including Close Circuit Television (CCTV) system at a cost of Rs 63 million, which was under a five year maintenance contract up to December 2020 for a total amount of Rs 21.85 million.

At paragraph 5.21 of the Audit Report for the year ended 30 June 2018, I reported on cameras continuously not displaying images since commissioning, in spite of maintenance and repairs of the system. Payment of some Rs 1 million, representing the balance of 50 per cent of the contract amount for repair works effected during 2017, was withheld pending satisfactory working condition of the CCTV system. The CCTV was last serviced by the Contractor in March 2018. The Contractor submitted another quotation of Rs 2.3 million in February/March 2018 for new faulty items. The quotation was not approved by the PS and the cameras were repaired in-house.

As of December 2019, the system had remained without servicing by the Contractor for a period of nearly two years and some 250 of the 544 cameras were not operational thus compromising security at the prison.

Maintenance Contract – Contractor denied access

The PS contemplated the termination of the maintenance contract due to unsatisfactory performance and the advice of the AGO was sought in July 2018, as there was no exit clause in the agreement. Access to EHSP was denied to the Contractor since August 2018. As of December 2019, the issue of termination of maintenance contract was still not determined.

PS informed that the AGO had in May 2019, advised that the Contractor be allowed access to the Prison for maintenance.

6.3.4 Security Fence at Richelieu Open Prison - Delay in Construction

As of November 2019, construction of a security fence at the Richelieu Open Prison (ROP) had not started, two years after a decision was taken for its erection. Materials for the fencing procured at a cost of some Rs 2 million in June 2019, were still lying in stores. Fencing was not as per specifications and was procured in excess of requirement. The rigid fencing procured was only 2.05 metres high contrary to the decision to erect one of three metres high.

PS informed that three metres high rigid fencing was not available on the local market. Therefore, tender was launched for panel fencing ranging from 1.8 to 2.5 metres.

Need for Security Fencing

The need for the construction of a new fence was considered urgent after the abscond of a detainee on 3 June 2017 and the intrusion of an individual to deliver prohibited articles. The PS proposed to erect a rigid fencing of three metres high over one metre high block and with coil wire of 1.5 metre bordering the fencing.

Procurement of Panel Fence and Accessories - Non Compliance with Specifications and procurement in excess of Requirement

In June 2019, Rs 1.48 million were disbursed for the procurement of panel fence of 2.05 metres high together with accessories, delivered at the PS. However, the contract was awarded to a non-responsive bidder, as the bid submitted did not comply with several specifications regarding among others, delivery period and type of materials.

NAO was informed that the contract was awarded to the lowest and most responsive bidder. Deviation in delivery period was considered reasonable by the Bid Evaluation Committee (BEC). Deviation in type of material was considered acceptable by the BEC.

Materials for the fence were procured in excess of requirement for the works which were to cover a distance of some 500 metres only. As such, materials costing some Rs 650,000 were procured in excess of requirement.

PS stated that the remaining materials will be used for the second phase which shall cover other perimeter of the institution.

During a site visit effected on 18 November 2019 by Audit at the ROP, it was observed that the panel fence and accessories which were received in June 2019, were still in stores. Other materials such as aggregates and iron bars procured for the project in June 2019 at a cost of more than Rs 400,000 were also not used.

It was only in November 2019, that is, after more than two years that construction of the security fence had started.

NAO was informed that works are effected priority wise.

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7 – VICE-PRIME MINISTER'S OFFICE, MINISTRY OF LOCAL GOVERNMENT AND OUTER ISLANDS

7.1 Grant in Aid to Local Authorities- Grant Formula not Prescribed

The Local Government Act provides that a grant should be paid to all Local Authorities (LAs) according to such formula as may be prescribed. For the years 2017-18 and 2018-19, the Ministry has disbursed over Rs 3 billion annually as Grant in Aid (GIA) to LAs. Since 2012, three attempts were made to develop a GIA formula that would ensure a fair and equitable distribution of grants among LAs. Two were undertaken by the International Monetary Fund and one by the Ministry itself. Up to now, a grant formula has still not been prescribed in an enactment, that is, in any Act, regulation, rule, Proclamation, or Order.

The percentage increase over previous year allowed to the Municipal Councils (MCs) ranged from one and seven per cent, and one and five per cent for 2017-18 and 2018-19 respectively, while for District Councils (DCs) it ranged between one and 20 per cent, and one and 16 per cent for the two fiscal years.

The Ministry explained that specificities of the MCs and DCs are quite different and that two different formulae should be contemplated.

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7.2 Mauritius Fire and Rescue Services

7.2.1 Construction of Rose Belle Fire Station - Lapses in Project Management

Audit of the project for the construction of the Rose Belle Fire Station revealed the following shortcomings:

(a) Non compliance with conditions of the Bid Document;

(b) Delay in the Project execution; and

(c) Works subcontracted by the Contractor without proper approval.

The Contract for the construction of a new Fire Station at Rose Belle was awarded under the Margin of Preference Scheme to a private Contractor on 13 June 2017, for the bid amount of Rs 57.5 million, inclusive of a contingency sum of Rs 2.3 million.

The Project comprised, among others, a two storey building in reinforced concrete of some 1,600 square meters, boundary walls, plumbing and electrical works. The Project execution was managed by the Ministry of Public Infrastructure and Land Transport (The Project Administrator).

The start date of the contract was 14 November 2017 and the intended completion date was 540 calendar days from the start date, that is, on 7 May 2019. The revised completion date was 29 July 2019.

As of October 2019, the construction was still in progress. Payments to the Contractor up to October 2019 amounted to some Rs 25.8 million and liquidated damages of some Rs 1.9 million had already been charged for 62 days of delay.

The following had been noted on the project execution as of November 2019:

(i) *Progress of Works:* The Contractor was 18 weeks behind schedule and nearly 40 per cent of contract works remained to be completed. The Contractor had yet to submit a revised programme of work showing how it intended to complete the outstanding works.

(ii) *Quality of Works:* The quality of work, in particular the rendering works at the façade of the building and the construction of the Appliance Bay, was not satisfactory. A special retention of Rs 150,000 was applied against value of works certified and would be released on completion of remedial works.

(iii) *Subcontracted Works:* Contrary to the General Conditions of Contract, the Contractor did not seek prior approval of the Project Administrator and the Mauritius Fire and Rescue Services (MFRS) before subcontracting works under the contract. Works undertaken by the Sub-contractor were found not to be of the required standard. The Project Administrator was of the view that the Sub-contractor lacked the capacity to undertake such works. The Contractor was instructed to remedy works conducted by the Sub-contractor.

(iv) *10 per cent Margin of Preference Scheme:* In July 2017, given that the Contractor had benefited from the aforesaid Scheme, the Central Procurement Board directed MFRS to put in place appropriate control mechanism to ensure that the Contractor employs 80 per cent or more local manpower for the execution of works under the contract. Also, should the Contractor fail in its obligation to employ local manpower, MFRS has to report same to the Procurement Policy Office for appropriate action. No such control mechanism was put in place by MFRS.

The Department has informed NAO that:

- *Progress of Works*: The Contractor had increased the rate of works on site and that 90 per cent of the Project had been completed as of January 2020. The project was expected to be completed by mid February 2020.

- *Quality of Works*: The Contractor had made good 80 per cent of the defective works and the remaining snags were still to be attended.

- *10 per cent Margin of Preference Scheme*: From observations made on site meetings supervision, it was found that the majority of workers were from local labour force.

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8 - MINISTRY OF FOREIGN AFFAIRS, REGIONAL INTEGRATION AND INTERNATIONAL TRADE

8.1 Construction of Residences, Upgrading of Amenities/Services and Enhancement of Security System in New Delhi - Delay in Implementation of Project due to Procurement Issues

Funds to the tune of Rs 19.5 million, Rs 22.7 million and Rs 22 million for the construction of the High Commissioner's and Home Based Staff residences in New Delhi, the upgrading of amenities/services and the enhancement of the security system at the Chancery, were provided in the budget of the Ministry in 2016-17, 2017-18 and 2018-19 respectively.

These funds had been unnecessarily tied up as none of the projects had materialised. As of 30 June 2019, no expenditure had been incurred on any of these projects.

Table 8-1 below shows the amounts that had been provided for since the year 2016-17.

Table 8-1 Amounts budgeted for the implementation of projects in New Delhi

	2016-17 Rs	**2017-18 Rs**	**2018-19 Rs**
Construction of High Commissioner's/Home Based Staff Residences	2,500,000	11,700,000	8,000,000
Upgrading of amenities/services	7,000,000	3,000,000	6,000,000
Enhancement of security system	10,000,000	8,000,000	8,000,000
Total	**19,500,000**	**22,700,000**	**22,000,000**

8.1.1 High Commissioner's and Home Based Staff Residences

An amount of Rs 2.5 million was initially provided in 2016-17 to kick-start the project for the construction of the High Commissioner's and Home Based Staff residences, with project value of Rs 26.3 million. Amounts of Rs 11.7 million and Rs 8 million were also provided for in 2017-18 and 2018-19 respectively.

There were delays in the implementation of the project. I was informed by the Ministry that reasons thereof were that institutional difficulties were encountered due to the fact that it had been launching tenders for construction projects on the basis of domestic procurement legislations.

In September 2018, bids for the selection of a Global Consultant for the design, preparation of works bidding document and supervision of work were launched with closing date of 20 December 2018, using the restricted method of procurement. A pre-bid meeting was held in New Delhi on 13 November 2018 with six pre-selected bidders. However, as of the closing date, none of them had submitted their bids.

During the Departmental Bid Committee (DBC) meeting at the Ministry held on 20 February 2019, it was proposed that consideration be given for the bid to be launched locally and a joint venture be made with overseas firms in India for the project. However, this course of action was considered not advisable as it would imply cost impediments and legal implications, such as obtention of works permits and residence permits.

8.1.2 Upgrading of Amenities/Services and Enhancement of Security System

The projects for the ‘upgrading of amenities/services’ and the ‘enhancement of security system’ have not started. No expenditure has been incurred as of 30 June 2019. It is to be noted that amounts of Rs 17 million, Rs 11 million and Rs 14 million were provided since the year 2016-17 up to 2018-19.

The Ministry found that the above two projects could not be considered in isolation and launched a bidding exercise in May 2019 for consultancy services for the construction of residences, upgrading of amenities/services and enhancement of security system in New Delhi.

On 30 July 2019, the Head of Mission in New Delhi informed the Ministry that out of eight shortlisted companies, two of them had submitted their proposals. It was also stated that the technical proposals would be submitted to the Ministry for evaluation. Same were received in September 2019 and were evaluated by the Bid Evaluation Committee. Unfortunately, they were not fully compliant.

The Ministry informed NAO that a fresh bidding exercise, with revised specifications, would be launched by end of January 2020. The bidding documents have been sent to the Mission in New Delhi on 23 January 2020 for floating of the bids, through an open bidding exercise, in accordance with the provisions of the Public Procurement Act 2006. It is expected that the contract for consultancy services would be awarded by end of March 2020 and that construction would start in March 2021.

8.2 Ex-Indian Ocean Commission (IOC) Secretariat Building in Quatre Bornes - Site left in an abandoned state

The IOC Secretariat was previously housed in a building on a plot of land vested in the Ministry, in Quatre Bornes. Since 2013, the IOC Secretariat has moved to a rented office in Ebene, as it was then contemplated to renovate the building.

The renovation works were estimated by the Ministry of Public Infrastructure and Land Transport (MPI) to be around Rs 13.5 million. Funds to the tune of Rs 5.5 million and Rs 5.8 million were provided in financial years 2016-17 and 2017-18 respectively under the item ‘Upgrading of Office Buildings in Quatre Bornes'.

Subsequently, in early 2018, the Ministry decided not to go ahead with the renovation works but rather to demolish the existing building and to construct a new building which would house several regional organisations. A broad cost estimate of Rs 200 million was made by the Ministry.

Rent paid by the Ministry during financial year 2018-19 to house the organisations, which were earmarked to occupy the new building, is as per Table 8-2 below:

Table 8-2 Rental paid by the Ministry to house three Organisations

International Organizations	**Building**	**Area (sq ft)**	**Monthly Rental Rs**	**Yearly Rental Rs**
IORA	Nexteracom T1	6,845	314,794	3,777,528
IOC	Blue Tower	33,756	1,041,531	12,498,372
Climate Hub	Sterling House	2,870	77,152	925,824
Total			**1,433,477**	**17,201,724**

Based on the above figures, the investment of Rs 200 million for the construction of the new building in Quatre Bornes, would have been recouped within some 11 to 12 years.

The Ministry informed that:

- A request for funds for the construction of a new building was made to MoFED but same was not entertained.
- The MPI was requested, in July 2019, to carry out a full survey and to propose an alternate use of the building.
- A meeting was held with the Architect and Civil Engineer of the Ministry of National Infrastructure and Community Development on 22 January 2020 and the Ministry was informed that a survey was currently being carried out and a proposal and design for the renovation and upgrading of the building, including cost estimate, would be submitted by end of February 2020.
- Once the design and cost estimates are received, MoFED would be requested to provide funds for the project in the next budget.

In the meantime, the site in Quatre Bornes is left in a deplorable state.

The Ministry informed NAO that it will make arrangement for the clearing of the site and cleaning of the building, as well as securing the access to the site.

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9 - MINISTRY OF TECHNOLOGY, COMMUNICATION AND INNOVATION

9.1 Budget Management - Budget of Rs 328.6 million for the financial year 2018-19 not utilised due to lack of proper planning.

The National Assembly approved a total budget of Rs 958 million for the financial year 2018-19 for the Ministry and the Departments operating under its aegis, amongst others the Central Informatics Bureau (CIB) and Central Information Systems Division (CISD). Only Rs 629.4 million have been spent, that is 66 per cent. The underspending may be attributed mainly to a mis-match between project implementation and budgeting.

Actual expenditure of the different units as compared with their budget is shown in Table 9-1 below.

Table 9-1 Budget v/s Actual Expenditure for Year 2018-19

	Budget Rs million	Actual Rs million	Unspent Budget Rs million	Percentage Unspent
Ministry	590.0	378.7	211.3	36
CIB	250.3	150.7	99.6	40
CISD	117.7	100.0	17.7	15
Total	**958.0**	**629.4**	**328.6**	

Source: National Budget and Treasury

An analysis of expenditure under the votes of the Ministry, CIB and CISD revealed the following:

Of 379 funded posts for 2018-19, 77 posts have remained vacant at June 2019, that is 20 per cent of the total.

Significant amount of funds budgeted under project expenditure for the Government on Line Centre, Mauritius Research Council, National Computer Board and Independent Broadcasting Authority (IBA), and also under other items remained unspent as shown in Table 9-2 below:

Table 9-2 Budgeted and Actual Expenditure for Year 2018-19

	Original Budget	Revised Budget	Actual Expenditure	Amount Unspent
	Rs million	**Rs million**	**Rs million**	**Rs million**
Government on Line Centre	191.0	188.5	99.5	89.0
Mauritius Research Council	181.6	181.6	98.0	83.6
National Computer Board	117.9	117.9	61.6	56.3
Independent Broadcasting Authority	10.4	10.4	5.2	5.2
Rental of lines, etc	97.0	97.0	60.2	36.8
Salary	176.5	175.3	152.8	22.5
IT Expenses	34.8	34.8	22.6	12.2
Data Protection Office	7.8	7.8	4.4	3.4
Fees	7.9	7.9	0.1	7.8
Sub Total	**824.9**	**821.2**	**504.4**	**316.8**
Others	133.1	136.8	125	11.8
Gross Total	**958.0**	**958.0**	**629.4**	**328.6**

Source: Treasury Abstract

The Ministry informed NAO that the unspent amount was mainly due to the following:

- non-filling of vacancies
- delay in the implementation of projects under the innovative ICT related schemes
- non-release of grants to IBA because of revenue and bank balance
- changes in specifications, change in mode of procurement, late submission of Performance Security and challenges by unsuccessful bidders
- non conclusive procurement exercises

and it will ensure proper planning and continue the monitoring of expenditure. A monitoring team will meet once every month to oversee the expenditure trends and implementation of projects.

9.2 Data Protection Office – Lack of Efficient Monitoring and Non-Compliance with the Data Protection Act

An audit of the operations of the Data Protection Office (DPO) has revealed that:

(a) value for money is not being obtained from software acquired for Rs 3.2 million; and

(b) the DPO is not maintaining a proper Register of Data Controllers.

9.2.1 *Software not Optimally Used*

As of June 2019, the Ministry had disbursed Rs 3.2 million to a local firm for an application software (Rs.2.8 million) and its maintenance (Rs 0.4 million) since June 2016, excluding costs of hardware and networking and human resources. The system has modules for registration, investigation, finance and reporting and facilities for integration with Government e-Payment Platform, database management system and data sharing with the Companies Business Registration Department.

Value for money is not being obtained from the IT investment and organisational objective to ensure legal compliance is not being met.

The computerised information system has not yet been put to effective use. The e-Payment Module had not been utilised 42 months after it was commissioned. Data migration from the old system to the new computerised system was not yet been completed as at 30 June 2019. Data is not being input in the system for new registration or renewal of a Data Controller. There were gaps in the receipt numbers generated by the system. Listings of backlog files and of debtors balances as at 30 June 2019 could not be produced for audit. Registration certificates were being approved with delays.

The Ministry informed NAO that:

- There were blocking technical issues in the system, which prevented the effective use of the application software. These issues have been addressed and the DPO is taking all necessary action to ensure that the software is used effectively and optimally.

- The computerised information system is being utilised but without the e-Payment Module. The migration is in progress and is expected to be completed by June 2020. Currently, data is being input.

- As at 30 June 2019, there was a backlog of 4,308 files which are readily identifiable for necessary action, such as inputs in the system.

Matters Arising from Previous Audit Report 2017-18

9.3 Management of e-Education Projects - Absence of Proper Coordination

At paragraph 7.3 of the 2017-18 Audit Report, it was mentioned that no National School IT Strategic and Operational Development Plan for the e-Education was available for the management of e-Education Projects. No Memorandum of Understanding (MOU) was signed between the Ministry of Education (MOE) and the Ministry of Technology, Communication and Innovation (MTCI).

As of December 2019, a formal IT Steering Committee had not been set up for the management of e-Education projects jointly by MOE and MTCI.

The Ministry had informed that an MOU would be worked out for all ICT forthcoming projects where other Ministries/Departments are involved whereby roles and responsibilities of each party will be clearly defined. A Committee had been set up to ensure timely implementation of projects in line with the provisions of the contract. A list of all ongoing projects would be drawn up to ensure that the provisions of contract and financial, technical and other aspects are taken care of. The Central Informatics Bureau (CIB) would ensure that technical specifications for projects include the need for user stakeholders to enter into an MOU with clear demarcation of roles and responsibilities for improved project implementation.

The Ministry informed NAO that in the absence of an MOU, there are ongoing meetings among its representatives and those of the MOE.

9.4 The School Net II project - Risk of Nugatory Expenditure of Rs 81.7 million

The School Net II Project is still being exposed to administrative challenges and high risk of nugatory expenditure.

(a) At paragraph 7.4 of the of 2017-18 Audit Report, NAO reported that although 156 sites, or 95 per cent of sites, have been successfully commissioned between August 2016 and October 2018, Secondary Schools have not yet been connected to telecommunication lines for internet access in January 2019. The Ministry had already disbursed Rs 81.7 million to the supplier. In June 2019, the Ministry of Education had not agreed to take over the responsibility for the procurement of connectivity services, and in December 2019, no decision has yet been taken.

(b) No claim for liquidated damages has yet been preferred onto the supplier as of December 2019. This is despite legal advice obtained from the Attorney-General's Office in August 2019 for the Ministry to submit a claim of Rs 12.2 million to the Receiver Manager, the supplier having gone into receivership on 29 January 2019.

(c) The Performance Security of Rs 12.2 million expired in December 2017, but was not renewed thereafter contrary to contractual terms.

In December 2015, the MTCI awarded the contract for the School Net II project to provide high speed connectivity to all Secondary Schools, using the Government Online Centre (GOC) platform, to a private company. One of the main objectives of the School Net II Project for Secondary Schools was to provide students of secondary schools internet access to pedagogical contents hosted at the GOC.

The contract sum comprised the cost of equipment of Rs 88.5 million for 164 sites, and rental of telecommunication lines for two years at Rs 34 million. As of 30 June 2017, payments to the supplier amounted to Rs 81.7 million.

The Ministry informed NAO that as from July 2019, the financial provision for connectivity has been transferred to the budget of the MOE. Following the advice of the Attorney-General's Office, the Ministry initiated discussions with the Receiver Manager of the company with a view to completing the project. A Due Diligence Committee comprising representatives of the CIB, CISD, Accountant General`s Office and Corporate and Business Registration Department, among others, has been set up at the level of the Ministry to study the proposal of the Receiver Manager.

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10 - MINISTRY OF PUBLIC INFRASTRUCTURE AND LAND TRANSPORT

10.1 Land Transport

10.1.1 Construction of New Traffic Centres – Lapses in Project Management and Traffic Centre not operational nine months after completion

The audit of the construction of Traffic Centres at Pointe Aux Sables and Piton for contract amount totalling Rs 87.2 million, revealed the following:

(a) The Traffic Centre at Pointe Aux Sables was not operational since its completion in April 2019 due to access problems; and

(b) Lapses in management of the project 'Traffic Centre at Pointe Aux Sables', mainly regarding the application of liquidated damages clause, insurance policy and supervision of works.

These indicate poor planning and inadequate oversight on management of projects.

Traffic Centre at Pointe Aux Sables not Operational

The contract for the construction of a Traffic Centre at Pointe Aux Sables was awarded in March 2018 for the sum of Rs 50.3 million. The project was completed on 6 April 2019 with a Defects Liability Period of 365 days. As of December 2019, nine months after completion, the Traffic Centre was not operational due to access issues related to the project 'Realignment and Widening of the Pointe Aux Sables Coastal Road' carried out by the Road Development Authority which is due for completion in February 2020.

Defects, if any, become apparent only after a newly constructed infrastructure is used. In general, Defect Liability Period is provided to enable defects not apparent at the date of practical completion to be remedied by the Contractor. In this particular case, a situation might arise where the Traffic Centre becomes operational nearly at end or after the end of Defects Liability Period. Any defect arising after the end of that period would not be remedied by the Contractor.

A sum of Rs 50 million was spent on the construction of the Traffic Centre. NAO is of view that it is unreasonable that it is not being used almost a year after completion.

The Ministry must take prompt measures to ensure that the Traffic Centre becomes operational.

Lapses in Management of the Project 'Traffic Centre at Pointe Aux Sables'

NAO noted the following lapses:

➢ *Inconsistency in the application of Liquidated Damages clause.*

According to the Public Procurement Regulations 2008, where a clause for payment of liquidated damages is provided in the contract, it shall specify the agreed sum to be paid per unit time of delay and the maximum amount due under the liquidated damages clause.

For the Traffic Centre at Piton, the contract value was Rs 37.9 million and the liquidated damage was Rs 40,000 per day with maximum of Rs 2,400,000.

For the Traffic Centre at Pointe Aux Sables, a maximum rate at 10 per cent of contract value of Rs 50.3 million was set. The rate per day was not set contrary to the requirement of Public Procurement Regulations 2008.

- *Insurance Policy*

According to the General Conditions of Contract, the Contractor should provide in joint names of the employer and the contractor insurance cover from start date to end of defects liability period. The project was completed in April 2019 with defects liability period ending in June 2020. However, the insurance policy covered the period 1 April 2018 to 31 January 2019.

- *Additional Works*

There was no evidence that prior approval of the Traffic Management and Road Safety Unit (TMRSU), which was responsible for supervision of works in this project, was obtained for additional works by the Contractor.

- *Supervision of Works*

The construction of Traffic Centre at Piton was supervised by the Technical Office of the Ministry of National Infrastructure and Community Development comprising of an Engineer, Quantity Surveyor and Architect with a defined scope of works for each party. However, for the Traffic Centre at Pointe Aux Sables, the project was supervised by an Engineer of the TMRSU. This could have given rise to project management issues on this project as mentioned above.

NAO is of view that projects of such nature should be supervised by the Technical Office of the Ministry of National Infrastructure and Community Development.

The Ministry informed NAO that:

- With regards to the Traffic Centre not being operational, circumstances were beyond the control of the TRMSU since another Authority namely the Road Development Authority was upgrading the Pointe Aux Sables Road. The Road Development Authority had also allocated a contract for drain works which sustained some delays.

  Alternative routes to the Traffic Centre will be worked out by the Ministry together with the National Land Transport Authority.

- The Contractor has been requested to submit an extended insurance policy to cover the period not covered by his existing policy cover.

- There were inconsistencies in the management of the contract as two separate entities, that is, the Architect Division of the MPI and the TMRSU managed the contract. Henceforth, the Architect Division will monitor the contract of the Ministry.

- Actions are being envisaged and Officers will be trained to avoid recurrence of lapses in project management. Discussions have started with the Civil Service College.

10.1.2 Construction and Installation of Traffic and Road Safety Devices - Recurring Variation Works

An audit of contracts for Construction and Installation of Traffic and Road Safety Devices revealed that variation works were a recurring feature. Variations for a total sum of Rs 114 million were approved for the three contracts awarded up to 2018-19 with a total initial project value of Rs 456.6 million.

For the years 2014-2016, 2017-18 and 2018-19, the project values amounted to Rs 137.7 million, Rs 147.4 million and Rs 171.5 million respectively with variations of Rs 34.4 million, 36.8 million and 42.8 million.

The variations in each of the three contracts represented 25 per cent of original contract value and were approved by the Central Procurement Board.

Scope of Works were not properly defined at design stage. In some cases there were significant differences between actual quantities and those defined in Bills of Quantities (BOQ). For instance, for the Contract 2018-19, the BOQ provided for some 1,500 m^3 and 400 m^3 of 'graded stone base course' and 'supply of regular stone/construction of stone masonry wall' respectively, while actual quantities were some 4,000 m^3 and 3,300 m^3. This resulted in variation of some Rs 22 million.

It would appear that variations due to additional works have become a regular practice rather than the result of unforeseen events. Significant variations may entail a need to find additional funds initially not provided for, cost overruns and delays.

NAO is of the view that proper site surveys should be carried out at design stage of the projects to determine accurate extent of works.

The Ministry of Land Transport and Light Rail informed NAO that they are agreeable that extending contracts implies poor planning, and henceforth, this will not be repeated again. Extension of the contract by 25 per cent had to be done again in 2018-19 enabling works for Metro and Victoria Urban Terminal to be carried out. The Ministry further explained that bidding documents for next year will be prepared well in advance for tenders to be launched on time.

Matters Arising from Audit Report 2017-18

10.1.3 Motor Cycle Driving School – No Legal Obligation to follow Driving Course

At paragraphs 8.1 of the Audit Report for the financial year ended 30 June 2018, I drew attention on the implementation of the National Road Safety Strategy of the Ministry. Driving schools for motor cycles were introduced so as to improve motor cycle riding skills with a view to reducing the number of accidents. However, there was no regulation which required an applicant to compulsorily follow a course in a Motor Cycle Driving School for a driving theory test.

As of November 2019, no regulation had yet been made.

Some Rs 19 million were spent by the Ministry on the project Motor Cycle Driving School. This comprised a sum of Rs 16.5 million paid during 2016-17 and 2017-18 for dispensing driving instructor's course and Rs 2.5 million in 2017-18 for a campaign relating to new procedures for driving tests for two wheelers.

The Ministry of Land Transport and Light Rail informed NAO that currently there are no regulations which require an applicant for a motorcycle driving licence to complete a driver's training course in a Motor Cycle Driving School.

The Ministry further informed that strategy papers are being worked out for Government approval to have a complete reform in the Driver Training and Licensing Scheme for the different types of vehicles, including auto/motor cycles, motor cars and heavy vehicles. The strategy paper for re-engineering the Licensing Scheme of auto/motor cycles is now ready along with relevant pieces for amendments of legislations.

10.2 National Transport Authority

10.2.1 Free Travel Scheme - Contract Terms and Conditions not Reviewed since 2011.

The contract under the Free Travel Scheme was signed by the NTA in January 2011 with bus companies and cooperative societies and was extended in December 2012 until further notice under the same terms and conditions.

During 2018-19, some Rs 1.2 billion were paid to bus companies and cooperative societies including Rs 42.3 million to bus operators in Rodrigues.

Maintaining the same contract over several years, without review of the terms and conditions, may have resulted in expenditure being incurred for services not rendered and which could have been avoided, had the authorities endeavour to take appropriate actions. For instance, computation of free travel subsidy was based on 180 school days. In March 2019, the Attorney-General's Office advised that ‘ it stands to reason that there cannot be any legal obligation to effect payment on days where service may not have been provided on a school day’. The National Land Transport Authority (NLTA) was advised that a specific clause be included in the agreement to exclude payment due to instances such as inclement weather conditions and torrential/heavy rainfall. Despite the advice, the terms and conditions of the contract has remained unchanged.

NAO’s view is that the whole contract should be reviewed. This may necessitate inclusion of new terms and conditions or clarifications of existing terms.

The NLTA informed NAO that:

- there was no need to sign new agreement as the terms and conditions were the same and it is working on new agreements with new terms and conditions after consultations with bus operators and prior approval of the Ministry of Land Transport and Light Rail.

- Regarding payment of free travel subsidy when school services were not provided, it had initiated the Cashless Bus Ticketing Project in June 2019. However, it did not have the expertise to implement the project under the Private Public Partnership basis, and the project would be re-launched afresh with the assistance of a Consultant.

- Request for proposal documents in line with Public Private Partnership Act has been submitted to the Central Procurement Board for vetting.

10.2.2 Contract Bus and Contract Car Licences - Inadequate Control over issue of Licences.

NAO found control weaknesses over the issue of contract bus and contract car licences. Licences were not pre-numbered, and licence numbers and other related information were written manually on specific forms. During 2018-19, revenue of some Rs 29 million were collected from issue of such licences.

With the existing format of licences, there is a risk that such documents may be photocopied or even printed outside the premises of the NLTA resulting in fake licences being in the custody of unauthorised persons. Thus, it was difficult for NAO to ensure completeness of licences issued.

This may also impact on revenue collection with the risk that licences are issued but no revenue is collected. Recently, cases were reported where apparently fake licences had been issued to licensees which did not emanate from NLTA.

NAO's view is that the issue of contract car and contract bus licences should be computerised and pre-numbered.

The NLTA informed NAO that the process to design the new format of licences for contract car and contract bus has been initiated by the IT Section of the NLTA. The new Public Service Licences will be serially numbered and will be of different colours.

10.2.3 Motor Vehicle Licences Scheme - Slow Operation of the On-line payment System

NAO found weaknesses in the operation of the on-line payment system for motor vehicle licences. The project became operational as from 22 November 2018 and according to bidding documents, the proposed system should sustain processing of 1,000 payments per day. However, over a period of seven months up to 30 June 2019, only 174 payments were made on-line. A contract for the development of the system was signed with a service provider on 31 July 2018 for a contract sum of Rs 5.7 million.

The on-line system did not accept payment if a payee had any outstanding balances on his account. Most of the motor vehicle licences payments were made through Mauritius Post Limited (MPL) and District Cash Offices. As these collecting agents were not connected to the Registration and Licencing system of the NLTA, payments were not reflected therein. In fact, there was a backlog of 11 months regarding updating of the system with payments made at the collecting agents. This reflects inadequate planning in the implementation of the online system.

The payment of Rs 5.7 million included supply of handheld mobile devices (tablets) for monitoring purposes by Enforcement Officers. In compliance with bid documents, 200 such tablets were received in January 2019. However, as of August 2019, 117 tablets were still not being utilised.

The NLTA should take prompt measures to clear the backlog of payments not reflected in its system and ensure payments made at collecting agents are automatically uploaded on the on-line system.

The NLTA informed NAO that a letter has been sent to the MPL on a proposed Action Plan to clear the backlog and update the NLTA system.

Regarding the tablets, the NLTA informed NAO that the Mauritius Police Force will not need them for monitoring purpose as they will be provided with the same facility to scan motor vehicle licences disc under the Safe City Project. NLTA is looking into the use of those tablets for other projects.

Matters Arising from Audit Report 2017-18

At paragraphs 8.2 and 8.3 of the Audit Report for the financial year ended 30 June 2018, I drew attention on the following:

10.2.4 Non-compliance with Road Traffic Act/Regulations.

- Holders of road service licence, contract bus and contract car licences did not submit returns as required by the Road Traffic Act.

- Government vehicles and auto cycles were still not examined for roadworthiness by private operators.

- The examination fees of Rs 300 for taxi were not provided for in the Road Traffic Act.

The following were noted during review of the above findings in the course of audit for 2018-19.

- Holders of road service, contract bus and contract car licences were still not submitting returns to the NLTA as required by the Road Traffic Act. The returns should include information such as receipts and expenditure supported by certified copies of vouchers, any acquisition or transfer of assets, and salaries, allowances and conditions of persons in employment.

  The NLTA informed NAO that due to a shortage of staff, this measure has not been implemented. However, proposal for additional staff will be re-iterated in the context of the next budget exercise. In the meantime, it is working on arrangement of resources to comply with the provision of the Section 81A of the Road Traffic Act.

- Government vehicles were still not examined for roadworthiness. No regulations were made for exemptions of such vehicles from examinations.

  The NLTA informed NAO that:

- the Road Traffic Act does not make provision for exemption of Government owned vehicles to be exempted from fitness tests. However, the long standing practice has been for Government-owned vehicles to be exempted from fitness tests.

- The Ministry of Land Transport and Light Rail will shortly seek Government approval regarding the policy decision on Government Vehicles after consultations with the Ministry of Public Service, Administrative and Institutional Reforms and Ministry of Finance, Economic Planning and Development.

- Auto cycles were also not examined by Private Operators for roadworthiness in compliance with Road Traffic Regulations 2016.

  The NLTA informed NAO that the Ministry of Land Transport and Light Rail is working on a memorandum to seek Government approval regarding decision for auto cycles to undergo roadworthiness test in the context of road safety.

- The Road Traffic Regulations 2016 have still not been amended to include the examination fees of Rs 300 per vehicle for taxis claimed by Private Operators. It is not known on what authority such fees were collected.

The NLTA informed NAO that proposals for amendment of the Road Traffic Regulations 2016 to include examination fees for taxis have already been submitted to the Ministry of Land Transport and Light Rail on 30 November 2018. Draft Regulations have been vetted by the State Law Office to include the examination fees of Rs 300 per vehicle for taxis and Government approval is being sought.

10.2.5 Contract with Private Operators not signed

Contract with Private Operators for examination of vehicles at Forest Side, Plaine Lauzun and Laventure Examination Centres has still not been signed some three years after they started operations in November 2016.

Terms and conditions included in the Letter of Comfort issued in June 2016, such as concession period, frequency of tests, prescribed fees and levy needed to be finalised and formalised.

The NLTA informed NAO that necessary policy decisions in relation to examination of auto cycles, Government vehicles, and review of roadworthiness period are required. Government approval is being sought following which the contract will be finalised and signed.

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11 - MINISTRY OF EDUCATION AND HUMAN RESOURCES, TERTIARY EDUCATION AND SCIENTIFIC RESEARCH

11.1 Early Digital Learning Programme – Compliance and Implementation Issues

In 2018-19, Government decided to implement Phase II of the Early Digital Learning Programme (EDLP) project by extending the Tablet Project to Grade 3 pupils of the 276 primary schools. A review of the project revealed the following:

(a) Non-compliance with Public Procurement Act

(b) Implementation issues over the Use of Tablets in Schools

As of August 2019, a total amount of Rs 520 million had been disbursed for the project which was financed jointly by the Government of India (GOI) through a grant of Rs 456 million and the Government of Mauritius (GOM) to the tune of Rs 64 million. Expenditure for Phases I and II amounted to Rs 356 million and Rs 164 million for the supply of 26,800 and 12,880 tablets and associated equipment respectively.

11.1.1 Non-compliance with Public Procurement Act (PPA)

The Memorandum of Understanding (MOU), signed on 14 November 2016 in respect of Phase I of the project, includes a provision for its extensions, amendments and modifications. On 9 August 2018, an Addendum to the MOU for the extension of the EDLP project for Grade 3 (Phase II) was signed between the Ministry and the Indian Project Management Consultant (PMC) for the supply of 12,880 tablets, 480 projectors, 480 projector screens and 960 rack chargers for the total cost of USD 5.8 million.

Prior to that, on 30 April 2018, the Ministry requested the Attorney-General's Office (AGO) to vet the Addendum and on 24 July 2018, a revised Addendum was submitted for vetting before signature. Three days later, on 27 July 2018, the AGO informed the Ministry that it may proceed with the signature of the Addendum subject to Government's approval as well as other necessary clearances for the implementation of the project have been sought and obtained, and the Ministry has complied with the provision of Section 3(1B) of the PPA.

This Section of the PPA provides that the Ministry responsible shall perform due diligence in order to ensure that value for money is obtained. The Act also provides that a report of due diligence and the Ministry's recommendations shall be submitted to the High Powered Committee (HPC) for subsequent approval by Government.

However, a review of the procurement process for the acquisition of the tablets from the Indian PMC revealed that a due diligence report and Ministry's recommendations were not submitted to the HPC. Thus, the procedures, as defined in Section 3(1B) of the PPA, were not complied with by the Ministry although it was recommended by the AGO.

The Ministry informed that the MOU dated 14 November 2016 signed by the GOM and GOI for the implementation of this project makes provisions for a Joint Monitoring Committee to be constituted with the aim of monitoring the implementation of the project, including disbursement of funds. The project is being monitored at high level to ensure value for money.

11.1.2 Implementation Issues over the use of Tablets in Schools

A sample of 40 schools in all four Zones was selected for site visits which were carried out by my Officers from 23 to 30 September 2019. In 14 schools visited, it was found that tablets could not be used due to faulty equipment and projectors not yet installed and in some schools, the tablets were not being optimally used as their distribution to pupils on a daily basis during school days was time consuming.

As of 24 September 2019, testing and commissioning of electrical works for Grade 3 classes were not yet completed in three primary schools and the 17 Rodrigues primary schools. As a result, the tablets and projectors which were delivered since January 2019 had remained idle.

The warranty cost as per the Addendum was USD 223,597 for one year. The delay in finalising electrification works means only a few months are left before expiry of the warranty period.

In view of the significant amount of funds involved in this project, the Ministry should have ensured that the requirements of the PPA and the advice of the AGO is being fully complied with.

The Ministry should provide guidelines to educators for the effective and efficient use of EDLP equipment in class. Also, electrification works should have been properly planned to ensure that all pupils benefit from the same facilities and make optimal use of the tablets.

The Ministry informed NAO that

- procedures on how to report for defective equipment to the four Service Centres have been shared with all schools.
- An educator can optimally make use of the tablets, if time to use is planned with skilful management of the classroom. The Mauritius Institute of Education will lay emphasis on this aspect in teacher trainings.
- Commissioning of electrical works in the 17 Primary Schools in Rodrigues were completed on 9 October 2019. Electrical works were completed progressively and tablets and projectors were used as soon as the electrical works were completed.

11.2 Capital Projects – Delay in Project Implementation due to Procurement Issues

A review of capital projects planned for the financial years 2016-17 to 2018-19 revealed that as at 30 June 2019, construction works on 11 projects for which funds totalling Rs 462 million were provided, have not yet started. Consequently, budgetary provisions had remained unutilised and in some cases were reallocated to other items of expenditure. Projects were delayed due to the following reasons:

(a) *Scope of projects had to be reviewed as bid prices exceeded budget; and*

(b) *Methods of the tendering had to be changed for the projects.*

11.2.1 Scope of projects had to be reviewed as bid prices exceeded budget

The programme of Natation Scolaire which involved the construction of four ‘bassins d’apprentissage’ in four primary schools with project value totalling Rs 116.5 million was launched in the financial year 2017-18. Funds amounting to Rs 20 million and Rs 53 million were provided in the budget estimates of 2017-18 and 2018-19 respectively for the project.

Consultation with the Ministry of Public Infrastructure (MPI) had started since April 2017. Bids were launched in June and July 2018 for three primary schools namely Plaine des Papayes Government School (GS), Melrose GS and P. Soobrayen GS. However, bids were not received for Plaine des Papayes GS and bids prices quoted for the other two schools amounted to some 45 million per project which were substantially above the estimated costs of project and the funds provided in the budget. The bids were subsequently rejected and the procurement process had to start anew for the re-launching of tenders.

The Ministry decided to revise the scope of the project which had to be downsized in accordance with the availability of funds. An amount of Rs 32 million was earmarked for each project as compared to the initial budgeted amount of Rs 20 million. As of 31 October 2019, the procurement procedures had not yet been finalised. Nearly two years after the initiation of the project in 2017, the implementation of the project has still not started.

The Ministry informed that the Quantity Surveyors (QS) are fully involved from the initial stage of any capital project for the preparation of the cost estimates. There is a limited number of bidders for the construction of such type of swimming pool in the market. The Ministry of National Infrastructure and Community Development (MNICD) informed that there was a shortage of contractors, most probably due to a pickup in the building industry.

11.2.2 Methods of the tendering had to be changed for the projects

The construction of multi-purpose halls in six State Secondary Schools, scheduled to start during the financial year 2016-17, was still at bidding stage as of 30 June 2019. Funds available in the budget estimates for 2016-17, 2017-18 and 2018-19 of Rs 25 million, Rs 178 million and Rs 55 million respectively had remained unutilised and the total provisions were reallocated to other items of expenditure.

In two cases, the tenders were launched during 2017. However, bids received for both projects were non-responsive and tenders had to be re-launched. For the other four cases, the projects were planned to be carried out using the Design, Build and Turnkey basis. However, due to problems encountered in respect of similar projects, for instance difficulties in evaluation of bids, deficiency in quality and ill-defined scope of work using this method, the Ministry decided not to go ahead with this tendering method in September 2018. The bid documents had to be revised resulting in delays in launching of the bids.

The NAO is of the view that the scope of the projects should be properly defined at inception after consultation with all the stakeholders concerned in order to ensure that projects earmarked in the budget are achievable within the specified period of time and the budget allocated.

The Ministry informed that although proper planning is done, there are several determining factors which inevitably contribute to delays in the implementation of projects and which are beyond its control. The Ministry was advised by the Central Procurement Board to go for traditional procurement method, since every site is different and has its own specificity and constraints.

11.3 Capital Projects – Lapses in Contract Management

A sample of four contracts for a total contract value of Rs 133 million were examined, as shown in Table 11-1. The examination revealed the following:

(a) Non-compliance with Public Procurement Act (PPA) resulting in delays in execution of the project;

(b) Delays in issuing taking over certificate resulting in declaration of Disputes by the Contractor;

(c) Delays in execution of project due to poor performance of the Contractor and inadequate monitoring and follow up by the Project Manager; and

(d) Delays in completion of project due to inefficient contract management.

The Procurement lapses and deficiencies in Contract Management not only had an impact on public funds, but also affected the provision of quality education.

Table 11-1 Five projects examined

Contracts	Projects	Contract value Rs
A	Construction of New Science Block and Renovation, Upgrading and Refurbishment of existing Science Block at Sir Leckraz SSS, Flacq	49,996,250
B	Design-Build/Turnkey and Completion of New Multipurpose Hall at Quartier Militaire	45,465,000
C	Extension of Mahatma Gandhi Institute at Moka- Design Communication & Design Technology Workshop	20,881,700
D	Construction of Abdool Raman Abdool Government School	17,317,800
	Total	**133,660,750**

Contract A: Non-compliance with Public Procurement Act (PPA) resulting in delays in execution of the project

The first bid was launched on 21 March 2017 with closing date 25 April 2017. Seven bidders responded out of which only two bidders were found substantially responsive. On 8 June 2017, the Bid Evaluation Committee (BEC) recommended that the contract be awarded to Company A for the sum of Rs 60.7 million, being the lowest evaluated substantially responsive bid, subject to submission of further details. On 26 September 2017, the procurement exercise was cancelled pursuant to section 39(1) (a) of the PPA.

On 26 June 2018, nine months later, a second invitation to bid was launched and six bidders responded. On 17 September 2018, the BEC recommended the award of the contract to the lowest substantially responsive bidder Company B for the sum of Rs 49.99 million.

Bids received above the prescribed threshold of Rs 50 million were not referred to the Central Procurement Board (CPB) for evaluation

Bids were launched twice for Phase I of the project. Out of seven and six bids received for the first and second bidding exercises respectively, bid prices submitted by three bidders were more than Rs 50 million (exclusive of VAT). However, the bids were not referred to the CPB for further evaluation as required by the PPA for both procurement exercises.

Unnecessary delays in finalising the contract

In September 2017, after seeking clarifications from the selected bidder, Company A, the BEC noted that the subcontractor did not have a valid registration with CIDB as specified in the bid documents. The non-compliance was considered as a major deviation and the bid was subsequently rejected.

Despite the fact that the BEC concluded that two bidders were substantially responsive, the next ranked bidder was not subject to any post-qualification examination as required by the bid evaluation guidelines. The Ministry decided to relaunch the bid exercise.

Delays in start of the project

The second bid was launched on 26 June 2018, nine months after the launching of the first bid. The contract was awarded to the successful bidder on 29 November 2018 and the starting date of the project was 13 March 2019 with contractual completion period of 10 months.

It had taken the Ministry some two years to finalise the procurement process.

The Ministry informed NAO that

- The approval of the CTB was not warranted for the launching of the bids as the initial cost estimate of the project was Rs 53,998,000 inclusive of VAT (Rs 46,954,782 exclusive of VAT), that is below Rs 50 million.

- The bids ought to have been referred to the CPB for further evaluation.

- The start and implementation of the project were delayed as the first bidding exercise carried out was non-conclusive and the bid evaluation exercises were complex and lengthy.

Contract B: Delays in issuing taking over certificate resulting in declaration of Disputes by the Contractor

The contract for the Design-Build/Turnkey and completion of New Multipurpose Hall at SSS Quartier Militaire (Girls) was awarded to a private contractor on 27 November 2014 for the sum of Rs 45.5 million. Works started on 8 January 2015 and the revised completion date was 20 June 2016. The project was managed by the Ministry Public Infrastructure (MPI) and supervised by the Ministry.

As from December 2016, the Contractor had declared completion of works, except for the testing and commissioning of electrical installation. However, according to the MPI, several issues were still pending, amongst which, a number of snags had to be attended, and due to technical faults on the electrical system, testing and commissioning could not be attended. In addition, the insurance policy and performance security had expired.

Declaration of disputes by the Contractor

On 4 December 2017, the Contractor declared disputes for the following reasons:

- reimbursement of charges incurred since December 2016 due to failure of Employer to take over the project;
- unlawful deduction of delay damages; and
- failure to determine the extension of time with interest and costs.

According to MPI, as of 12 October 2017, handing over could not be done as the building had serious flaws and the leakage issue was still being attended. The handing over was effected on 21 December 2017. As per the Completion Certificate of 29 December 2017, works were completed on 26 October 2017 subject to the completion of the outstanding works.

Cost for Extension of Time paid to Contractor

Following an Arbitral Award, an amount of Rs 6.4 million, representing Cost for Extension of time for the period 21 June 2017 to 26 October 2017, was paid to the Contractor. Therefore, total payments to the Contractor for the project as at 30 June 2019 amounted to Rs 51.4 million as compared to the Contractual value of Rs 45.5 million.

Compensation to the Contractor following Arbitral Award

As per arbitral award issued on 28 December 2017, the same Contractor was compensated with interest for the design and build/turnkey and completion of new multipurpose halls at Pailles SSS, Bon Accueil SSS and Riviere du Rempart SSS. The amount paid was Rs 15.5 million excluding VAT and interest.

The total compensation claimed by the same Contractor for the four Multipupose Halls thus amounted to some Rs 22 million excluding VAT.

NAO is of the view that based on past experiences with the same Contractor, the Ministry should have adopted a more prudent approach, and the project should have been closely monitored to deter the Contractor from further claim of compensation. It should consider using bill of quantities/schedule of rates instead of Design-Build/Turnkey for its construction projects.

The Ministry informed NAO that according to the Ministry of National Infrastructure and Community Development (MNICD) as the construction phases of the four Multipurpose Halls were running almost at the same time and with short gaps, the difficulties that cropped up for one project could not be foreseen to avoid recurrence on the remaining projects. The turnkey projects have already been discontinued and the traditional method is being used.

Contract C: Delays in execution of project due to poor performance of the Contractor and inadequate monitoring and follow up by the Project Manager

Award of first contract

The contract for the extension to Mahatma Gandhi Institute at Moka - Design Communication & Design Technology (DCDT) Workshop was awarded to Company C on 24 October 2013 for the sum of Rs 13.9 million. Works started on 6 February 2014 and the intended completion date was 4 August 2014.

Termination of the Contract

As at 31 October 2014, total payments to the Contractor amounted to Rs 2.2 million. As at end of July 2015, only 35 per cent of the overall works were completed. The contract was terminated on 2 September 2015 as MPI encountered several problems with the contractor due to delays in progress of works. Despite constant meetings held with the contractor and applications of penalties in accordance with the Conditions of Contract, progress of works was slow.

Contractor filed a case before the Supreme Court

The Contractor served a Notice 'Mise en Demeure' to the Ministry claiming the sum of Rs 125 million with interest as from date of the Notice until final payment. The case was still before the Supreme Court as of 30 November 2019.

Unnecessary delays in the award of contract for the completion of outstanding works

The bids for the outstanding works were launched twice on 8 August 2017 and on 11 June 2018. The first bid was cancelled on 15 November 2017, as the quoted price was substantially higher than the estimated cost.

The contract for the completion of outstanding works was finally awarded to the Company D on 30 November 2018 for the sum of Rs 20.9 million after more than three years of the termination of the first contract.

Inadequate monitoring and supervision of the project due to late instructions/notifications and assessment of Extension of Time by the Project Manager (MPI)

According to the Company D, the delays in completion of the project was due to late instructions or notifications provided by the MPI and assessment of EOT. Consequently, additional extension of time with costs would be claimed. Also, the MPI had failed to diligently proceed with the contract administration and therefore, they could not be held responsible nor should liquidated damages be levied upon them.

Expiry of insurance policy

As of 21 August 2019, the insurance policy had expired but was not renewed. Despite the fact that the Contractor was informed that failure to renew the insurance policy would result in non-certification of payment, an amount Rs 1.4 million was paid to the Contractor on 5 October 2019.

Works which should have been completed by 4 August 2014 were still on going as of 30 November 2019. Extension of time should be worked out and instructions should be given as soon as possible in order to avoid further delays in completion of the project and additional cost.

NAO is also of the view that for the successful implementation of a contract, a risk management approach should be adopted by the Ministry. The conditions of contract should be reviewed and the remedies/penalties should be more stringent to deter unnecessary delays in completion of projects. For instance, the limit of the liquidated damages should be reviewed or the maximum level should be eliminated with the assistance of the PPO.

The Ministry informed that in April 2019, there were discrepancies between drawing and activity schedule of the bidding document which had to be sorted out with the Contractor. The MNICD has informed that as of 28 January 2020, works completed by the Contractor is 90 per cent and would be completed by the end of February 2020.

Contract D: Delays in completion of project due to inefficient contract management

The project consisted of reconstruction of a full 3-stream school to be carried out in two Phases. Phase I consisted of demolition of old Classroom Block and construction of 3-Storey Classroom Block (Ground+2). On 19 March 2014, Company E was awarded the contract for the sum of Rs 17.3 million. Works started on 2 June 2014 and were due for completion on 28 January 2015.

Improper decision to maintain the contract with the Contractor (in receivership)

One month after the award of the contract for Phase I of the project, the Contractor passed away and one month later, Company E went into receivership and works had stopped for six months. Although the financial soundness of a bidder is an important criteria to determine its eligibility, the Ministry decided to continue with the same Contractor for the execution of the project following advice from Attorney General's Office (AGO). The Contractor (in receivership) was allowed to restart work and the revised completion date was 31 August 2015.

Unnecessary delays in completion of works

On 21 December 2015, the project reached 85 per cent completion stage, and since then, no progress of works was noted. Although, on 24 December 2015, the Receiver Manager's Bank agreed to provide financial support up to an amount of Rs 2.8 million to the Company, works did not progress at all. The project would start again on 28 December 2015 and would be completed by 22 February 2016.

Termination of Contract

On 28 January and 23 February 2016, the Contractor was notified that, as there was no activity on site since 6 January 2016, this constituted a breach of contract as per Clause 57(b) – Termination. On 18 May 2017, following advice received from AGO, the contract was terminated for fundamental breach of contract as per the following Clauses:

- 57.2 (a)- Works were stopped for 28 days which were not authorised
- 57.2 (f) -failure to maintain a valid Performance Bond and Insurance Policy
- 57.2 (g) - delays in the completion of the Works by the number of days for which the maximum amount of liquidated damages can be paid

A total amount of Rs 10.8 million was paid to the Contractor from May 2014 to September 2018.

Award of contract to the Second Contractor

Six months after termination of contract, on 20 November 2017, bids for remaining works were launched and was awarded to Company F for the sum of Rs 6.8 million with intended completion date of 8 September 2018.

On 5 October 2018, works were completed 16 months after the date of termination of the first contract and the overall works were completed with a delay of 625 days.

Insufficient liquidated damages claimed as compared to the period of delays in completion of the project

The project which should have been initially completed within six months was completed after 3 years and 9 months. As per Conditions of Contract, the maximum damages were only for 90 days and Rs 1.8 million were charged before final payment was made on 24 August 2018 to Company E.

Non-compliance with conditions of contract and remedies could not be claimed for breach of contract

As the Performance Security and the Insurance cover had already expired when the contract was terminated with Company E, the performance security could not be forfeited.

Undue delay in finalising the procurement for Phase II of the project

As of 30 October 2019, the procurement process for Phase II of the project was still at bidding stage. Due to the substantial delay in completing Phase I of the project, the estimated costs would need to be updated again. The estimated costs had remained the same at Rs 70.5 million as determined in April 2016, although a rise in the costs should be anticipated by the Ministry.

NAO is of the view that the agreement with the Contractor (in Receivership) should have been terminated on ground of bankruptcy or liquidation immediately after the demise of the Director. The Ministry would then have been able to award the contract to a more feasible contractor. Consequently, both Phases of the contract would have been implemented within reasonable time frame and value for money would have been obtained.

Necessary measures should be taken for an effective management of projects to avoid excessive delays. Also, the rate of liquidated damage needs to be revised to prevent undue delays by the Contractor.

The Ministry informed NAO that the decision to maintain the contract with the same Contractor (in receivership) was taken so as not to delay the project by starting a new bidding exercise which would have taken more than six months.

According to the MNICD, works did not progress due to the fact that payment for works executed were not re-injected in the project due to the Contractor's financial situation. Necessary measures have been taken for management of the project.

11.4 Security Services at Schools - Inadequate Monitoring

In November 2017, the Ministry had decided that sporadic visits be effected by officers of the Ministry after school hours and during weekends at both Primary and Secondary Schools to ensure that Service Providers deliver quality services and comply with the provisions of their contracts. For the financial year 2018-19, some Rs 60 million were disbursed by the Ministry for the provision of security services. However, in August 2019, the surprise visits of the monitoring squad were discontinued as they were not found to be effective on the grounds that:

(a) regular thefts were reported by schools; and

(b) a high level of absenteeism of security guards was noted at school premises

11.4.1 Regular thefts reported by schools

The value of school assets increased significantly over the years, especially with the investment of some Rs 520 million in the Early Digital Learning Programme (EDLP) project. As of 30 June 2019, school assets, amongst others, comprised 39,680 tablets, projectors, projector screens and rack chargers, as well as ICT and Sankoré equipment.

During the financial year 2018-19, 52 cases of thefts were reported by Primary and Secondary schools throughout the country resulting in losses of assets, for instance, laptops, CPUs, monitors, tablets, projectors, musical instruments, and sports equipment amongst others. Cases of thefts were also reported during the previous financial year, for instance several tablets were stolen.

Although the Service Providers had refunded the Ministry in some cases, the frequent thefts caused disruptions in school activities.

The Ministry informed that it is proposing to introduce 'Electronic Surveillance' in schools with the assistance of the Commissioner of Police. Also, a new CCTV system, with managed services, is in the process of being piloted in schools for security at night.

11.4.2 High level of absenteeism of security guards at school premises

Watch and Security Services were provided in 293 Schools/Institutions and Day-Time Security Services in 69 Primary/Secondary Schools. An analysis of visits carried out during financial year 2018-19 by the monitoring squad revealed that the level of absenteeism varied from 34 to 50 per cent. Consequently, due to regular absence of security guards, the risk of thefts being perpetuated in schools remains high.

The Ministry should reinforce security measures and devise a proper monitoring mechanism to ensure that Service Providers fulfil their contractual obligations, thereby safeguarding school assets from thefts and acts of vandalism by intruders. Also, it should be ensured that the Service Providers provide replacement of security guards in case of absenteeism.

The Ministry informed that in order to address the prevailing issues of absenteeism, amendments have been made to Clause 2.9 of the General Conditions of Contract of the Bidding Document launched on 30 May 2019 for the Provision of Watch Security Services in schools, whereby the Contractor shall be legally answerable and will have to abide to the rate for penalties stated in its contract.

Matters Arising in Audit Report 2017-18

11.5 Supply and Commissioning of 23,400 Tablets for Form IV students and Educators – Legal Action not yet Initiated against Defaulting Contractor

At paragraph 9.5 of the Audit Report for the financial year ended 30 June 2018, I reported that due to delay in taking necessary actions against a defaulting Local Private Contractor for breach of contract, three years later, advance payment of Rs 21.7 million was still not recovered by the Ministry.

The Ministry had replied that the outcome of the matter does not fall entirely under its responsibility. The matter would be pursued with the AGO with a view to taking legal actions against the Company to recover the advance payment and the sum claimed for the damages and prejudice.

However, as of 30 October 2019, no response had been received from the AGO and no legal proceeding had yet been initiated against the Company. Hence, the recovery of the advance payment of Rs 21.7 million was still uncertain.

The Ministry informed that, on 9 August 2019, the AGO requested the Ministry to confirm the status of the Company with the Registrar of Companies. On 10 September 2019, all information obtained from the latter was forwarded to the AGO. The Ministry is pursuing the matter with the AGO regarding the legal proceedings against the Contractor.

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12 - MINISTRY OF TOURISM

12.1 'La Citadelle' Project – Objectives not being met due to lack of interest from Operators

As at 30 June 2019, a total amount of some Rs 36.2 million was spent on building and infrastructural works for the project 'to make La Citadelle an iconic place with cultural and commercial activities for tourists as well as the local population'. The outcome of this project was still uncertain. This may be attributed to poor project design and ineffective management, as explained hereunder:

- As at 31 December 2014, some Rs 26.5 million were incurred with a view to turning 'La Citadelle' into a site for tourist attractions and to generate income. This objective was not achieved as the site could not find lessees of slots available for rent there. An 'Expression of Interest' launched in September 2015 from prospective organisations/companies/individuals for the setting up and functioning of different activities, was thereafter cancelled. Meanwhile, the state of the site was deteriorating as the vacant slots could not be rented due to structural defects, resulting in heavy leakage in the building during rainy season.

- For the period January 2015 to June 2017, no expenditure was incurred in respect of the site. For 2017-18 and 2018-19, out of the Rs 10 million and Rs 7 million budgeted for works at 'La Citadelle', some Rs 3.7 million and Rs 6 million respectively were disbursed by the Ministry.

  It should be pointed out that with regard to the recent waterproofing works carried out water leakage was reported on five occasions at the commercial shop and in the newly renovated toilet block. Moreover, the pre-final Engineer Certificate of 5 October 2018 made mention that the waterproofing membrane to concrete roof building supplied and laid was only 388 m^2 compared to the 1,900 m^2 as per the bill of quantities.

Despite the amount disbursed, further works were required. These include:

- It was only in November 2018 that a plot of land of an extent of 24A50 (part of state land Fort Adelaide) was vested in the Ministry. As at November 2019, that is one year later, the land survey was not yet completed as the sites have to be cleaned in order to know the exact area of the land to be fenced.

- For reparation works to the stonewall, the estimated cost was revised to Rs 3.5 million as at November 2019. However, a provision of only Rs 2.4 million was made for repair works in 2019-20.

NAO is of the view that:

- There has been lack of proper planning at the inception;

- There has been inadequate market survey to gauge the interest of stakeholders in the sector; and

- The deficiencies in the civil works carried out have further discouraged potential operators.

The Ministry informed NAO that:

- The views and comments of the Ministry of National Infrastructure and Community Development has been officially sought on the waterproofing works;

- On 14 November 2019, the Engineer revised the cost estimate for the reparation works to the stonewall in view of the complexity of the works and the damage created by the Bois Noir, which is a protected plant.

12.2 Zoning of Lagoon – Activities of Programme not carried out

Since 2007, the Ministry had embarked on the zoning of lagoon programme which comprised the demarcation of various zones to separate the different activities being undertaken in the lagoon, namely swimming zones, ski lanes, snorkeling zones, dive sites, speed limit zones, conservation zones, boat free zones and mooring zones; and the maintenance of the zoning systems.

As per the Public Sector Investment Programme 2019-20, some Rs 30.1 million have been disbursed on zoning of lagoon. However, no expenditure was incurred during the past three financial years 2016-17 to 2018-19. This may indicate that the necessary maintenance/ services works related to the zoning of lagoon have not been carried out, thus having a negative impact on the safety and security at sea, and causing damages to the marine environment.

Action has not yet been taken on the following recommendations/findings:

- The Ministry made a payment of some Rs 1.7 million for a Master Plan '*Management and zoning of lagoon for the Tourism Sector*', drawn up in 2014 by a Consultant. However, the Consultant's recommendations, in respect of the installation of Cluster moorings and Floating Jetties in areas with high pleasure craft density, were not yet implemented by the Ministry.

- In December 2018, the National Coast Guard (NCG) carried out an underwater survey and several survey reports were submitted. However, as at November 2019, the Ministry had not yet taken any action with regard to the NCG's findings.

The Ministry informed NAO that:

- Cluster moorings have not been implemented, as during preliminary consultations, pleasure craft operators expressed their concerns that their crafts might get damaged while entering into contact with other crafts due to the circular rotation of crafts moored in the cluster mooring; and

- Funds for the implementation of floating jetties have not been made available by Ministry of Finance, Economic Planning and Development (MoFEPD).

12.3 Discover Mauritius Ltd - Winding up pending since 2012

As of November 2019, the winding up of Discover Mauritius Ltd (DML) was still pending because funds were not available for the settlement of the loan of Rs 2 million as well as for other liabilities.

Government's decision and procedures for winding up of DML are summarised below:

- Over the years, DML which was incorporated in July 2006, with Government as sole shareholder, for the management, promotion, maintenance and the rental of two commercial spaces at 'La Citadelle' witnessed severe reduction in its activities and accumulated substantial liabilities of some Rs 6 million (inclusive of loan of Rs 2 million) as at end of March 2012.

- In April 2012, Government agreed, among others "*To initiate procedures for the voluntary winding up of DML",* and the management of DML was entrusted to two Senior Officers of the Ministry of Tourism.

- The winding up procedures could not be initiated due to DML's loan of Rs 2 million and other liabilities. Several correspondences were exchanged between the Ministry and Ministry of Finance and Economic Development (MoFED) for the repayment of the loan. On 23 November 2019, MoFEPD informed that it had no objection for the Ministry to repay the loan of Rs 2 million from its budget on condition that the shares held by DML in the Valley de Ferney were transferred to Government.

The process for the winding up of DML, agreed since April 2012, has not yet been initiated. Meanwhile, DML has continued its operation, that is collecting rental fees and incurring expenses. As per DML Financial Summary for the year ended 31 December 2018, there were outstanding liabilities, that is loan of Rs 2 million and other liabilities of some Rs 1.2 million (trade and other payables).

12.4 Arrears of Rental Fees – Delay in taking Recovery Action

Actions have not been taken as and when the rental fees became due, resulting in difficulty in recovering long outstanding arrears, as explained below:

Rental of 'Le Batelage' Premises. The outstanding rental fees for two commercial lots at 'Le Batelage' were still not recovered as at 30 June 2019 as follows:

- Despite the fact that the tenant of a commercial slot was not paying any monthly rental fees of Rs 25,609 since January 2011, he continued to occupy the space illegally. The case was referred to the Supreme Court and has been fixed for 'Arguments on Plea in Liminie' on 5 March 2020. For the period January 2011 to November 2019, outstanding rental fees amounted to some Rs 2.4 million.

- Another tenant owed rental fees totalling Rs 265,000 for the years 2001 to 2005. The Attorney General's Office has not yet lodged a case regarding these outstanding debts.

Rental of slots 'La Citadelle'. One tenant owed rental fees of Rs 550,000 for the periods July and August 2015 and September 2016 to June 2017. He vacated the rented slot as from July 2017 without settling the outstanding fees. The Ministry made a request to MoFEPD on three occasions for the write off of the outstanding amount. As at November 2019, approval from MoFEPD has not yet been obtained.

The Ministry informed NAO that:

- There is an ongoing court case against the two tenants of Le Batelage. The Attorney-General's Office (AGO) advised to deal first with the case of the tenant who is still operating his restaurant.

- The tenant at 'La Citadelle' had informed that he was undergoing long term medical treatment in Canada and would not be in a position to return to Mauritius. As such, initiating legal action against the tenant would entail high costs to Government with little chance of recovering the amount due.

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13 - MINISTRY OF HEALTH AND QUALITY OF LIFE

13.1 Acquisition of Medical Consumables – Lapses in Procurement Management

Audit revealed that a major transformation in the mode of operation of the Procurement Unit at the Ministry's Headquarters in September 2017 has been a major cause of disruptions and delays in the procurement of medical consumables, entailing procurement at higher prices.

The following instances were noted:

(a) *Medical Disposable Gloves* - The Ministry incurred additional expenditure of some Rs 4 million for medical disposable gloves due to higher prices paid by hospitals under the decentralised procurement method.

Following Independent Review Panel's decision in one case, the Ministry re-evaluated all the bids under a Contract, instead of only the disputed ones. Also, the Bid Evaluation Committee (BEC) set up for the re-evaluation comprised the same members of the original BEC.

(b) *X- Ray Films*– At one Regional Hospital, some Rs 700,000 has been spent for X-Ray films in excess of what would have been incurred as per last award prices under the centralised procurement method.

(c) *Orthopaedic Implants and Instruments* - There were major differences in prices paid by the hospitals for orthopaedic implants and instruments.

13.1.1 Medical Disposable Gloves

- 172 quotations were launched for medical disposable gloves by the regional/specialised hospitals from July 2017 to June 2019 for a total contract value of Rs 29,847,869 (including VAT). This had a direct bearing on the workload at the Procurement Units in hospitals in view of the increasing number of quotations that had to be launched. The specifications set for medical disposable gloves were limited as compared to those set by the Ministry. Quality standards were no longer applied as the emphasis was on provision of gloves due to stock outs.

  From July 2017 to June 2019, some Rs 4 million had been spent in excess due to higher prices paid by the hospitals.

- The closing date for annual requirements of medical disposable gloves for financial year 2017-18 was set for 3 July 2018, that is, after the end of the financial year.

  Following notification of award, an aggrieved bidder filed an application for review with the Independent Review Panel (IRP) regarding five items of gloves. Although only five items were concerned, the Ministry suspended the award of the contract for all the 17 items. In similar circumstances in the past, following decision of the IRP, the Ministry had awarded the contracts to the other bidders except for the items disputed.

On 23 October 2018, the IRP recommended the re-evaluation of the bids. In order to avoid any biased opinion, a completely new Bid Evaluation Committee (BEC) ought to have been constituted. Instead, the same BEC re-evaluated the bids of all the 17 items and recommended cancellation of the exercise.

13.1.2 X-Ray Films – Excess amount paid at Victoria Hospital

The Ministry ran out of X-Ray films which are essential for diagnosis in certain cases. Most films were out of stock by March 2019. This situation was the direct consequence of the delay by the Ministry in effecting procurement of items for Radiology Departments.

X-Ray films have been purchased by hospitals individually, resulting in higher prices being paid. For instance, at one Regional Hospital from March 2018 to September 2019, an amount of some Rs 700,000 has been spent in excess to what would have been incurred as per last award prices.

13.1.3 Orthopaedic implants and instruments

The last contracts for orthopaedic implants and instruments were awarded in November 2015 and August 2016 for a period of two years. The quantities required for each hospital were stated in the awards. For certain items, the stock was exhausted well before the end of the two years creating a stockout situation; purchases had to be effected at hospital level to meet the requirements.

In February 2017, the Ministry started the tendering procedures through the Central Procurement Board (CPB) for the procurement of 99 different orthopaedic implants and instruments for the two years 2018 and 2019, with an estimated cost of some Rs 226 million.

Unreasonable time was taken to finalise the procurement exercise. The bidding documents were sent to the CPB for vetting only on 24 April 2018. The exercise was cancelled in July 2018 due to some anomalies noted in the bidding documents. By this time almost all the items in the previous contracts were out of stock.

The Ministry decided to carry out a fresh tender exercise on a fast track basis with revised specifications, in accordance with the Public Procurement Act (PPA). It took one year to finalise the revised specifications and to have them signed and vetted by three Orthopaedic Consultants.

As of 10 December 2019, the bidding documents and the invitation for bids had been sent to the CPB for vetting. In the meantime, pending the finalisation of an award for the orthopaedic implants by the Ministry, all hospitals were procuring these items at their level in order not to disrupt the hospital services. From July 2017 to June 2019, 359 quotations were launched by the regional hospitals for a total amount of some Rs 127 million (VAT inclusive).There were major differences in the prices paid by the hospitals for each type of implants.

At Victoria Hospital (VH), instead of launching an informal quotation each time the implants were required and within the prescribed threshold, the hospital was procuring directly from a company, based on the price quoted in one of the informal quotations launched in January 2018 depending on which implants were being purchased. At time of audit, in October 2019, VH was still procuring from the same company on the basis of these informal quotations, that is, for nearly two years. The procurement procedures adopted for this exercise was against Section 25 of the Public Procurement Act 2006 and Section 44 of the Public Procurement Regulations. Also, cases were noted where the prices paid by VH for some implants were higher than those paid by other hospitals.

13.2 Asset Management - Hospital services affected due to delay in repair or purchase of equipment

Audit revealed that, in some instances, services provided by the hospitals were affected because the Ministry has either taken too much time to repair or purchase certain medical equipment, as detailed below:

- The mammography services at Victoria Hospital (VH) were disrupted due to breakdown of the machine and the long time taken for troubleshooting.

- Patients were sent abroad for neurological treatment because neither the Neuro-nterventional Suite nor the upgrading of the actual angiography machine, have materialised at Dr. A G Jeetoo Hospital.

- There was a long waiting list for angiographies due to regular breakdowns of the angiography machine and the delay in the acquisition of a new one.

- Award of contract for the procurement of Multispot Laser Photocoagulator Machines was made in February 2018 for some Rs 19 million. The evaluation exercise was erroneous, the equipment received was not as per specifications and the commissioning exercise had still not been completed after more than 18 months.

13.2.1 Mammography Equipment at Victoria Hospital

On 18 October 2013, a Full Field Digital Mammography Machine with independent accessories for stereotactic image-guided biopsy in the upright and prone position for a total cost of Rs 13 million (VAT exempted) was received and commissioned at the VH. The accessories for biopsy, worth Rs 4.3 million, have never been used since their acquisition, and as of November 2019 were still lying idle for more than six years.

On 19 October 2018, the machine broke down and despite the Collimator Assembly and the THD u-processor were replaced in December 2018, the problem with the detector still persisted. The detector was also replaced. On 12 July 2019, that is nine months after it broke down, the machine was working again. As of 17 October 2019, the waiting list for mammography was 260 for VH and 79 for Sir Seewoosagar Ramgoolam National Hospital.

13.2.2 Neuro-interventional Suite at Dr. A.G.Jeetoo Hospital

In October 2016, the Ministry decided to set up a Neuro-interventional Suite to undertake more complicated neurosurgeries. Patients would benefit locally from Digital Subtraction Angiography (DSA) for neuro, coiling of aneurysm, embolization and clipping amongst others, instead of being sent abroad. As of December 2019 these treatments are not available in Mauritius due to lack of equipment and expertise.

The Ministry of Public Infrastructure (MPI) had started to prepare the preliminary design for the Neuro-interventional Suite but discontinued to work on the project as the Ministry had signed an agreement/MoU in August 2017 with an Indian consultancy firm, for the implementation of major health infrastructural projects, including the Neuro-interventional Department at the Dr. A.G. Jeetoo Hospital. As at mid-December 2019, the Indian firm had not yet submitted the design, together with the cost estimates and scope of works for the project.

The Ministry decided to upgrade the existing Angiography Machine at the Catheterisation Laboratory of Dr A.G. Jeetoo Hospital for simple aneurysm but complicated cases of aneurysm would still be shifted abroad. Tender for the upgrading of the machine was launched on fast track basis on 19 December 2018 but was ultimately annulled as it contained a number of discrepancies and the cost for the upgrade was too high.

After having deployed several inputs and resources including financial, the project has not materialised. From January 2018 to September 2019, the Ministry incurred some Rs 34 million for sending 89 patients abroad for DSA, coiling of aneurysm, embolization and clipping.

13.2.3 Angiography Machine at Dr A G Jeetoo Hospital

Since 2017, the angiography machine at Dr A.G Jeetoo hospital was operating without an Uninterruptible Power Supply (UPS) although the Director, Energy Services Division and the supplier pointed out that absence of a UPS could seriously compromise the operation of the angiography equipment. The tender for the supply of a UPS for the angiography machine was launched on 8 July 2019 but not yet finalised as of December 2019. Also, in July 2019, the Advisor in Biomedical Engineering reported that the commissioning of the machine was not properly done since several features were not provided by the supplier at time of commissioning in December 2013.

In October 2019, the Ministry acquired an X-Ray Tube for the Angiography Machine for an amount of some Rs 6 million (exclusive of VAT). It was noted that the warranty period was for one year instead of three years, as previously requested for the Angiography Machine acquired in 2013.

Tender for a second Angiography Machine was launched on 12 February 2019 but bids received were not according to specifications. Hence, as of 18 November 2019, the old Angiography Machine was being used extensively to clear the long waiting list for angiography investigations.

13.2.4 Multi-spot Laser Photocoagulator Machines

The contract for the procurement of seven multi-spot laser photocoagulator machines was awarded in February 2018 for some Rs 19 million, inclusive of maintenance cost. These machines were to be installed at the different hospitals, including Rodrigues, with the aim of decentralising laser therapy treatment.

Section 9 of the technical specifications related to the size of the touch screen control panel and Section 20 to the treatment pulse duration. The Technical Evaluation Report contained figures relating to Section 20 which could not be agreed with the bidders' submissions. The seven machines actually supplied to the Ministry were not in accordance with the requirements specified in these two Sections. Also, according to Section 25(g) of the specifications, a Built-In Video Teaching system with camera and colour display VTS had to be provided but it was noted that the supplier provided a LCD monitor and a CPU of different make. The commissioning certificates, which took an unduly long period to be delivered, made no mention as to compliance with Sections 9, 20 and 25(g) of the specifications.

After 18 months from the receipt of the equipment, only six have been commissioned thereby substantially delaying the project for the decentralisation of laser therapy. Up to August 2019, the equipment at the Subramania Bharati Eye hospital had been extensively used on some 400 patients before the full commissioning date.

As of mid-December 2019, despite the above shortcomings, payment procedures had started at the level of the Ministry on the basis of the commissioning certificates.

13.3 Procurement of dialysis items – Additional costs incurred due to procurement method used

The Ministry has been procuring dialysis items in 'kits', rather than individually, since long. The 'kit' comprised seven items, imported by the supplier separately from three different countries: four from Thailand, one from Japan and two from India.

Audit of procurement practices revealed that the procurement of dialysis items in kits rather than individually, proved to be more expensive for the Ministry.

- The dialysis items continued to be used individually rather than in kits, leading to stock out or excess of some items.
- The Ministry could have saved some Rs 15 million if one of the dialysis items, namely Normal Saline, was used from the available stock of 500 ml pouches.
- Procurement of dialysis items in kits resulted in over stocking of Needles 16G.
- The Ministry paid airfreight of some Rs 1.2 million on an additional order to prevent stock-out of two items.
- Some Rs 16 million were paid as demurrage and storage fees as dialysis items remained in the port for more than three months due to lack of storage space at the Central Store of the Ministry.

Potential saving of some Rs 15 million by the Ministry

Since the 1000 ml Normal Saline in the kit was out of stock, the Ministry used the Normal Saline in 500 ml pouches, already in stock, for dialysis in order not to disrupt service delivery. The price paid for two pouches of 500 ml was Rs 22.75 whilst the 1000 ml pouches ordered in the kits cost Rs 56, that is, Rs 33.25 more expensive. Thus, the Ministry was paying 2.4 times the price for the same product. Since 440,000 kits were ordered over the period July 2017 to June 2019, the Ministry would have saved some Rs 15 million if Normal Saline in 500 ml pouches had been used.

Overstocking of needles

Purchase in 'kits' have also resulted in surplus of Needles 16 G representing 16.7 months of consumption, with some 250,000 pairs in stock on 19 November 2019.

Air freight of some Rs 1.2 million paid by the Ministry

In June 2019, an order of 50,000 kits was placed to prevent stockout of two items. The Ministry paid some Rs 1.2 million to have them air freighted implying that freight was paid twice as the price charged per kit already included freight by sea.

Payment of Demurrage fees

Some Rs 16 million were paid to shipping companies and port authorities as demurrage and storage fees for two years. Dialysis items remained in the port for more than three months in certain cases before being cleared. This was due to lack of space at the Main Stores. These fees could have been minimised had there been proper monitoring of stock.

13.4 Brown Sequard Mental Health Care Centre (BSMHCC) - Inappropriate accommodation of recovered patients and lapses in financial controls

Audit of the operations at the BSMHCC revealed the following:

(a) Fully recovered chronic patients were still lodged at BSMHCC together with partly stabilised patients as the setting up of the mid-way or residential care home is still pending;

(b) Absence of oversight in the management of the long stay patients' money.

13.4.1 The setting up of mid-way and residential care homes still pending

According to records at the BSMHCC, out of 399 chronic patients, some 200 were fully recovered and no longer require full time psychiatric treatment. They have not been able to re-integrate society and were still in the chronic wards pending the long-awaited mid-way or residential care home project**.** The fully recovered patients found themselves together with the less stable patients where rehabilitation had failed.

In all the chronic wards, there were stable and partly stabilised patients together. Patients in the latter category have a great risk of relapse and can pose a threat to the stable ones. More than 40 per cent of them were in their 60s and above, and were experiencing age-related diseases and disabilities.

Chronic patients represented about 78 per cent of the total number of patients at the hospital, with length of stay of up to 60 years. Some Rs 1.2 billion had been spent from July 2016 to June 2019 for BSMHCC, implying that the large proportion of funds was spent on chronic patients who do not need nursing care. It is an on-going problem, as in October 2019 patients were still being channelled to chronic wards.

The project for the setting up of mid-way homes to integrate patients gradually in society dated prior to 1995 and various strategies, plans and budget proposals were formulated by the Ministry. From 2011 to 2014, budgeted amounts varying from Rs 2 million to Rs 8 million for a feasibility study have remained unused.

The National Strategy and Action Plan for mental health 2017-22 included the establishment of Residential Care facilities for chronic patients, in collaboration with the Ministry of Social Security, National Solidarity and Environment and Sustainable Development (MoSS), in line with international trend. No agreement has yet been reached between the MoSS and the MoH.

On 26 April 2019, the Consultant in Charge Psychiatry pointed out that by not setting up the Residential Care Home at the BSMHCC, the same situation and living conditions of the long stay patients will prolong. At time of audit in December 2019, no information was available regarding the setting up of the mid-way home.

13.4.2 Patients Accounts – Lack of Oversight

Inpatients are eligible for an inmate allowance in accordance with the National Pensions Act 1976. The inmate allowance is credited to the bank account of the Mental Health Care Accounts Committee (MHCAC) which was set up in 1999 under the Mental Health Care Act to maintain and administer the individual accounts of inpatients. The bank balance of MHCAC stood at Rs 40 million at 31 October 2019.

Following NAO's recommendation in February 2014, upon the audit of the latest accounts of the MHCAC submitted, a full investigation of the accounts was carried out by the MoH where various shortcomings such as overpayments/unauthorised payments of funds, wrong entries in the patients' accounts and unavailability of important records were noted.

As of December 2019, no information is available at the Ministry of Health to confirm whether the Mental Health Committee has submitted the annual reports on patients' account for the years 2002-03 to 2018-19, as required under Section 32 of the Mental Health Care Act.

13.5 Medical Malpractices – Inadequate Mitigation Measures

Medical Malpractice (MM) occurs when a health institution, doctor or other health care professional, through a negligent act or omission, causes harm to patients.

Reports of the World Health Organisation (WHO) on patient safety reveal that "*globally 10% of patients in healthcare facilities are harmed as a result of preventable errors or adverse events, 14% of patients suffer hospital acquired infections and between 20 to 40 % of health spending is wasted because of poor quality of care and safety failures*."

Many alleged MM cases that had resulted in incapacity and deaths have been reported.

A review of the existing MM management framework in place at the MOH has revealed the following:

- The Ministry did not adopt a structured approach towards preventing medical malpractices, and promoting a culture of transparency and accountability.

- The Ministry did not keep record of contingent liabilities the Government is exposed to as a result of MM..

- Inadequate measures to monitor and prevent recurrence of MM and enforce disciplinary actions.

13.5.1 Strategic planning approach to MM/litigations

MM and litigations were addressed in a reactive manner stemming from public complaints/ lawsuits. Since 2002, patient safety protocols were being worked out by the WHO but the MOH has not yet developed a structured mechanism to formulate a preventive strategy for a safer health service, less prone to MM.

The MOH did not have a consolidated information system to establish baseline information for monitoring and control of deviations in its healthcare. The extent of all MM, public complaints, medical near misses, errors, adverse events, and litigations was not known. This precluded the MOH to understand the causes of harm in order to formulate focussed preventive strategies.

13.5.2 Financial Implications of MM and Litigations

As of 30 June 2019, the MOH did not have a record of the contingent liabilities that MM rendered Government exposed to. Financial implications were found to be significant, as worked out by Audit. Out of some 230 litigation files at the Ministry, 86 case files were examined. 63 had compensation claims amounting to some Rs 530 million and were still pending against Government. Total estimated contingent liabilities arising from the litigations may amount to some Rs 1 billion.

A consolidated record of all court cases with their updated status was not kept for monitoring purposes. Court rulings issued over time were also not properly recorded for future reference.

13.5.3 Inadequate Measures to Monitor and Prevent MM and Enforce Disciplinary Actions

Doctors' negligence give rise to both civil and criminal liabilities and disciplinary action as per PSC Regulations.

Disciplinary records for Doctors - The MOH did not have a centralised database of disciplinary records for its pool of some 1,000 doctors. Thus, it was not possible to ascertain the doctors who were referred to the Medical Council (MC) for enquiry and thus deemed to be under report. Also, a list of doctors having disciplinary actions taken against them during their public service was not available. Both sets of information are requirements of the Public Service Commission (PSC) to determine the suitability of the doctor for promotion and would assist the Responsible Officer in recommending the doctors for promotion.

Sanctions for doctors in breach of code of practice - For a doctor found guilty in breach of the code of practice, it would be expected that disciplinary action would be taken. However, this was not the case as MOH did not always ensure that disciplinary action was taken for doctors proven to be guilty in the breach of their code of practice. To keep negligent acts under check, deterrence in the form of a consistent enforcement action is needed.

In one case in 2013, the Supreme Court Judge found a doctor's case as a fit case for disciplinary action and ordered the referral of the case to the MOH and the MC. The MC, in 2018, found the doctor guilty for breach of the code of practice for doctors. After several delays, the MOH in 2019 administratively decided to set aside the case despite that guilt was established by the MC and the Supreme Court had ordered for disciplinary action. It is noted that the view of the Attorney-General's Office was not sought.

Matters Arising from Audit Report 2017-18

A review of the matters raised in the Audit Report for the financial year ended 30 June 2018 revealed the following:

13.6 Assets not available for Use

- The C-Arm which was procured for the Vascular Surgery Unit, at the Dr A. G Jeetoo Hospital was being used by the Vascular and Orthopaedic Teams.

- The Angiography Machine at Dr A.G Jeetoo Hospital was still operating without an Uninterruptible Power Supply. In December 2019, there was a long waiting list for cardiac investigations.

- The projects for either setting up a Neurointerventional Suite or upgrading the actual Angiography Machine for neuro cases at Dr A.G Jeetoo Hospital have not yet materialised. Consequently, the Ministry was disbursing large sums of money to send neuro patients for treatment abroad.

13.7 No Progress in the Implementation of the Central Health Waste Disposal Facility

There was no progress regarding the implementation of a Central Health Care Waste Disposal Facility at the Ministry and no fund was budgeted for this project in the Estimates for financial year 2019-20. Presently, only the incinerator of Brown Sequard Mental Health Care Centre was operational. Thus, the untreated biomedical wastes generated by all other public health institutions were disposed of at the Mare Chicose Land Fill.

14 - Ministry of Social Security, National Solidarity, and Environment and Sustainable Development

14.1 Social Security and National Solidarity Division

14.1.1 Payment of Pensions – Inadequate controls leading to further overpayments

Overpayment of pensions

Overpayment of pensions, which stood at some Rs 104 million as at 30 June 2018, had cumulated to some Rs 114 million as at 30 June 2019. During 2018-19, new cases of overpayments were detected to the order of some Rs 50 million and partly recovered by the Ministry.

As mentioned in previous Audit Reports, despite Ministry's effort to detect overpayments and monitor the recovery thereof, overpayments continue to arise and to inflate the cumulative balances. These overpayments were due to factors at times beyond the control of the Ministry, such as absence of timely and/or complete information regarding 'Departures of beneficiaries overseas', 'Death of beneficiaries whether locally or overseas', 'Remarriage of Widows, 'Inmates confined for whatever reasons', and also due to 'Errors in Systems or otherwise'.

Need to tighten control and to review procedures

There was need for the Ministry to tighten control over payments for the early detection of non-entitlement to pensions benefits. Procedures would need to be reviewed (i) to ensure the validity of beneficiaries entitled to pensions at end of each month, as well as the correctness of the amounts they are entitled to; (ii) for Paysheets to be reconciled monthly to confirm the correctness of new beneficiaries and amounts entitled, and prompt removal of non-entitled ones; and (iii) for correctness of Paysheets to be thereafter confirmed by the Officer responsible for the Administration of the 'Pension and other Benefits' prior to submission to Ministry's Finance Section for further examination for payment.

The Ministry informed NAO that:

- The Passport and Immigration Office (PIO) has already installed a new server since 27 September 2018. This has greatly helped in monitoring the travel movements of all beneficiaries. However, it was found after verification that some travel movements have not been captured due to the search criteria used by the Ministry. Thus, a new functionality has been developed at the PIO by the service provider, in order to enlarge the search criteria so that more reliable information could be obtained in respect of existing beneficiaries. In addition, for new clients, the Ministry is currently working with the PIO and the Info-highway Team to access travel movements' details from PIO archive database concerning data prior to the year 2009.

- It is also obtaining information from the PIO for all beneficiaries over 60 years, who have left Mauritius and who are not back before six months.

- As at date, a cumulative balance as at December 2019 of Rs 117.1 million, covering a period of about 27 years (1992-2019), is still outstanding and on which investigations are still ongoing. In view of the period exceeding more than two decades, on a case to case basis, the write-off procedures as per the Financial Management Manual will be explored.

- It is making provision for funds in the forthcoming budget 2020-2021 to procure an integrated e-Social Security System to address the issues of discrepancies and monthly reconciliation of the pay sheets.

14.2 Environment and Sustainable Development Division

14.2.1 Household Composter Scheme – Objectives not being achieved

The Household Composter Scheme initially contemplated under the Maurice Ile Durable Fund Projects was later to be undertaken and implemented by the Ministry in 2015-16. The Scheme was to involve the participation of 12,000 beneficiaries and Rs 13 million were provided for its implementation in 2015-16. It was to encourage environmental conservation through public sensitisation and distribution of Compost Bins to households.

Sums provided to the Ministry since 2015-16 totalled Rs 33 million, out of which, Rs 26 million had been spent for the Scheme.

Scheme revised due to low demand for Bins

As mentioned in the Audit Report for the financial year ended 30 June 2018, funds might have been unnecessarily tied up in acquisition and stocking of Compost Bins and Mixing Tools despite the low demand for same by the public, thereby also necessitating further cost to store the undistributed Bins and Tools.

In November 2018, the Scheme was revised to ensure that the stocks be fully distributed to households through Social Welfare Centres and Community Centres.

Funds tied up – Rs 11 million

Out of the 13,944 Bins and 14,069 Tools at start of 2018-19, only 1,516 Bins and 1,537 Tools were sold/distributed for some Rs 523,000 during that year, representing only 11 per cent of respective opening stock balances.

As at 30 June 2019, funds of Rs 11 million continued to be tied up thereby necessitating further storage costs for the undistributed Bins and Tools.

I am informed that the distribution exercise for the Compost Bins was initially planned for October 2019 but could not be held due to the holding of the General Elections in November 2019 and that the Ministry is currently finalising the proposals for the distribution exercise.

Lease Costs

The four months lease of a building to store the Bins since 1 June 2016 was renewed up to 31 August 2017. The initial lease, as well as subsequent renewals, was not vetted by Ministry's Legal Adviser to ensure that Government's interest be safeguarded. The lease expired on 30 April 2019.

As of 30 June 2019, more than Rs 2 million have been incurred by the Ministry for lease rentals.

I am informed that:

- the lease agreement was sent to the State Law Office in June 2017 for vetting;
- SLO has pointed out that it would not be in order for them to vet an agreement that is already in operation; and
- Rental Costs will have to be settled until the distribution exercise for the Compost Bins is completed.

As reported in the Audit Report for the financial year ended 30 June 2018, the lack of demand for the Compost Bins and the Mixing Tools by the public have put into question the effectiveness of the awareness campaign.

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15 - Ministry of Agro-Industry and Food Security

15.1 Seeds Production – Inefficiencies in Seeds Production Activities

The Agronomy and Horticulture Divisions provide seeds and planting materials to the farming community through six Experiment Stations, namely Richelieu, Barkly, Curepipe, Plaisance, Albion and Bambous. 50 varieties of 30 species of vegetable seeds are produced in these stations.

An audit of the seeds production activities revealed the following:

(a) Deficiency in seeds production

(b) Cost of production exceeds revenue over 26 folds

(c) Poor recording of seeds operation activities

(d) Inefficient use of human resources

(e) Underutilisation of cultivable lands

15.1.1 Deficiency in Seeds Production

A Seeds Production Programme, specifying the period, crop and area to be planted at the different Experiment Stations is prepared by the Horticulture Division.

The efficiency of seeds production activities was not satisfactory. The objective as set in the Programme for 2019 of producing about 6.8 tonnes of 50 varieties of vegetable seeds in the different stations was far from being met. Only 32 per cent of the target for the year ended 31 December 2019 was achieved.

NAO noted that seeds production has declined over the years. The quantity produced compared to the annual requirement as set by the Food and Agricultural Research and Extension Institute (FAREI) over the past three years are shown in Table 15-1.

Table 15-1 Seeds Production compared to Annual Seeds Requirement

Year	Quantity Produced Kg	Annual Requirement by FAREI* Kg	Quantity Produced %
2017	3,332	15,145	22
2018	2,615	14,355	18
2019	2,200	15,015	15

** Excludes garlic, groundnut and carrot imported/produced by planters and bean provided by Agricultural Marketing Board/private suppliers.*

The Ministry informed NAO that the quantity of seeds being produced has been decreasing over the past three years due to shortage of general workers in all stations. Arrangements have already been made for recruitment of general workers in the near future.

15.1.2 Cost of Production Exceeds Revenue over 26 Folds

Significant amount of public funds was spent on seeds production in terms of labour costs, salaries of technical staff, maintenance and running costs of equipment and vehicles, costs of fertilizers, pesticides, irrigation and other overheads. The total costs for period January to November 2019 of the six Experiment Stations, inclusive of payroll, and travelling and transport costs, in providing seeds and other agricultural products such as plants, fruits and vegetables amounted to some Rs 81.4 million. However, revenue collected during the same period totalled only some Rs 3.10 million.

Revenue collected has been decreasing from Rs 5.32 million in 2017 to Rs 3.10 million for the 11 months to November 2019 and it represented a small proportion of the total costs of providing seeds to planters. The production and supply of local seeds by the Ministry was therefore heavily subsidised.

The Ministry informed that the high costs of production is mainly due to the following:

- Seeds and planting materials are sold at subsidized prices.
- Various grades of personnel are needed for the proper functioning of a station.
- Cyclone and excessive rainfall during summer often affect the seed production and plant propagation activities on various stations.

15.1.3 Poor Recording of Seeds Operation Activities

NAO noted that recording and control over seeds operation activities were poor at the six Experiment Stations. A Seeds Production Book (SPB) was kept at each station to record the whole seeds production process from the pre-planting operations, through the various stages of growth up to the final harvesting stage, and other seeds production processes.

The SPB was incomplete as information such as cost of production per hectare, cost of production per kg of seeds produced, yield per hectare, labour hours involved from pre-planting stage till harvesting operations, harvest information like date harvested and signature of Harvesting Officer, were missing. In the absence of these information, it could not be ascertained whether there has been efficient control over the whole seeds production process, and whether optimum use of resources has been made.

15.1.4 Inefficient Use of Human Resources

Existing labour force was not efficiently used. The work assigned to manual/field workers was inadequate as it was mainly in terms of task work which was recorded in a 'Labour Distribution and Daily Record Book'. These tasks were almost completed in the morning. Hence, the workers were left idle after completion of their task work before midday.

Had proper planning been made, more efficient use of the existing labour force could have been made and more lands could have been cultivated all year round at all the stations, with a resulting increase in seeds production.

15.1.5 Underutilisation of Cultivable Lands

The Ministry has not made optimal utilisation of cultivable lands to improve its seeds production activities at the various stations. An examination of the Seeds Production Programme revealed that lands under seeds production in stations were decreasing over the years. As at 31 October 2019, cultivable lands of an extent of 33 hectares were available while vegetable seed crops were grown over an area of only 17 hectares, representing only 51.5 per cent of the cultivable lands.

The following were noted during site visits carried out by officers of NAO at the six stations in November 2019:

(a) The time lag between harvest of a crop and re-plantation of new ones in the same field was unduly long, in certain instances, ranging from four to 10 months.

(b) Some 2.5 hectares of land were leased to a Cooperative Society at the Curepipe Station and 0.7 hectares to individuals at Richelieu Station, for projects other than vegetables/seeds production.

(c) 31 plots of land totalling some 6.3 hectares were unutilised for periods ranging from three to 60 months, at five stations.

(d) At Bambous Station, six plots of leased land for a total of 10.5 hectares were abandoned for some seven years. Similarly, at the Richelieu Station, 35 plots of leased land totalling some 13.2 hectares were left in an abandoned state. At the Plaisance Station, a field of mango orchard of an extent of 1.91 hectare, has remained abandoned over the past 10 years.

Seeds were produced at high cost while human resources and lands were underutilised. Food growers still have to rely on imported seeds and on production of their own seeds.

NAO is of the view that appropriate actions should be taken for optimal utilisation of lands to ensure an adequate and timely supply of good quality seeds to the farming community and the public.

The Ministry informed that land preparation, planting and maintenance of seedcrops are highly labour intensive activities which require adequate number of general workers for successful implementation of the seed production programme. The shortage of general workers over the past three years in all stations has led to a significant reduction in land being utilised for seed production.

NAO's Comments

The Ministry should consider mechanisation of the seeds production process.

15.2 Construction of a National Wholesale Market – Delay in Project Completion

The setting up of a National Wholesale Market (NWM) which was contemplated since the year 2008 has been delayed by some 11 years. The need for a NWM for fruits and vegetables arose from the pressure of growers to have a modern and adequate wholesale and auction facility where both producers and wholesalers would be able to trade openly and efficiently in hygienic conditions.

The project consisted of two galvanised steel structure warehouses with associated amenities of an area of about 7,238 m^2, surrounded by a large parking area of 27,500 m^2 for loading and unloading of fruits and vegetables, and a covered area of 3,000 m^2 where small planters would be able to sell their products directly to the public. The project was to be executed in two phases.

An audit of the project revealed the following:

(a) There was extension of the contractual completion date;
(b) Eight essential items were not included in Phase I of the project due to financial constraint; and
(c) The Generator and Sewer Treatment Plant considered important for the operational activities of the market were omitted in the scope of works.

15.2.1 Extension of Contractual Completion Date

Phase I of the project was estimated to cost Rs 390 million. The contract for the setting up of the NWM at Five Ways, Belle Rive was awarded to a Contractor on 4 October 2018 for an amount of some Rs 339 million (VAT exclusive). The contract commencement date was 28 December 2018 and completion date was scheduled for 27 December 2019. In September 2019, the contractual completion date was extended to 1 January 2020. As at October 2019, works were only 60 per cent completed.

As at November 2019, payments totalling some Rs 195.3 million, representing 50 per cent of contract value, were made to the Contractor.

The Ministry informed that extension of time was granted to the Contractor due to bad weather and persistent rainfall. As at 28 January 2020, progress of work on construction site was evaluated at 90 per cent and payments amounted to some Rs 226.3 million.

15.2.2 Eight essential items not included in Phase I of the project due to financial constraint

Eight essential items, including a Planters' Corner, mechanical and electrical installations, design and build of cold rooms and water supply, were not catered for in the first phase of the project due to financial constraint. These were estimated to cost some Rs 196.5 million and were to be carried out in the second phase.

In the 2019-20 budget, only Rs 60 million of the Rs 196.5 million were provided to finance the components which were considered essential for the operation of the NWM, namely design and build of cold rooms, fencing works, road, drain works and asphalt, mechanical and electrical (M&E) works, and utility connection. The Planters' Corner was excluded from the scope of works.

According to the Agricultural Marketing Board, the Planters' Corner should have been included in the first phase of the project as it would have allowed growers to sell their produce directly to other users without having recourse to the services of auctioneers. However, no fund has been provided in the 2019-20 budget for the Planters' Corner.

The Ministry informed that Phase I of the project composed of only one Auction Market, two toilet blocks, one Sewer Treatment Plant and onsite works. With the given financial resources, the Ministry had to embark on Phase I with the existing budget. However, in view of enabling the operation of the NWM, Phase II of the project was conceived by including the design and build of cold rooms, fencing works, road drain works and asphalt, M&E works and utility connection. The Planter's Corner will be accommodated in the NWM itself.

15.2.3 Generator and Sewer Treatment Plant considered important for the operational activities of the market, omitted in scope of works

Due to limited budget, provision for a generator was removed from the scope of works while the Sewer Treatment Plant (STP) was replaced by a septic tank. According to the M&E Engineer, the generator would be required since the wholesale market would be operational very early in the morning and late at night, and in case of power cut, the activities would be disrupted.

Regarding provision of the STP, it was one of the conditions imposed by Wastewater Management Authority as construction of a septic tank could not be done due to poor soil absorption. As at November 2019, tenders for both the generator and the STP were not yet launched.

The Ministry informed that tender document for the standby generator has been prepared and it will be launched by end of February 2020. The STP formed part of the original tender documents as per conditions imposed by the Wastewater Management Authority. However, due to financial constraints, this item had to be removed from the bill of quantities. As at date, the tender documents are under preparation and will be finalised shortly.

15.3 Livestock Production and Development Programme – Objectives of Schemes not being achieved

The Ministry has, over the past years, introduced a number of Schemes under the Livestock Production and Development Programme. The aim is to boost local production and marketing of milk, meat, poultry and related value-added products, thereby increasing food self-sufficiency.

Eight Schemes have been set up to cater for modernisation and innovation in the Livestock Sector by providing technical and financial assistance to the farming community so that the latter may operate in a more conducive environment. Seven of these Schemes are managed by the FAREI and one by the Small Farmers Welfare Fund (SFWF).

At paragraph 12.2 of the Audit Report for the financial year ended 30 June 2018, I drew attention to the following:

(a) The Ministry acceded to the claims of FAREI without taking into consideration the amount retained by the latter under the different Schemes. Out of funds totalling some Rs 87 million disbursed by the Ministry to FAREI, only some Rs 37 million were paid to beneficiaries; and

(b) The main factors hampering the development of the Livestock Sector.

The following were noted during a review of the above findings in the course of the 2018-19 audit:

(a) Disbursements of funds to beneficiaries were much lower than budgeted amount; and

(b) Decreasing number of breeders in the Livestock Sector and animal population over the past five years.

15.3.1 Disbursements of funds to beneficiaries were much lower than budgeted amount

Although funds have been provided in the past four financial years under the different Schemes, a minimal amount or no disbursement has been made to beneficiaries under certain Schemes. Only 26 to 50 per cent of amount budgeted have been utilised, as shown in Table 15-2.

Table 15-2 Budgeted and Actual Disbursements during the past four Financial Years

Financial Year	Budgeted Amount Rs	Amount disbursed to beneficiaries Rs	Utilised %
2015-16	35,500,000	9,243,500	26
2016-17	24,300,000	6,600,330	27
2017-18	24,500,000	12,333,924	50
2018-19	17,600,000	8,318,974	47

As at 31 October 2019, four of the eight Schemes were on-going, namely Pasture Development, Scheme for Purchase of Equipment, Upgrading of Livestock Farm/Poultry Scheme and Calf Productivity Scheme/Heifer. For the year 2018-19, only two applications were received for the Scheme Pasture Development. However, no disbursement has been effected. Payments of some Rs 930,000, Rs 1,450,000 and Rs 980,000 have been effected to only four, eight and 209 beneficiaries under the Scheme for Purchase of Equipment (Livestock), Upgrading of Livestock Farm/Poultry Scheme and Calf Productivity Scheme/Heifer respectively. The total number of beneficiaries was therefore relatively low.

With regard to three of the four remaining Schemes, namely Cattle Breeders Scheme, Goat/Sheep Farm Scheme and Reproduction Farm (Pig), no disbursement has been made during the past three financial years ended 30 June 2019 while for the Reproduction Farm

Cattle/Goat Scheme, land was being identified in a suitable region for the setting up of a farm. No disbursement has therefore been made in financial years 2017-18 and 2018-19.

15.3.2 Decreasing number of breeders in the Livestock Sector and Animal Population over the past five years

The number of breeders who took advantage of the different Schemes was relatively low as compared to the total number of breeders in the Livestock Sector, estimated at 5,000 as per the Food Security Strategic Plan 2016-2020. This may be due to the fact that all the Schemes were limited only to registered breeders and Cooperative Societies/Companies. Thus, small breeders that were not registered could not take advantage of the Schemes.

The cattle and goat population, as well as the number of livestock farmers for these two animals have been decreasing over the past five years ended 31 December 2018, despite four of the eight Schemes have been set up for the benefit of these breeders as shown in Table 15-3.

Table 15-3 Livestock Farmers and Animal Population Trend for Cattle and Goat

Details	2014	2015	2016	2017	2018
Number of Livestock Farmers:					
Cattle	816	790	650	592	575
Goat	2,653	2,545	2,346	2,411	2,330
Animal Population:					
Cattle	6,041	4,705	3,531	3,091	3,508
Goat	26,558	26,714	26,670	25,339	25,540

Source: Strategic Plan 2016-2020 and FAREI

The decreasing trend in the number of livestock farmers and animal population might be explained by the limited capacity of existing farms to increase herd size, coupled with space restriction and environmental constraints since most of these farmers operate in their backyard. Also, there is an ageing population of the farming community and lack of interest from the youth population to take up livestock related activities.

NAO is of the view that:

- Farmers have not taken advantage of the incentives provided in the different Schemes because of stringent eligibility criteria.

- Schemes that are not attractive should be reviewed and new criteria should be worked out after consultation with the farming community to enable a larger number of breeders to benefit from the incentives provided by the Ministry.

- An effective strategy should be developed to sensitise the farming community of the facilities offered under the different Schemes.

The Ministry informed that the existing Schemes and the eligibility criteria for these Schemes for the Livestock Sector will be reviewed in consultation with all stakeholders with a view to ensuring that more breeders join the Sector and existing breeders benefit to the maximum from the Schemes and the facilities provided.

15.4 New Slaughter House – Considerable delay in construction resulting in continuous recourse to sub-standard "Central Abattoir"

At paragraph 12.4 of the Audit Report for the financial year ended 30 June 2018, I highlighted that almost 28 years had elapsed since construction of a New Slaughter House had been contemplated and yet, the project has not materialised.

The following were noted during a review of the project in 2018-19:

(a) Central Abattoir did not comply with the Hazard Analysis Critical Control Point (HACCP) and European Union (EU) norms; and
(b) Procurement procedures were kept on hold due to non-provision of funds in the budget 2019-20.

15.4.1 Non-compliance with the HACCP and EU norms

The existing "Central Abattoir" which is operating since 1978, is the sole abattoir facility in Mauritius authorised to carry out slaughter of livestock (except poultry). Further to a feasibility study carried out by the EU Consultants in September 2013, it was reported that the current production practice did not fully meet the HACCP requirements and EU norms. As such, relevant protocol to ensure improvement in animal handling practices and strict adherence to operational and hygienic norms in the production of quality meat for domestic and export market, was still lacking.

The Mauritius Meat Authority had not undertaken any major investment in the existing abattoir which is more than 30 years old. Funds totalling Rs 1 million have been provided for urgent cabling works in financial year 2019-20 as the central breaker system is worn out which could result in risk of electrocution.

15.4.2 Procurement procedures kept on hold due to non-provision of funds in the budget 2019-20

NAO noted that the project, of an estimated value of Rs 250 million, was still at the early stage of tendering. Procurement procedures for the construction of the New Slaughter House were carried out on five occasions, namely in September 2014, July 2015, March 2016, September 2017 and February 2019. Four were unsuccessful while the fifth one, which was at an evaluation stage during financial year 2018-19, could not proceed further due to non-provision of funds in budget 2019-20.

The Ministry informed that the project has been registered as a potential Built-Operate-Transfer Project by the Ministry of Finance, Economic Planning and Development and actions have already been initiated to structure the project and launch the Request for Proposal through the Central Procurement Board.

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16 - MINISTRY OF INDUSTRY, COMMERCE AND CONSUMER PROTECTION

16.1 Laboratory Equipment for Legal Metrology Services - Lapses in Procurement Procedures and Contract Management

Audit of the process for the procurement of laboratory equipment for the Legal Metrology Services (LMS) revealed lapses in procurement procedures and contract management. The Ministry was not strictly complying with instructions issued by the Procurement Policy Office (PPO) and Conditions of Contract.

During financial year 2018-19, some Rs 5.3 million were disbursed by the Ministry for the procurement of Laboratory Equipment for the LMS. These included four items of equipment namely, one Proving Measure with Trailer – for some Rs 2 million, two Mass Comparators – Rs 2.4 million, one Flowmeter with accessories – Rs 640,000, and Mass Standards with accessories – Rs 260,000.

16.1.1 No Negotiations for Bid Exceeding Estimated Cost

The Ministry awarded the contract for the procurement of a Proving Measure with Trailer to the lowest evaluated substantially responsive bidder on 17 January 2019, for the sum of some Rs 2 million. Despite the fact that the contract price exceeded the estimated cost of Rs 1.5 million by more than 15 per cent, negotiations were not held with the successful bidder as laid down in Circular No 7 of 2010 issued by the PPO.

The Ministry stated that the Proving Measure is not used for works, thus negotiations were not applicable.

NAO would like to emphasise that Circular 7 of 2010, issued by the PPO provides that "for any contract other than works", negotiations may be carried out with the bidder or supplier "where the lowest evaluated substantially responsive bid is substantially above the estimated cost". Hence, as the contract price exceeded the estimated cost by more than 30 per cent, NAO is of the view that negotiations should have been carried out with the successful bidder.

16.1.2 Liquidated Damages not applied

According to the Special Conditions of Contract (SCC), the goods were to be delivered at latest on 16 April 2019 and a test was to be conducted on delivery of the equipment.

The equipment was delivered on 17 May 2019 but it was not commissioned on that date. According to the Commissioning Certificate, the equipment was tested at the LMS on 18 June 2019. Although there was a delay of 63 days (16 April to 18 June 2019) in the due performance of the contract which comprised delivery and successful testing, Liquidated Damages of Rs 200,000 representing the maximum amount of damages, were not deducted from the payment made on 27 June 2019, which is contrary to the SCC.

16.1.3 Performance Securities not Submitted and not Extended

The SCC required that the supplier should submit a Performance Security (PS) in the form of a bank guarantee representing 10 per cent of the final contract price. Further, the General Conditions of Contract (GCC) provided for the discharge of the PS to take place 28 days following the date of completion of the supplier's performance obligations under the contract.

The PSs for the Flowmeter with accessories and Mass Standards with accessories were not submitted while those for the Mass Comparators and Proving Measure with Trailer expired on 14 May and 30 June 2019 respectively. These were not extended to cover the period till completion of the suppliers' performance obligations in the SCC which were 17 and 15 July 2019 respectively.

The Ministry should ensure that applicable procurement procedures and Conditions of Contract for all procurements are duly complied with.

The Ministry informed that:

- It will take appropriate action for staff involved in procurement to be given appropriate training so that such lapses do not recur and will ensure that all procedures are duly followed.

- A request has been made to Ministry of Finance, Economic Planning and Development for posting of an Officer of Procurement and Supply Cadre at the Ministry.

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17 - MINISTRY OF YOUTH AND SPORTS

17.1 Disbursement and Monitoring of Grants - Financial Instructions not Complied with

Grants were disbursed by the Ministry despite the fact that the conditions set out in the Financial Instructions issued by the Ministry of Finance, Economic Planning and Development (MoFED) were not being complied with by beneficiaries.

17.1.1 Recurrent Grants

During financial year 2018-19, three of the organisations which benefited from recurrent grants were the Mauritius Sports Council - Rs 35 million, the Mauritius Multisports Infrastructure Ltd –Rs 15 million and the Trust Fund for Excellence in Sports – Rs 22 million.

At paragraphs 7.1 and 13.1 of the Audit Reports for the financial years 2016-17 and 2017-18 respectively, I drew the attention of the Ministry that all the conditions on Administration of Government Grants set out in Financial Instructions No 2 of 2014 were not being complied with. The above three bodies were still not adhering to all these conditions.

Cash Flow Statements, Cash Flow Forecasts and Bank Statements to support the applications for the disbursements of grants were not always submitted. Progress Reports submitted did not contain sufficient and relevant information to enable a proper assessment of the progress achieved so as to obtain assurance that grant funding was appropriately applied. Annual Reports and Audited Financial Statements were not submitted to the Ministry within statutory date limit.

The Ministry should ensure that documents listed in the Financial Instructions on Administration of Government Grants are duly submitted to support all applications for disbursement of grants.

17.1.2 Grants to the Association for the Upgrading of Indian Ocean Island Games Infrastructure 2019 (AUGI)

During the period July 2017 to June 2019, grants totalling Rs 746.2 million were disbursed to AUGI for the upgrading and renovation of sports infrastructure in the context of the Indian Ocean Island Games (IOIG) which were held in Mauritius in July 2019.

Financial Instructions issued on Administration of Government Grants were not strictly complied with.

Grant Memorandum

The services to be delivered (Outputs) and service standards (Indicators) were not indicated in the Grant Memoranda.

The Ministry should clearly define the Outputs and Indicators to be delivered in the Progress Reports in Grant Memoranda.

Grant Financing

A sum of Rs 510 million was budgeted as Grant to AUGI for the financial years 2017-18 and 2018-19. Additional provision of Rs 236.2 million was obtained in 2018-19 from a virement of Rs 54 million from different items under ‘Promotion and Development of Sports’ and ‘Youth Services’, and Rs 182.2 million through an advance from MoFED.

Non Submission of Supporting Documents

Two applications for disbursement of grants of Rs 375 million and Rs 236.2 million submitted on 23 November 2018 and 14 June 2019 respectively, were not duly supported by all prescribed documents. For instance a Revised Estimate of Revenue and Expenditure and a Cash Flow Forecast for the period ended 30 June 2019 were not submitted. Also, all Bank Statements were not submitted at time of application.

The Ministry informed NAO that these documents have been retrieved from AUGI

Timing of Grant Payments and Utilisation of Funds

Cash requirements of AUGI were not duly assessed before disbursements of grants to the Association. Unspent cash balances with AUGI as of 30 June 2018 and 30 June 2019 were Rs 130.97 million and Rs 187.10 million respectively. Expenditure incurred by AUGI during 2017-18 amounted to Rs 4.03 million and represented only three per cent of the budget allocated for that year, while only Rs 63.88 million, that is, 27 per cent, of the additional provisions were spent as of 30 June 2019.

The Ministry should put in place a proper mechanism to ensure that all relevant documents listed in the Financial Instructions are duly submitted to support all applications for disbursement of grants and that grants are released after a proper assessment of the cash requirements of the organisation so that funds do not remain idle in the recipients’ bank accounts.

Accounts and Annual Report/Return of the Association

One of the requirements of the Registration of Associations Act is that every registered association shall not later than three months after the accounting date in every year, forward to the Registrar of Associations (RoA) a return containing among others, a certified copy of the Statement required to be submitted to the Annual General Meeting.

According to the Grant Memorandum, AUGI was required to submit accounts together with the Annual Report to the Minister in accordance with the Statutory Bodies (Accounts and Audit) Act. However, AUGI is not a Statutory Body but is an Association registered with the RoA. The Grant Memorandum needs to be customised to cater for Associations.

As of 30 November 2019, the Annual Return of AUGI for the year 2018 was not yet submitted to the RoA although the statutory date limit was 31 March 2019.

AUGI should submit its Annual Return to the RoA as laid down in the Registration of Associations Act, within a copy to the Ministry.

The Ministry informed NAO that it would adhere to the Financial Instructions of MoFED and would strictly comply with the provisions of Acts and Regulations relevant to financial management, and the shortcomings noted would be communicated to the Board of AUGI for prompt actions and remedies.

17.2 Contract Works under AUGI – Lapses in Contract Management and Grant Disbursement Procedures

Provisions amounting to Rs 135 million and Rs 375 million were made under item 17-102.26323.146 "Upgrading of IOIG Infrastructure (AUGI)" in the budgets for the financial years 2017-18 and 2018-19 respectively. These were meant for major renovation works on 17 sports infrastructures, including two sites in Rodrigues. The project value was estimated at Rs 550 million. On 30 November 2017, AUGI appointed five Consultants for a total contract value of Rs 33.2 million for a detailed survey, design and project management.

17.2.1 Contract Value

During the period 25 September to 1 November 2018, 13 contracts for a total value of Rs 695.79 million were awarded by AUGI to 10 Contractors for upgrading and renovation works of sports infrastructure at 17 sites.

The total contract value exceeded the estimated project value by Rs 145.79 million.

17.2.2 Late Signature of Contracts

Contracts were signed well after the start of works by the Contractors. For eight of the 17 sites, the delays ranged from 99 to 158 days.

17.2.3 Project Monitoring and Completion

The information to be disclosed in the Progress Reports was not specified in the applications for the disbursements of grants.

Regular Progress Reports were not submitted to the Ministry. Certain Reports attached to the applications for disbursement of grants were not sufficiently detailed. Thus, it was not possible to ascertain whether progress of works achieved was properly monitored, works at the different sites were completed within the contractual periods and payments made to the Contractors and Consultants were within the contract sums.

17.3 Upgrading of Sports Infrastructure and Youth Centres – Lapses in Procurement Procedures and Contract Management

During financial year 2018-19, some Rs 14 million were disbursed by the Ministry for the upgrading of Sports Infrastructure and Youth Centres.

At paragraphs 7.7 and 13.5 of the Audit Reports for the financial years 2016-17 and 2017-18 respectively, I reported several instances where the Contractors were not complying with the Conditions of Contract.

17.3.1 Bid Evaluation Exercise

The evaluation exercise for Flacq Youth Centre (FYC) and Anse La Raie Youth Training Centre (ALRYTC) and submission of the Bid Evaluation Reports by the Bid Evaluation Committee (BEC), were not made within the periods set by the Departmental Bid Committee (DBC). The approval of the DBC for the additional time taken was not seen.

The Ministry informed NAO that no payment was effected for additional hours of evaluation for which approval had not been sought.

17.3.2 Practical Completion of Works

The Practical Taking Over Certificates in respect of Centre Technique National Francois Blaquart (CTNFB), ALRYTC and FYC, were issued six, 14 and 16 days respectively after the dates on which the works were certified to have been practically completed. There was no record available at the above Centres to ascertain that the works were practically completed on the dates stated on the Certificates.

17.3.3 Insurance Cover

As of 30 November 2019, Insurance Policies submitted by the Contractors for FYC and CTNFB were not yet extended to cover the Defects Liability Period (DLP).

According to the Ministry, the Contractors have been requested to extend the Insurance Policies to cover the DLP fully.

17.3.4 Site Visits

Site visits were effected by my Officers at a few sites in October and November 2019. Shortcomings, such as absence of nettings works in the kitchen, width of new gate not as per specifications and rusts at some places in the pedestrian gate were noted at ALRYTC.

NAO's views are that:

- The Ministry should ensure that project costs are properly estimated and sufficient provision is allocated for their execution. Bids should be examined and evaluated within a reasonable period and the BEC should obtain prior approval of DBC for extension of agreed periods.

- Works should be executed as per specifications laid down in the contract. Practical completion of works should be evidenced by an entry in the records such as Occurrence Book kept at the Youth/Sport Infrastructure or signed Notes of Site Meeting. The validity of Insurance Policy should cover the DLP.

17.4 Financial Assistance to Football Clubs, Regional Football Committees and Sports Federations - Disbursement Conditions not Enforced

During financial year 2018-19, Financial Assistance totalling Rs 77.18 million was provided to 26 Football Clubs and 10 Regional Football Committees (Rs 20.2 million) and 40 Sports Federations (Rs 56.98 million).

At paragraphs 7.2 and 13.2 of the Audit Reports for the financial years 2016-17 and 2017-18 respectively, I reported that financial assistance was provided although the conditions pertaining to disbursements of funds were not being complied with.

Several organisations were not adhering to the provisions contained in the Sports Act and related Directives, Regulations and Statutes, as well as the conditions laid down in the agreements signed with the Ministry. These included non-submission of lists of office bearers, records of activities, approved budgets and forecasts, as well as audited statements of accounts.

The Ministry should ensure that the terms and conditions laid down in the funding agreements are duly complied with by the Football Clubs and Regional Football Committees before disbursement of financial assistance. The requirements of the Sports Act as well as the conditions pertaining to allocation of financial assistance should also be duly adhered to by Sports Federations.

The Ministry informed NAO that:

- it has continued to fund National Sports Federations (NSFs) so as not to penalise athletes;
- it has resolved to freeze all assistance to NSFs which are not compliant with the Sports Act 2016; and
- Conditions laid down in funding agreements are being reviewed in the light of constraints faced by the Football Clubs and Regional Football Committees to obtain relevant information from the Registrar of Associations (RoA).

17.5 Disbursements from Deposit Lotto Fund - Grant Conditions not Enforced

During financial year 2018-19, receipts and payments under the Deposit Lotto Fund totalled Rs 73.21 million and Rs 50.54 million respectively.

A sum of Rs 5 million was earmarked for Grant Support to Team Sports in the 2018-19 Budget Estimates.

The funds were to be distributed to the Sports Clubs forming part of the Premier League for Season 2018-19 in basketball, handball, rugby and volleyball.

The agreements between the Ministry and the Sports Clubs set out the conditions to be complied with prior to the disbursement of funds, such as submission of a complete report of activities during the preceding financial year, duly audited Statement of Accounts for the preceding year, an approved budget and forecast for the following year and an updated proof from the RoA confirming that the club is still registered. Despite all these conditions were not duly complied with for financial year 2018-19, payments amounting to Rs 4.50 million were effected to 40 Clubs.

17.6 Indian Ocean Island Games (IOIG) 2019

Expenditure totalling Rs 183.91 million were incurred during financial year 2018-19 by the Ministry under item 17-102.22900.939 in connection with the IOIG 2019 held from 19 to 28 July 2019 in Mauritius.

Audit of expenditure on the IOIG revealed that:

(a) Grant Conditions were not being enforced by the Ministry in respect of funds granted to Sports Federations; and
(b) There were various lapses in Procurement Procedures.

17.6.1 Funds to Sports Federations - Disbursement Conditions not Enforced

An amount of Rs 3.74 million was paid to two Sports Federations. One Federation did not submit certified receipts to support payment of Rs 1.74 million while the other submitted receipts for Rs 2 million three months after the relevant event.

Both Federations did not submit reports on their activities.

17.6.2 Catering Services - Lapses in Procurement Procedures

Catering Services for athletes training for IOIG 2019 totalled Rs 10.87 million comprising Rs 8.25 million being cost of catering services in connection with training of athletes and Rs 2.62 million disbursed by the Ministry as financial assistance to two Federations and one Association for catering services.

The Request for Sealed Quotation method of procurement used was inappropriate as the value of the procurement amounted to Rs 8.25 million and exceeded the prescribed threshold of Rs 5 million. The cost of the services was not estimated prior to start of procurement process.

A Performance Security and a Tax Clearance Certificate were not requested as required by Directives Nos 9 and 33 of 10 September 2012 and 1 November 2016 respectively, issued by the Procurement Policy Office (PPO).

The Procurement Lead Time exceeded that set for Non-major contracts using Open Advertised Bidding Procurement as per Directive No 13 of 29 May 2013 of PPO, by 58 days.

The Bid Validity Period (BVP) was extended on two occasions to 30 April 2018 and 31 May 2018 and exceeded that set by 45 days.

The Ministry informed NAO that the BVP was extended so as to complete the procurement process before the offers were no longer valid.

Members appointed in the BEC were replaced on several occasions resulting in undue delay in the examination and evaluation of bids.

The unit price for the different orders between the two responsive bidders varied between 31 to 175 per cent. The contract was awarded to the lowest substantially responsive bidder, but was subsequently cancelled due to its inability to carry forward with the contract and was re-awarded to the second lowest substantially responsive bidder.

Claims totalling Rs 3.28 million for the period March to July 2019 were withheld pending approval of additional funds.

The Ministry should abide with the provisions laid down in the Public Procurement Act, Public Procurement Regulations, and related Directives and Circulars. It must follow procurement procedures relating to preparation of cost estimate before invitation of bids, for selection of the most appropriate procurement method and to determine whether a Performance Security and a Tax Clearance Certificate are required.

NAO is of the view that the Ministry should aim at attaining the Procurement Lead Time for all procurements. All relevant information should be recorded in the minutes of DBC. The extension of the BVP should be minimised and bids should be examined and evaluated within a reasonable period.

Price variances between the different bidders should be assessed before awarding contract to the lowest substantially responsive bidder.

17.7 International Regional Games – Disbursement Conditions not Enforced

An amount of Rs 3 million was disbursed to a Sport Federation to meet expenses for the organisation of COSAFA U17 Cup in Mauritius held from 19 to 29 July 2018. The payment was to be effected with the condition that the Federation submits receipts and certified documents.

However, the required documents were not submitted to support the payments.

The Ministry should ensure that the Sport Federation submit all required documents as per condition laid down for release of fund.

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18 - MINISTRY OF SOCIAL INTEGRATION AND ECONOMIC EMPOWERMENT

Matters Arising from Audit Report 2017-18

18.1 Social Housing for Vulnerable Groups – Inadequate Control over Disbursement of Capital Grants

At paragraph 15.2 of the Audit Report 2017-18, I highlighted that the grants disbursed to the National Empowerment Foundation (NEF) were not adequately monitored, and that more than 77 per cent of funds disbursed to NEF for Social Housing Projects for vulnerable groups had remained unspent as at 30 June 2018.

This matter has further been reviewed during the 2018-19 audit and it has been noted that grants were disbursed to NEF without due regard to its requirements, particularly its capacity to implement scheme for the construction of social houses as planned. Furthermore, the monitoring by the Ministry was still inadequate as explained hereunder:

18.1.1 Construction of Fully Concrete/Modular Houses (FC/MH) Scheme

For the past three financial years, capital grants amounting to some Rs 309.7 million were disbursed to NEF for the implementation of projects for poverty alleviation and empowerment of households registered in the Social Register of Mauritius (SRM). Of the total funds disbursed, Rs 280 million, that is more than 90 per cent were in respect of projects for "Social Housing for Vulnerable Groups".

At the beginning of 2015, NEF was requested to stay action on the construction of Concrete cum Corrugated Iron Sheet (CCIS) houses since a new Housing Policy, namely the construction of FC/MH for eligible applicants who are land owners or lessees of state land would be approved. This scheme was implemented as from November/December 2016, date of coming into operation of the Marshall Plan Social Contract under the Empowerment Support Scheme. NEF was also requested to conduct surveys across the nine districts for an update on applicants under the previous CCIS scheme willing to benefit from a FC/MH, subject to satisfying the eligibility criteria. A scrutiny of the scheme revealed that:

Targets not Achieved

According to Action Plans from NEF for the past three financial years, provisions were made for the construction of 291 FC/MH. However, as at 30 September 2019, contracts were awarded for the construction of only 219 FC/MH, as detailed in Table 18-1 below:

Table 18-1 Planned Target not Achieved

Action Plan	Provisions FC/MH	Award of Contracts Date	Amt Rs million	FC/MH
2016-17	126	Apr/Aug 17	109.5	126
2017-18	85	25 Oct18	17.8	19
2018-19	80	11 Jan 19	43.1	50
		12 Jun 19	23.9	24
Total	**291**		**194.3**	**219**

From the "Status Report" as at 30 October 2019 provided by the Ministry, it was noted that of the contracts for the construction of the 219 FC/MHs awarded:

- Only 102, that is, less than 50 per cent, constructions were completed as at that date. There were delays ranging from 5 to 13 months in completion. It was not known whether penalty/liquidated damages for such delays were applicable. 34 FC/MHs were still under construction.
- Contracts for the construction of 24 FC/MHs for a total amount of some Rs 21.5 million were cancelled/reconsidered for subsequent contracts. However, details of the potential beneficiaries and reasons were not included in the status report.
- Construction works of 59 houses had not yet started as at 30 October 2019.

List of Beneficiaries of FC/MHs not available at the Ministry

The above mentioned Status Report also revealed that 66 of the 195 beneficiaries of FC/MHs were persons registered under the previous CCIS Scheme, and were not all eligible under the new Marshall Plan criteria (effective as from December 2016). The Ministry of Finance and Economic Development approved that those still interested and satisfying the new criteria set for allocation of a FC/MH be taken on board. However, a list of those beneficiaries including names and addresses as approved by the Board of NEF as being eligible for allocation of an FC/MH was not available at the Ministry. Authority could thus not be verified in those cases.

Funds Disbursed by the Ministry not optimally used

Of the total grants of Rs 280 million disbursed by the Ministry, NEF awarded contracts for construction of 219 FCH for a total value of some Rs 194.3 million only. As at 30 June 2019, NEF had an unspent and uncommitted balance totalling some Rs 107.2 million representing unutilised fund of Rs 85.7 million and Rs 21.5 million due to cancellation of 24 FC/MH reported above. NAO had previously recommended the Ministry to ensure that funds disbursed to NEF are utilised promptly and for the intended purpose before disbursement of further funds.

The Ministry should maintain records on eligible beneficiaries of FC/MH Scheme including names, addresses, date of handing over of keys to the beneficiaries on a priority basis for future allocation of FC/MHs. Such records are useful for decision making and for monitoring purposes in order to ensure the efficiency and effectiveness of the Scheme.

The Ministry informed NAO that:

- As at January 2020, construction of 133 housing units has been completed and another 67 units are presently under construction and expected to be completed by end of July 2020.

- After contract already awarded, some potential beneficiaries refused to or could not go ahead with the construction of the FC/MHs; and also delay in completion cannot be imputed to contractors' faults, hence liquidated damages were not applicable.

- NEF will henceforth be requested to submit list of eligible beneficiaries for FC/MH as approved by its Board for its own record.

- The NEF has also been requested to submit a revised Action Plan duly approved by its Board for the period January to June 2020 including details of all commitments and outstanding funds from previous financial years.

- Letter of award of contract for the construction of 24 FC/MH, using pre-fabricated materials, was issued on 20 January 2020. The remaining unspent balance has now been earmarked for the construction of 40 FC/MH across the island and for the purchase of 10 per cent of housing units from the National Housing Development Company.

18.2 Empowerment Support Scheme – Monitoring and Evaluation Framework not yet Established

At paragraph 15.3 of the Audit Report 2017-18, I reported, among others, that a Monitoring and Evaluation Framework for the Empowerment Support Scheme (ESS) has not yet been established for assessment of beneficiaries.

The object of the ESS implemented since November/December 2016 is to provide financial support to households living in absolute poverty. The ESS provides for an income support, that is, payment of a monthly subsistence allowance to eligible households registered in the SRM, for an initial period of one year, renewable for another year.

Since the start of the ESS, the number of eligible households registered in the SRM has increased from 8,340 in November/December 2016 to 12,243 in June 2019. Eligible households in the SRM are required to sign the Marshall Plan Social Contract (MPSC) to benefit from a Monthly Subsistence Allowance (MSA). This contract laid down the conditions to be abided by beneficiaries to empower them to come out of the absolute poverty trap.

A review of the ESS during the 2018-19 Audit revealed that shortcomings with regard to the MSA and the framework still prevailed, as explained below:

18.2.1 Monthly Subsistence Allowance – Weaknesses in Processing MSA Payable

The weaknesses noted are:

- *Database.* The amount of MSA payable to a new eligible beneficiary was computed and input manually in the database by the IT unit instead of generating the MSA payable automatically by the system Social Integration Management Information System, hence prone to errors.

- *Prescribed Thresholds Overstated.* In order to determine whether a person/group of persons was eligible for the ESS, namely the MSA, the prescribed thresholds for person/(s) living in absolute poverty are listed at the schedule to the Social Integration Act, which included prescribed thresholds of Rs 2,720 for one adult and Rs 4,080 for one adult and one child living under the same roof, amongst others. Out of a sample of 40 new eligible households cases examined, the MSA paid in four cases, that is ten per cent, have been wrongly computed due to inappropriate prescribed thresholds used. Thus, MSA ranging from Rs 1,018 to Rs 2,720 were overpaid in the four cases.

The Ministry should request the Ministry of Social Security and National Solidarity (MSS), the custodian of the SRM to effect appropriate amendments to cater for the shortcomings highlighted above.

18.2.2 Monitoring & Evaluation – Framework not yet Established

As at September 2019, that is, more than 33 months since inception of the scheme, the Ministry has not yet been able to recruit a 'Monitoring and Evaluation Officer'. Consequently, a framework for the monitoring and evaluation of the obligations of individual beneficiaries/households, as enumerated in the social contract signed by them was not yet established. Thus, the social contracts were renewed automatically a first time after expiry of the 12 months' period and thereafter a second time up to June 2020 following a policy decision.

The Ministry needs to urgently establish the Monitoring and Evaluation Framework with respect to the conditions laid out in the MPSC and based on which assessment of present beneficiaries need to be done at the expiry of the current contract on 30 June 2020 for renewal or cancellation of the MPSC, as appropriate.

The Ministry informed NAO that:

- The MSS has informed that it is expected that the automatic computation of the Subsistence Allowance would be functional by the end of February 2020.

- The prescribed thresholds for persons living in absolute poverty as listed in the Schedule, is indicative as the list of the different family composition is inexhaustive and all combinations of household composition could not be included in the Schedule.

  The Attorney-General's Office has informed that Ministry of Finance, Economic Planning and Development be approached for approval to be given to amend the Schedule under the Social Integration Act.

- Although procedures for the recruitment of a Monitoring and Evaluation (M&E) Officer had already been initiated, appointment of same had nevertheless not been made. Moreover, the collaboration of the UNDP for the recruitment of an International M&E Officer was sought. The officer was recruited on 29 May 2019 but he resigned two months later.

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19 – MINISTRY OF OCEAN ECONOMY, MARINE RESOURCES, FISHERIES AND SHIPPING

19.1 Mainstreaming Biodiversity into the Management of Coastal Zones in Mauritius Project – Delay in Project Implementation

A review of the project revealed that:

(a) The implementation of the project has been delayed, and

(b) An appropriate regulatory framework for mainstreaming biodiversity protection has not yet been developed,

thus, increasing the risk of exploitation of Environmentally Sensitive Areas (ESAs) for capital developments.

The project for Mainstreaming Biodiversity into the Management of Coastal Zones in Mauritius, in collaboration with the United Nations Development Programme (UNDP), was approved by the Global Environment Facility (GEF) in 2016 to address the urgent need for more effective management of resources in the coastal zone of Mauritius.

Funding of the project

The project is funded with a grant totalling some US$ 20 million which was co-financed by GEF and UNDP. The duration of the project is five years, starting from 2017 and expected to be completed in 2021.

The implementing partner is the Ministry of Ocean Economy, Marine Resources, Fisheries and Shipping in collaboration with the Rodrigues Regional Assembly and national entities in charge of environment, tourism, agriculture and physical development.

Budgetary provisions of Rs 10.5 million, Rs 42 million and Rs 46 million for the financial years 2017-18, 2018-19 and 2019-20 respectively were made by the Ministry. However, only an amount of Rs 4 million was disbursed out of the Rs 42 million budgeted for the financial year 2018-19.

Project Objective

The project objective would be achieved through a three-pronged approach as follows:

- Support the incorporation of ESA recommendations into policies and enforceable regulations pertaining to Integrated Coastal Zone Management (ICZM), thereby mitigating threats to biodiversity and ecosystem functions and resilience with a special focus on tourism and physical development in the coastal zone.

- Support the effective management of marine protected areas (MPAs) across Mauritius, given that they contain an important proportion of critically sensitive ESAs.

- Demonstrate mechanisms to arrest land degradation in sensitive locations, focusing on reducing coastal erosion and sedimentation and helping to restore ecosystem functions in key wetland areas.

Over 1,300 ESA locations have been identified, mapped and assessed in Mauritius and Rodrigues. The six main coastal and marine ESA types that are the focus of the project are coastal wetlands, sand beaches and dunes, coral reefs, seagrass and algal beds, mangroves, and intertidal mud flats.

Components of the Project

The project has three closely interrelated components, and within each of these, several separate lots, each of which would be implemented under a separate contract. Component 1 comprised the mainstreaming of biodiversity into local level physical development planning and tourism management; Component 2 consisted of strengthening the Marine Protected Area (MPA) management, and Component 3 comprised the erosion control and ecosystem services restoration in sensitive areas.

19.1.1 Delay in project implementation

The project started in April 2017 with the setting up of a Project Monitoring Unit (PMU). Some three years after approval of the project, the contracts for the respective components were awarded. The contracts for Consultancy Services for Component 1 were awarded in October 2018 and February 2019, for Component 2 in March 2019 and Component 3 in September and November 2018, for a total contract value of US$ 1.2 million.

However, the project start-up and the Project Implementation Report (PIR) which were due to be completed in July 2018 were delayed by a year. In the meantime, it was reported that due to insufficient monitoring on the reef status and the management of the lagoon, activities such as snorkelling and diving were a threat to the coral reefs. For instance, at the Blue Bay Marine Park, the coral reefs had deteriorated due to bleaching and physical damage.

The Ministry informed NAO that the project was initially handed to the Mauritius Oceanography Institute. However, in 2016 the latter did not implement the project. It was the Ministry which took over the project as Implementing Partner in 2017.

19.1.2 Absence of appropriate regulatory framework for the mainstream biodiversity protection

Since 2018, constructions of a number of new beach hotels and luxury estate projects in the coastal zones have been approved. In the absence of appropriate regulatory framework on the mainstreaming biodiversity protection, ESAs had been used for development projects, especially in maritime areas. From records, it was noted that several complaints and representations were received from the Civil Society Organisations and the public to the effect that serious damages have been caused to our biodiversity and ecosystem. The coastal system, including coral reefs, wetlands, lagoon are therefore, at risk.

Although Mauritius committed itself in 2009, to the principles of Integrated Coastal Zone Management (ICZM), 10 years later, as of October 2019, there was still no national ICZM plan, while significant development had taken place along the coastline. The ESA Act was still being awaited for the protection of ESAs.

NAO is of the view that further delay in implementing the project and putting in place the appropriate regulatory framework will increase the risk of exploitation of ESAs for capital developments.

The Ministry informed NAO that as the implementing partner, it is driving the project but other stakeholders are also involved in the development of appropriate regulatory framework. The Ministry of Agro – Industry is scheduled to present the Wetland Bill in June 2020 and the Rodrigues Regional Assembly is working on relevant regulations pertaining to ESA in Rodrigues.

19.2 Financial Assistance for Off Lagoon Fishing Scheme – Lapses in Grant Administration

The objective of the scheme was to provide financial assistance to fishermen cooperative societies for the acquisition of "Semi-Industrial Fishing Boats" with a view to encouraging outer-reef and bank fishing and to operate under the chilled fish sector so that they can increase their catch and enhance their livelihood by managing their fishing business.

The financial assistance would help the fishermen to improve their fishing activities and quality of life. A sum of some Rs 36 million was provided during the past two financial years, 2017-18 and 2018-19 for the purchase of semi-industrial fishing boats. Only an amount of Rs 15.8 million was disbursed during financial year 2017-18 on behalf of four fishermen cooperative societies. Although, Expression of Interest was launched in January 2019 for the scheme, applications received were not responsive.

The financial assistance was provided in the form of a grant of 50 per cent of the cost of the boat up to a maximum of Rs 4 million and 90 per cent of the remaining cost would be provided as a loan repayable over seven years to the beneficiary by the designated Bank and the 10 per cent should be met by the beneficiary. On 18 October 2017, a Memorandum of Understanding was signed between the Ministry and the Bank.

A review of the implementation of the scheme revealed that out of the four Cooperative Societies benefiting from the scheme, as at 30 June 2019 only one Society had acquired the boat which was fully operational, while two beneficiaries and one boat constructor were in financial difficulties.

Beneficiary entered into an agreement with an Investment and Management Company

One of the beneficiary who benefited financial assistance amounting to Rs 7.6 million was in financial difficulties. On 28 August 2019, the beneficiary entered into an agreement with an Investment and Management Company, VI Ltd without informing the Ministry and the Bank. The Company was subsequently responsible for operation of the boat, sales of fish and repayment of the loan. It was three weeks later, on 20 September 2019 that the Ministry was informed of this arrangement. Therefore, this constituted a breach of agreement and was not in line with the objective of the scheme.

The Ministry informed NAO that it did not endorse the agreement as it is against the objectives of the Scheme. The Cooperatives Division also did not accede to the request of the Fishermen Cooperative Society. The views of the Attorney-General's Office were sought in this matter.

Delay in delivery of boat due to financial difficulties faced by a beneficiary

On 12 November 2018, another beneficiary was provided a grant amounting to Rs 3.3 million and the remaining approved financial assistance of Rs 3.6 million would be released upon progress of work. A year later, in October 2019, the Ministry was informed that the Society was facing financial difficulties and the boat was still under construction. The expected date of delivery of the boat was February 2019 but no details of the revised date of completion of the boat were available at the Ministry.

Delay in delivery of boat due to financial difficulties faced by boat constructor

The total approved financial assistance amounted to Rs 6.8 million, of which an amount of Rs 3.5 million was disbursed to the beneficiary on 25 June 2018 and the loan of Rs 3.3 million would be released on progress of works. The boat constructor was facing financial difficulties and had to be changed. The beneficiary requested for an extension of letter of intent as from 18 May 2018 for a period of six months. However, as of October 2019, details of the status of the project was not available at the Ministry.

In view of the financial difficulties being faced by the Cooperative Societies and the lack of funds to finance the construction of boats, the risk that the project remained uncompleted exists. Hence, recovery of the financial assistance already disbursed could be difficult.

NAO is of the view that the Ministry should closely monitor the implementation of the scheme. It should ensure that grants disbursed are being used for the purpose intended. Necessary refund should be made to the Ministry in case the beneficiary is unable to go ahead with the scheme.

The Ministry informed NAO that

- This is a pilot budgetary measure scheme for fishermen cooperatives and lessons learnt from the project are being utilised to improve the implementation of the scheme.

- It will henceforth, ensure that the boat constructor specify the time frame for the construction and timely delivery of the boat.

- It will nominate a focal point at the Management Level, including the Fisheries Protection Service to coordinate, monitor and report on all activities relating to the implementation of the scheme.

19.3 Fisheries Partnership Agreement – Inadequate Control over catch reporting by Operators

The fishing agreement between the European Union (EU) and Government was signed in 1990. The agreement provides for access to EU vessels in Mauritian waters against a financial contribution. The financial contribution is made available to the entity responsible for fishery and marine policies. Five protocols have been negotiated since then. On 26 April 2017, Government signed an agreement with EU, called the “Fisheries Partnership Agreement” in order to allow the EU fishing fleet to fish in the Exclusive Economic Zones (EEZ) for a duration of four years, and to monitor and control the tuna exploitation and preserve the resource in a sustainable way in its national waters. Besides, with a view to the continued development of responsible and sustainable fishing, the Parties agree to cooperate against illegal, unreported and unregulated fishing.

It was also agreed that if the annual level of catches of tuna by EU vessels in Mauritius exceeds the annual reference tonnage of 4,000 tonnes, the amount of annual financial contribution for access rights shall be increased by € 55 for each additional tonne caught. Licence fees collected from authorised vessels for 2018 and 2019 totalled € 481,850.

A review of the catch reporting system has revealed the following:

(a) Inadequate control over catch reporting by Operators

(b) Poor planning over the procurement of the Electronic Reporting System

19.3.1 Inadequate control over catch reporting by Operators

The reporting of the catch data of the EU vessels has always been a matter of concern since the first protocol. Several discrepancies in catch reporting were noted and highlighted in different negotiation meetings.

An analysis of catches in 2018 and 2019 has revealed several discrepancies between the catch report of the EU Vessels and the log books submitted in respect of Purse Seiners and French Longliners. Some of the vessels did not submit logbooks, some were reporting ‘nil’catches and in other cases, the data as per log books significantly differed with that of the EU report submitted. Consequently, the completeness and accuracy of catch data and revenue collected could not be ascertained.

The Ministry informed NAO that the EU submit catch declarations which are verified against the logbook catch and Vessel Monitoring System by officers of the Marine Resources Division of the Ministry. All the findings and comments are then communicated to the EU for any rectifications. Strict monitoring is carried out and the EU is informed of any discrepancies. All the compliance issues are also taken up in the Annual Joint Committee Meeting with the EU.

19.3.2 Poor planning over the procurement of the Electronic Reporting System (ERS)

Delays in procurement of the ERS

The procurement procedures for the ERS to enhance control over reporting of catch by the EU Fishing Vessels had started since 2015. The ERS would enable the automatic and real time collection of onboard fishing vessel activity declarations. This new fisheries reporting technology aims at increasing the efficiency of the monitoring policies through the storing in a database fishing trips realised by EU fishing vessels, helping the Ministry in the day to day operations of controlling fishing operation and managing quotas level in respect of the Purse Seiner and the bank fishing activities.

Invitation to bids for the procurement of an ERS was launched on four occasions since May 2015. The initial estimated cost was Rs 5 million, and was finally revised to Rs 11.5 million. After more than three years, on 14 February 2019, the contract was awarded to the successful bidder for the contract value of Rs 8.3 million (€ 130,104). The contract was signed on 16 April 2019.

Extension of the scope of the contract to Non-EU Vessels

As per contract, only Purse Seiner and Bank Fishing electronic logbooks will be delivered. However, in May 2019, a month after signature of the contract, the Ministry decided that the ERS should also be applied to long-liners and non-EU vessels as their catch was also significant. The Ministry also decided to extend the contract to non-EU foreign vessels, of which most vessels are from Asian countries, and the estimated number ranged from 150 to 200 vessels.

However, the contract did not provide for the connection of the ERS center to foreign and non-EU ERS. Specific quotation was requested and indicative price given was €15,000.

Despite the fact that tenders have been launched four times, the specifications had not been properly worked out. Procurement of longline fisheries and connection of ERS center to foreign and non-EU ERS centers at a later stage implied that additional time is required for the procurement procedures, thus further delaying the implementation of the ERS. Consequently, the risk that revenue short collected is high as accurate data on catches was still not available.

NAO is of the view that to control illegal, unreported and unregulated fishing, the Ministry should have at the initial stage broaden the specifications to cater for all the vessels which were authorised to fish in the EEZ.

The Ministry informed NAO that the tendering exercise was frozen in the process of negotiation of a new Fisheries Partnership Agreement between the EU and the Republic of Mauritius, which was concluded in April 2017. In this process, procedures for re-launching of the bid exercise were undertaken. This Ministry requested to make provision to accommodate Non-EU fishing vessels to combat illegal, unreported and unregulated fishing, which will be considered at a later stage when funds will be available. Provisions for funds are being made, either in the national budget or in the EU contribution to the Mauritius Fisheries Development and Management Programme.

19.4 Procurement – Non-Compliance with Procurement Rules

A sample of eight contracts for a total value of Rs 18 million was examined, and the following were revealed:

(a) Procurement Lead Time exceeded the Prescribed Limit

(b) Declaration of Conflict of Interest and Confidentiality not signed

19.4.1 Procurement Lead Time exceeded the Prescribed Limit

The procurement lead time taken in respect of the eight contracts ranged from 110 to 300 days, exceeding the 75 days recommended by the Procurement Policy Office PPO, which is the limit for non-major contracts. In one case, the procurement was finalised after more than three years.

The significant delay in finalising the procurements had resulted in budgetary funds in the financial years in which they were provided being lapsed.

19.4.2 Declaration of Conflict of Interest and Confidentiality

In respect of six procurements examined, some members of the Bid Evaluation Committee did not sign the Declaration Form of conflict of interest and confidentiality and some members of the Departmental Bid Committee did not sign the minutes of proceedings, as required under the Public Procurement Act.

NAO is of the view that the Ministry should ensure that procurement proceedings are conducted in accordance with the Public Procurement Act.

19.5 Fisherman Investment Trust – Not operational since December 2014

The Fishermen Investment Trust (FIT) is a body corporate, established under the Fishermen Investment Trust Act. FIT was set up to invest in fishing activities, fish processing activities, fish marketing, and such other activities related to the fishing industry as may be approved by its Board. The last financial statements prepared and submitted for audit were for the year 2013.

The Chief Executive Officer (CEO) and Chairperson of FIT resigned on 22 December 2014. As of October 2019, some five years later, the Board has not yet been reconstituted and the CEO had not been replaced. Consequently, FIT had not been operating since 2014. Two officers were still posted at the FIT and administrative expenses amounting to Rs 3.5 million were met by the Ministry for the period August 2014 to June 2019.

NAO is of the view that it is high time for the Ministry to decide on the future operation of the FIT, after consultation with the stakeholders concerned.

The Ministry informed NAO that since the projects implemented by the FIT have not reaped returns to ensure the long term financial and operational sustainability of the Trust, one of the options proposed by the Office of Public Sector Governance is for FIT to cease its operations.

The Ministry is working on a formula to re-assign the two officers to Sections / Divisions of the Ministry after consideration of the legal and HR implications. Consultations are being held to determine the future operation of FIT.

Matters Arising from Audit Report 2017-18

19.6 National Ocean Council – Organisational Structure not Finalised

At paragraph 17.1 of the Audit Report for the financial year ended 30 June 2018, I highlighted that as of October 2018, some three and a half years after the setting up of the National Ocean Council (NOC) administratively, the structure, roles, responsibilities and its classification had not yet been defined. The function of the NOC has not yet been clarified.

As of 31 October 2019, a year later, the NOC had still not been properly structured and therefore, not fully operational. The only costs of operation of the NOC were again the members' fees and allowances which amounted to Rs 500,000 for the year 2018-19, in addition to the Rs 4.9 million already incurred from 2015 to 2018.

The Ministry informed NAO that the NOC is not a public body per se and the business of the Council is carried out by the staff of the Ministry.

20 – MINISTRY OF HOUSING AND LANDS

20.1 Management of State Lands – Lands Vested in Ministries/Departments Remain Undeveloped for Years

According to the Ministry's records, some 370 Arpents (A) of State Lands were vested in 13 Ministries/Departments for 60 projects. However, various portions of lands vested in the Ministries/Departments have remained undeveloped for years.

(a) The Ministry disbursed some Rs 83 million over the period April 2001 to July 2014 to acquire 52.8 A of land on behalf of four Ministries/Departments for the implementation of seven projects. These State Lands have remained undeveloped for period ranging from five to 18 years.

(b) Two Ministries/Departments, vested with 2.3 A of land from 2013 to 2018, have informed that the lands are no longer required or are not suitable.

(c) Nine Ministries/Departments, vested with 110 A of land from 1998 to 2018, did not provide information to the Ministry regarding availability of funds and/or timeframe for the implementation of 31 projects.

The Ministry informed NAO that:

- by way of circular letter, all Ministries/Departments will be invited to specify their interest in the projects and confirm whether funds will be made available to implement projects for which land has been vested. Otherwise subject to Government's approval, the land will be retrieved and vested in other Ministries/Departments for projects as appropriate; and

- once the land is vested in another Ministry/Department, the implementation of projects rests with that Ministry/Department and for which it has no control.

20.2 Land Acquisition- Undefined Processing Timeframe Resulting in Significant Interest Payments

The Ministry has the authority to acquire land on behalf of other Ministries/Departments for Government projects, in accordance with the Land Acquisition Act. Any person whose land has been compulsorily acquired is entitled to a compensation or interim payment and interests from the date of acquisition to date of appointment of Notary Public and/or award of Board of Assessment (BOA). In the absence of a defined timeframe for the completion of each stage of the acquisition process, processing time tends to be lengthy, resulting in substantial interest payment by the Ministry.

Following the Audit Reports for financial years 2016-17 and 2017-18, the Ministry informed that a major component of the State Land Register Software Solution (SLRS) would be Land Acquisition. This computerised system would reduce processing time and ensure better monitoring. As of December 2019, it was not operational.

For the financial year 2018-19, the Ministry disbursed some Rs 876 million, that is, 75 per cent over the original budgeted amount for land acquisition. Included in this figure were some Rs 137 million in respect of interests paid to former land owners.

A sample of land acquisition files were examined and it was noted that the Ministry took the following time for the processing of transactions:

- *Claim Referred for Assessment.* Claims submitted by former owners were referred to the Valuation Department after 15 days to 15 months.

- *Additional Information.* Where additional information was requested by the Valuation Department, one to 12 months were taken to provide same.

- *Informing Former Owners.* The assessments made by the Valuation Department were communicated to former owners after three to 25 months.

- *Acceptance of Offer for Compensation by Former Owners*. For administrative purposes, the Ministry requested former owners to give a reply within a period of 15 days as from date of the Ministry's letter, on whether they are agreeable to the offer of compensation. The Ministry considered replies received from former owners between three to 57 months.

- *Appointment of Notary.* Requests made to the Attorney General's Office (AGO) for appointment of Notary ranged between two to 11 months.

- *Requesting for Designation of Chairperson*. This process had taken the Ministry five to 25 months from the date former owners informed that their cases be referred to BOA.

The time lag between the acquisition date and appointment of Notary varied between 30 to 90 months, resulting in an increase in interest paid. In some cases, the interests were 20 to 50 per cent of the compensation paid.

20.2.1 Non submission of Deeds of Acquittance.

Deeds of Acquittance/deed to witness interim payment are to be submitted by Notaries in order to provide evidence that compensation/interim payment and/or interest had been effected to former owners. Following the Audit Reports for financial years 2016-17 and 2017-18, the Ministry informed that Notaries had been requested to submit relevant deeds.

As of September 2019, true and certified copies of deeds of acquittances/deed to witness interim payment were not submitted by the Notaries, for which some Rs 456 million were disbursed from March 2008 to June 2019.

The Ministry informed NAO that the SLRS which will go live during financial year 2019-20, will have a module for a timeframe for each process of acquisition and this will bring efficiency in the process. The system will flag out any outstanding issues, such as payment of compensation, receipt of deed of acquittance, reply from owners to offer made on acquisition, amongst others.

20.3 Arrears of Revenue- Misstatement of Arrears Figure and Inefficient Debt Recovery

A review of the revenue management system of the Ministry revealed the following:

(a) Misstatement of Arrears Figure

In the 2016-17 and 2017-18 Audit Reports, my Office has been reporting that the arrears figure of the Ministry was wrongly stated. Further misstatement has been noted in 2018-19.

(b) Inefficient Debt Recovery

Debt recovery by the Ministry has not improved.

As of 30 June 2019, arrears of revenue in respect of State Land leases amounted to some Rs 796 million (inclusive of interests). Details are shown in Table 20-1:

Table 20-1 Arrears of Revenue as of 30 June 2019

Type of Lease	**Arrears as of 30 June 2018** **Rs m**	**Amount Collected 2018-19** **Rs m**	**Amount due in 2018-19** **Rs m**	**Arrears as of 30 June 2019** **Rs m**
Other Land Leases (mainly industrial, commercial and residential)	662	(292)	215	585
Campement	20	(9)	20	31
Campement premium	41	(5)	8	44
Ex-CHA	15	(2)	1	14
Sub Total	***738***	***(308)***	***244***	***674***
Interest	128	(55)	49	122
Total	**866**	**(363)**	**293**	**796**

Source: Returns of Arrears of Revenue

Of the Rs 674 million due, excluding interests, some Rs 368 million or 54 per cent were in respect of debts aged two years or more.

Of the Rs 44 million due for campement premium, some Rs 26 million or 59 per cent aged more than five years. This premium is payable from the date of signature of the lease as a one off payment or in five instalments. Most of the lease agreements were signed prior to year 2012.

Interest figure amounted to some Rs 122 million, of which some Rs 92 million were in respect of “Other Land Leases”.

20.3.1 Misstatement of Arrears Figure

Since 2015, the Ministry was advised by the Attorney General's Office that in the absence of a formal lease agreement, there is no legal basis for claiming rent.

No clear policy was adopted by the Ministry regarding cases where there was no formal lease agreement. It had been noted that:

- Amounts owed by some lessees, who had opted for the 60 years' lease and had not yet signed their lease agreements, were accounted as arrears. Amount owed by lessees whose leases had expired and had neither signed their renewal nor opted for 60 years' lease were accounted as arrears on new rate. For a sample of 16 cases, the debts amounted to some Rs 88 million.

- The arrears figure included premium for campement site lease where lessees had not signed their lease agreement. For a sample of five cases, the arrears amounted to some Rs 14 million.

- As of 30 June 2019, some lessees had not settled their rental and yet the amounts owed were not accounted as arrears. For a sample of three cases, the arrears figure had been understated by some Rs 9 million.

The Ministry informed NAO that:

- With a view to bringing necessary enhancement to the existing Revenue System, the Supplier has been requested to modify the revenue module so that lessees who should not be included in the list of debtors be excluded in the arrears figure; and

- The Contractor of the SLRS has already been requested to include the said changes in the new Revenue Module.

NAO's concern is that lease agreements should be duly signed with lessees to ensure that there is a legal basis for claiming rent, as advised by the Attorney-General's office.

20.3.2 Inefficient Debt Recovery

At paragraph 6.3.3 of the Audit Report for the year ended 30 June 2018, it was mentioned that debt recovery by the Ministry was inadequate**.** During the year under review, no significant improvement had been noted.

For 2018-19, some Rs 363 million were collected. This amount was not analysed into collections for the current and prior year periods. Thus, the extent of debt recovery of prior year arrears could not be determined.

The Ministry informed NAO that:

- The approval of the Ministry of Finance, Economic Planning and Development will be sought for the setting up of an Enforcement Unit;
- It will work out a framework for debt recovery; and

- The existing Revenue System will be amended.

20.4 Land Administration, Valuation and Information Management System – Decision for Revamping not Finalised

At paragraph 6.4 of the Audit Report for the financial year ended 30 June 2018, it was reported that the Land Administration, Valuation and Information Management System (LAVIMS) project was not fully operational. Requirements of some key components of the LAVIMS project, namely Valuation Roll and Cadastre were still not met or partly met. The Ministry had informed that due consideration would be given within the consultancy service for the revamping of LAVIMS. As of 30 June 2019, the Ministry had disbursed some US $ 27.7 million or some Rs 867 million on this project.

In March 2019, following a procurement exercise, the services of a Consultant were retained for a contract amount of some Rs. 5.4 million (excluding VAT) in order to develop a strategic plan for the revamping of the LAVIMS. In October 2019, the Consultant submitted its final request for proposal. As of November 2019, the Ministry had not yet taken a decision thereon and had disbursed some Rs 3.7 million for the consultancy services.

The Ministry informed NAO that:

- Approval has already been conveyed to the Valuation Department for going ahead with any enhancements in view of optimising the system and development of a Valuation Roll; and

- Fund was made available in budget 2019-20 for consultancy services for the development of the strategic plan. Financial clearance for the estimated cost of the proposed project has already been sought.

20.5 Parcel Identification Number and Morcellement Permit - Inadequate Control Mechanisms Resulting in Loss of Revenue

NAO noted that there was inadequate control over the issue of Parcel Identification Number (PIN) and Morcellement Permit which resulted in loss of revenue to the Government.

20.5.1 Issue of Parcel Identification Number

According to the Cadastral Survey Act, the fee chargeable is as per Table 20-2

Table 20-2 Applicable Fee for Parcel Identification Number

Assignment of PIN to:	**Fees Rs**
A Unit	500
A plot of land not exceeding 422m² (10 square perches)	500
A plot of land of an extent of more than 422m² (10 square perches) to 2110m² (50 square perches)	1,500
A plot of land of an extent of 2110m² (50 square perches) or more	3,000

➢ 142 applications for PIN were verified. In most cases, the Ministry had recourse to manual vouchers rather than the auto generated vouchers from the Cadastre System. The Ministry explained that, presently, it is charging the rate of Rs 1,500 only when the extent of land equals or exceeds 423 m². As the system automatically charges Rs 1,500 when the extent of a plot of land exceeds 422 m² by any decimal, the auto generated vouchers were not being used.

  Three cases were identified where the amount collected was lower than the amount that should have been settled. The shortfall in revenue collected could not be explained. For these three cases, the shortfall of PIN fee amounted to Rs 1,000, Rs 1,500 and Rs 3,000 respectively.

➢ The manual vouchers were accessible to all the officers of the Cadastre Unit and were not serially numbered. Control was inadequate.

➢ Any Officer of the Cadastre Unit and the Cartography Unit can proceed with the excision/subdivision/Morcellement of land in the system without approval of a Senior Officer. When application is received for the excision/ subdivision/Morcellement of land PINs are generated for all parcels of land within the whole plot of land. The created PINs are accessible to any stakeholder, for instance, Officers of the Ministry, Local Authorities, and Valuation Department.

  The outstanding PINs could be used for land transactions by any stakeholder without the payment of PIN fee.

The Ministry informed NAO that:

- Necessary enhancement will be brought to the LAVIMS system so that all payment receipts will be auto generated; and

- The Contractor for LAVIMS will be requested to consider allowing only those who have paid the fees to view the PIN.

20.5.2 Fake Morcellement Permit

No control mechanism was in place to provide for the cross-checking of the validity of Morcellement Permits between the Cadastre Unit and the Morcellement Unit. In 2019, the Morcellement Unit reported 10 cases of fake Morcellement Permit to the Accounting Officer of the Ministry. Following investigations by the Internal Control Unit, 24 additional cases were identified over the period January 2016 to March 2019.

Morcellement fee foregone for the 34 cases amounted to some Rs 3.4 million.

The Ministry informed that with the Online Morcellement Permit, applicants and users of the platform will be able to check validity of the permit online, thereby reducing the risk of fraudulent document.

20.6 State Land Register Software Solution- Delay in Project Implementation

In the Audit Reports for the financial years 2016-17 and 2017-18, I highlighted that in the absence of an Asset Register, the existence, locations, cost and area of all lands owned by Government could not be ascertained. Also, comprehensive records of State Land leased, acquired and vested were not available.

The Ministry informed that for better processing and monitoring of State Land, a State Land Register Software Solution (SLRS) would be introduced. In September 2018, the services of a Supplier were retained for the SLRS.

As of December 2019, the SLRS had not yet been operationalised due to delays in the implementation process.

The SLRS is an integrated system encompassing the Document Management, Archives, Lease, Rentals, Land Acquisition and State Land Processing Systems. The objectives of the SLRS is to:

- Compile State Land data
- Produce an inventory of State Land
- Provide for better administration and management of State Land

In September 2018, the Contract for the delivery, installation and commissioning of the SLRS was signed with the Supplier for some Rs 7.8 million (inclusive of all applicable charges, duties and taxes). The Supplier had to implement the project within a timeframe of one year as from signature of the Contract.

In October 2018, a Software Contract was signed between both parties. Accordingly, the Ministry had 30 days from submission of the Software Requirements Specifications Document (SRSD), to certify in writing its acceptance and/or modification to the Software Requirements Specifications. The SRSD was submitted by the Supplier on 23 February 2019.

However, it was agreed between the Supplier and the Ministry that the SRSD be circulated together with the Solution Design Document (SDD). On 7 March 2019, the Supplier submitted the SDD.

It took the Ministry nearly three months to inform the Supplier that they are agreeable to the proposed SDD and to proceed with the development of the software. The SDD was signed off in June 2019.

As the Ministry took a long time to validate the application design, the Supplier requested for an extension of time which was approved by the Ministry. The expected completion date of the project was 3 October 2019.

As of December 2019, the Ministry disbursed some Rs 2.3 million or 30 per cent of contract value upon signature of the Software Agreement. The SLRS was not operational.

The Ministry informed NAO that in view of the complexity of the project and adjustments/ enhancement that had to be made to various modules, the completion date had to be extended. Testing is being performed prior to training. It is expected that users will start using the system by mid-February 2020.

20.7 Cost Sharing Mechanism – Inability to Enforce Reimbursement from a Beneficiary

During the period 2005 to 2010, State Lands were granted at Les Salines, Black River for the implementation of projects. However, in the absence of vehicular access, the beneficiaries of these lands did not start their projects. Government, in May 2017, agreed upon a cost sharing mechanism whereby each beneficiary would contribute a percentage of the total cost of infrastructure and associated works. In that respect, annexure to the lease agreements were signed between the Ministry and the beneficiaries. One of the beneficiaries, a Private Company, eventually did not settle its share of contribution. In the absence of a legally binding agreement, the Ministry is not in a position to enforce payment from the defaulting beneficiary.

The total cost of the infrastructure and associated works amounting to some Rs 495 million, inclusive of management fee, was to be contributed by the beneficiaries and the Government. As of November 2019, contributions were as follows:

- Government: Some Rs 215 million, that is, Rs 16 million in excess of its share amounting to some Rs 199 million.

- Beneficiaries: Some Rs 193 million, that is, Rs 103 million less than the required contributions.

Included in the above sum of Rs 103 million, were some Rs 57 million in respect of a beneficiary which did not settle its share of contribution. The defaulting beneficiary was granted a plot of State Land of an extent of 30.94A. The annexure to the Lease Agreement in respect of the cost sharing contribution was not signed between the Ministry and the beneficiary. As of January 2020, the beneficiary had not settled its contribution.

20.8 Lease Administration - Lower Revenue Collected Due to Non-Renewal of Lease

A Statutory Body held an industrial lease at Pas Geometriques Union Ribet at Calodyne of an extent of some 4.1 Arpent (17,341m²) since 1995. One of the special conditions of the Lease Agreement was that a number of bungalows/buildings would be constructed for rental to contributors of the National Savings Fund (NSF). The lease expired in 2015 and currently the rental of the bungalows is not restricted to contributors of the NSF. However, the terms and conditions of the lease have not been reviewed by the Ministry.

Had the lease been renewed on time, new rental would have been charged and generated more revenue to the Government.

The lease was for an initial period starting 14 December 1995 and expiring 30 June 2015 subject to a nominal rental as follows:

(i)	Rs 150 per annum	14.12.1995 to 30.06.2005
(ii)	Rs 225 per annum	01.07.2005 to 30.06.2015

In April 2019, the Valuation Department assessed the annual rental at some Rs 1.4 million upon renewal of the lease.

In 2018-19, the Statutory Body entrusted the management and operations of the bungalows/buildings to a profit making Hotel Management Company.

As of November 2019, the Ministry had not reviewed the terms and conditions of the lease.

The Ministry informed NAO that the Statutory Body has been requested to submit any document/agreement to the effect that the management and operations of the bungalows/building have been entrusted to a management company.

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21 – MINISTRY OF CIVIL SERVICE AND ADMINISTRATIVE REFORMS

21.1 Budget Management - Ministry's budget overstated by 50 per cent due to Salaries of Outposted staff

Audit of the financial records of the Ministry revealed that the overall budgeted and actual expenditure of the Ministry may have been overstated by nearly 50 per cent due to absorption of the cost of outposted Staff.

Total expenditure of the Ministry for 2018-19 amounted to some Rs 518.5 million, including Staff Costs of Rs 405.4 million. Expenditure on basic salaries totalled Rs 316 million of which Rs 206.2 million (some 65 per cent) were in respect of 444 Officers in the Human Resource (HR) Cadre, General Services (GS) and Safety & Health Cadres outposted to other Ministries/Departments as shown in Table 21-1 below.

Table 21-1 Basic Salaries paid to Outposted Officers for 2018-19

Cadres	Basic Salaries Rs million	Number of Officers
Human Resource	183.7	347
General Services	12.6	62
Safety & Health	9.9	35
Total	**206.2**	**444**

Source: Treasury Abstracts and Payroll Records of the Ministry

The actual basic salaries cost directly attributable to the Ministry should have been some Rs 109.8 million for some 285 Officers posted in the Ministry instead of Rs 316 million. The cost of outposted staff to the Ministry is estimated at Rs 264 million, that is, 65 per cent of Rs 405.4 million. Thus, out of the total Ministry's expenditure of Rs 518.5 million, only some Rs 254.5 million, that is 49 per cent, is attributable to the Ministry.

The Ministry informed NAO that:

- It is responsible for the deployment of General Services Grades throughout the Public Service. The General Services Grades, which include Management Support Officers and Confidential Secretaries, service all Ministries/Departments and appear on their establishments.

- The HR and Occupation Safety and Health (OSH) cadres remain on the establishment of this Ministry as the HR function and the OSH function are central to the activities of this Ministry. The HR cadre is the executive arm for the smooth implementation of conditions of service in a fair and equitable manner across the service. This Ministry acts as Employer in the context of implementing the Occupational Safety and Health Act 2005 and provides its services to other Ministries wherever required. They thus remain under the control of this Ministry as the Director of the HR cadre and Director OSH are based at this Ministry and oversee the work of the HR and OSH cadre respectively.

NAO is of the view that the Ministry should adopt the same approach as the Ministry of Finance, Economic Planning and Development in respect of outposted Officers of the Finance, Internal Control and Procurement and Supply Cadres, and also the Ministry of Technology, Communication and Innovation in respect of Officers in the Systems Analysts Cadre. The proposed approach will not disrupt the centralised functions of the Ministry.

Maters arising from Past Audit Reports

21.2 Oracle Human Resource Management Information System (HRMIS) - None of the Five Modules Operationalised After Six Years.

The HRMIS consists of five modules, namely Module 1-the Human Resource EEP, Module 2-Payroll EEP, Module 3- Oracle Self Service HR-EEP, Module 4- Learning Management ETP and Module 5-Performance Management System EEP. The contract for the HRMIS Oracle software Licences for the five Modules was signed in November 2013 for a project value of Rs 206.4 million and was expected for completion in November 2016.

At paragraph 19.1 of the 2017-18 Audit Report, it was mentioned that there was considerable delay in the completion of the Oracle HRMIS project. As of 30 September 2019, the cumulative project costs have reached Rs 395.2 million and the project is still under implementation and that at a slow pace, six years after its start.

A review of the HRMIS project implementation revealed the following:

(a) None of the five modules have yet been put to operations six years after the award of the contract.

(b) A Consultant reported 57 issues of which 30 are classified as high criticality. Of these, the software provider should resolve some 38 of them.

(c) There was no assessment report of the Central Informatics Bureau (CIB).

(d) The Ministry could not meet its Key Performance Indicators (KPIs) targeted for the HRMIS project as spelt out in the three years Strategic Plan 2018-19 to 2020-21 of Government.

(e) The Payroll Module could not yet be used for the generation of the Government payroll mainly because of systemic and input discrepancies.

(f) Overtime, stipend and training of Rs 39 million have been paid for the HRMIS project.

(g) Out of the 78 Ministries/Departments, 31, 54 and 65 have not submitted their lists of discrepancies for parallel run for the months of August, September and October 2018 respectively.

Some causal factors of the delays in implementation of HRMIS

NAO is of the view that the delay in implementation is due to a combination of factors:

(a) *Software Provider*. During the implementation of the project, systemic issues attributable to the software provider have frequently been highlighted.

(b) *Poor project management*. A Project Manager was not appointed. Instead, the project was being monitored by a Steering Committee chaired by a Senior Officer of the Ministry. The Chairperson of the Steering Committee has changed quite frequently due to transfer to other Ministries/Departments or retirement.

(c) Lack of adequate technical support of the CIB and other Departments operating under the aegis of the Ministry of Technology, Communication and Innovation.

(d) Lack of adequate oversight by Senior Management of other Ministries/Departments. The responsibility for implementation of the project at other Ministries/Departments level is often left to officers of the Finance and HR Cadres.

Some details are given hereunder

(a) *Report of Oracle Consulting.* Oracle Consulting submitted an assessment report on the HRMIS Implementation Review in October 2019 on the five Modules. Out of a total of 57 issues raised, 30 are classified as high, 24 as medium and three as low criticality. The supplier was responsible to resolve 38 of them, and the Ministry the other 19.

Following the above assessment report in October 2019, the Steering Committee has not met. There was no properly set up IT Technical Committee/team for the project management. There was no Action Plan to address the above issues. There was no indication of completion date of the overall project yet.

(b) *Technical Assessment.* There was no assessment report from CIB. On 30 October 2019, the CIB informed the Ministry that its office "has neither knowledge in HR and Payroll processes nor programming expertise in Oracle HR and these are not under the purview of this Office".

(c) *Key Performance Indicators (KPIs) of the Ministry*. In the three year Strategic Plan 2018-19 to 2020-21 of Government, four Modules for HRMIS were targeted as KPIs for 2018-19 and it was expected to roll out and implement payroll, on a phase basis, in at least 60 per cent of Ministries/Departments.

(d) *Module 2.* The Payroll Module could not yet be used for the generation of the Government payroll mainly due to systemic and input discrepancies. The User Acceptance Certificate for Payroll Module has not yet been signed for the transfer from HRMIS to the Treasury Accounting System for processing of payment and accounting purpose.

As of October 2019,

- Of the 78 Ministries/Departments, 31, 54 and 65 of them have not submitted their list of discrepancies for payroll runs for the months of August, September and October 2018, respectively.

- Payroll runs for July 2018 have not yet been completed due to 573 input errors, and 38 system errors and business rules. There were 721 issues unresolved for the payroll run of August 2018 for the 47 Ministries/Departments that have submitted their list of discrepancies.

  (a) *Module 1*. Leaves management and some other interfaces for Module 1, such as that for electronic attendance, have not yet been completed.

  (b) *Modules 3, 4 and 5*. The Ministry has already disbursed Rs 65.1 million on licence fees and on annual Oracle Technical Support fees for years 2016 to 2019 for Modules 3, 4 and 5 but they have not yet been operationalised and no User Acceptance Tests were yet available.

  (c) *Overtime and Other Expenditure of Rs 39 million*. No details were available for payments of some Rs 39 million on overtime, stipend and training paid for the HRMIS project.

The Ministry explained that:

The HRMIS, which is run on Oracle Technology, is a first of its kind Project ever implemented in the Public Service and which will cater for the HR needs and functions of all the 57,000 Public Officers in the Public Service. It is a complex and enterprise-wide system which is made up of interconnected modules, namely, Payroll, Core HR, Self Service, Performance Management System and Learning Management. Each of the modules is run over a set of elaborate and intricate business rules which have to be customized to meet the individual requirements of the 78 Organisations constituting the Public Service. Furthermore, the HRMIS interfaces with other legacy systems such as the Electronic Attendance System, e-Recruitment System of the Public Service Commission, Treasury Accounting System and E-Budgeting.

During the course of the implementation of the Project, the Ministry has encountered a number of challenges such as lack of expertise, business process reengineering, project management and lack of commitment from users. Furthermore, given that the HRMIS is an off the shelf package, the system has had to undergo a number of design challenges and changes during its implementation.

The Ministry also informed NAO of the following measures taken for the timely and successful implementation of the Project following the observations made by the Oracle Consultants in October 2019:

- The Working Group for the HRMIS implementation has now a strong Governance and Project Management structure which meets under the Chair of a designated Project Coordinator. The Project Coordinator reports to the Permanent Secretary every week. An updated and consolidated implementation plan has been designed and agreed upon by all parties.

- The HRMIS will be rolled out based on a modular approach instead of a full blown implementation. The Payroll and the Leave Management Module is expected to become operational by June 2020 across the Public Service whilst the remaining modules and interfacing with other legacy systems will be completed by the end of 2020.

- The Software Service Provider has been requested to reinforce its team and if required seek external expertise. No further payment will be made to the Software Service Provider until the successful completion of the project.

- Cabinet would be apprised on a regular basis to ensure commitment at the highest echelon of Government

- Notwithstanding the bold measures and close monitoring at all levels, the Ministry will reassess the situation by June 2020 to gauge the viability of the Project and will take bold decisions in order to ensure that public funds are well managed.

21.3 Interdicted Public Officers - Regulatory Framework not Adequate

As per records of the Ministry of Public Service, Administrative and Institutional Reforms, as of July 2019, there were 232 public officers of 16 Ministries/Departments who were interdicted, including 169 Interdicted Public Officers **(**IPOs) of the Police Department. 87 of the IPOs have been conditionally reinstated.

NAO reported at paragraph 22.1 of 2015-16 Audit Report and repeatedly over the past years since 2007-08, on the time taken to finalise cases of interdiction, and the substantial cost to Government in terms of salaries being paid to IPOs without any service being rendered by them. There was no coordinated effort for a Fast Track Mechanism (FTM) amongst the Judiciary, Office of the Director of Public Prosecution, Police Department, Public Service Commission, Disciplinary Force Service Commission and Ministries/ Departments. The Ministry has not yet set up any Central Monitoring Committee, developed a proper database of all IPOs or prepared any Guidelines on the FTM.

In 2016, the Ministry informed NAO of the following:

- The FTM would be reactivated.

- A Central Monitoring Committee will be set up at the Ministry, which will coordinate with all Ministries/Departments concerned so as to ensure that action is taken within the agreed timeframe.

- For future cases of interdiction, guidelines will be issued to Responsible Officers as to the circumstances in which a public officer may be interdicted that would help to reduce costs incurred by Government on interdicted officers.

- It is further proposed to submit the above strategies to the High Level Ministerial Committee for its endorsement.

As of January 2020,

- The tracking of the status of cases was difficult due to absence of proper database. No ageing analysis of IPO cases was available. The effectiveness of the FTM could not be assessed.

- The Central Monitoring Committee had not yet been set up.

NAO is of the view that:

- Merely conditional reinstatement of IPOs, amongst others to address financial issues, such as ensuring IPOs are not paid salaries without working, may defeat the whole purpose of having a sanction system in the public service.

- A proper regulatory framework should be put in place to deal with disciplinary proceedings and interdiction matters in a more efficient and effective manner. One of the components of this framework could be the establishment of a Public Service Tribunal.

The Ministry informed NAO of the following:

- The Executive has no jurisdiction over the Judiciary which is constitutionally independent and runs its business along its own norms and standards. The FTM could not be reactivated in view of the nature of the Police investigation proceedings of the court which take their own time to finalise matters. Most of the cases of IPOs are criminal cases which would not fall to be heard by a Tribunal.

- A database is already available for inspection and it contains relevant information. relating to number of IPOs, number of conditional recalling of IPOs, number of reinstated IPOs with respective grades and dates. Ageing Analysis of IPO cases is also available in the database.

- The conditional recalling of IPOs does not in any way affect the disciplinary proceedings against such officers as action is taken in case they are found guilty. It should be pointed out that there are conditions attached to the recall and the Public Service Commission (PSC) maintains its process of discipline under the PSC Regulations.

- This Ministry will, with the help of the PSC and the Attorney-General's Office, work on the formulation of a number of recommendations which will serve as a basis for the Regulatory Framework.

- The National Audit Office may rest assured that every effort will be made by the Ministry to step up processes and procedures to address in a sustainable manner all the valid points raised.

22 - MINISTRY OF FINANCIAL SERVICES AND GOOD GOVERNANCE

22.1 Ex Heritage City Project – Claim of Rs 158 million

At paragraph 20.1 of the Audit Report for the financial year 2017-18, I reported, amongst others, that:

(a) Heritage City Company, a private company set up for implementation of the Heritage City Project was not yet wound up more than two years after this project was abandoned in October 2016;

(b) The Foreign Contracting Firm, appointed for the "Detailed Master Plan and Engineering Design" requested for an amicable solution for settlement of an amount of US $ 4,522,457 (some Rs 158 million) apparently due, following termination of its contract; and

(c) Other Claims totalling some Rs 6.7 million were still outstanding and the bank balance of the Company was some Rs 7.7 million as per bank statement of 31 January 2017.

A further review of the ex Heritage City Project during the 2018-19 audit revealed that the winding up of the Heritage City Company (HCC) was still pending as at end of December 2019. Approval of Government for the appointment of a Registered Insolvency Practitioner as Provisional Liquidator for the winding up of HCC was obtained on 14 December 2018. A Liquidator was appointed on 20 December 2018 for a total fee of Rs 500,000 (VAT exclusive). Relevant documents were handed over to him in January 2019.

Delay in Winding up of HCC

Duration of the service agreement for the liquidation exercise was set to be nine months from signature of agreement by both parties with dissolution arising three months after final meeting held. The final meeting of dissolution scheduled for 20 September 2019 was not yet held as at 13 December 2019 despite several reminders sent by the Ministry to the Liquidator. However, the latter had on 30 November 2019 published the "Notice for the final meeting of dissolution" to be held on 31 December 2019, a delay of more than two months.

Final Report

The Liquidator has also not submitted his final report, including an Auditor's report, due for submission by the scheduled completion date of 20 September 2019. Pending receipt of the Liquidator's report, it was not known whether the Foreign Contracting Firm, which requested for an amicable solution to settle an amount of US $ 4,522,457 due, took any further action/abandoned the request made.

The Ministry informed NAO that:

- At a meeting convened on 27 January 2020, the Liquidator submitted the Report on the Final Meeting held on 31 December 2019 and handed over a cheque to the tune of Rs 123,214, which represented the remaining money to be paid to Government after having paid the creditors and the liquidator fees;

- The Report of the Final Meeting has been filed with the Registrar of Companies on the following day and from that date all the remaining process for the winding up of the company would be completed within three months; and

- With regard to the request from the Foreign Contracting Firm, the Attorney General's Office has advised that the matter be dealt with at diplomatic level.

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23 - MINISTRY OF GENDER EQUALITY, CHILD DEVELOPMENT AND FAMILY WELFARE

23.1 Child Protection Register (CPR) and Domestic Violence Information System (DOVIS) – Systems Underutilised

At paragraph 16.1 of the Audit Report for the financial year ended 30 June 2018, I drew attention amongst others to the following:

(a) Non implementation of the Child Protection Register (CPR) and DOVIS systems at the Family Support Bureau (FSB) and Child Protection Services (CPS) of Flacq; and

(b) Domestic violence and child maltreatment cases not recorded on the Systems.

A review of the above revealed that there has not been much improvement.

(i) As of December 2019, manual recording of cases of child abuse/neglect and domestic violence was still being carried out at the FSB/CPS of Flacq. Some 2,200 cases of domestic violence and 3,200 cases of child neglect/abuse were reported over the period 2016 to September 2019 at the FSB/CPS.

(ii) Out of the 18,000 cases of child neglect reported at the five other CPSs of the Ministry as of August 2019, some 15,000 cases had not yet been recorded on the CPR system. Training on the CPR system was provided to about 80 officers of the Ministry. Inputs were not being done on a regular basis.

Also, of some 12,000 cases of domestic violence reported at the five FSBs over the period June 2016 to September 2019, only some 9,900 have been registered on DOVIS.

In February 2019, the Ministry undertook to implement the two systems at the FSB and CPS of Flacq in the first week of March 2019. The Ministry also informed that a team of officers was working to clear out the backlog in respect of cases to be input on the systems.

The Ministry informed NAO as follows:

- The two systems could not be implemented at the Flacq FSB/CPI as renovation works are currently being carried out. The renovation works have sustained considerable delays.

- As regards backlogs at the other FSBs/CPIs:

  (i) Arrangements are being made for input of the backlogs on the DOVIS and same will be completed by end of August 2020. DOVIS is operational at FSB Souillac since February 2019 and due to lack of equipment and human resource constraints, migration of case files started in about August 2019.

  (ii) Six YEP interns have been recruited in October 2019 to clear the backlog of 15,000 cases on the CPR. Also, since November 2019, officers on the CDU outstations have been instructed to input cases on a daily basis, or as soon as possible, to ensure that an updated position is available.

23.2 Residential Care Institutions (RCIs) - Shortcomings in the Regulations of 2019

The Place of Safety for the Welfare and Protection of Children Regulations 2019, issued under Section 21 of the Child Protection Act, was made effective on 1 October 2019. The Regulations provide that no RCI should be in operation unless it obtains a license designating it as a place of safety by the Minister. RCIs existing at 1 October 2019 were required to make their applications by 31 December 2019 for designation as places of safety.

The terms and conditions governing the issue of the licence include, among other things, that the accounts of the RCI will have to be audited by the NAO.

The mechanism for the preparation of the Financial Accounts of the RCIs, their submission to the NAO and the time frame for their auditing and reporting have not been defined.

The Ministry informed NAO that the advice of the State Law Office is being sought regarding the process pertaining to the Financial Accounts of RCIs.

23.3 Shelters/RCIs – Non Compliance with Ministry's Policies

At paragraph 16.2 of the Audit Report for the financial year ended 30 June 2018, I highlighted weaknesses that existed at three Government Shelters and private Residential Care Institutions where the Ministry had placed children in distress.

Significant shortcomings were again noted in the administration of the Shelters/RCIs.

During the year 2018-19, the Alternative Care Unit at the Ministry ensured the placement of children in distress in 16 Shelters/RCIs, three of which were Government owned. As of 10 September 2019, there were 490 children residing at the 16 shelters. Funds disbursed by the Ministry in 2018-19 in relation to placement of children in distress amounted to Rs 56.9 million, of which some Rs 37.6 million were made to private shelters either as Capitation/Fixed Annual Grant payments or reimbursement of expenses.

Site visits were carried out at the three Government Shelters and five Shelters run by NGOs to ascertain compliance with the Ministry's new policies for RCIs issued in January 2018, that were aimed at providing even better care to children in distress placed in RCIs. These policies were however non-binding for Non-Governmental Organisations as no memorandum of understanding was signed with them.

The Ministry's new policies were not being properly adhered to by the Shelters/RCIs regarding staffing, quality of food and recording with an adverse effect on the standard of care to inmates and also inmates remaining undeclared.

Adequacy of Personnel

Government Shelters, as well as the private shelters did not have the required number of caregivers and other general staff to cater for the number of residents in the shelters. Government Shelters had about half of the required number of caregivers and staff, while the ratio of caregiver/staff for the private shelters varied significantly from the Ministry's policies.

Completeness of Administrative records

Books and records at RCIs, in particular files of residents, were not properly maintained. They were found to be incomplete in terms of court orders, Birth and Health Certificates, schooling, dietary requirements and medical/psychological follow ups.

Care plans have not been developed and placed in the file at the private shelters, for each resident who had suffered trauma. Daily Information Sheets regarding behaviour, attitude and conduct of the residents were also not kept.

Inmates not Declared

As of November 2019, two minors at the private shelters were not yet declared, though they have been placed there since 2012 and 2017 respectively.

The Ministry informed NAO that:

- with regards to personnel at Government Owned Shelters, the National Children Council could not recruit additional staff due to budgetary constraints. Arrangements are needed for the existing staff to service the shelters for additional hours against payment of overtime. Also, the Ministry has embarked on the selection of Management services in respect of two Government Owned Shelters

- As for Private Shelters, the lack of personnel is due to high staff turnover. The enforcement of the Child Protection Regulations 2019 will ensure compliance as regards to personnel and administrative requirements of RCIs.

- Tardy Declaration procedures have started for Minor 1 in November 2019, while for Minor 2, the Ministry is awaiting an order from Magistrate to proceed further.

23.4 One off Cash Grant Scheme – Inadequate Management Oversight of the Grant Scheme

The Scheme was introduced in 2013 by the Ministry of Finance and Economic Development to enable Child Day Care Centres (CDCCs), in existence for at least one year, to obtain the Certificate of Registration with the Ministry by upgrading themselves with the view to satisfying the required standards of child care services under the Institutions for Welfare and Protection of Children Regulations. The National Children Council (NCC) took over the Scheme in March 2015. A maximum amount of Rs 500,000 is given to each beneficiary since November 2018. During the period March 2015 to November 2019, funds totalling some Rs 13.1 million were disbursed under the Scheme to 50 beneficiaries through the NCC.

Information sharing between the NCC and the Ministry regarding beneficiaries were not done on a systematic basis. As of December 2018, out of 415 CDCCs that were in operation, only 155 were registered with the Ministry. In the absence of readily available information, proper actions were not taken against the 260 unregistered CDCCs.

The Certificate is valid for two years and needs to be renewed thereafter. Six of the 15 CDCCs which have obtained their Certificate of Registration over the period September 2015 to May 2019 have not renewed their registration subsequently.

The Ministry informed NAO that the Grant Scheme is managed by the NCC and all related issues are reported to the Board. The list of CDCCs is provided by the Ministry to the NCC. The CDCCs apply to the NCC for the grant. Funds are disbursed by the NCC and the last 10 per cent is disbursed only after the registration of the CDCC with the Ministry. Both the NCC and the Ministry are aware of the number of CDCCs registered and which have benefited from the grant.

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PART III

AUDIT OF OTHER PUBLIC ENTITIES

24 – Statutory Bodies, Local Authorities, Special Funds and Other Bodies

24.1 Financial Reporting – Financial Statements not submitted for Audit or not laid before National Assembly

NAO carries out the audit of the accounts of the following public entities besides Ministries and Government Departments, and the RRA.

- **111** Statutory Bodies
- **12** Local Authorities
- **24** Special Funds
- **5** State Owned Companies
- **35** Other Bodies including **7** Donor-funded Projects

As of 14 February 2020:

(a) 43 Statutory Bodies have not yet submitted a total of 137 financial statements to my Office for audit purposes**.**

(b) 237 financial statements in respect of 74 Statutory Bodies have been certified by NAO but have not yet been laid before the National Assembly.

(c) a total of 24 financial statements in respect of 12 Special Funds have not yet been submitted for audit purposes**.**

(d) 26 financial statements in respect of six Special Funds were already certified by NAO but not yet laid before the National Assembly.

(e) 13 other bodies have not yet submitted a total of 25 financial statements to NAO for audit purposes.

This is viewed with concern as, despite legal provisions, financial statements were either not submitted for audit or not laid before the National Assembly. In some cases, financial statements for more than 14 financial years have not been submitted to the NAO for audit purposes.

24.1.1 Statutory Bodies

Statutory bodies are established by law to carry out specific functions which Government considers may be more effectively performed outside a traditional departmental structure. They are subject to varying degrees of Ministerial control which are specified in the legislations establishing them. Ministers are accountable to the National Assembly for the operation of the statutory bodies falling under their respective responsibilities. Since public money is allocated to the operations of statutory bodies, there is need to ensure that the funds are spent in an efficient, effective and economic manner.

The Statutory Bodies (Accounts and Audit) Act, as subsequently amended in 2015, provides that every statutory body shall cause to be prepared an annual report which shall consist of:

- the financial statements in respect of the financial year to which the report relates.
- a report on the activities of the statutory body during the financial year.
- a corporate governance report in accordance with the National Code of Corporate Governance.

The Act also sets out the following timelines to be complied with:

(a) The Chief Executive Officer of every statutory body shall, not later than **three months** after the end of every financial year, submit to the Board for approval the annual report in respect of that year. (The previous deadline was two months, applicable for financial years prior to 2011).

(b) After approval by the Board, the Chief Executive Officer shall, not later than **four months** after the end of every financial year, submit the annual report to the auditor. (The previous deadline was three months, applicable for financial years prior to 2011).

(c) The auditor shall, within **six months** of the date of receipt of the annual report, submit the annual report and his audit report to the Board.

(d) On receipt of the annual report, including the audited financial statements and the audit report, the Board shall, not later than **one month** from the date of receipt, furnish to the Minister such reports and financial statements.

(e) The Minister shall, at the **earliest available opportunity**, lay a copy of the report and audited accounts of every statutory body within his portfolio before the National Assembly.

At Appendix II, details of the Statutory Bodies whose accounts are audited by the Director of Audit are given.

As of 14 February 2020:

- 43 Statutory Bodies have not yet submitted a total of 137 financial statements to my Office for audit purposes. Appendix IIA refers.
- 237 financial statements in respect of 74 Statutory Bodies have been certified but have not yet been laid before the National Assembly. Appendix IIB refers.

24.1.2 Local Authorities

The Local Government Act provides that the approved annual financial statements of every Local Authority shall be audited by the Director of Audit. The main provisions made in the Act regarding the time frame for the accounts and audit of Local Authorities are as follows:

- The Chief Executive of every Local Authority, other than a Village Council, shall, within **three months** after the end of the financial year submit financial statements to the Council.

- The Chief Executive of every Local Authority shall, within **four months** of the end of every financial year, submit the approved financial statements to the Director of Audit.

- The Director of Audit shall address to the Minister to whom responsibility for the subject of local government is assigned and to the Local Authority concerned, a copy of the certified financial statements and his report. These shall be considered at the next ordinary meeting of the Local Authority or as soon as practicable thereafter.

- The Chief Executive shall cause the certified financial statements and the report of the Director of Audit to be published in the Gazette within **14 days** of their receipt by the Local Authority.

At Appendix III is a list of the Local Authorities audited by the Director of Audit.

24.1.3 Special Funds

All Special Funds are either regulated by an Act or a Regulation made under the Finance and Audit Act. Some are required to submit accounts not later than three months after the end of each financial year, while for others, there is no such deadline.

Special Funds are required to prepare

- annual statements of the receipts and payments for a financial year;

- a balance sheet made up to the end of that financial year showing the assets and liabilities of the Fund.

The Director of Audit is responsible for the audit of 24 Special Funds, details of which are given at Appendix IV.

As of 14 February 2020:

- a total of 24 financial statements in respect of 12 Special Funds have not yet been submitted for audit purposes. Details are at Appendix IVA.

- 26 financial statements in respect of six Special Funds were already certified but not yet laid before the National Assembly though required by Regulations as shown in Appendix IVB.

24.1.4 State Owned Companies, Other Bodies and Donor Funded Projects

The Director of Audit is responsible for the audit of five State Owned Companies and 35 Other Bodies including seven donor-funded projects. Details are given at Appendix V.

As of 14 February 2020, 13 of these organisations have not yet submitted a total of 25 financial statements to NAO for audit purposes. Appendix VA refers.

24.2 Pension Funds - 60 Public Sector Bodies record Deficits totalling Rs 22.4 billion

Statutory Bodies and Municipal/District Councils provide for retirement benefits of their employees and to that effect two types of pension plans are maintained, namely a Defined Benefit Pension (DBP) Plan and a Defined Contribution Pension (DCP) Plan.

The DBP Plan caters for the retirement benefits of employees who joined service prior to January 2013 whereas the DCP Plan is for those who joined as from January 2013.

A DBP Plan is one where the amount of pension or other benefit to be paid is pre-defined in terms of a formula based on length of service and final salary of employee irrespective of whether pension fund is adequate to finance the retirement benefits payable. On the other hand, under a DCP Plan, future retirement benefit is based on contributions made to the Pension Plan and investment returns generated.

The Financial Statements of Statutory Bodies, Municipal Councils and District Councils for the financial year 2017-18 submitted to this Office showed that in respect of 60 of these Bodies, pension funds under their DBP Plans were running deficits totalling some Rs 22.4 billion as at 30 June 2018. This figure was made up of Rs 17 billion and Rs 5.4 billion for 48 Statutory Bodies and 12 Local Authorities respectively.

The deficit represents the liability recognised in the Statement of Financial Position where the present value of future pension liability exceeds the fair value of plan assets.

To determine the future pension liability under a pension scheme, actuaries make assumptions regarding discount rates, inflation, expected increase in salary, mortality rate among pensioners, employee contribution, and life expectancy amongst others. Pension Scheme assets consist of contributions into the scheme and investment returns thereon.

Most of the public sector bodies mentioned above depend on Central Government for the financing of their budgets. In view of the significant amount of deficit under the pension funds, it is advisable that the relevant authorities carry out a review of the management of the funds and develop a strategy to ensure that the deficits are kept at manageable levels.

APPENDICES

&

ANNEX

Appendix I

NATIONAL AUDIT OFFICE
OVERVIEW OF MANDATE AND AUDIT PROCESS

1.1 Introduction

The National Audit Office (NAO) is an independent public body established by the Constitution of the Republic of Mauritius. The Director of Audit is the head of the NAO and his appointment, independence, security of tenure, as well as his authority are spelt out in the Constitution while his duties and powers are laid down in the Finance and Audit Act.

In the international forum, NAO is referred to as the Supreme Audit Institution (SAI) of Mauritius. SAIs around the world are affiliated to the International Organisation of Supreme Audit Institutions (INTOSAI), an autonomous, independent and non-political organisation, which operates as an umbrella organisation for the external government audit community.

NAO forms an integral part of the governance system of Mauritius, promoting accountability, transparency and contributing to the improvement in the management of public funds. Public sector entities are accountable to the National Assembly for the use of public resources and powers conferred on them. It is the responsibility of NAO to give independent assurance to the National Assembly and other oversight bodies that the public sector entities are operating and accounting for their performance in accordance with the purpose intended by the National Assembly. NAO, thus, plays a vital role in the accountability cycle.

1.2 NAO in the Accountability Process

The demand for public accountability on the part of the persons or entities managing public resources has become increasingly prominent over the years, such that, there is greater need for the accountability process in place to operate effectively. In Mauritius, the key stakeholders exercising financial control over public resources are:

- National Assembly
- Government Executives (Accounting Officers)
- Accountant-General
- National Audit Office (Director of Audit)
- Public Accounts Committee

The part played by these stakeholders in the accountability process is briefly described below:

National Assembly

The only authority for the expenditure of public funds and for the raising of revenues by public bodies is that which is given by Parliament through the National Assembly. The National Assembly approves the Government Annual Estimates and this approval is given statutory force by the passing of an Appropriation Act each year, whereby the amount allocated for each Government service is set out under a series of “Votes”. Subsequently, the Appropriation Act is assented by the President of the Republic of Mauritius and gazetted.

Accounting Officers

The Accounting Officers of Ministries and Government Departments are mainly the Senior Chief Executives, Permanent Secretaries and Administrative Heads. They are responsible for the efficient and effective management of funds entrusted to them, the collection of revenues falling under their responsibility and the delivery of services, as well as for the maintenance of an effective accounting and internal control systems. As such, they are accountable to the National Assembly for the management of public resources and for the performance of their departments.

Accountant-General

The Accountant-General is the administrative head of the Treasury. He maintains the accounts of Government and ensures that accounting systems respond to Government’s needs for the proper processing, recording and accounting of financial transactions and for financial reporting. The Accountant-General prepares Annual Statements showing the financial transactions and financial position of the Republic of Mauritius and these are submitted to the Director of Audit. The statements give consolidated financial information on Ministries and Government Departments.

National Audit Office

NAO plays an important role in the accountability process, providing a key link between the Legislature and the Executive. NAO gives an independent assurance to the National Assembly that Government entities are operating and accounting for their performance in accordance with the National Assembly’s purpose. Statutory responsibilities and powers have thus been conferred to the Director of Audit to enable him to fulfil his obligations. NAO examines the Annual Statements of the Republic of Mauritius, as well as the underlying records. The audit function and the submission of annual Audit Reports to the National Assembly by NAO is the first step in the process of oversight. After the Audit Reports are tabled, other important mechanisms are in place to ensure proper accountability.

Public Accounts Committee

The Public Accounts Committee (PAC) represents Parliament and is one of the main stakeholders of the Report of the Director of Audit. It is a sessional Select Committee, appointed under the Standing Orders of the National Assembly, and consists of a Chairperson appointed by the Speaker and not more than nine members nominated by the Committee of Selection.

As per the Standing Orders, the function of the Committee is to examine the audited accounts showing the appropriation of the sums granted by the Assembly to meet the public expenditure and such other accounts laid before the Assembly as the Assembly may refer to the Committee together with the Director of Audit’s report thereon. The Committee has the power, in the exercise of its duties, to send for persons and records, to take evidence, and to report from time to time.

Also, the Rodrigues Regional Assembly (RRA) Standing Orders provide for the setting up of a PAC comprising a Chairperson and not more than four other members to examine the audited accounts showing the appropriation of the sums granted by the Regional Assembly to meet the public expenditure and other accounts laid before the Assembly together with the Report of the Director of Audit thereon.

1.3 Mandate of the NAO

1.3.1 Audit Portfolio

The Director of Audit has the responsibility to audit the accounts of:

- All Ministries and Government Departments
- All Commissions of the Rodrigues Regional Assembly
- All Local Authorities
- Most Statutory Bodies
- Special Funds
- Other Bodies and Donor-funded Projects
- A few State-owned Companies

1.3.2 Types of Audit

The NAO carries out two main types of audits, namely **Regularity Audit** and **Performance Audit,** to fulfill its audit mandate and to provide assurance to the National Assembly on the proper accounting and use of public resources.

Regularity Audit involves:

- Examination and evaluation of financial records and expression of opinions on financial statements

- Audit of accounting systems and transactions including an evaluation of compliance with applicable statutes and regulations

- Audit of internal control and internal audit functions

- Reporting of any other matters arising from or relating to the audit that the Supreme Audit Institution considers should be disclosed

Performance Audit is an independent, objective and reliable examination of whether Government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. It seeks to provide new information, analysis or insights, and where appropriate, recommendations for improvement.

1.3.3 Legal Framework

The legal framework within which NAO exercises its public-sector audit function is spelt out, primarily, in the following legislations:

- The Constitution
- Finance and Audit Act
- Statutory Bodies (Accounts and Audit) Act
- Local Government Act
- Public Procurement Act
- Financial Reporting Act

Agreements with several institutions/donor-funded agencies also empower the Director of Audit to audit their accounts.

Constitution

Section 110(2) provides that the public accounts of Mauritius and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Director of Audit. In the case of any body corporate directly established by law, the accounts of that body corporate shall be audited and reported on by the Director of Audit provided it is so prescribed.

Section 110(3) provides that the Director of Audit shall submit his reports to the Minister responsible for the subject of Finance, who shall cause them to be laid before the National Assembly.

1.4 Audit of Ministries and Government Departments - Finance and Audit Act

The duties of the Director of Audit are spelt out at Section 16 (1) of the Act.

This subsection states that the Director of Audit shall satisfy himself –

(a) that all reasonable precautions have been and are taken to safeguard the collection of public money;

(b) that all laws, directions or instructions relating to public money have been and are duly observed;

(c) that all money appropriated or otherwise disbursed is applied to the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it;

(d) that 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; and

(e) that satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively.

Section 16(1A) further requires the Director of Audit to carry out **Performance Audit** and to report on the extent to which a Ministry, Department or Division is applying its resources and carrying out its operations economically, efficiently and effectively.

Section 16(2) provides that the Director of Audit shall not be required to undertake any examination of accounts partaking of the nature of a **pre-audit** and involving acceptance by him of responsibility which would preclude him from full criticism of any accounting transactions after those transactions have been duly recorded.

Section 19 provides that the **Accountant-General** shall within six months of the close of every fiscal year, sign and submit to the Director of Audit **statements** presenting fairly the financial transactions and financial position of Government on the last day of such fiscal year.

For the **Rodrigues Regional Assembly**, the Commissioner responsible for the subject of Finance must submit the respective statements within three months of the close of every fiscal year.

Section 20 provides that the Director of Audit shall send to the Minister (responsible for the subject of Finance) **copies of the statements** submitted in accordance with Section 19 together with a **certificate of audit** and a **report upon his examination and audit** of all accounts relating to public money, stamps, securities, stores and other property –

(a) of Government;

(b) of the Regional Assembly relating to the Island of Rodrigues,

and the Minister shall as soon as possible thereafter lay those documents before the National Assembly.

1.5 Audit of Special Funds - Regulations under Finance and Audit Act

The preparation of Financial Statements in respect of Special Funds and the audit thereof are regulated by the regulations (issued under the Finance and Audit Act) or such legislations under which such Special Funds are established.

1.6 Audit of Statutory Bodies - Statutory Bodies (Accounts and Audit) Act

Section 5 provides that every Board shall, every financial year, with the approval of the Minister to whom the responsibility for the statutory body concerned is assigned, appoint an **auditor to audit the financial statements** of the statutory body. This does not apply where the enactment establishing the statutory body provides that the Director of Audit shall audit its financial statements.

Section 7 provides that after approval by the Board (of a Statutory body), the chief executive officer shall, not later than four months after the end of every financial year, submit the **annual report** to the auditor.

The Director of Audit shall, within six months of the date of receipt of the annual report, submit the **annual report** and his **audit report** to the Board.

Section 8 prescribes matters on which the Director of Audit should report.

As per Section 8, the Director of Audit shall report to the Board whether -

(a) he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of the audit;

(b) in his opinion, to the best of his information and according to the explanations given to him, the financial statements give a true and fair view of the financial performance of the statutory body for the financial year and of its financial position at the end of the financial year;

(c) this Act and any directions of the Minister, in so far as they relate to the accounts, have been complied with;

(d) in his opinion, and, as far as could be ascertained from his examination of the financial statements submitted to him, any expenditure incurred is of an extravagant or wasteful nature, judged by normal commercial practice and prudence; and

(e) in his opinion, the statutory body has been applying its resources and carrying out its operations fairly and economically.

Section 9 provides that, on receipt of the annual report including the audited financial statements and the audit report, the Board shall, not later than one month from the date of receipt, furnish to the Minister to whom responsibility for the Statutory Body is assigned, such reports and financial statements. The latter shall, at the earliest available opportunity, lay a copy of the annual report and audited accounts of every statutory body before the National Assembly.

1.7 The Public Procurement Act

Section 42 of the Public Procurement Act provides that the auditor of every public body (in our case the Director of Audit) shall state in his annual report whether the provisions of Part V of the Act on the Bidding Process have been complied with.

1.8 Audit of Local Authorities - Local Government Act

As per **Section 136,** the Chief Executive of every Local Authority, shall, within four months of the end of every financial year submit the approved financial statements to the Director of Audit.

As per **Section 138**, the Director of Audit shall address to the Minister (to whom responsibility for the subject of Local Government is assigned) and to the Local Authority concerned, a copy of the certified financial statements and his report on every Local Authority audited by him.

Section 138 also prescribes matters on which the Director of Audit should report:

(1) The Director of Audit shall make a ***report to the Council*** *on the financial statements which have been audited.*

(2) The report shall state –

(a) the work done by him;
(b) the scope and limitations of the audit;
(c) whether he has obtained all information and explanations that he has required;
(d) any item of account which, in his opinion, is contrary to law;
(e) any loss or deficiency which, in his opinion, is wholly or partly due to the negligence or misconduct of any person;
(f) any sum which, in his opinion, ought to have been so brought to account but which, due to willful default or negligence, has not been brought into account;
(g) any failure to recover any rate, fee or other charge in the manner specified in section 101;
(h) whether, in his opinion, the financial statements give a true and fair view of the matters to which they relate, and where they do not, the aspects in which they fail to do so, and whether the financial statements have been prepared in accordance with the Accounting Standards approved by the Minister to whom responsibility for the subject of finance is assigned.

(3) A report under subsection (1) shall state whether the instructions of the Minister, if any, in regard to the financial statements have been complied with.

Sections 138 and 139: The Local Authority shall consider the report of the Director of Audit at its next ordinary meeting or as soon as practicable thereafter and shall cause the certified financial statements and the report of the Director of Audit to be published in the Government Gazette within 14 days of their receipt by the Local Authority.

1.9 Audit Methodology

NAO conducts its audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs) except for the audit of State-Owned companies (assigned to the Director of Audit) which are carried out in accordance with International Standards of Auditing. The audit approach of the NAO may be summarised as follows:

(a) NAO adopts a risk based approach by which audit resources are directed towards those areas of the financial statements that are more likely to contain material misstatements as a consequence of the risks faced by the client. We identify and assess the risks of material misstatement, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. *(ISSAI 1315 Identifying and assessing the Risks of Material Misstatements through Understanding the Entity and Its Environment; ISSAI 1330 The Auditor's Responses to Assessed Risks)*

(b) We do not test all transactions but use sampling methods to select transactions and balances for testing. It is not cost effective to seek absolute certainty and therefore we look for reasonable assurance. Additionally, examining all data may still not provide absolute certainty because some data may not have been recorded. Audit sampling enables us to obtain and evaluate audit evidence about some characteristics of the items selected in order to form or assist in forming a conclusion concerning the population from which the sample is drawn. *(ISSAI 1530 Audit Sampling)*

(c) The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our objective as auditors is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error. Owing to the inherent limitations of an audit (e.g. Client may provide incomplete information or falsify documents and use of sampling by audit), there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the standards. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, fraud might remain concealed to us even if a thorough audit is conducted. *(ISSAI 1240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements)*

(d) Similarly, the primary responsibility for preventing and detecting corruption rests with the administrative or law enforcement authorities, such as the Police and the Independent Commission Against Corruption.

1.10 Current Reporting Practices

1.10.1 Audit Report on Ministries/ Government Departments

A Report is issued upon examination and audit of the accounts of **Government** (i.e. Ministries and Government Departments) and the **Rodrigues Regional Assembly** – the Report is submitted to the Minister responsible for the subject of finance in accordance with Section 20 of the Finance and Audit Act.

The NAO also issues reports on performance audits carried out in accordance with Section 16 of the Finance and Audit Act – these reports are submitted to the Minister responsible for the subject of finance.

Summary of Audit Report Process

- Audit findings discussed with officers responsible for the matters audited
- Draft management letter issued to the Accounting Officer
- Matters raised discussed at an Exit Conference
- Final management letter issued – auditee given opportunity to comment on matters raised

- Findings deemed to be of significance communicated to the Ministry through "Reference sheet"

- Ministry has the opportunity to comment on the truth and fairness of the audit findings

- A summary of comments of management is included in the report, where appropriate

- The Audit Report is submitted to the Minister responsible for the subject of Finance

1.10.2 Audit Report on Statutory Bodies, Special Funds and Local Authorities.

An audit report is issued in respect of each **Statutory Body** (SB), **Special Fund** (SF) and **Local Authority** (LA) upon examination and audit of its annual report/financial statements. The audit report is submitted to the Board of the SB or the management committee of the SF, as the case may be, in accordance with Section 7 of the Statutory Bodies (Accounts and Audit) Act or relevant SF Regulations respectively. In the case of a LA, the audit report is submitted to the Council and the Minister responsible for the subject of local government in accordance with Section 138 of the Local Government Act.

The audit reports focus mainly on the financial statements of Statutory Bodies, Special Funds and Local Authorities. The Director of Audit expresses an opinion on whether the financial statements show a true and fair view of the financial position of the entity as at the end of the financial year and of its financial performance and its cash flows for the year then ended in accordance with the relevant accounting framework. The Director of Audit also expresses an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the laws and authorities which govern them.

When there are material misstatements in the financial statements, limitation on audit scope or non-compliance with laws, these are disclosed in our audit report and our opinion is then termed as "modified". We may also state certain matters, such as fraud, abuse or losses, significant internal control deficiencies and ineffective and uneconomical use of public assets in the audit report.

Prior to the issue of the audit report, all audit findings are reported in a management letter (ML) which is addressed to management. The ML includes shortcomings relating to the financial statements as well as findings on the economy, efficiency and effectiveness of operations.

Summary of Audit Report Process –Statutory Bodies and Local Authorities

- Audit findings discussed with officers responsible for the matters audited

- Draft management letter issued to the Chief Executive Officer

- Matters raised discussed at an Exit Conference

- Final management letter issued – auditee given opportunity to comment on matters raised and, if necessary, to amend financial statements

- Following response to Management Letters and submission of amended financial statements (if applicable), the Audit Report is issued to the Board

- The Report gives an opinion on whether the financial statements show a true and fair view

- May include matters of importance that need to be brought to the attention of users

For Local Authorities, a copy of the Audit Report should be submitted to the Minister responsible for the subject of Local Government.

In accordance with Section 139 of the Local Government Act, the Chief Executive shall cause the financial statements, as certified, and the Report of the Director of Audit, in respect of those financial statements, to be published in the Gazette within 14 days of their receipt by the Local Authority.

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Appendix II

List of Statutory Bodies audited by the Director of Audit

1 Aapravasi Ghat Trust Fund

2 Agricultural Marketing Board

3 Beach Authority

4 Bhojpuri-Speaking Union

5 Board of Investment
(Ceased operation on 15/01/2018)

6 Bus Industry Employees Welfare Fund

7 Central Electricity Board

8 Central Water Authority

9 Chagossian Welfare Fund

10 Chinese-Speaking Union

11 Civil Service Family Protection Scheme Board

12 Competition Commission

13 Conservatoire de Musique Fran ois Mitterand Trust Fund

14 Construction Industry Development Board

15 Creole-Speaking Union

16 Early Childhood Care and Education Authority

17 Employees Welfare Fund

18 Fashion and Design Institute

19 Financial Reporting Council

20 Fishermen Investment Trust

21 Fishermen Welfare Fund

22 Food and Agricultural Research and Extension Institute
(Previously Food and Agricultural Research Council - Ceased operation on 14/02/2014)

23 Gambling Regulatory Authority

24 Hindi-Speaking Union

25 Human Resource Development Council

26 Information and Communication Technologies Authority

27 Islamic Cultural Centre Trust Fund

28 Law Reform Commission

29 Le Morne Heritage Trust Fund

30 Mahatma Gandhi Institute

31 Malcom De Chazal Trust Fund

32 Marathi-Speaking Union

Continued

List of Statutory Bodies audited by the Director of Audit

33 Mauritian Cultural Centre Trust

34 Mauritius Broadcasting Corporation

35 Mauritius Cane Industry Authority
(Farmers Service Corporation, Mauritius Sugar Authority, Mauritius Sugar Terminal Corporation and Sugar Planters Mechanical Pool Corporation merged w.e.f 19/03/12)

36 Mauritius Council of Registered Librarians

37 Mauritius Examinations Syndicate

38 Mauritius Ex-Services Trust Fund

39 Mauritius Film Development Corporation

40 Mauritius Institute of Education

41 Mauritius Institute of Health

42 Mauritius Institute of Training and Development
(previously Industrial and Vocational Training Board - Ceased operation on 15/11/2009)

43 Mauritius Marathi Cultural Centre Trust

44 Mauritius Meat Authority

45 Mauritius Museums Council

46 Mauritius Oceanography Institute

47 Mauritius Qualifications Authority

48 Mauritius Renewable Energy Agency

49 Mauritius Research Council

50 Mauritius Revenue Authority

51 Mauritius Society for Animal Welfare

52 Mauritius Society of Authors

53 Mauritius Sports Council

54 Mauritius Standards Bureau

55 Mauritius Tamil Cultural Centre Trust

56 Mauritius Telugu Cultural Centre Trust

57 Mauritius Tourism Promotion Authority

58 Media Trust

59 National Adoption Council

60 National Art Gallery

61 National Children's Council

62 National Computer Board

63 National Cooperative College

Continued

List of Statutory Bodies audited by the Director of Audit

64	National Council for the Rehabilitation of Disabled Persons
65	National Heritage Fund
66	National Library
67	National Productivity and Competitiveness Council
68	National Solidarity Fund
69	National Transport Corporation
70	National Wage Consultative Council
71	National Women Entrepreneur Council
72	National Women's Council
73	National Youth Council
74	Nelson Mandela Centre for African Culture Trust Fund
75	Open University of Mauritius
76	Outer Islands Development Corporation
77	Private Secondary Education Authority
78	Professor Basdeo Bissoondoyal Trust Fund
79	Public Officers' Welfare Council
80	Rabindranath Tagore Institute
81	Rajiv Gandhi Science Centre Trust Fund
82	Ramayana Centre
83	Road Development Authority
84	Sanskrit Speaking Union
85	Seafarers' Welfare Fund
86	Senior Citizens Council
87	Sir Seewoosagur Ramgoolam Botanical Garden Trust
88	Sir Seewoosagur Ramgoolam Foundation
89	Small and Medium Enterprises Development Authority
90	Small Farmers Welfare Fund
91	St Antoine Planters Cooperative Trust
92	State Trading Corporation
93	Sugar Industry Labour Welfare Fund
94	Sugar Insurance Fund Board
95	Tamil-Speaking Union
96	Telugu-Speaking Union
97	Tertiary Education Commission

Continued

List of Statutory Bodies audited by the Director of Audit

98 The Manufacturing Sector Workers Welfare Fund

99 Tourism Authority

100 Tourism Employees Welfare Fund

101 Town and Country Planning Board

102 Trade Union Trust Fund

103 Training and Employment of Disabled Persons Board

104 Trust Fund for Specialised Medical Care

105 Université des Mascareignes

106 University of Mauritius

107 University of Technology Mauritius

108 Urdu Speaking Union

109 Utility Regulatory Authority

110 Vallée D'Osterlog Endemic Garden Foundation

111 Wastewater Management Authority

* National Economic and Social Council - *ceased operation on 01/05/2015*
Financial statements for the financial year 2014 and for the period 01.01.2015 -30.04.2015 have not yet been submitted for audit and financial statements for the financial year 2013 were certified on 17.03.2015, but not yet laid before the National Assembly.

** National Human Rights Commission - *Delisted as Statutory Body as from 07/09/2016*
Financial statement for the period 01.01.2016-06.09.2016 was certified on 29.05.2019, but not yet laid before the National Assembly

*** Sugar Cane Planters Trust - *Ceased operation as from 25/07/2010*
Financial statements for the financial years 2007-08, 2008-09 and period 01.07.2009-24.07.2010 have not yet been submitted for audit and the financial statements for financial year 2006-07 were certified on 20.10.2008, but not yet laid before the National Assembly.

**** Technical School Management Trust Fund - *Ceased operation as from 16/11/2009*

Financial statements for the financial year 2007-08, 2008-09 and period 01.07.2009-15.11.2009 were certified on 19.08.2016, 30.08.2016 and 08.08.2017 respectively, but not yet laid before the National Assembly.

Appendix IIA

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Bodies	No of Financial Statements	Period	Statutory Date Limit
1	Chagossian Welfare Fund	1	2018-19	31.10.2019
2	Creole-Speaking Union	1	2018-19	31.10.2019
3	Early Childhood Care and Education Authority	1	2018-19	31.10.2019
4	Fishermen Investment Trust	5	2014 2015 01.01.2016-30.06.2017 2017-18 2018-19	30.04.2015 30.04.2016 31.10.2017 31.10.2018 31.10.2019
5	Gambling Regulatory Authority	1	2018-19	31.10.2019
6	Hindi Speaking Union	2	2017-18 2018-19	31.10.2018 31.10.2019
7	Malcom de Chazal Trust Fund	1	2018-19	31.10.2019
8	Mauritian Cultural Centre Trust	14	2004-05 2005-06 2006-07 2007-08 2008-09 01.07.2009-31.12.2010 2011 2012 2013 2014 2015 01.01.2016-0.06.2017 2017-18 2018-19	30.09.2005 30.09.2006 30.09.2007 30.09.2008 30.09.2009 31.03.2011 30.04.2012 30.04.2013 30.04.2014 30.04.2015 30.04.2016 31.10.2017 31.10.2018 31.10.2019

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Bodies	No of Financial Statements	Period	Statutory Date Limit
9	Mauritius Broadcasting Corporation	2	2017-18	31.10.2018
			2018-19	31.10.2019
10	Mauritius Film Development Corporation	2	2017-18	31.10.2018
			2018-19	31.10.2019
11	Mauritius Museums Council	4	2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
12	Mauritius Oceanography Institute	3	01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
13	Mauritius Society for Animal Welfare	4	2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
14	Mauritius Society of Authors	3	01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
15	Mauritius Sports Council	2	2017-18	31.10.2018
			2018-19	31.10.2019
16	Mauritius Tamil Cultural Centre Trust	5	2014	30.04.2015
			2015	30.04.2016
			01.01.2016-0.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
17	Media Trust	4	2015	30.04.2015
			01.01.2016-0.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Bodies	No of Financial Statements	Period	Statutory Date Limit
18	National Adoption Council	9	01.07.2009-31.12.2010	31.03.2011
			2011	30.04.2012
			2012	30.04.2013
			2013	30.04.2014
			2014	30.04.2015
			2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
19	National Art Gallery	1	2018-19	31.10.2019
20	National Children's Council	1	2017-18	31.10.2018
21	National Council for the Rehabilitation of Disabled Persons	2	2017-18	31.10.2018
			2018-19	31.10.2019
22	National Economic and Social Council	2	2014	30.04.2015
			01.01.205-30.04.2015	30.04.2016
23	National Heritage Fund	4	2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
24	National Transport Corporation	5	2014	30.04.2015
			2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
25	National Women Entrepreneur Council	1	2018-19	31.10.2019
26	National Women’s Council	1	08.03.2018-30.06.2019	31.10.2019
27	Nelson Mandela Centre for African Culture Trust Fund	2	2017-18	31.10.2018
			2018-19	31.10.2019

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Bodies	No of Financial Statements	Period	Statutory Date Limit
28	Professor Basdeo Bissoondoyal Trust Fund	13	04.04.2005-30.06.2006	30.09.2006
			2006-07	30.09.2007
			2007-08	30.09.2008
			2008-09	30.09.2009
			01.07.2009-31.12.10	31.03.2011
			2011	30.04.2012
			2012	30.04.2013
			2013	30.04.2014
			2014	30.04.2015
			2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
29	Rajiv Gandhi Science Centre Trust Fund	2	2017-18	31.10.2018
			2018-19	31.10.2019
30	Sanskrit Speaking Union	3	2016-17	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
31	Sir Seewoosagur Ramgoolam Botanical Garden Trust	4	2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
32	Sir Seewoosagur Ramgoolam Foundation	5	2014	30.04.2015
			2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
33	Small and Medium Enterprises Development Authority	2	01.01.2016-30.06.2017	31.10.2017
			01.07.2017-18.01.2018	31.10.2018

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Bodies	No of Financial Statements	Period	Statutory Date Limit
34	Small Farmers Welfare Fund	2	2017-18 2018-19	31.10.2018 31.10.2019
35	Sugar Cane Planters Trust	3	2007-08 2008-09 01.07.2009-24.07.2010	30.09.2008 30.09.2009 30.03.2011
36	Telugu Speaking Union	2	2017-18 2018-19	31.10.2018 31.10.2019
37	Trade Union Trust Fund	4	2015 01.01.2016-30.06.2017 2017-18 2018-19	30.04.2016 31.10.2017 31.10.2018 31.10.2019
38	Training and Employment of Disabled Persons Board	2	2017-18 2018-19	31.10.2018 31.10.2019
39	Université Des Mascareignes	5	2014 2015 01.01.2016-30.06.2017 2017-18 2018-19	30.04.2015 31.10.2017 31.10.2018 31.10.2018 31.10.2019
40	University of Technology Mauritius	2	2017-18 2018-19	31.10.2018 31.10.2019
41	Urdu Speaking Union	2	2017-18 2018-19	31.10.2018 31.10.2019
42	Utility Regulatory Authority	1	2018-19	31.10.2019
43	Vallée D'Osterlog Endemic Garden Foundation	2	2017-18 2018-19	31.10.2018 31.10.2019
Total		**137**		

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Appendix IIB

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
1	Beach Authority	4	2014 2015 01.01.2016-30.06.2017 2017-18	26.10.2015 05.10.2016 06.07.2018 02.10.2019
2	Bhojpuri Speaking Union	1	2017-18	18.02.2019
3	Board of Investment	1	01.07.2017-14.01.2018	14.11.2018
4	Chinese Speaking Union	1	2017-18	18.02.2019
5	Conservatoire de Musique François Mitterand Trust Fund	1	2017-18	28.08.2019
6	Construction Industry Development Board	2	2015 2017-18	12.10.2018 16.07.2019
7	Creole-Speaking Union	3	2014 2015 01.01.2016-30.06.2017	27.08.2018 27.08.2018 27.08.2018
8	Early Childhood Care and Education Authority	1	01.01.2016-30.06.2017	30.05.2018
9	Farmers Service Corporation	2	2011 01.01.2012-18.03.2012	28.12.2012 21.07.2014
10	Fashion and Design Institute	3	01.07.2009-31.12.2010 2011 2017-18	04.04.2014 04.09.2014 15.10.2019
11	Financial Reporting Council	1	2014	21.09.2015
12	Food and Agricultural Research and Extension Institute	2	14.02.2014-31.12.2014 2015	08.11.2018 08.11.2018

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
13	Food and Agricultural Research Council	1	01.01.2013-13.02.2014	13.01.2017
14	Gambling Regulatory Authority	2	2015	02.03.2017
			01.01.2016-30.06.2017	10.07.2018
15	Industrial and Vocational Training Board	1	01.07.2009-15.11.2009	11.07.2014
16	Information and Communication Technologies Authority	4	2013	07.08.2015
			2014	03.06.2016
			2015	23.08.2019
			01.01.2016-30.06.2017	17.10.2019
17	Islamic Cultural Centre Trust Fund	7	2005-06	26.07.2011
			2006-07	26.07.2011
			2007-08	26.07.2011
			2008-09	07.02.2014
			01.07.2009-31.12.2009	07.02.2014
			2010	07.02.2014
			01.01.2016-30.06.2017	31.05.2018
18	Law Reform Commission	1	01.01.2016-30.06.2017	30.04.2018
19	Le Morne Heritage Trust Fund	4	2004-05	30.03.2010
			2005-06	30.03.2010
			2006-07	30.03.2010
			2017-18	06.06.2019
20	Malcom de Chazal Trust Fund	8	2003-04	04.07.2013
			2004-05	14.10.2014
			2005-06	14.10.2014
			2006-07	14.10.2014

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
	Malcom de Chazal Trust Fund *(Continued)*		2007-08 2008-09 01.07.2009-31.12.2010 2011	14.10.2014 14.10.2014 14.10.2014 14.10.2014
21	Marathi Speaking Union	1	2017-18	17.10.2019
22	Mauritian Cultural Centre Trust	2	2002-03 2003-04	30.03.2005 22.01.2007
23	Mauritius Broadcasting Corporation	3	2007-08 01.07.2009-31.12.2010 2015	20.10.2009 07.02.2013 22.05.2019
24	Mauritius Council of Registered Librarians	6	2012 2013 2014 2015 01.01.2016-30.06.2017 2017-18	03.12.2014 02.07.2015 23.05.2017 23.05.2017 06.09.2018 27.02.2019
25	Mauritius Examinations Syndicate	1	2017-18	30.04.2019
26	Mauritius Ex-Services Trust Fund	1	2017- 18	30.04.2019
27	Mauritius Film Development Corporation	1	2015	28.08.2019
28	Mauritius Institute of Education	2	2015 2017- 18	10.10.2016 16.08.2019
29	Mauritius Institute of Training and Development	3	2014 2015 01.01.2016-30.06.2017	16.03.2016 14.12.2016 28.08.2018

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
30	Mauritius Marathi Cultural Centre Trust	1	2017-18	22.07.2019
31	Mauritius Meat Authority	3	2012 2013 2017-18	04.02.2014 09.10.2014 25.11.2019
32	Mauritius Museums Council	6	2008-2009 01.07.2009-31.12.2010 2011 2012 2013 2014	06.09.2010 04.06.2012 03.09.2014 09.10.2014 05.09.2019 05.09.2019
33	Mauritius Oceanography Institute	1	2015	30.04.2019
34	Mauritius Qualifications Authority	1	01.01.2016-30.06.2017	08.02.2019
35	Mauritius Research Council	2	2011 2017-18	27.12.2012 29.04.2019
36	Mauritius Society of Authors	3	2013 2014 2015	29.04.2019 29.04.2019 29.04.2019
37	Mauritius Sugar Authority	6	2006-07 2007-08 2008-09 01.07.2009-31.12.2010 2011 01.01.2012-18.03.2012	03.12.2009 13.12.2011 13.12.2011 29.03.2013 31.10.2013 21.07.2014

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
38	Mauritius Sugar Terminal Corporation	1	01.01.2012-18.03.2012	02.09.2014
39	Mauritius Tamil Cultural Centre Trust	1	2004-05	24.10.2012
40	Mauritius Telugu Cultural Centre Trust	7	2004-05	13.05.2011
			2005-06	07.10.2011
			2006-07	21.05.2012
			2007-08	21.05.2012
			2008-09	21.05.2012
			01.01.2016-30.06.2017	14.03.2018
			2017-18	04.06.2019
41	National Art Gallery	2	2014	31.05.2018
			2015	31.05.2018
42	National Children's Council	9	2006-07	28.01.2013
			2007-08	30.07.2013
			2008-09	13.02.2014
			01.07.2009-31.12.2010	13.02.2014
			2011	12.05.2014
			2012	22.09.2014
			2013	07.10.2014
			2014	17.05.2016
			2015	12.04.2019
43	National Computer Board	8	2007-08	05.12.2014
			2008-09	30.12.2014
			01.07.2009-31.12.2010	30.12.2014
			2011	20.01.2015
			2012	26.01.2017
			2013	17.08.2017
			2014	15.10.2018
			2015	15.10.2018

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
44	National Council for the Rehabilitation of Disabled Persons	4	01.07.2009-31.12.2010	18.11.2011
			2011	04.10.2012
			2013	16.10.2014
			2015	28.09.2016
45	National Economic and Social Council	1	2013	17.03.2015
46	National Heritage Fund	5	2007-08	19.11.2012
			2008-09	19.11.2012
			01.07.2009-31.12.2010	28.01.2013
			2011	17.02.2014
			2012	25.11.2019
47	National Human Rights Commission	1	01.01.2016-06.09.2016	29.05.2019
48	National Library	1	2017-18	18.02.2019
49	National Solidarity Fund	2	2015	31.10.2016
			2017-18	14.06.2019
50	National Transport Corporation	1	2013	18.11.2015
51	National Women Entrepreneur Council	5	2006-07	19.04.2011
			2007-08	19.04.2011
			2008-09	01.08.2012
			01.07.2009-31.12.2010	07.12.2012
			2011	08.10.2013
52	National Women's Council	5	2006	14.05.2013
			2007	26.07.2013
			2008	05.12.2013
			2009	24.04.2014
			01.01.2016-30.06.2017	26.08.2019

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
53	National Youth Council	15	1999-00	12.11.2001
			2000-01	26.03.2002
			2001-02	13.03.2003
			2002-03	16.02.2004
			2003-04	05.07.2006
			2004-05	21.06.2007
			2005-06	21.06.2007
			2006-07	02.07.2008
			2007-08	05.05.2009
			2008-09	24.06.2011
			01.07.2009-31.12.2010	23.10.2012
			2011	09.09.2013
			2012	09.09.2013
			2013	21.07.2014
			2014	29.09.2015
54	Nelson Mandela Centre for African Culture Trust Fund	4	2011	10.08.2015
			2012	16.02.2016
			2013	16.02.2016
			2014	19.09.2019
55	Outer Islands Development Corporation	2	01.01.2016-30.06.2017	03.07.2018
			2017-18	29.04.2019
56	Private Secondary Education Authority	2	01.01.2016-30.06.2017	31.05.2018
			2017-18	29.04.2019
57	Rajiv Gandhi Science Centre Trust Fund	6	2006-07	23.06.2009
			2007-08	11.03.2010
			2008-09	11.03.2010
			01.07.2009-31.12.2010	13.04.2012
			2012	21.04.2014
			01.01.2016-30.06.2017	19.09.2019

Continued

Statistory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
58	Road Development Authority	9	2007-08	28.06.2012
			2008-09	12.07.2013
			01.07.2009-31.12.2010	12.07.2013
			2011	19.11.2013
			2012	19.11.2013
			2013	13.08.2015
			2014	28.03.2016
			01.01.2016-30.06.2017	30.04.2018
			2017-18	30.04.2019
59	Senior Citizens Council	3	2015	14.12.2016
			01.01.2016-30.06.2017	15.03.2018
			2017-18	12.04.2019
60	Sir Seewoosagur Ramgoolam Botanical Garden Trust	15	05.06.1999-30.06.2000	28.02.2014
			2000-01	28.02.2014
			2001-02	28.02.2014
			2002-03	02.05.2014
			2003-04	13.05.2014
			2004-05	13.05.2014
			2005-06	27.05.2014
			2006-07	25.06.2014
			2007-08	17.08.2017
			2008-09	17.08.2017
			01.07.2009-31.12.2010	17.01.2019
			2011	22.07.2019
			2012	01.10.2019
			2013	01.10.2019
			2014	01.10.2019

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
61	Sir Seewoosagur Ramgoolam Foundation	7	2006-07	20.10.2015
			2007-08	20.10.2015
			2008-09	20.10.2015
			01.07.2009-31.12.2010	20.10.2015
			2011	20.10.2015
			2012	20.10.2015
			2013	20.10.2015
62	State Trading Corporation	1	01.01.2016-30.06.2017	30.04.2018
63	Sugar Cane Planters Trust	1	2006-07	20.10.2008
64	Sugar Industry Labour Welfare Fund	1	2013	27.10.2014
65	Sugar Planters Mechanical Pool Corporation	1	01.01.2012-18.03.2012	28.07.2014
66	Technical School Management Trust Fund	3	2007-08	19.08.2016
			2008-09	30.08.2016
			01.07.2009-15.11.2009	08.08.2017
67	Telugu Speaking Union	2	2015	19.02.2018
			01.01.2016-30.06.2017	14.03.2018
68	Tourism Authority	5	2011	03.10.2014
			2012	11.11.2014
			2013	11.11.2014
			2014	23.05.2016
			01.01.2016-30.06.2017	25.02.2019

Continued

Statutory Bodies - Financial Statements Certified but not yet laid before National Assembly

Sn	Statutory Bodies	No of Financial Statements	Period	Date Certified
69	Tourism Employees Welfare Fund	3	2013 2014 2015	28.10.2014 23.05.2016 30.09.2016
70	Training and Employment of Disabled Persons Board	4	2013 2014 2015 01.01.2016-30.06.2017	11.04.2016 11.04.2016 26.05.2017 23.05.2019
71	Trust Fund for Specialised Medical Care	2	01.01.2016-30.06.2017 2017-18	29.08.2018 09.07.2019
72	University of Mauritius	1	2013	30.10.2014
73	University of Technology Mauritius	3	2011 2012 2013	29.04.2019 22.07.2019 07.10.2019
74	Vallée D'Osterlog Endemic Garden Foundation	1	2013	06.09.2018
Total		**237**		

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Appendix III

List of Local Authorities audited by the Director of Audit

1 The City Council of Port Louis

2 The District Council Black River

(Including 13 Village Councils)

3 The District Council of Flacq

(Including 23 Village Councils)

4 The District Council of Grand Port

(Including 24 Village Councils)

5 The District Council of Moka

(Including 16 Village Councils)

6 The District Council of Pamplemousses

(Including 18 Village Councils)

7 The District Council of Rivière Du Rempart

(Including 19 Village Councils)

8 The District Council of Savanne

(Including 17 Village Councils)

9 The Municipal Council of Beau Bassin/Rose Hill

10 The Municipal Council of Curepipe

11 The Municipal Council of Quatre Bornes

12 The Municipal Council of Vacoas /Phoenix

Appendix IV

List of Special Funds audited by the Director of Audit

1 Build Mauritius Fund
2 Cooperative Development Fund
3 Curatelle Fund
4 Lotto Fund
5 Morris Legacy Fund
6 National Arts Fund
7 National Environment Fund
8 National Parks and Conservation Fund
9 National Pensions Fund
10 National Recovery Fund
11 National Resilience Fund
12 Non Government Organisation Trust Fund
13 President Fund for Creative Writing
14 Prime Minister's Children Fund
15 Prime Minister's Cyclone Relief Fund
16 Prime Minister's Relief Fund
17 Recovered Assets Fund
18 Residential Care Home Fund
19 Rodrigues Subsidy Account
20 Smart City Scheme Social Fund
21 Special Fund for the Welfare of the Elderly
22 Students Relief Fund
23 Treasury Foreign Currency Management Fund
24 Trust Fund for the Social Integration of Vulnerable Groups
(Ceased operation on 1/1/2010)

* National Habitat Fund- *Ceased operation on 11/11/2015*
Financial statement for the financial year 2014 was certified on 14.12.2016 but not yet laid before the National Assembly.

** National Solidarity Fund and Sugar Industry Labour Welfare Fund -*Not included in the above list since they are listed as Statutory Bodies.*

Appendix IVA

Special Funds - Financial Statements not yet Submitted

Sn	Special Funds	No of Financial Statements	Period
1	National Arts Fund	2	14.09.2017-30.06.2018 2018-19
2	National Parks and Conservation Fund	1	2018-19
3	National Pensions Fund	2	2017-18 2018-19
4	National Recovery Fund	3	01.01.2016-30.06.2017 2017-18 2018-19
5	National Resilience Fund	3	2016-17 2017-18 2018-19
6	Non Government Organisation Trust Fund	1	2018-19
7	President Fund For Creative Writing	1	2018-19
8	Recovered Assets Fund	1	2018-19
9	Residential Care Homes Fund	1	2018-19
10	Smart City Scheme Social Fund	2	11.11.2017-30.06.2018 2018-19
11	Special Fund for the Welfare of the Elderly	2	2017-18 2018-19
12	Students Relief Fund	5	2014 01.01.2015-30.06.2016 2016-17 2017-18 2018-19
Total		**24**	

Appendix IVB

Special Funds - Financial Statements Certified but not yet Laid before National Assembly

Sn	Special Funds	No of Financial Statements	Period	Date Certified
1	Curatelle Fund	1	01.01.2015-30.06.2016	17.11.2016
2	Morris Legacy Fund	2	01.01.2015-30.06.2016	24.11.2016
			2016-17	21.03.2018
3	National Habitat Fund	1	2014	14.12.2016
4	National Pensions Fund	5	2011	05.02.2016
			2012	21.09.2016
			2013	09.04.2019
			2014	09.04.2019
			01.01.2015-30.06.2016	27.08.2019
5	Non Government Organisation Trust Fund	2	2013	29.10.2014
			2016-17	01.06.2018
6	Treasury Foreign Currency Management Fund	15	2002-03	20.01.2004
			2003-04	03.12.2004
			2004-05	29.12.2005
			2005-06	23.11.2007
			2006-07	30.11.2007
			2007-08	10.03.2009
			2008-09	24.02.2010
			01.07.2009-31.12.2010	10.10.2011
			2011	19.09.2012
			2012	30.08.2013
			2013	19.01.2015
			2014	20.08.2015
			01.01.2015-30.06.2016	08.08.2017
			2016-17	06.03.2018
			2017-18	28.01.2019
Total		**26**		

Appendix V

List of State Owned Companies, Other Bodies and Projects audited by the Director of Audit

State Owned Companies

1 CEB (Green Energy) Company Ltd
2 CEB (Facilities) Company Ltd
3 CEB (Fibernet) Company Ltd
4 National Empowerment Foundation
5 SME Mauritius Ltd

Other Bodies

1 Association of District Councils
2 Association of Urban Authorities
3 Biennial Update Report (BUR)
4 Central Procurement Board
5 Centre for Development Corporation in Fisheries-NORAD
6 Discharged Persons Aid Committee
7 Financial Intelligence Unit
8 Financial Services Promotion Agency
(Ceased Operation on 15/01/2018)
9 Global Fuel Economy Initiative
10 Independent Commission Against Corruption
11 Indian Ocean Rim Association for Regional Cooperation
12 Institute For Judicial and Legal Studies
13 Integrity Reporting Services Agency
14 Lottery Committee
15 Mental Health Care Accounts Committee
16 National Archives Research and Publication Fund
17 National Committee on Corporate Governance
18 National CSR Foundation
19 National Savings Fund
20 Nationally Appropriate Mitigation Actions
21 Parole Board

Continued

Other Bodies

22 Postal Authority

23 Promotion and Protection of Human Rights in Mauritius and Rodrigues

24 Roman Catholic Diocese of Port Louis Religious Subsidy Act

25 Responsible Gambling and Capacity Building Fund

26 SADC Trade Related Facility

27 Statutory Bodies Family Protection Fund

28 University of Mauritius Trust

Donor Funded Projects

1 Industrial Symbiosis Project

2 Middle Income Countries Technical Assistance Fund- Dam Development

3 Middle Income Countries Technical Assistance - Grant For Health Sector Review

4 Statistical Capacity Building Project – Funded by World Bank

5 St Louis Redevelopment Project financed by the AFDB

6 Third National Communication of the Republic of Mauritius under the UNFCCC

7 UNFPA Improved Quality of Life of Population

Appendix VA

State Owned Companies and Other Bodies
Financial Statements not yet Submitted

Sn	Other Bodies	No of Financial Statements	Period
1	CEB Green Energy Co. Ltd	1	2018-19
2	CEB Facilities Co. Ltd	1	2018-19
3	CEB Fibernet Co. Ltd	1	2018-19
4	Financial Intelligence Unit	1	2018-19
5	Global Fuel Economy Initiative	2	01.07.2017-31.12.2017 2018
6	Institute For Judicial and Legal Studies	1	2018-19
7	National Archives Research and Publication Fund	9	01.07.2009-31.12.2010 2011 2012 2013 2014 01.01.2015-30.06.2016 2016-17 2017-18 2018-19
8	National Committee on Corporate Governance	2	2017-18 2018-19
9	National Empowerment Foundation	2	2017-18 2018-19
10	National Savings Fund	2	2016-17 2017-18
11	Responsible Gambling and Capacity Building Fund	1	2018-19
12	SME Mauritius	1	2018-19
13	University of Mauritius Trust	1	2018-19
Total		**25**	

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AUDIT CERTIFICATE

AND

ANNUAL STATEMENTS

NATIONAL AUDIT OFFICE

CERTIFICATE OF THE DIRECTOR OF AUDIT

ON THE ANNUAL STATEMENTS OF GOVERNMENT

Report on the Audit of the Annual Statements

Opinion

I have audited the Annual Statements of the Government of the Republic of Mauritius, submitted in accordance with Section 19(1) of the Finance and Audit Act, which comprise the statement of financial position as at 30 June 2019, and the statement of financial performance, the statement of changes in net assets or equity, the cash flow statement and the statement of comparison of budget estimates and actual amounts for the year then ended, other Statements as required under Section 19(3) of the Act, and notes to the accounts, including a summary of significant accounting policies.

In my opinion, the accompanying Annual Statements give a true and fair view of the financial position of the Government of the Republic of Mauritius as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Section 19(3A)(a) of the Finance and Audit Act, and the accounting basis as disclosed in Note 2.1.B(i) to the accounts.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Statements* Section of my report. I am independent of the Ministries and Government Departments in accordance with the INTOSAI Code of Ethics, together with the ethical requirements that are relevant to my audit of the Annual Statements in Mauritius, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to:

(i) The Loan figure of Rs 10.6 billion at Note 4 to the Accounts, which represents outstanding loans to Statutory Bodies, Private Bodies, Other Bodies and Private Individuals as at 30 June 2019. Loans due but not yet paid to Government have reached some Rs 1.5 billion.

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Tel.: 212 2096-97/ 211 0882 Fax: (230) 211 0880

(ii) The Investment figure of Rs 30.7 billion, as disclosed in the Statement of Financial Position, which represents investments in Quoted and Unquoted Shares, Equity Participation and Other Investments made out of monies standing to the credit of the Consolidated Fund and Special Funds. A sum Rs 186 million was received as dividends during financial year 2018-19, representing a return of 0.8 per cent of investments in Shares. Investments of Rs 22.2 billion have not yielded any return since acquisition.

(iii) Note 7(e) to the Accounts, wherein it is disclosed that Infrastructure, Plant and Equipment represents cost of these assets acquired as from specified dates.

My opinion is not modified in respect of the above matters.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the Annual Statements of the current period. These matters were addressed in the context of my audit of the Annual Statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of the Accountant General and Those Charged with Governance for the Annual Statements

The Accountant General is responsible for the preparation and fair presentation of these Annual Statements in accordance with Section 19(3A)(a) of the Finance and Audit Act, and the accounting basis as disclosed in Note 2.1.B(i) to the accounts, and for such internal control necessary to enable the preparation of Annual Statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the financial reporting process in Ministries and Government Departments.

Auditor's Responsibilities for the Audit of the Annual Statements

My objectives are to obtain reasonable assurance about whether the Annual Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Annual Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministries' and Government Departments' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the Annual Statements, including the disclosures, and whether the Annual Statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the Annual Statements of the current period and are therefore the Key Audit Matters. I describe these matters in my auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Management's Responsibility for Compliance

Management is responsible for controlling expenditure on any service in respect of which public funds have been appropriated and for collecting revenue and paying that revenue into public funds, as well as putting in place a sound system of internal control designed to provide reasonable assurance regarding, amongst others the effectiveness and efficiency of operations, the safeguarding of assets and data, the prevention of fraud and irregularities, and the compliance with applicable laws, regulations and instructions, policies and established procedures.

Auditor's Responsibility

In addition to my responsibility to express an opinion on the Annual Statements described above, I am required under Section 16 of the Finance and Audit Act to satisfy myself that:

(a) all reasonable precautions have been and are taken to safeguard the collection of public money;

(b) all laws, directions or instructions relating to public money have been and are duly observed;

(c) all money appropriated or otherwise disbursed is applied to the purpose for which Parliament intended to provide and that the expenditure conforms to the authority which governs it;

(d) 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; and

(e) satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Finance and Audit Act

I have obtained all information and explanations I have required for the purpose of my audit.

Based on my examination of the records of Ministries and Government Departments, except for the matters mentioned in my Report for the financial year 2018-19, nothing has come to my attention that indicates that the financial management principles laid down at Section 16 of the Finance and Audit Act, described under the 'Auditor's Responsibility' Section, have not been adhered to.

C. ROMOOAH
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
Port Louis

24 February 2020

STATEMENT A

Statement of Financial Position as at 30 June 2019

	Notes	30 June 2019 Rs	30 June 2018 Restated Rs
ASSETS			
Cash and Cash Equivalents	3	5,628,533,747	14,551,829,955
Loans and Advances	4	16,641,832,446	13,547,220,135
Investments	5	30,707,150,160	23,410,851,727
Inventories	6	1,531,094,628	1,305,292,728
Property, Plant and Equipment	7	369,069,247,660	364,244,281,920
Intangible Assets	8	826,230,912	922,821,681
IMF -SDR Deposits	9	3,488,408,559	3,443,521,549
IMF -Reserve Tranche Position	9	1,069,362,969	1,031,052,667
Other Assets	10	56,648,404	58,892,899
Total Assets		**429,018,509,485**	**422,515,765,261**
LIABILITIES			
Deposits	11	2,210,845,686	2,932,219,262
Government Debt	12	280,773,963,082	261,514,351,467
IMF -SDR Allocations	9	4,762,232,816	4,700,954,904
Payables	13	7,232,341,420	6,484,476,199
Total Liabilities		**294,979,383,004**	**275,632,001,832**
Net Assets		**134,039,126,481**	**146,883,763,429**
NET ASSETS/EQUITY			
Consolidated Fund	14	28,320,944,755	27,772,340,857
Reserve (Assets)	14	299,025,312,236	299,025,312,236
Accumulated Deficit	14	(195,532,570,659)	(184,258,609,116)
Special Funds	14	2,225,440,149	4,344,719,452
		134,039,126,481	**146,883,763,429**

S.D. RAMDEEN
Ag. Accountant-General

24 December 2019

NOTES TO THE ACCOUNTS

1. GENERAL

The Statement of Financial Position has been prepared in accordance with Section 19 of the Finance and Audit Act, 1973 as subsequently amended.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

A Estimates

The Estimates (Budget) of the Government is appropriated by votes of expenditure on a cash basis, except for cost of borrowings which is appropriated on an accrual basis.

The Estimates are for the Budgetary Central Government, which includes Ministries and Government Departments. Transfers to Special Funds are appropriated and included as expenditure in the approved Estimates in the year of expenditure. However, the revenue and expenditure of the Special Funds are not included in the approved Estimates.

The approved Estimates covers the fiscal period from 1 July 2018 to 30 June 2019.

B Financial Statements

(i) Following the amendments made to the Finance and Audit Act in July 2017, the financial statements of the Government for the financial year 2022/23 and onwards have to be prepared in compliance with International Public Sector Accounting Standards (IPSAS). For the financial year 2018/19, the financial statements have been prepared in accordance with Section 19 (3A)(a) of the Finance & Audit Act, i.e. as far as possible in compliance with IPSAS.

Accordingly, the elements of the financial statements have been accounted for as follows:

ELEMENTS	ACCOUNTING BASIS
Revenue	Cash
Expenses	
Compensation of Employees (except for Allowances and Cost of Overtime)	Cash
- Allowances and Cost of Overtime	Accrual
Retirement Benefits	Cash
Subsidies	Cash
Grants	Accrual
Social Benefits	Accrual
Supplies and Consumables Used	Accrual
Depreciation and Amortisation	Accrual
Other Expenses (excluding Other Transfer Payments)	Accrual
- Other Transfer Payments	Cash
Finance Costs	Accrual

NOTES TO THE ACCOUNTS

ASSETS AND LIABILITIES	MEASUREMENT BASIS
Assets	
Loans and Advances	At Cost
Investments	At Cost
Inventories	At Cost
Property, Plant and Equipment (excluding Land)	At Cost
- Land (excluding acquired during the year)	At a value estimated by Government Valuation Department
- Land (acquired during the year)	At Cost
Intangible Assets	At Cost
IMF -SDR Deposits	At Cost
IMF -Reserve Tranche Position	At Cost
Other Assets	At Cost
Liabilities	
Deposits	At Cost
Government Debt	At Cost
IMF -SDR Allocations	At Cost
Payables	At Cost

(ii) The accounting policies have been applied consistently throughout the year.

2.2 Reporting Entity

The accounts are for the Budgetary Central Government of the Republic of Mauritius, which comprises Ministries, Government Departments and Special Funds bank balances and investments as per Statement H – Statement of Special Funds deposited with the Accountant-General.

2.3 Reporting Period

The accounts cover the financial year of the Government of Mauritius from 1 July 2018 to 30 June 2019.

2.4 Foreign Currencies

(i) Functional and presentation currency

The accounts are presented in Mauritian Rupees (Rs), rounded to the nearest rupee, which is also the functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance. Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated using the exchange rate at the date of the transaction.

2.5 Investments

Investments are recognised at cost in the Statement of Financial Position.

NOTES TO THE ACCOUNTS

2.6 Authorisation Date

The financial statements were authorised for issue on 24 December 2019 by Mr. S.D. Ramdeen, the Ag. Accountant-General.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand, cash remitted to Ministries/Departments and cash balances with banks and agents both local and overseas and also cash held on behalf of Special Funds. The total cash and cash equivalents are made up as follows:

	30 June 2019	30 June 2018
	Rs	Rs
Cash and Bank balances	4,310,228,261	13,469,154,460
Remittances	1,318,305,486	1,082,675,495
Total	**5,628,533,747**	**14,551,829,955**
Comprising of:		
Local currency balances	4,919,797,103	8,350,363,277
Foreign currency balances - at local banks	673,931,624	6,164,851,554
Foreign currency balances - at external banks	34,805,020	36,615,124

Cash and cash equivalents include an amount of Rs 892,500,000 being balance of proceeds from the issue of securities for the mopping up of excess liquidity held at the Bank of Mauritius and an amount of Rs 1,905,440,149 for Special Funds.

4. LOANS AND ADVANCES

	30 June 2019	30 June 2018
	Rs	Rs
Loans	10,616,258,906	9,973,742,520
Advances	6,025,573,540	3,573,477,615
Total	**16,641,832,446**	**13,547,220,135**

(i) Loans

This represents the outstanding balance of loans made by Government to Statutory and Other Bodies, details of which are given in Statement M.

	30 June 2019	30 June 2018
	Rs	Rs
- Within one year	1,985,146,164	1,675,277,530
- After one year	8,631,112,742	8,298,464,990
Total	**10,616,258,906**	**9,973,742,520**

NOTES TO THE ACCOUNTS

(ii) Advances

These are advances made under the authority of warrants issued under Section 6(1) of the Finance and Audit Act and are recoverable within specified periods.

	30 June 2019	30 June 2018
	Rs	Rs
Government Officers (include Motor Cars & Motor Cycles Advances)	2,242,027,973	2,285,610,376
Parastatals/Local Government/Corporate Bodies	3,683,448,061	1,223,919,306
Ministries/Departments	100,097,506	63,947,933
Total	**6,025,573,540**	**3,573,477,615**
- Within one year	3,568,888,597	1,087,974,557
- After one year	2,456,684,943	2,485,503,058
Total	**6,025,573,540**	**3,573,477,615**

5. INVESTMENTS

These represents investments made out of monies standing to the credit of the Consolidated Fund and Special Funds in accordance with Section 3(4)(a) and 9(3)(a) of the Finance and Audit Act. Details of investments are shown below:

	30 June 2019	30 June 2018
	Rs	Rs
Quoted Shares	140,251,221	140,251,221
Unquoted Shares	24,389,350,622	17,740,839,122
Equity Participation	5,258,453,317	4,907,402,111
Other Investments	919,095,000	622,359,273
Total	**30,707,150,160**	**23,410,851,727**

Other Investments includes an amount of Rs 320,000,000 which pertains to Special Funds. Additional details in respect of investments are provided in the Statement F - Statement of Investments.

6. INVENTORIES

Inventories are measured at cost on a First In First Out Basis (FIFO).

	30 June 2019	30 June 2018 Restated
	Rs	Rs
Inventories	**1,531,094,628**	**1,305,292,728**

NOTES TO THE ACCOUNTS

7. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment include the following:

(i) Infrastructure, Plant and Equipment, consisting of

- Infrastructure Assets;
- Transport Equipment; and
- Other Machinery & Equipment.

(ii) Land and Buildings

Property, Plant and Equipment (which excludes Furniture, Fixtures and Fittings) is stated at cost less accumulated depreciation except for land which is recognised at a value estimated by the Government Valuation Department.

(b) Furniture, Fixtures and Fittings

Furniture, Fixtures and Fittings are currently being expensed.

(c) Borrowing Costs

Borrowing Costs are presently not capitalised.

(d) Depreciation on assets is charged on a straight-line basis over the useful life of the asset. Full year depreciation is charged in the year of acquisition and none in year of disposal. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset over its remaining useful life, as follows:

Buildings	50 years
Infrastructure Assets	10 – 50 years
Transport Equipment	8 – 25 years
Other Machinery & Equipment	4 – 20 years

Land is not depreciated.

NOTES TO THE ACCOUNTS

	Infrastructure, Plant and Equipment			Land and Buildings		
	Infrastructure Assets	Transport Equipment	Other Machinery & Equipment	Land	Buildings	Total
	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2017	**32,322,227,954**	**8,837,282,135**	**6,773,909,838**	**305,768,826,115**	**26,664,567,407**	**380,366,813,449**
Additions	2,967,027,870	543,379,043	1,215,663,145	915,265,539	1,149,093,338	6,790,428,935
At 30 June 2018	**35,289,255,824**	**9,380,661,178**	**7,989,572,983**	**306,684,091,654**	**27,813,660,745**	**387,157,242,384**
Additions	3,233,223,523	581,893,226	1,131,973,436	895,325,198	1,970,860,887	7,813,276,270
At 30 June 2019	**38,522,479,347**	**9,962,554,404**	**9,121,546,419**	**307,579,416,852**	**29,784,521,632**	**394,970,518,654**
DEPRECIATION						
At 30 June 2017	**7,689,417,678**	**3,068,941,723**	**3,597,767,660**	**-**	**5,767,024,880**	**20,123,151,941**
Charge for the year	805,496,029	588,642,731	839,396,548	-	556,273,215	2,789,808,523
At 30 June 2018	**8,494,913,707**	**3,657,584,454**	**4,437,164,208**	**-**	**6,323,298,095**	**22,912,960,464**
Charge for the year	866,436,982	601,754,659	924,428,456	-	595,690,433	2,988,310,530
At 30 June 2019	**9,361,350,689**	**4,259,339,113**	**5,361,592,664**	**-**	**6,918,988,528**	**25,901,270,994**
NET BOOK VALUE						
At 30 June 2018	**26,794,342,117**	**5,723,076,724**	**3,552,408,775**	**306,684,091,654**	**21,490,362,650**	**364,244,281,920**
At 30 June 2019	**29,161,128,658**	**5,703,215,291**	**3,759,953,755**	**307,579,416,852**	**22,865,533,104**	**369,069,247,660**

(e) Infrastructure, Plant and Equipment

Infrastructure, Plant and Equipment represent the cost of the following:

(i) Infrastructure Assets -

- Roads - classified roads/motorways constructed as from 01 July 1990;
- Dams & Bridges constructed as from 01 July 1990;
- Stadiums & Gymnasiums constructed as from 01 July 1990; and
- Other Structures constructed as from 01 July 1990.

Infrastructure assets do not include assets acquired by the Government on behalf of other public sector bodies.

NOTES TO THE ACCOUNTS

(ii) Transport Equipment -

- Ships/Vessels acquired as from 01 July 1992;
- Aircrafts/Helicopters acquired as from 01 July 1997; and
- Other Vehicles acquired as from 01 July 2007.

(iii) Other Machinery & Equipment -

- Medical Equipment acquired as from 01 July 2007;
- Office Equipment acquired as from 01 July 2007; and
- Machinery acquired as from 01 July 2007.

Equipment acquired as from 01 July 2018 under recurrent expenditure items have been capitalised.

(f) Land and Buildings

Land and Buildings represent:

(i) the estimated value of State Lands under the categories listed below:

	Total Estimated Value	
Description	**30 June 2019**	**30 June 2018**
	Rs	**Rs**
Agricultural Land – Sugarcane	7,871,151,641	7,871,151,641
Agricultural Land – Crop Production	4,620,360,344	4,620,360,344
Agricultural Land – Tea	799,432,000	799,432,000
Agricultural Land – Animal Production	657,307,570	657,307,570
Agricultural Land –Others	4,957,081,626	4,957,081,626
National Parks	51,956,566,256	51,956,566,256
Parks and Gardens	14,718,933,632	14,718,933,632
Guardinages	1,199,213,764	1,199,213,764
Residential	31,319,321,083	31,319,321,083
Commercial	513,318,014	513,318,014
Agricultural	4,021,225,230	4,021,225,230
Industrial	85,005,356,938	85,005,356,938
Campement Sites	49,148,298,749	49,148,298,749
Land Acquisition	2,193,560,729	1,298,235,531
Grazing	352,788,529	352,788,529
Public Beach	14,069,698,854	14,069,698,854
Islets	5,273,037,555	5,273,037,555
Other State Lands	28,902,764,338	28,902,764,338
Total	**307,579,416,852**	**306,684,091,654**

(ii) Residential and non-residential buildings, whether purchased, constructed or upgraded as from 01 July 1969.

NOTES TO THE ACCOUNTS

8. INTANGIBLE ASSETS

Intangible Assets include licenses, computer software and IT projects acquired, developed or under development as from 01 July 2009. Intangible Assets acquired separately are initially recognised at cost. Following initial recognition, Intangible Assets are carried at cost less any accumulated amortisation. Intangible Assets acquired as from 01 July 2018 under recurrent expenditure items have been capitalised.

Intangible Assets are amortised over a period of 8 years. Full year amortisation is charged in the year of acquisition.

	Intangible Assets
	Rs
COST	
At 30 June 2017	**2,487,435,508**
Additions	214,136,647
At 30 June 2018	**2,701,572,155**
Additions	160,110,550
At 30 June 2019	**2,861,682,705**
AMORTISATION	
At 30 June 2017	**1,532,508,538**
Charge for the year	246,241,936
At 30 June 2018	**1,778,750,474**
Charge for the year	256,701,319
At 30 June 2019	**2,035,451,793**
NET BOOK VALUE	
At 30 June 2018	**922,821,681**
At 30 June 2019	**826,230,912**

NOTES TO THE ACCOUNTS

9. TRANSACTIONS WITH INTERNATIONAL FINANCIAL ORGANISATIONS

(i) International Monetary Fund (IMF)

a) SDR Allocations and SDR Deposits

IMF SDR Allocations represent obligations which arise through the participation of the Republic of Mauritius in the SDR Department of the IMF and that are related to the allocation of SDR Holdings. SDR Holdings are international reserve assets created by the IMF and allocated to members to supplement reserves. IMF SDR Deposits represent international reserve assets allocated to Mauritius by the IMF (SDR Holdings) and held at the Bank of Mauritius**.**

The rupee equivalent of the deposit of SDR 70,911,549 by the IMF to the Republic of Mauritius, i.e. Rs 3,488,408,559 is being shown as an asset "IMF SDR Deposit".

The rupee equivalent of the total allocation of SDR 96,805,549 made to the Republic of Mauritius, i.e. Rs 4,762,232,816 as at 30 June 2019 is shown as liability and is also included in the Statement J - Statement of Public Sector Debt.

b) Reserve Tranche Position

The Reserve Tranche Position represents that portion of the quota of the Republic of Mauritius in IMF that has been paid in reserve assets, i.e. SDRs or foreign currency acceptable to the IMF. As at 30 June 2019, the Reserve Tranche Position of the Republic of Mauritius with IMF stood at SDR 21,737,759, whilst the Quota amounted to SDR 142,200,000.

The rupee equivalent of the Reserve Tranche Position, i.e. Rs 1,069,362,969 is being shown as an asset in the Statement of Financial Position.

The movement in the Reserve Tranche is as follows:

	30 June 2019	**30 June 2018**
	Rs	**Rs**
Balance as at 1 July	1,031,052,667	1,205,639,372
Exchange Differences	13,535,654	9,822,735
Consolidated Fund adjustment	24,774,648	(184,409,440)
Balance as at 30 June	**1,069,362,969**	**1,031,052,667**

c) Treasury Notes

Pursuant to Section 4(3) of the International Financial Organisations Act, non-interest bearing demand notes have been issued by the Government to the IMF, as part of the Quota subscription of the Republic of Mauritius. The value of the notes as at 30 June 2019 stood at Rs 5,812,640,000.

NOTES TO THE ACCOUNTS

(ii) Other International Financial Organisations

Pursuant to Section 4(3) of the International Financial Organisations Act, the Government has also issued non-negotiable securities to the International Development Association. The value of securities as at 30 June 2019 stood at Rs 9,196,738.

10. OTHER ASSETS

Other Assets represent prepayments which are amounts paid for by the Government as at financial year end in advance of goods or services being received.

	30 June 2019	30 June 2018
	Rs	Rs
Prepayments	**56,648,404**	**58,892,899**

11. DEPOSITS

Deposits comprise of:

	30 June 2019	30 June 2018
	Rs	Rs
Grants and Donations	35,274,411	32,234,322
Other Deposits	2,175,571,275	2,899,984,940
Total	**2,210,845,686**	**2,932,219,262**
- Within one year	1,370,806,896	2,044,414,609
- After one year	840,038,790	887,804,653
Total	**2,210,845,686**	**2,932,219,262**

Premium on borrowings which were previously classified under Deposits and Deferred Income has been reclassified under Government Debt.

12. GOVERNMENT DEBT

a) Government Debt consists of:

(i) Outstanding balances of Government of Mauritius (GOM) Treasury Bills, GOM Treasury Notes and Treasury Certificates issued by the Government for the financing of Government's borrowing requirement and which are recorded at cost;

(ii) Outstanding balances of GOM Securities issued by the Government for mopping up of excess liquidity and which are recorded at cost;

(iii) Outstanding balances of GOM Bonds and other long-term Securities issued by the Government and which are recorded at cost; and

(iv) Outstanding balances of loans from foreign sources.

NOTES TO THE ACCOUNTS

b) Details of the total debt of the Government are provided in Statement J - Statement of Public Sector Debt.

Details are given below:

	30 June 2019		30 June 2018	
	Nominal Value	Cost	Nominal Value	Cost
	Rs	Rs	Rs	Rs
SHORT-TERM GOM SECURITIES				
GOM Treasury Bills issued for Government's borrowing requirement				
Balance at 1 July	25,870,000,000	25,293,341,200	25,831,200,000	25,280,910,619
Issued	40,750,000,000	39,724,574,200	37,870,000,000	37,201,770,950
Redeemed	(36,920,000,000)	(36,183,697,300)	(37,831,200,000)	(37,189,340,369)
Balance at 30 June	**29,700,000,000**	**28,834,218,100**	**25,870,000,000**	**25,293,341,200**
GOM Treasury Bills issued for liquidity management				
Balance at 1 July	-	-	12,931,200,000	12,734,776,419
Redeemed	-	-	(12,931,200,000)	(12,734,776,419)
Balance at 30 June	**-**	**-**	**-**	**-**
GOM Treasury Certificates issued for Government's borrowing requirement				
Balance at 1 July	-	-	-	-
Issued	1,900,100,000	1,900,100,000	-	-
Redeemed	-	-	-	-
Balance at 30 June	**1,900,100,000**	**1,900,100,000**	**-**	**-**
Total Short-Term GOM Securities	**31,600,100,000**	**30,734,318,100**	**25,870,000,000**	**25,293,341,200**
MEDIUM-TERM GOM SECURITIES				
GOM Treasury Notes issued for Government's borrowing requirement				
Balance at 1 July	54,531,000,000	54,147,775,554	52,151,000,000	51,734,634,283
Issued	21,025,000,000	20,977,889,000	20,200,000,000	20,080,604,000
Redeemed	(19,441,000,000)	(19,316,048,965)	(17,820,000,000)	(17,667,462,729)
Balance at 30 June	**56,115,000,000**	**55,809,615,589**	**54,531,000,000**	**54,147,775,554**

NOTES TO THE ACCOUNTS

	30 June 2019		30 June 2018	
	Nominal Value	Cost	Nominal Value	Cost
	Rs	Rs	Rs	Rs
Three-year GOM Savings Notes issued for mopping up of excess liquidity				
Balance at 1 July	-	-	603,350,000	603,350,000
Redeemed	-	-	(603,350,000)	(603,350,000)
Balance at 30 June	**-**	**-**	-	-
Total Medium-Term GOM Securities	**56,115,000,000**	**55,809,615,589**	**54,531,000,000**	**54,147,775,554**
LONG-TERM GOM SECURITIES				
GOM Bonds				
Balance at 1 July	142,064,500,000	139,063,690,738	124,054,500,000	121,378,355,938
Issued	27,800,000,000	27,676,904,000	25,200,000,000	24,870,509,750
Redeemed	(10,120,000,000)	(9,903,044,870)	(7,190,000,000)	(7,185,174,950)
Balance at 30 June	**159,744,500,000**	**156,837,549,868**	**142,064,500,000**	**139,063,690,738**
Mauritius Development Loan Stocks (MDLS)				
Balance at 1 July	2,708,600,000	2,468,160,328	3,077,100,000	2,791,817,142
Redeemed	(1,610,100,000)	(1,453,430,364)	(368,500,000)	(323,656,814)
Balance at 30 June	**1,098,500,000**	**1,014,729,964**	**2,708,600,000**	**2,468,160,328**
Five-year GOM Savings Bonds issued for mopping up of excess liquidity				
Balance at 1 July	893,900,000	893,900,000	900,350,000	900,350,000
Redeemed	(1,400,000)	(1,400,000)	(6,450,000)	(6,450,000)
Balance at 30 June	**892,500,000**	**892,500,000**	**893,900,000**	**893,900,000**
Total Long-Term GOM Securities	**161,735,500,000**	**158,744,779,832**	**145,667,000,000**	**142,425,751,066**
Total GOM Securities – *carried forward*	**249,450,600,000**	**245,288,713,521**	**226,068,000,000**	**221,866,867,820**

NOTES TO THE ACCOUNTS

	30 June 2019	30 June 2018
	Cost	Cost
	Rs	Rs
Total GOM Securities - *brought forward*	**245,288,713,521**	**221,866,867,820**
External Loans		
Balance at 1 July	39,552,350,073	41,244,572,615
Receipt	91,934,390	805,517,829
Repayment	(4,067,200,182)	(3,028,853,809)
Loan written-off	(399,903,912)	-
Exchange difference	144,259,752	531,113,438
Balance at 30 June	**35,321,440,121**	**39,552,350,073**
Total Government Debt (excluding premium)	**280,610,153,642**	**261,419,217,893**
Premium		
Government Bonds	139,184,250	86,934,664
Treasury Notes	24,625,190	8,198,910
Total Premium	**163,809,440**	**95,133,574**
Total Government Debt (including premium)	**280,773,963,082**	**261,514,351,467**

	30 June 2019		30 June 2018	
	Current (< 1 yr)	Non-Current (> 1 yr)	Current (< 1 yr)	Non-Current (> 1 yr)
	Cost	Cost	Cost	Cost
	Rs	Rs	Rs	Rs
GOM Treasury Bills issued for Government's borrowing requirement	28,834,218,100	-	25,293,341,200	-
GOM Treasury Certificates issued for Government's borrowing requirement	1,900,100,000	-	-	-
GOM Treasury Notes issued for Government's borrowing requirement	14,751,122,589	41,058,493,000	19,316,048,965	34,831,726,589
GOM Bonds	11,304,229,151	145,533,320,717	9,903,044,870	129,160,645,868
Mauritius Development Loan Stocks (MDLS)	1,014,729,964	-	1,453,430,364	1,014,729,964
Five-year GOM Savings Bonds issued for mopping up of excess liquidity	892,500,000	-	-	893,900,000
External Loans	4,268,618,024	31,052,822,097	4,374,391,012	35,177,959,061
Total Government Debt (excluding premium)	**62,965,517,828**	**217,644,635,814**	**60,340,256,411**	**201,078,961,482**

NOTES TO THE ACCOUNTS

13. PAYABLES

Payables represent 'Cost of Borrowings', 'Accounts Payable', 'Retention Money on Contracts' and 'Carry-over of Capital Expenditure'. Details of payables are as follows:

	30 June 2019	30 June 2018 Restated
	Rs	Rs
Cost of Borrowings	5,276,760,445	4,959,950,638
Accounts Payable	1,134,789,398	992,742,998
Retention Money on Contracts	336,739,634	319,573,311
Carry-over of Capital Expenditure	484,051,943	212,209,252
Total	**7,232,341,420**	**6,484,476,199**

Details of Cost of Borrowings are as follows:

(a) Cost of Borrowings	**30 June 2019**	**30 June 2018**
	Rs	Rs
(i) Interest Payable		
Government Bonds & Mauritius Development Loan Stocks (MDLS)	3,812,273,066	3,827,679,857
External Debt – Loans	208,206,167	186,521,490
Treasury Notes	741,688,806	662,411,929
Treasury Bills	457,494,247	232,400,093
Five-year Government of Mauritius Savings Bonds	22,234,159	21,593,269
Total Interest Payable	**5,241,896,445**	**4,930,606,638**
(ii) Accrued Interest on Re-opening		
Government Bonds	20,604,000	-
Treasury Notes	14,260,000	29,344,000
Total Accrued Interest on Re-opening	**34,864,000**	**29,344,000**
Total Cost of Borrowings	**5,276,760,445**	**4,959,950,638**

(b) Accounts Payable

These are expenses incurred by the Government during the financial year but not yet paid as at year end.

(c) Retention Money on Contracts

Retention money is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the Government.

NOTES TO THE ACCOUNTS

(d) Carry-Over of Capital Expenditure

In terms of section 3A of the Finance and Audit Act, carry-over of capital expenditure represents the balance of the provision earmarked for capital projects in financial year 2018/2019 payable within 3 months of the close of the financial year. A consolidated list of carry-overs is included at Annex to the Statement D1.

The amount recognised in the Statement of Financial Position represents that portion of the total provision carried-over and paid in the financial year ended 30 June 2020 in respect of which goods were received or works completed by 30 June 2019.

14. NET ASSETS/EQUITY

The Net assets/Equity is the net position of the Government after deducting all its liabilities from its assets at end of the year and comprises the following:

a) Consolidated Fund (Cash basis);
b) Reserve (Assets);
c) Accumulated Deficit; and
d) Special Funds.

The value of Net Assets/Equity of the Government as at 30 June 2019 amounted to Rs. 134,039,126,481. The movement in the Net Assets/ Equity is provided in Statement AC – Statement of Changes in Net Assets or Equity.

(a) Consolidated Fund

Consolidated Fund has been established by Section 103 of the Constitution of the Republic of Mauritius. In accordance with Section 3 of the Finance and Audit Act, the Consolidated Fund has, during the year under review, been:

(i) credited with all the revenues of the Government and all other money properly accruing to it; and
(ii) charged only with expenses on the authority of warrant issued by the Minister of Finance.

As from this year, the Consolidated Fund balance has been amended and presented as per its statutory definition which is on a cash basis. Hence, accumulated deficits and adjustments relating to accrual accounting have been classified under Accumulated Deficit and the value of non-acquired State Lands has been classified as Reserve (Assets).

(b) Reserve (Assets)

This represents the value of non-purchased State Lands.

(c) Accumulated Deficit

This represents the accumulated deficit, to date, of the Budgetary Central Government of Mauritius after making necessary adjustments for accrual accounting which is provided in Statement AC – Statement of Changes in Net Assets or Equity.

NOTES TO THE ACCOUNTS

(d) Special Funds

These are the monies deposited with the Accountant-General by the various funds set up under the Finance and Audit Act.

15. COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The original estimates were passed by the National Assembly on 29 June 2018. The approved budget is in respect of revenue estimates and Government expenditure, both recurrent and capital, appropriated by votes for the financial year 2018 - 2019. The original estimates of expenditure amounted to Rs 159,488M.

During the year under review, funds were transferred or re-allocated in accordance with the Virement Rules, and are shown as 'Total Provisions' in the Statements of Comparison of Budget Estimates and Actual Amounts - Statement AE and Statement AF.

16. PRIOR YEAR ADJUSTMENTS

Following the revision brought to the Consolidated Fund as mentioned at note 14(a) above, the prior year figures have accordingly been split to:

(i) Consolidated Fund (Cash basis);

(ii) Reserve (Assets); and

(iii) Accumulated Deficit.

Prior year adjustments have also been made to Inventories and Payables. The details are provided in Statement AC – Statement of Changes in Net Assets or Equity.

Statement of Financial Position (extract)

	30 June 2018	(Decrease)/Increase	30 June 2018 Restated
	Rs	Rs	Rs
ASSETS			
Inventories	1,392,108,933	(86,816,205)	1,305,292,728
	1,392,108,933	**(86,816,205)**	**1,305,292,728**
LIABILITIES			
Payables	6,522,402,640	(37,926,441)	6,484,476,199
	6,522,402,640	**(37,926,441)**	**6,484,476,199**

NOTES TO THE ACCOUNTS

Statement of Financial Position (extract)

	30 June 2018	(Decrease)/Increase	30 June 2018 Restated
	Rs	Rs	Rs
NET ASSETS/EQUITY			
Consolidated Fund	142,587,933,741	(114,815,592,884)	27,772,340,857
Reserve (Assets)	-	299,025,312,236	299,025,312,236
Accumulated Deficit	-	(184,258,609,116)	(184,258,609,116)
	142,587,933,741	**(48,889,764)**	**142,539,043,977**

Statement of Financial Performance (Classification of Expenses by Function) (extract)

	30 June 2018	(Decrease)/Increase	30 June 2018 Restated
	Rs	Rs	Rs
General Public Services	20,463,432,424	8,477,451	20,471,909,875
Public Order and Safety	9,685,856,048	207,611,603	9,893,467,651
Economic Affairs	7,799,995,143	(58,518,333)	7,741,476,810
Environmental Protection	1,089,306,807	51,553	1,089,358,360
Housing and Community Amenities	1,877,334,716	16,972,450	1,894,307,166
Health	10,668,866,684	55,496,576	10,724,363,260
Recreational, Cultural and Religion	977,478,040	8,803,162	986,281,202
Education	15,395,987,316	22,727,938	15,418,715,254
Social Protection	32,541,161,723	(2,274,402)	32,538,887,321
Depreciation and Amortisation	3,036,050,460	-	3,036,050,460
Finance Costs	11,382,771,852	-	11,382,771,852

NOTES TO THE ACCOUNTS

Statement of Financial Performance (Classification of Expenses by Nature) (extract)

	30 June 2018	(Decrease)/Increase	30 June 2018 Restated
	Rs	Rs	Rs
Compensation of Employees	28,369,363,554	-	28,369,363,554
Retirement Benefits	7,703,051,699	-	7,703,051,699
Subsidies	-	1,673,882,223	1,673,882,223
Grants	31,826,468,406	(5,108,116,476)	26,718,351,930
Social Benefits	22,209,216,182	-	22,209,216,182
Supplies and Consumables Used	9,548,095,432	297,274,439	9,845,369,871
Depreciation and Amortisation	3,036,050,460	-	3,036,050,460
Other Expenses	843,223,628	3,396,307,812	4,239,531,440
Finance Costs	11,382,771,852	-	11,382,771,852

NOTES TO THE ACCOUNTS

17. RECONCILIATION: DEFICIT WITH BUDGETARY RESULT

	30 June 2019 Rs	30 June 2018 Rs
Deficit as presented in the Statement of Financial Performance (Statements AA & AB)	**(11,221,315,227)**	**(9,803,714,559)**
(a) Budget Basis Adjustments		
Revenue:		
Equity Sales	577,200	480,967,902
IMF SDR Sales	75,352	193,409,440
Reimbursements of Loans	97,828,563	2,521,952,975
Proceeds from Government Debt (N1)	27,768,838,390	25,676,027,579
	27,867,319,505	28,872,357,896
Expenses:		
Acquisition of Non-Financial Assets	(7,670,495,950)	(7,310,440,456)
Shares and Other Equity Purchases	(6,835,396,670)	(4,519,255,471)
IMF SDR Transactions	(24,850,000)	(9,000,000)
Loans	(796,691,277)	(1,496,612,493)
Capital Repayments of Government Debt (N1)	(15,423,675,417)	(10,537,685,573)
Non-Financial Assets under Recurrent Expenditure capitalised	(71,488,812)	-
	(30,822,598,126)	(23,872,993,993)
(b) Accounting Basis Adjustments		
Prepayments	(1,057,235)	17,299,451
Accruals	89,917,883	(232,985,661)
Inventories	(225,801,900)	297,274,439
Depreciation and Amortisation	3,245,011,848	3,036,050,460
Gain on Disposal of Investments	(548,342)	(82,059,351)
Loss on Foreign Exchange Transactions	47,092,445	532,814,496
	3,154,614,699	3,568,393,834
Deficit as presented in the Statement of Comparison of Budget Estimates and Actual Amounts (Statements AE & AF)	**(11,021,979,149)**	**(1,235,956,822)**

Note:

N1 In respect of Government Bonds and External Debt.

NOTES TO THE ACCOUNTS

18. RECONCILIATION: DEFICIT WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

		30 June 2019 Rs	30 June 2018 Rs
Deficit as presented in the Statement of Financial Performance (Statements AA & AB)		**(11,221,315,227)**	**(9,803,714,559)**
(a)	**(Gains)/Losses Adjustments**		
	Gains on Disposal of Investments	(548,342)	(82,059,351)
	Losses on Foreign Exchange Transactions	47,092,445	532,814,496
		46,544,103	450,755,145
(b)	**Non-Cash Adjustments**		
	Depreciation and Amortisation	3,245,011,848	3,036,050,460
	Interest Accrued	385,485,671	306,889,616
	Written Off of Advances/Placement	6,000	26,033,805
	Grant (Donation in Kind)	-	(127,257,202)
		3,630,503,519	3,241,716,679
(c)	**Working Capital Movement**		
	(Decrease)/Increase in Deposits	(721,373,576)	911,212,463
	(Increase) in Advances	(644,995,765)	(48,964,590)
	Decrease in Special Funds	(2,119,279,303)	(3,395,190,058)
	(Increase)/Decrease in Prepayments	(1,057,235)	17,299,451
	Increase/(Decrease) in Accruals	377,142,821	(116,950,308)
	(Increase)/Decrease in Inventories	(225,801,900)	297,274,439
		(3,335,364,958)	(2,335,318,603)
(d)	**Classification Adjustments**		
	Income from Quasi Corporations	(1,138,125,594)	(1,039,236,127)
	Dividend Received	(185,865,844)	(780,029,489)
		(1,323,991,438)	(1,819,265,616)
Net Cash flows from Operating Activities		**(12,203,624,001)**	**(10,265,826,954)**

NOTES TO THE ACCOUNTS

19. RECONCILIATION: BUDGETARY RESULT WITH NET CASH FLOW

	Operating Activities Rs	Investing Activities Rs	Financing Activities Rs	Total Rs
Actual Amounts as presented in the Statement of Comparison of Budget Estimates and Actual Amounts (Statement AF)	**(7,914,905,143)**	**(15,452,236,979)**	**12,345,162,973**	**(11,021,979,149)**
(a) Basis Differences				
Carry Over 2019 (expense accounted in 2019 but will be paid in 2020)	309,993,112	290,004,781	-	599,997,893
Carry Over 2018 paid in 2019	(83,883,018)	(403,077,671)	-	(486,960,689)
Interest Accrued	385,485,671	-	-	385,485,671
Write-off of Advances	6,000	-	-	6,000
Non-Financial Assets not capitalised	(115,382,504)	115,382,504	-	-
Non-Financial Assets under Recurrent Expenditure capitalised	71,488,812	(71,488,812)	-	-
Dividend Received	(185,865,844)	185,865,844	-	-
Income from Quasi Corporations	(1,138,125,594)	1,138,125,594	-	-
Subscriptions to International Organisations	(46,786,849)	46,786,849	-	-
Below the line:				
Short and Medium Term Debt	-	-	7,101,416,937	7,101,416,937
(Increase) in Advances	(644,995,765)	(1,807,106,160)	-	(2,452,101,925)
(Decrease) in Deposits	(721,373,576)	-	-	(721,373,576)
Maturity/Placement of Investments	-	(296,735,727)	-	(296,735,727)
(b) Presentation Differences	-	-	-	-
(c) Timing Differences	-	-	-	-
(d) Entity Differences	(2,119,279,303)	-	-	(2,119,279,303)
Actual Amount as presented in the Statement of Cash Flow (Statement AD)	**(12,203,624,001)**	**(16,254,479,777)**	**19,446,579,910**	**(9,011,523,868)**

NOTES TO THE ACCOUNTS

20. FINANCIAL RISK MANAGEMENT

The Government's activities are exposed to various risks comprising mainly interest rate risk, foreign exchange risk, liquidity risk and refinancing risk. Given that there is a trade-off between cost and risk, Government's debt management strategy aims at minimising the cost of the debt portfolio within an acceptable level of risk. The main risks as well as the risk management policies are set out below:

a) Interest Rate Risk

Government is exposed to interest rate risk as the rate of interest might change and result in additional costs. In relation to domestic debt, almost all the Government securities have been issued at a fixed rate of interest.

With regard to Government external debt, the share of loans having variable interest rate represent some 63% of the total external debt. To mitigate this risk, the strategy in place is to have a balanced mix of fixed and variable interest rate loans over the medium term. Accordingly, new loans are being contracted at fixed interest rate.

b) Foreign Exchange Risk

Exposures to exchange rate risks arise as transactions denominated in foreign currencies are undertaken by Government. The strategy has been to minimise exchange rate exposures by having greater recourse to domestic financing and to align the currency composition of public sector external debt to that of exports of goods and services. Accordingly, the share of external debt in Government debt portfolio has been gradually reduced over the years and it stood at some 14% at 30 June 2019. The currency composition of foreign debt has also been diversified. In addition, the foreign currency risk is mitigated by maintaining bank accounts denominated in foreign currencies.

c) Liquidity Risk

Liquidity risk refers to the risk that the Government will encounter difficulty in meeting its financial obligations when they fall due. The liquidity risk for government is managed and mitigated by having an efficient and effective cash flow forecasting system that ensures adequacy of cash resources to meet all government obligations as and when they fall due.

d) Refinancing Risk

Refinancing or rollover risk is the risk that redemptions of securities will be concentrated over the shorter term or in a particular year which might affect the refinancing ability of the Government. To mitigate refinancing risk, actions have been taken to gradually move towards instruments with longer term.

The average time to maturity of domestic debt was around 4.7 years at end of June 2019 and it is further envisaged to increase it to 5 years within the next 3 years.

Concerning external debt, the majority of the loans are contracted with a term of 15 to 20 years and include a moratorium of 5 years on capital repayment. Compared to Government securities which are redeemable as a bullet payment on maturity date, external loans are repayable on a semi-annual or annual basis. Therefore, the refinancing risk for external loans is quite low.

STATEMENT AA

Statement of Financial Performance for the financial year 2018 - 2019
(Classification of Expenses by Function)

	30 June 2019 Rs	30 June 2018 Restated Rs
Revenue		
Revenue from Non-Exchange Transactions		
Taxation (N2)	95,507,506,654	88,777,989,346
Fines, Penalties and Forfeits	339,143,255	237,808,856
External Grants and Aid (N3)	1,647,912,987	2,600,246,973
Transfers and Contributions	1,778,518,840	4,960,849,490
	99,273,081,736	**96,576,894,665**
Revenue from Exchange Transactions		
Licences	2,792,785,748	2,712,173,113
Property Income (N4)	2,760,378,543	3,261,834,314
Sales of Goods and Services	1,907,441,759	1,730,488,438
Social Contributions	1,326,080,480	1,348,502,276
Other Revenue	205,291,217	194,736,991
	8,991,977,747	**9,247,735,132**
Total Revenue	**108,265,059,483**	**105,824,629,797**
Expenses		
General Public Services	19,558,039,541	20,471,909,875
Public Order and Safety	9,720,011,472	9,893,467,651
Economic Affairs	7,645,998,912	7,741,476,810
Environmental Protection	1,213,917,048	1,089,358,360
Housing and Community Amenities	2,114,854,811	1,894,307,166
Health	11,002,903,200	10,724,363,260
Recreation, Culture and Religion	1,430,245,698	986,281,202
Education	15,675,430,252	15,418,715,254
Social Protection	35,182,267,083	32,538,887,321
Depreciation and Amortisation (N5)	3,245,011,848	3,036,050,460
Finance Costs	12,651,150,742	11,382,771,852
Total Expenses	**119,439,830,607**	**115,177,589,211**
Other Gains/(Losses)		
Gains on Disposal of Investments	548,342	82,059,351
Losses on Foreign Exchange Transactions	(47,092,445)	(532,814,496)
Deficit for the year	**(11,221,315,227)**	**(9,803,714,559)**

STATEMENT AA

Statement of Financial Performance for the financial year 2018 - 2019 (Classification of Expenses by Function)

Notes:

N1 Revenue is recorded on a cash basis. Expenses attributable to the above functions are recorded as follows:

(a) Compensation of Employees - cash basis, except for Allowances and Cost of Overtime which have been recorded on an accrual basis;

(b) Retirement Benefits and Subsidies - cash basis;

(c) Grants, Social Benefits, Supplies and Consumables Used, Depreciation and Amortisation and Finance Costs - accrual basis;

(d) Other Expenses includes Other Transfer Payments.

(i) Other Expenses (excluding Other Transfer Payments) - accrual basis; and

(ii) Other Transfer Payments - cash basis.

N2 Taxation consists of Taxes on Income and Profits, Taxes on Property, Taxes on Goods and Services, Taxes on International Trade and Transactions and Other Taxes.

N3 External Grants and Aid consist of Grants from Foreign Governments and International Organisations.

N4 Property Income consists of Finance Income, Dividends, Withdrawals from Income of Quasi Corporations and Rent & Royalties.

N5 Refer to notes 7 and 8 of the Notes to the Accounts (Statement A).

S.D. RAMDEEN
Ag. Accountant-General

24 December 2019

STATEMENT AB

Statement of Financial Performance for the financial year 2018 - 2019 (Classification of Expenses by Nature)

	30 June 2019 Rs	30 June 2018 Restated Rs
Revenue		
Revenue from Non-Exchange Transactions		
Taxation (N2)	95,507,506,654	88,777,989,346
Fines, Penalties and Forfeits	339,143,255	237,808,856
External Grants and Aid (N3)	1,647,912,987	2,600,246,973
Transfers and Contributions	1,778,518,840	4,960,849,490
	99,273,081,736	**96,576,894,665**
Revenue from Exchange Transactions		
Licences	2,792,785,748	2,712,173,113
Property Income (N4)	2,760,378,543	3,261,834,314
Sales of Goods and Services	1,907,441,759	1,730,488,438
Social Contributions	1,326,080,480	1,348,502,276
Other Revenue	205,291,217	194,736,991
	8,991,977,747	**9,247,735,132**
Total Revenue	**108,265,059,483**	**105,824,629,797**
Expenses		
Compensation of Employees	29,439,206,551	28,369,363,554
Retirement Benefits	8,450,779,328	7,703,051,699
Subsidies	1,513,659,008	1,673,882,223
Grants	24,555,142,404	26,718,351,930
Social Benefits	24,243,941,908	22,209,216,182
Supplies and Consumables Used	9,747,904,401	9,845,369,871
Depreciation and Amortisation (N5)	3,245,011,848	3,036,050,460
Other Expenses	5,593,034,417	4,239,531,440
Finance Costs	12,651,150,742	11,382,771,852
Total Expenses	**119,439,830,607**	**115,177,589,211**
Other Gains/(Losses)		
Gains on Disposal of Investments	548,342	82,059,351
Losses on Foreign Exchange Transactions	(47,092,445)	(532,814,496)
Deficit for the year	**(11,221,315,227)**	**(9,803,714,559)**

STATEMENT AB

Statement of Financial Performance for the financial year 2018 - 2019 (Classification of Expenses by Nature)

Notes:

N1 Revenue is recorded on a cash basis. Expenses are recorded as follows:

(a) Compensation of Employees - cash basis, except for Allowances and Cost of Overtime which have been recorded on an accrual basis;

(b) Retirement Benefits and Subsidies - cash basis;

(c) Grants, Social Benefits, Supplies and Consumables Used, Depreciation and Amortisation and Finance Costs - accrual basis;

(d) Other Expenses includes Other Transfer Payments.

(i) Other Expenses (excluding Other Transfer Payments) - accrual basis; and

(ii) Other Transfer Payments - cash basis.

N2 Taxation consists of Taxes on Income and Profits, Taxes on Property, Taxes on Goods and Services, Taxes on International Trade and Transactions and Other Taxes.

N3 External Grants and Aid consist of Grants from Foreign Governments and International Organisations.

N4 Property Income consists of Finance Income, Dividends, Withdrawals from Income of Quasi Corporations and Rent & Royalties.

N5 Refer to notes 7 and 8 of the Notes to the Accounts (Statement A).

S.D. RAMDEEN
Ag. Accountant-General

24 December 2019

STATEMENT AC

Statement of Changes in Net Assets or Equity for the financial year 2018 - 2019

	Consolidated Fund (Cash basis) Restated Rs	Reserve (Assets) Restated Rs	Accumulated Deficit Restated Rs	Special Funds Rs	Total Rs
Balance at 1 July 2017	**36,077,930,343**	**299,025,312,236**	**(182,998,222,747)**	**7,739,909,510**	**159,844,929,342**
Changes in net assets or equity for 2017-2018					
Net movement attributable to Consolidated Fund	(8,305,589,486)	-	8,305,589,486	-	-
Capitalisation of Dividend	-	-	163,466,674	-	163,466,674
Net movement in Loan to Statutory and Other Bodies	-	-	74,272,030	-	74,272,030
Net movement in Special Funds	-	-	-	(3,395,190,058)	(3,395,190,058)
Net Revenue recognised directly in Net Assets or Equity	(8,305,589,486)	-	8,543,328,190	(3,395,190,058)	(3,157,451,354)
Deficit for the year (Restated)	-	-	(9,803,714,559)	-	(9,803,714,559)
Total recognised Revenue and Expenses for the year	**(8,305,589,486)**	**-**	**(1,260,386,369)**	**(3,395,190,058)**	**(12,961,165,913)**
Restated Balance at 30 June 2018	**27,772,340,857**	**299,025,312,236**	**(184,258,609,116)**	**4,344,719,452**	**146,883,763,429**
Changes in net assets or equity for 2018-2019					
Net movement attributable to Consolidated Fund	548,603,898	-	(548,603,898)	-	-
Capitalisation of Dividend	-	-	14	-	14
Net movement in Investments	-	-	45,199,985	-	45,199,985
Net movement in Loan to Statutory and Other Bodies	-	-	50,853,671	-	50,853,671
Net movement in Government Debt	-	-	399,903,912	-	399,903,912
Net movement in Special Funds	-	-	-	(2,119,279,303)	(2,119,279,303)
Net Revenue recognised directly in Net Assets or Equity	548,603,898	-	(52,646,316)	(2,119,279,303)	(1,623,321,721)
Deficit for the year		-	(11,221,315,227)	-	(11,221,315,227)
Total recognised Revenue and Expenses for the year	**548,603,898**	**-**	**(11,273,961,543)**	**(2,119,279,303)**	**(12,844,636,948)**
Balance at 30 June 2019	**28,320,944,755**	**299,025,312,236**	**(195,532,570,659)**	**2,225,440,149**	**134,039,126,481**

S.D. RAMDEEN
Ag. Accountant-General

24 December 2019

STATEMENT AD

Statement of Cash Flow for the financial year ended 2018 - 2019

	30 June 2019 Rs	30 June 2018 Restated Rs
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxation	98,300,292,402	91,490,162,459
Sales of Goods and Services	1,907,441,761	1,730,488,438
Grants	1,647,912,987	2,472,989,771
Interest received	244,088,022	271,167,595
Fees, Fines and Penalties	339,143,255	237,808,856
Receipts of Special Funds	24,751,127,151	24,527,419,011
Other Receipts	14,614,607,832	16,628,926,080
Payments		
Employee Costs	(30,280,431,630)	(29,232,884,170)
Pension Costs	(7,583,906,506)	(7,022,649,330)
Supplies and Consumables	(9,940,961,695)	(9,559,763,153)
Interest paid	(12,265,665,071)	(11,075,882,236)
Grants, Contribution, Subsidies and Transfers	(55,425,909,147)	(54,128,491,505)
Payments by Special Funds	(25,159,795,273)	(23,082,571,854)
Other Payments	(13,351,568,089)	(13,522,546,916)
Net cash flows from operating activities	**(12,203,624,001)**	**(10,265,826,954)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Non-Financial Assets	(7,916,172,496)	(7,310,719,409)
Purchase of New Investments and Other Securities	(8,674,246,670)	(5,400,998,269)
Proceeds from Sale of Investments and Other Securities	1,517,841,473	4,510,904,385
Dividend received	185,865,844	780,029,489
Advances and Loans to Statutory and Other Bodies	(2,818,848,277)	(1,619,042,484)
Proceeds from repayment of Advances and Loans to Statutory and Other Bodies	312,879,403	2,570,118,645
Income from Quasi Corporations and other Capital Revenues	1,138,200,946	1,232,645,566
Net cash flows from investing activities	**(16,254,479,777)**	**(5,237,062,077)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Government Debt	90,371,401,590	82,958,402,529
Repayment/Redemption of Government Debt	(70,924,821,680)	(78,739,065,091)
Net cash flows from financing activities	**19,446,579,910**	**4,219,337,438**
Net decrease in cash and cash equivalents	**(9,011,523,868)**	**(11,283,551,593)**
Cash and cash equivalents at beginning of year	**14,551,829,955**	**25,841,671,079**
Foreign-exchange Gains/(Losses) on cash	88,227,660	(6,289,531)
Cash and cash equivalents at end of year	**5,628,533,747**	**14,551,829,955**

S.D. RAMDEEN
Ag. Accountant-General

24 December 2019

STATEMENT AE

Statement of Comparison of Budget Estimates and Actual Amounts for the financial year 2018 - 2019 (Classification of Expenses by Function)

	Original Estimates (a) Rs	Total Provisions* (N1) (b) Rs	Actual Amount (c) Rs	Difference (N2) Rs
REVENUE				
Taxation	99,723,000,000	99,723,000,000	98,300,292,402	1,422,707,598
Revenue from External Grants and Transfers	8,897,000,000	8,897,000,000	1,647,912,987	7,249,087,013
Proceeds from Borrowings	30,743,300,000	30,743,300,000	27,768,838,390	2,974,461,610
Capital Receipts	1,856,680,000	1,856,680,000	1,809,092,296	47,587,704
Other Receipts	7,217,000,000	7,217,000,000	6,606,242,913	610,757,087
Total Revenue	**148,436,980,000**	**148,436,980,000**	**136,132,378,988**	**12,304,601,012**

EXPENSES				
General Public Services	59,784,165,800	59,982,627,800	54,849,613,823	5,133,013,977
Public Order and Safety	12,077,700,000	12,077,700,000	11,009,730,365	1,067,969,635
Economic Affairs	13,009,860,200	13,075,088,200	11,053,716,490	2,021,371,710
Environmental Protection	2,459,700,000	2,461,540,000	1,525,364,732	936,175,268
Housing and Community Amenities	4,774,600,000	4,748,750,000	3,784,313,204	964,436,796
Health	12,260,000,000	12,260,000,000	11,945,211,218	314,788,782
Recreation, Culture and Religion	1,548,700,000	1,543,385,000	1,467,156,775	76,228,225
Education	17,257,574,000	17,257,574,000	16,294,894,733	962,679,267
Social Protection	35,615,700,000	35,647,635,000	35,224,356,797	423,278,203
Total Expenses	**158,788,000,000**	**159,054,300,000**	**147,154,358,137**	**11,899,941,863**
Contingencies (N3)	700,000,000	433,700,000	-	433,700,000
Total Expenses including Contingencies	**159,488,000,000**	**159,488,000,000**	**147,154,358,137**	**12,333,641,863**

Total Revenue less Total Expenses including Contingencies	**(11,051,020,000)**	**(11,051,020,000)**	**(11,021,979,149)**	**(29,040,851)**

** Refers to the total amount approved after Supplementary Appropriation & Virement.*

Notes:

N1 'Total Provisions' is not applicable to Revenue.

N2 Revenue : Column (a) - Column (c)

Expenses : Column (b) - Column (c)

N3 The amount appropriated under 'Contingencies' has been reallocated to expenditure items under different votes of expenditure.

N4 Revenue and Expenses are recorded on a cash basis except for:

(i) costs of borrowings, classified under General Public Services and

(ii) capital expenditure carried over in accordance with Section 3A of the Finance and Audit Act, which are accounted under the accrual basis.

S.D. RAMDEEN
Ag. Accountant-General

12 November 2019

STATEMENT AF

Statement of Comparison of Budget Estimates and Actual Amounts for the financial year 2018 - 2019 (Classification of Expenses by Nature)

	Original Estimates (a) Rs	**Total Provisions* (N1) (b) Rs**	**Actual Amount (c) Rs**	**Difference (N2) Rs**
RECURRENT BUDGET				
Recurrent Revenue	**106,940,000,000**	**106,940,000,000**	**104,906,535,315**	**2,033,464,685**
Tax Receipts	99,723,000,000	99,723,000,000	98,300,292,402	1,422,707,598
Social Contributions	1,297,000,000	1,297,000,000	1,326,080,480	(29,080,480)
Other Revenue	5,920,000,000	5,920,000,000	5,280,162,433	639,837,567
Recurrent Expenditure	**115,892,000,000**	**117,022,453,715**	**111,921,957,280**	**5,100,496,435**
Compensation of Employees	31,395,500,000	31,431,984,182	30,280,433,120	1,151,551,062
Purchase of Goods and Services	11,593,000,000	11,958,504,533	10,015,941,632	1,942,562,901
Interest (Accrual basis)	13,375,000,000	13,375,000,000	12,647,658,126	727,341,874
Subsidies	1,647,500,000	1,637,000,000	1,513,659,008	123,340,992
Grants to Parastatal Bodies/Local Authorities/RRA	22,064,000,000	22,378,237,000	22,083,687,708	294,549,292
Social Benefits	31,916,000,000	31,928,810,000	31,817,646,965	111,163,035
Other Expense	3,401,000,000	4,075,718,000	3,562,930,721	512,787,279
Contingencies (N3)	500,000,000	237,200,000	-	237,200,000
Recurrent Balance	**(8,952,000,000)**	**(10,082,453,715)**	**(7,015,421,965)**	**(3,067,031,750)**
CAPITAL BUDGET				
Capital Revenue	**10,497,000,000**	**10,497,000,000**	**3,358,524,168**	**7,138,475,832**
External Grants	8,897,000,000	8,897,000,000	1,647,912,987	7,249,087,013
Transfer from Special Funds	1,600,000,000	1,600,000,000	1,710,611,181	(110,611,181)
Capital Expenditure	**17,889,000,000**	**16,835,096,285**	**12,105,000,644**	**4,730,095,641**
Acquisition of Non-Financial Assets	11,446,000,000	10,961,104,133	7,846,993,298	3,114,110,835
Grants to Parastatal Bodies/Local Authorities/RRA	3,106,000,000	3,042,789,100	2,469,792,726	572,996,374
Other Transfers	3,137,000,000	2,634,703,052	1,788,214,620	846,488,432
Contingencies (N3)	200,000,000	196,500,000	-	196,500,000
Capital Balance	**(7,392,000,000)**	**(6,338,096,285)**	**(8,746,476,476)**	**2,408,380,191**
Budget Balance (Before Net Acquisition of Financial Assets)	**(16,344,000,000)**	**(16,420,550,000)**	**(15,761,898,441)**	**(658,651,559)**
Net Acquisition of Financial Assets	**9,320,320,000**	**9,243,770,000**	**7,605,243,681**	**1,638,526,319**
Domestic	**9,258,320,000**	**9,170,020,000**	**7,533,682,184**	**1,636,337,816**
Loan to Parastatal Bodies	978,000,000	972,500,000	796,691,277	175,808,723
Reimbursement of Loan by Parastatal Bodies	256,680,000	256,680,000	97,828,563	158,851,437
Equity Purchase/Participation	8,537,000,000	8,454,200,000	6,835,396,670	1,618,803,330
Equity Sale	-	-	577,200	(577,200)
Foreign	**47,000,000**	**48,900,000**	**46,786,849**	**2,113,151**
Equity Purchase/Participation	47,000,000	48,900,000	46,786,849	2,113,151
Net SDR Transactions	**15,000,000**	**24,850,000**	**24,774,648**	**75,352**
IMF Subscription	15,000,000	24,850,000	24,850,000	-
IMF SDR Sale	-	-	75,352	(75,352)

STATEMENT AF

Statement of Comparison of Budget Estimates and Actual Amounts for the financial year 2018 - 2019 (Classification of Expenses by Nature)

	Original Estimates (a) Rs	Total Provisions* (N1) (b) Rs	Actual Amount (c) Rs	Difference (N2) Rs
GOVERNMENT BORROWING REQUIREMENTS	**(25,664,320,000)**	**(25,664,320,000)**	**(23,367,142,122)**	**(2,297,177,878)**
Domestic Financing	**17,270,000,000**	**17,270,000,000**	**16,320,428,766**	**949,571,234**
Net Government Securities	**17,270,000,000**	**17,270,000,000**	**16,320,428,766**	**949,571,234**
Issue of Government Securities	29,000,000,000	29,000,000,000	27,676,904,000	1,323,096,000
Amortisation of Government Securities	11,730,000,000	11,730,000,000	11,356,475,234	373,524,766
Foreign Financing	**(2,656,700,000)**	**(2,656,700,000)**	**(3,975,265,793)**	**1,318,565,793**
Foreign Loans	**(2,656,700,000)**	**(2,656,700,000)**	**(3,975,265,793)**	**1,318,565,793**
Loan from Foreign Governments/ International Organisations	1,743,300,000	1,743,300,000	91,934,390	1,651,365,610
Amortisation of External Loans	4,400,000,000	4,400,000,000	4,067,200,183	332,799,817
Total Revenue less Total Expenses including Contingencies	**(11,051,020,000)**	**(11,051,020,000)**	**(11,021,979,149)**	**(29,040,851)**

** Refers to the total amount approved after Supplementary Appropriation & Virement.*

Notes:

N1 'Total Provisions' is not applicable to Revenue.

N2 Revenue : Column (a) - Column (c)

Expenses : Column (b) - Column (c)

N3 The amount appropriated under 'Contingencies' has been reallocated to expenditure items under different votes of expenditure.

N4 Revenue and Expenses are recorded on a cash basis except for:

(i) costs of borrowings, classified under finance costs and

(ii) capital expenditure carried over in accordance with Section 3A of the Finance and Audit Act, which are accounted under the accrual basis.

S.D. RAMDEEN
Ag. Accountant-General

12 November 2019

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