



REPUBLIC OF MAURITIUS

NATIONAL AUDIT OFFICE

REPORT OF THE DIRECTOR OF AUDIT ON THE ACCOUNTS OF THE GOVERNMENT FOR THE FINANCIAL YEAR 2019-20

FEBRUARY 2021

NATIONAL AUDIT OFFICE

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ON THE ACCOUNTS OF

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FOR THE FINANCIAL YEAR 2019-20

NATIONAL AUDIT OFFICE

*Contributing to Strengthening Good Governance
in the Public Sector*



NATIONAL AUDIT OFFICE

My Ref: NAO/ADM/ARA/AUD

24 February 2021

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 2019-20, 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) 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 output of the audit of the Accounts of the Government of the Republic of Mauritius for the financial year 2019-20.

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 2019-20, 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 that in my opinion, 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 on the submission of their respective financial statements. They comprise Statutory Bodies, Local Authorities, Special Funds, State Owned Companies and Other Bodies.

Audit Mandate

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 2019-20 and the financial position as at 30 June 2020; 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 of Government and 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 2019-20 audit, I have issued 99 Reference Sheets to 35 Ministries/Departments and RRA.

Constraints Faced by NAO

For the 2019-20 audit, NAO had to deal with some significant challenges.

Time Constraint

The lockdown in the country due to the COVID-19 pandemic had a negative impact on NAO's annual audit calendar. Audit of the accounts of Statutory Bodies and Local Authorities, and consequently, that of Ministries and Departments started some two months later than initially planned.

The Finance and Audit Act requires the Accountant-General to submit annual financial statements to my office, for the purpose of audit, within six months after the end of the financial year to which the financial statements relate. Although the accounts of the government for 2019-20 were closed on 10 August 2020, the main financial statements were submitted to my office on the last day, that is, 31 December 2020.

Resource Constraint

NAO had to operate at approximately 75 per cent capacity in terms of human resources, mainly due to unfilled vacancies. In the 2020-21 budget, funds were obtained for only 13 vacant posts against 40 vacancies reported, due to financial constraints invoked by the Ministry of Finance, Economic Planning and Development (MoFEDP).

At the time of this report, 37 of the 40 vacant posts at the NAO have not been filled.

Due to resource and time constraints, my officers had to toil hard to meet deadlines, in particular to complete the 2019-20 audit on time with a view to respecting the statutory deadline for the submission of this Audit Report.

Access to Records

NAO also had to deal with situations where NAO officers either could not have access to records or such access was simply denied. For example, for the audit of the Ministry of Health and Wellness, important files could not be provided as they had been secured by the Independent Commission Against Corruption in the context of an investigation. Another example is the case of the Police Service that invoked a confidentiality clause in a contract to restrict access to records and information to NAO officers.

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 with the duty of-

- (a) controlling expenditure on any service in respect of which public funds have been appropriated; and
- (b) 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 2019-20 - Financial Highlights

- Government expenditure in 2019-20 totalled Rs 189.6 billion compared to an original appropriation of Rs 178.8 billion. Expenditure included mainly Compensation of Employees (Rs 31.0 billion), Social Benefits (Rs 41.9 billion), Government Debt Servicing (Rs 36.6 billion), Grants to Parastatal Bodies/Local Authorities/Rodrigues Regional Assembly (Rs 24.5 billion), and Acquisition of Non-Financial Assets (Rs 7.5 billion).
- As for revenue, the total amount collected was Rs 103.9 billion compared to the original estimate of Rs 121.7 billion. The major source of Government revenue was from taxes which totalled some Rs 91.8 billion.

- Public Sector Debt (PSD) has increased from Rs 320.6 billion as at 30 June 2019 to Rs 381.8 billion as at 30 June 2020, representing an increase of 19 per cent. PSD as a percentage of Gross Domestic Product (GDP), has increased from 65.3 per cent (gross basis) to 83.4 per cent (gross basis). The Public Debt Management Act was amended through the COVID-19 (Miscellaneous Provisions) Act 2020 to provide for the removal of the PSD ceiling of 65 per cent of GDP.
- Total outstanding balance of loans made by Government to statutory bodies, private bodies and other bodies, mainly to finance capital projects, has reached Rs 11.5 billion as at 30 June 2020, representing an increase of 8 per cent over the amount outstanding as at 30 June 2019 of Rs 10.6 billion. Loans, interests and penalties due but not yet paid to Government amounted to some Rs 4.1 billion, representing an increase of 23 per cent over the previous year.
- Arrears of revenue have reached Rs 14.5 billion, representing a 10 per cent increase over the previous year. Arrears of the Mauritius Revenue Authority represented 61 per cent of total arrears of Government.
- As at 30 June 2020, Government investments in Quoted and Unquoted Shares, Equity Participation and Other Investments acquired at cost totalling some Rs 39.3 billion were stated at fair value of Rs 104.4 billion in the accounts of the government. Rs 557 million and Rs 18.7 million were received as dividends and interests respectively during financial year 2019-20, representing a return of 1.5 per cent of total investments. Investments acquired at the cost of Rs 30.6 billion have not yielded any return since acquisition.

Main Audit Findings

NAO's observations for financial year 2019-20 are mainly in the areas of financial reporting, procurement management, contract management, assets management, enforcement of laws and regulations, and value for money audit. I am providing a Summary of my Audit Observations and a list of Key Audit Findings after this Overview.

Follow Up on Matters Raised in Audit Report 2018-19

A follow up on matters raised in my Audit Report 2018-19 was carried out during the current audit. This has revealed that whilst in various cases corrective actions have been taken or at least initiated, there were several cases where the Ministries/Departments concerned have not addressed shortcomings reported or taken appropriate action.

In my overview last year, I mentioned that the Finance and Audit Act was amended in August 2018, to provide for Ministries and Government Departments to include in their Annual 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.

My audit has revealed that as of 31 January 2021, only 40 per cent of Ministries/Departments had submitted their Annual Reports on Performance for the financial years 2018-19 and 2019-20.

Upcoming Reports

I will also submit four Performance Audit Reports on the following subject matters in the course of the year:

- *Enhancing Road Safety in Mauritius*
- *Government Cash Management*
- *Provision of Social Housing*
- *Use of ICT in supporting teaching and learning*

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

I wish to point out that the following four Performance Audit Reports were laid at the National Assembly in 2020:

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

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

22 February 2021

SUMMARY OF AUDIT OBSERVATIONS

NAO's observations for financial year 2019-20 are mainly in the areas of financial reporting, procurement management, contract management, enforcement of laws and regulations, value for money audit and asset management. The following are the key issues highlighted in this Report:

- (a) Non-Compliance with Legislations regulating Reporting Responsibilities
- (b) Lapses in Procurement Management
- (c) Deficiencies in Contract Management
- (d) Non-Compliance with Legislations and Non-Enforcement of Rules
- (e) Value for Money not obtained from significant expenditure incurred
- (f) Deficiencies in Asset Management

Non-Compliance with Legislations regulating Reporting Responsibilities

Audit has revealed several cases of non-compliance with legislations governing:

- Performance reporting by Ministries and Departments.
- Submission of financial statements by Statutory Bodies for audit purposes.
- Tabling of annual reports of statutory bodies.

As of 19 February 2021, 46 Statutory Bodies had not yet submitted a total of 145 financial statements to my Office for audit purposes, of which 102 relate to financial years prior to 2019-20. Also, 174 financial statements in respect of 74 Statutory Bodies had been certified by NAO but have not yet been laid before the National Assembly.

My audit has also revealed that as of 31 January 2021, only 40 per cent of Ministries/Departments had submitted their Annual Reports on Performance for the financial years 2018-19 and 2019-20.

NAO Recommendations

- Ministries should, through their representatives on Boards, exercise stronger oversight on Statutory Bodies to ensure that they fulfil their accountability functions according to law.
- In so far as the Annual Report on Performance is concerned, the Ministry of Finance, Economic Planning and Development should play a more active role in enforcing compliance by Ministries and Departments.

Lapses in Procurement Management

The main objective of public procurement is to acquire goods and services and to undertake works that are required by Government for delivery of its services to the citizens in the most economic, efficient and effective manner, whilst adhering to the principles of good governance.

Lapses were noted in the procurement of medical equipment and supplies in the context of the COVID-19 pandemic. These lapses included absence of proper documentation at the different stages of the emergency procurement process, non-compliance with the legal requirements and inadequate assessment of fairness and reasonableness of prices quoted by suppliers. As a result, there was inadequate assurance that the principles of value for money and transparency had been adhered to.

For example, at the Ministry of Health and Wellness (MOHW), proper records on emergency procurement as required under Directive 44 of the Procurement Policy Office were not kept. The absence of documentation flouted the principles of good governance, in particular transparency in the management of public funds.

Medical disposables to the tune of Rs 850 million were purchased from private companies which had no previous dealings with the MOHW in such goods. The average prices paid for some medical disposables were up to 67 times higher than the last price paid for.

Lapses were also noted in the normal procurement proceedings of Ministries and Departments. For instance, the contract for the “Safe City Project” for some Rs 16 billion was awarded directly to a private company on an operating lease model for a 20-year period. No evidence was produced to NAO to the effect that an assessment was made to ascertain the fairness of the lease payments made by the Police Service under the contract, and thus that the procurement was undertaken in the most economical manner.

I have also identified instances where delays in the award of contracts have impacted on services obtained by Government from suppliers. For example, in the case of the Ministry of Education, Tertiary Education, Science and Technology, the delay in awarding a contract for “*Provision of Watch and Security Services*” for the 292 Schools/Institutions had resulted in the renewal of the contract with the existing service providers on a month-to-month basis for more than 48 months, despite the fact that the Central Procurement Board had recommended to proceed with the Framework Agreement for the award of the contract since February 2017.

NAO Recommendations

It is a fact that contracts awarded during the COVID-19 pandemic were effected in exceptional circumstances, but it remains essential that decisions are properly documented and made transparent if government is to maintain public trust that taxpayers’ money is being spent appropriately and fairly.

- The whole public procurement process, including current legal provisions and procedures, must be reviewed with a view to strengthening accountability and transparency and ensuring that emergency procurement does not become a fertile ground for the commission of financial abuses and malpractices at the expense of taxpayers.
- Examples of measures that may be considered where Emergency Procurement is resorted to in a lockdown situation:

- To seek quotes from suppliers in a transparent manner, for instance by inviting potential suppliers openly through the media.
- To post details of bids, such as the names of bidders and their quotes on the website of the government.
- To publish, through government website or otherwise, the name of the supplier selected and the basis thereof.

Deficiencies in Contract Management

Deficiencies were noted in the management of contracts. These included:

- Abnormally long delays in the completion of projects, and in some cases, for years.
- Non-verification of authenticity of Performance and Advance Payment securities.
- Wrong determination of rent payable.
- Unavailability of contract records.

Significant sums are spent on capital projects, and hence, the need for proper planning and close monitoring of capital projects at the level of Ministries/Departments is again emphasized.

Project delays have become a recurring feature in several Ministries/Departments. For instance, at the National Development Unit (NDU), out of 434 works orders issued during the financial year 2018-19, there were delays in 155 cases, of which 21 were still ongoing as of October 2020, including urgent drain works which were awarded under emergency procurement.

Project Delays ranging from 16 to 575 days were noted at the Ministry of Education, Tertiary Education, Science and Technology in respect of projects for maintenance, repairs and rehabilitation of buildings.

It has been observed that Liquidated Damages (LDs) applied were not a deterrent to prevent delays. At the NDU, Liquidated Damages (LDs) were applied in 351 works orders under Framework Agreements 2015-17 to 2018-20 and yet delays recurred. There were also cases where LDs were not applied. At the Ministry of Education, Tertiary Education, Science and Technology, LDs amounting to some Rs 4.3 million were not applied in respect of 12 projects completed with delay.

At the NDU, the authenticity of Performance and Advance Payment Securities submitted by a Contractor was not verified. As a consequence of which Government had to forego some Rs 64.7 million representing value of faked securities that were not enforceable.

The Ministry of Public Service and Administrative and Institutional Reforms signed a lease agreement with a private company in August 2014 for rent of office space. The contract amount and payments were based on the gross floor area instead of net usable area as recommended by the Valuation Department. As of December 2020, some Rs 22.1 million were overpaid. The Ministry informed NAO that through oversight, the previous management of the Ministry effected payment of rent on gross area instead of net usable area. Legal advice has been sought by the Ministry.

At the Ministry of Environment and Sustainable Development (Solid Waste Management Division), documents in respect of 13 contracts for which payments for 2019-20 totalled Rs 574.2 million, were not made available for audit. Only copies of a few pages showing the prices were available in files. The contracts were for the provision of services relating to operation of the landfill and the five transfer stations, and cleaning of public beaches.

NAO Recommendations

- Liquidated Damage Clauses in contracts do not seem to act as a deterrent against poor performance by contractors, the more so when they are not applied. A revision of the rate of liquidated damages could be considered to deter delays and the LDs should be consistently applied.
- The Contractors' available resources and their ability to fulfil their contractual obligations should be properly assessed before award of contracts.

Non-Compliance with Legislations and Non-Enforcement of Rules

Compliance with rules and regulations is one of the pre-requisites for good governance. As such, it is essential that Ministries and Departments comply with rules and regulations. Cases of non-compliance were noted.

For example, in spite of the alarming number of fatal road accidents involving auto/motor cycles, the requirement for roadworthiness tests for auto cycles under the Road Traffic Regulations 2016 was not enforced by the Ministry of Land Transport and Light Rail.

As credible regulatory authorities, the Ministry of Health and Wellness (MOHW) and the Pharmacy Board are expected to ensure adequate regulatory controls over medical products (MPs). However, effective regulations of MPs were seen impaired. Existing legal provisions to regulate all aspects of MPs were complex, fragmented and in some cases outdated, resulting in regulatory gaps. Several legal provisions were inadequately implemented, leading to compliance failures and restricted enforcement on behalf of the MOHW/Pharmacy Board. Several regulatory controls were ineffective as they were not systematically implemented and monitored.

There were several cases where conditions as set out in Financial Instructions for grants disbursed to statutory bodies and other agencies by Ministries and Departments were not complied with. For example, at the Ministry of Youth Empowerment, Sports and Recreation, non-compliance included submission of progress reports not in line with requirements, late signing of funding agreement and non-submission of Annual Report within statutory deadline.

Value for Money not obtained

Value for money was not obtained from various projects undertaken or expenditure incurred by Government. For example:

- Human Resource Management Information System (HRMIS) Project

- E-Judiciary Project
- School Net II Project for Secondary Schools
- Land Administration, Valuation and Information Management System (LAVIMS)
- Rental of Office space by the Ministry of Public Service and Administrative and Institutional Reforms (MPSAIR)

For the HRMIS Project, as of 30 June 2020, some Rs 422.4 million had been incurred by the MPSAIR. In August 2020, the Ministry of Information Technology, Communication and Innovation (MITCI) assessed that the project would entail further cost of at least some Rs 235 million for the next five years. As at the beginning of September 2020, seven years after award of the contract, none of the five modules of the HRMIS Project had been put to effective use. On 25 September 2020, Government decided to wind up the project.

Regarding the e-Judiciary System, expenditure incurred thereon reached Rs 216.7 million as of 30 June 2020. The project started in 2010 and due to high annual maintenance charges of some Rs 24 million to support only the Commercial Division of the Judiciary, the Central Informatics Bureau of the MITCI proposed to revamp the system in November 2017. A new system is currently under implementation since February 2020.

MITCI awarded the contract for the School Net II Project to a local company for the sum of Rs 122.5 million in December 2015. The objective of the project was to provide high speed connectivity to secondary schools. The company went into receivership in January 2019. None of the 164 targeted secondary schools had been connected for internet access as of October 2020. Payments, mostly for equipment, reached Rs 83.6 million as of 30 June 2020.

In the case of LAVIMS, as of 30 June 2020, some Rs 900 million had been disbursed. The LAVIMS which was initiated in 2008, consists of three components, namely Deeds, Cadastre and Valuation. As of December 2020, the Cadastre was not complete and did not include all plots of land owned by Government. Also, the Valuation Component, which is instrumental for valuation of properties for the purpose of raising of Government revenue, was still not operational.

The staff of MPSAIR occupied, on average, five times the space required under the Occupational Safety and Health Act, that is 11 cubic metres per employee, equivalent to 3.67 square metres in terms of floor area. Some Rs 155 million have already been paid as rental to a private company over the period April 2015 to December 2020 for the occupancy space of 4,773 square metres to accommodate some 240 employees, that is, some 20 square metres per employee. Since October 2017, annual rent paid amounted to some Rs 26.9 million.

Deficiencies in Asset Management

Asset management is critical in any business environment and more so in the public sector as assets are vital for the delivery of essential services and for economic activity. It is important to have a proper asset management system that addresses key issues, such as acquisition, recording, performance monitoring, maintenance, replacement and disposal. Deficiencies were noted in the management of assets by Ministries and Departments.

For example, at the five regional hospitals, as of 18 October 2020, there were some 4,820 patients waiting for an echography examination. The long waiting list was due to frequent breakdowns or non-acquisition of medical equipment. There were also cases where there were long delays in getting appointments for other examinations, such as endoscopy, angiography and lithotripsy due to non-availability of medical equipment.

There were regular breakdowns of the unique Linear Accelerator machine (LINAC) available in public hospitals for the treatment of cancer, hence causing considerable trouble and stress to the suffering patients.

At the Ministry of Ocean Economy, Marine Resources, Fisheries and Shipping, some Rs 59 million were spent for the acquisition of patrol boats and vessels over the period July 2016 to June 2020. However, out of the 20 patrol/speed boats available at the fisheries posts, only eight were operational. The rescue boat, lifeboat with davits and fisheries support vessel, acquired to provide practical training, were not being used due to damage and lack of proper maintenance. Thus, control and surveillance activities were affected.

The top roof of the National Laboratories Complex of the Ministry of Environment, Solid Waste Management and Climate Change, located at Réduit, is leaking since several years. The Forensic Science Laboratory, being at the top floor, has equipment worth some Rs 150 million that are highly exposed to risks of being damaged. One item of equipment worth some Rs 1 million was damaged beyond repairs in 2018 due to water leakage.

Concluding Remarks

The above shortcomings had a significant impact on public finances, resources and service delivery, and revealed weaknesses in financial governance.

Most of the shortcomings highlighted in this Report are similar to those reported in previous years. I therefore reiterate what I highlighted in my report last year. 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. It is of vital importance that Ministries and Government Departments implement effective measures to enhance governance and controls on the use of public funds and ensure that lapses do not recur.

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PART I

AUDIT OF ANNUAL STATEMENTS

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 2020 included a Statement of Financial Position showing the assets and liabilities as at the end of the financial year, a Statement of Financial Performance for the financial year, and other Statements as prescribed by Section 19(3) of the Act.

The accounts of the Government were closed on 10 August 2020 and the financial statements were authorized for issue by the Accountant General on 30 December 2020. The main Statements comprising the Statement of Financial Position (Statement A), Statement of Financial Performance (Statements AA and AB), Statement of Changes in Net Assets or Equity (Statement AC), Statement of Cash Flow (Statement AD), Statement of Comparison of Budget Estimates and Actual Amounts (Statements AE and AF), Detailed Statement of Investments (Statement F) and Statement of Public Sector Debt (Statement J) were received at the National Audit Office on 31 December 2020.

Other Statements, as prescribed by Section 19(3) of the Finance and Audit Act not mentioned above, were submitted to my Office on 21 October and 6 November 2020.

The following were noted upon examination of records relating to the Annual Statements of Government:

- (a) Significant progress has been made regarding the implementation of financial reporting based on accrual IPSAS. However, there is still need to address several key issues, such as the Secondary Ledger and the Government Asset Register;
- (b) In the context of the implementation of accrual basis IPSAS accounting, several items in the Statement of Financial Position as at 30 June 2019 had to be re-stated. This had material effects on Net Assets and Accumulated Deficit reported as at 30 June 2019;
- (c) The main changes to the Financial Statements for the year 2019-20 include the recognition of certain items of assets and liabilities not accounted for previously, as well as changes in measurements of certain items of assets and liabilities;
- (d) The cash balance as at 30 June 2020 has increased by some Rs 23.9 billion compared to 30 June 2019;
- (e) Receivables from Non-Exchange Transactions have been recognised for the first time in the financial statements for the year 2019-20 for a total amount of Rs 8.3 billion;
- (f) Loan instalments of some Rs 1.9 billion due as of 30 June 2020 were not yet paid. Some of these instalments were long outstanding and dated as far back as the 1980s. No provision for impairment has been made;

- (g) Investments were recognised at fair value and were measured on the basis of net assets. In 14 cases, fair value (Rs 19.4 billion) was measured on the basis of net assets in financial statements dating back to years 2013 to 2018.
- (h) Investments for a total cost of Rs 6.9 billion were disclosed at zero fair value as at 30 June 2020;
- (i) State Lands include Public Beaches (Rs 14 billion), National Parks (Rs 52 billion) and Parks and Gardens (Rs 14.7 billion). In its July 2020 Technical Assistance Report, the IMF recommended that the policy for recognizing these items should be deferred until the IPSAS Board issues its pronouncement on the accounting of heritage assets. Also, the valuation basis for state lands was not disclosed as a note to the accounts;
- (j) The Statement of Financial Performance for the financial year 2019-20 showed a deficit of Rs 44.1 billion compared to a deficit of Rs 16.4 billion for the financial year 2018-19;
- (k) Initially estimated at Rs 16.9 billion, the 2019-20 budget deficit reached Rs 53.9 billion representing 11.8 per cent of GDP compared to a forecast of 3.2 per cent; and
- (l) The borrowing requirements of Government, estimated at Rs 19.2 billion for 2019-20, increased to Rs 62.4 billion representing 13.6 per cent of GDP compared to a forecast of 3.6 per cent.

2.2 Implementation of International Public Sector Accounting Standards (IPSAS)

With a view to improving transparency, accountability and decision making through the publication of financial statements prepared in accordance with international standards of accounting, the Finance and Audit Act was amended in July 2017. As such, Section 19(3A)(b) of the Act provides that Statement A to Statement AF shall, for the financial year 2022-23 and onwards, be prepared in compliance with the International Public Sector Accounting Standards (IPSAS).

Regarding Annual Statements prior to 2022-23, Section 19(3A)(a) of the Finance and Audit Act provides that Statement A to Statement AF shall as far as possible be prepared in compliance with IPSAS.

In line with the above provisions, the International Monetary Fund (IMF) provided technical assistance to Government for the implementation of accrual basis IPSAS accounting and financial reporting. A detailed road map was developed in consultation with IMF, which outlined the steps towards the fully IPSAS compliant Financial Statements by 2022-23 as follows:

- 2020-21: Financial Statements for the Budgetary Central Government will be prepared in compliance with accrual basis IPSAS;

- 2021-22: Consolidated Financial Statements for the General Government will be prepared in compliance with accrual basis IPSAS; and
- 2022-23: Consolidated Financial Statements for the Public Sector will be prepared in compliance with accrual basis IPSAS.

Progress on the implementation of Accrual Basis IPSAS

The progress regarding the implementation of accrual basis IPSAS accounting is being reviewed by the IMF. The last Technical Assistance Mission from IMF Regional Technical Assistance Center for Southern Africa - AFRITAC South (AFS) was effected from 2 to 16 March 2020, and a report summarising the Mission's findings and recommendations was submitted in July 2020.

Furthermore, the roadmap sets targets for IPSAS financial statements of Budgetary Central Government to be prepared as from financial year 2020-21. During the year under review significant progress has been made regarding the implementation of financial reporting based on accrual basis IPSAS. However, the following were found to be behind schedule:

- The Secondary Ledger, which was to be operational as from 1 July 2019 and from which the financial statements for the year ended 30 June 2020 were to be generated, was not ready and the financial statements were prepared manually;
- An inventory of assets and appropriate entries in the Government Asset Register were to be completed by financial year 2019-20. However, as of end January 2021, there was no evidence that an inventory of assets had been carried out and there was little progress on the part of Ministries and Departments in entering data in the Government Asset Register; and
- Contingent Liabilities were to be recognised and disclosed in the Financial Statements 2019-20, in accordance with IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets. However, this was not done.

The Treasury explained the following:

- *Secondary Ledger* - Much progress has now been made and an advanced stage of implementation has been reached with ability to generate reports. The financial statements for the year 2020-21 is expected to be produced from information generated from the Secondary Ledger.
- *Government Asset Register* - The Treasury has taken several courses of action to assist Ministries/Departments in updating the GAR, for instance providing hands on training, issuing of circulars, issuing of user guidelines and the use of templates to be filled in.
- *Contingent Liabilities* – The disclosure of contingent liabilities has been postponed for financial year 2020-21.

Main Changes to the Financial Statements Regarding Implementation Accrual Basis IPSAS Accounting

Recognition of Certain Items of 'Assets and Liabilities' not Accounted for Previously in the Financial Statements of Government

During financial year 2019-20, the following additional assets and liabilities were recognised for the first time in the Statement of Financial Position:

- Receivables from Non-Exchange Transactions;
- New items of Property, Plant and Equipment including Assets Under Construction and Outer Islands; and
- Employee Benefits Obligations comprising Government pension liabilities and Provisions for passage benefits, sick leave and vacation leave.

Changes in Measurements of Assets and Liabilities

Investments and Government Debt, previously recognised at cost, have been measured at fair value and amortised cost respectively, in line with IPSAS.

As a result of recognising the above assets and liabilities for the first time and the change in measurement basis of Investments and Government Debt, the comparative figures in the Statement of Financial Position as at 30 June 2019 have been restated as shown in Table 2-1:

Table 2-1 Re-stated figures as at 30 June 2019

	Original Figure	Restated figure
	Rs	Rs
Investments	30,707,150,160	104,113,332,463
Property, Plant and Equipment	369,069,247,660	508,965,936,792
Intangible Assets	826,230,912	1,040,640,240
Payables	7,232,341,420	1,980,962,622
Government Debt	280,773,963,082	282,038,868,910
Employee Benefits Obligations	-	132,387,016,215
Net Assets	134,039,126,481	219,155,863,999
Consolidated Fund	28,320,944,755	29,626,400,023
Reserve (Assets)	299,025,312,236	*
Accumulated (Deficit)/Surplus	(195,532,570,659)	187,304,023,827

Source: Statements of Financial Position as at 30 June 2019 and 30 June 2020

As indicated in Table 2-1, changes brought to the financial statements in view of implementing accrual basis IPSAS accounting, have had material effects on Net Assets and Accumulated Deficit, reported as at 30 June 2019.

Net Assets of Government had increased by Rs 85.1 billion from Rs 134.0 billion (original figure) to Rs 219.1 billion (restated figure).

*A Reserve of Rs 299 billion and an Accumulated Deficit of Rs 195.5 billion were shown in the Statement of Position as at 30 June 2019, that is a net surplus of Rs 103.5 billion. This figure has been re-stated in 2019-20 to show an Accumulated Surplus of Rs 187.3 billion.

2.3 Statement A - Statement of Financial Position as at 30 June 2020

A summary of the Assets and Liabilities of Government is shown in Table 2-2 hereunder.

Table 2-2 Summary of Assets and Liabilities as at 30.06.2019 to 30.06.2020

	30.06.2020	30.06.2019 (Restated)
	Rs m	Rs m
Assets		
Cash and Cash Equivalents	29,496.9	5,628.5
Receivables from Non-Exchange Transactions	8,268.0	-
Loans and Advances	15,706.9	16,641.8
Investments	104,350.6	104,113.3
Inventories	2,119.8	1,531.1
Prepayments	37.2	56.7
Property, Plant and Equipment	511,432.1	508,965.9
Intangible Assets	828.4	1,040.6
IMF-SDR Deposits	3,937.3	3,488.4
IMF-Reserve Tranche Position	1,920.1	1,069.4
Total Assets	678,097.3	642,535.7
Liabilities		
Payables	1,583.4	1,981.0
Deposits	2,449.1	2,210.8
Government Debt	339,810.0	282,038.9
IMF-SDR Allocations	5,375.0	4,762.2
Employee Benefits Obligation	134,753.9	132,387.0
Total Liabilities	483,971.4	423,379.9
Net Assets	194,125.9	219,155.8
Net Assets/Equity		
Consolidated Fund	61,289.6	29,626.4
Accumulated Surplus	119,793.8	187,304.0
Special Fund	13,042.5	2,225.4
Total Net Assets/Equity	194,125.9	219,155.8

Source: Statement A - Statement of Financial Position

Cash and Cash Equivalents - Rs 29.5 billion

Cash and Cash Equivalents included, amongst others, cash in hand, cash remitted to Ministries/Departments, cash balances with banks-both local and overseas, deposits on call and cash held on account of Special Funds.

Cash and Cash equivalent has increased by some Rs 23.9 billion, from Rs 5.6 billion to Rs 29.5 billion as at 30 June 2020. This balance comprised Cash and Bank balances of Rs 27.3 billion and Remittances of Rs 2.2 billion.

Receivables from Non-Exchange Transactions - Rs 8.3 billion

Receivables from Non-Exchange Transactions, principally revenue from taxes, have been recognised for the first time in the financial statements for the year 2019-20 for a total amount of Rs 8.3 billion.

However, the comparative figure (2018-19) for Receivables from tax revenues had not been worked out. In Note 5 to the accounts, it was stated that no re-statements have been made with respect to the financial year 2018-19 due to impracticability issue.

Arrears of Revenue in Statement N: 'Statement of Arrears of Revenue' as at 30 June 2020 read Rs 8.8 billion whilst the figure for 'Receivables from Non-Exchange Transactions' reported in Statement A: 'Statement of Financial Position' was Rs 8.3 billion. It was explained that the 'Receivable' figure was arrived at in line with the 'Policy for Recognition of Tax Revenue under IPSAS 23' whilst the arrears in Statement N were obtained from Returns of Arrears of Revenue, which take into account the due date of the revenue rather than the financial year.

The Treasury explained that a sub-committee has been set up to look into the accounting of non-exchange revenue as per IPSAS 23. It is expected that the issue of the different basis being currently applied in computing the figures will be looked into and alignment be made accordingly.

Loans and Advances – Rs 15.7 billion

Included under the item 'Loans and Advances' was an amount of Rs 11.5 billion representing outstanding balance as at 30 June 2020, for loans advanced to Statutory Bodies, Private Bodies, Other Bodies and private individuals mainly to finance capital projects.

Out of the Rs 11.5 billion, some Rs 1.9 billion were in respect of loans instalments due as of 30 June 2020 but not yet paid to Government as at that date. Some of these instalments due were long outstanding and dated as far back as the 1980s. There were also two instances where no repayments have been made ever since the date the loan amounts were first disbursed in the years 2013 and 2014.

In addition to the amount of Rs 1.9 billion due as at 30 June 2020, there were also Interests and Penalties thereon amounting to some Rs 2.2 billion.

Some of the loans are long outstanding and stand the risk of not being recoverable. Provision for impairment of these loans needs to be made in the accounts of Government.

Treasury stated that discussions are being held with appropriate stakeholders to account for any impairment loss in respect of amount long outstanding. Accounting of same will be made as from the year 2020-21.

Investments – Rs 104.4 billion

Investments costing Rs 39.3 billion as of 30 June 2020 were measured at fair value of Rs 104.4 billion.

The fair value of Quoted Shares was determined on the basis of their market prices on the Stock Exchange of Mauritius as at the end of the financial year. The fair value of Unquoted shares and equity participation was based on the Net Asset figure from the latest audited financial statements of investees. The following were noted:

- Investments for a total cost of Rs 6.9 billion were disclosed at zero fair value as at 30 June 2020 in respect of unquoted shares and equity participation in companies which showed negative net assets.
- In 14 cases, investments costing Rs 17.7 billion were measured at fair value of Rs 19.4 billion on the basis of net assets in financial statements dating back to years 2013 to 2018.

Treasury explained that out of the 14 cases, the valuation of ten investments were based on the financial statements for period ending in 2018, two investments for period ending in 2017, one investment for period ending in 2016 and one investment for period ending in 2013.

Property, Plant and Equipment – Rs 511.4 billion

Property, Plant and Equipment (PPE) owned by Government were recognised at some Rs 511.4 billion in the Statement of Financial Position as at 30 June 2020.

The accounting policies adopted by Treasury for the accounting of PPE were based on the historical cost concept, except for *State Lands* and *Roads and Bridges* which were recognised at the value estimated by the Government Valuation Department and the Road Development Authority (RDA) respectively.

Assets owned by Government not included under PPE

Assets which were acquired before the defined period, as disclosed in Note 2.10 to the Accounts, were already fully depreciated based on the depreciation policy, and were not included in PPE. The useful life of assets still in use should be reviewed on a regular basis and their values recognised.

Furniture, fixtures and fittings acquired under recurrent expenditure were expensed and thus not included in the PPE figure.

Infrastructure Assets- Rs 108.3 billion

The Road Development Authority (RDA) submitted a report dated 6 November 2020, giving a list of roads under its jurisdiction and their estimated values. A summary by Road Type is shown in Table 2-3.

Table 2-3 Estimated length of Road and Cost per Km

Road Type	Length of Road	Cost per km	Amount
	(km)	Rs million	Rs million
Motorways	103.6	120	12,432
A Roads	236.0	75	17,700
B Roads	906.2	65	58,903
Total	1,245.8		89,035

Source: Report from RDA

The report stated that the value of existing road network is estimated at Rs 100 billion, including around Rs 9 billion representing cost of bridges.

NAO is of the view that Treasury should have recognised figures as per the information provided by RDA in Table 2-3, instead of resorting to approximate figures for the valuation of infrastructure assets.

Treasury explained that the net book value figure of roads and bridges as at 30 June 2020 amounted to Rs 98.05 billion which is nearly the same as per the RDA report.

State Lands

The value of State Lands recognised under PPE as at 30 June 2020 was based on a report from the Valuation Department dated 29 January 2019 for the valuation of State Lands as at 30 June 2018.

At paragraph 2.2.2 of the Audit Report for the financial year 2018-19, I stated that no site visits had been effected and the valuation exercise was based on information submitted by the Ministry of Housing and Lands and the Ministry of Agro Industry and Food Security. Also, 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, in its report that notwithstanding the above, the value of State Lands given was the best estimate and would not change significantly.

The valuation basis applied by the Valuation Department was not disclosed in the financial statements.

In addition, Outer Islands have been recognized for the first time based on a value estimated by the Valuation Department. This has been accounted for retrospectively and the comparative figures restated accordingly.

Heritage Assets

The value of State Lands of Rs 307.6 billion included assets such as Public Beaches (Rs 14 billion), National Parks (Rs 52 billion), Parks and Gardens (Rs 14.7 billion), details of which were disclosed in the Notes to the Accounts for the year 2018-19. According to the IMF July 2020 report, the policy for recognising such large amounts for natural heritage assets such as parks, national parks, and public beaches should be reconsidered in the light of international practice and the recognition of heritage assets should be deferred until the IPSAS Board finishes its project and issues its pronouncements on the accounting of heritage assets.

Treasury explained that in the absence of a specific IPSAS on heritage assets, IPSAS 17 has been applied. Should a specific IPSAS on heritage asset be issued in the future, appropriate adjustments will be made accordingly.

De-recognition 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 2.10 and 8 to the Accounts.

A physical survey has not been carried out to identify the assets from which future economic benefits or service potential were not being derived. The carrying amount of PPE might be overstated.

Treasury informed NAO that Ministries/Departments are required to submit returns on disposal of assets at end of each financial year as per Treasury Circular on Closing of Accounts. This exercise has been carried out as from July 2018. However, disposal of assets has been recognised in the financial statements for the first time in the financial year 2019-20.

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 30 June 2020, the exercise was not completed. As such, the completeness of assets recorded in the Statement of Financial Position as of 30 June 2020 could not be ascertained.

Moreover, the completeness of the reported assets could not be ascertained as a reconciliation exercise between the reported PPE figure and the actual physical balance was not carried out. There may be the risk that assets acquired since the defined periods are no longer in use or obsolete.

Also, since no disposal had ever been accounted for, there is a risk that several assets accounted for as PPE no longer existed as at 30 June 2020.

As the PPE figure represents a major asset in the Statement of Financial Position, it is imperative for the Government Asset Register to be complete and accurate, so that a proper physical check can thereafter be carried out to verify the existence and conditions of assets at any point in time. The useful life of all major assets which are still in use should be reviewed on an annual basis and their carrying values adjusted accordingly.

2.4 Statements AA and AB - Statement of Financial Performance for the financial year 2019-20

Significant Increase in Deficit Compared to the Previous Year

The Statement of Financial Performance of the Government for the financial year 2019-20 showed a deficit of Rs 44.1 billion compared to a deficit of Rs 16.4 billion for the financial year 2018-19.

Revenue generated in 2019-20 totalled some Rs 122.5 billion, representing an increase of some Rs 14.7 billion (13.7 per cent) compared the previous financial year. The Revenue figure included an amount of Rs 18 billion which represented a grant from the Bank of Mauritius to meet external debt repayments. Revenue from Taxation declined by some Rs 6.3 billion, from Rs 95.5 billion in 2018-19 to Rs 89.2 billion in 2019-20.

On the other hand, Expenses have increased by some Rs 32.2 billion from Rs 124.2 billion in 2018-19 to Rs 156.4 billion in 2019-20, representing an increase of 26 per cent over the previous year. There were increases in ‘Subsidies’ of Rs 8.6 billion, ‘Grants’ of Rs 11.9 billion and Social Benefits’ of Rs 10 billion. Included in the ‘Grants’ figure of Rs 36.4 billion for the year 2019-20, was an amount of Rs 10 billion, representing grant disbursed to the National Resilience Fund. It was stated that these increases primarily resulted from Government’s economic response to the impact of COVID-19.

Additionally, Expenses were increased due to a ‘Fair Value Loss on Investments’ of Rs 7.1 billion and ‘Losses on Foreign Exchange Transactions’ of Rs 3.0 billion

2.5 Statements AE and AF - Statement of Comparison of Budget Estimates and Actual Amounts for the financial year 2019-20

A summary of the Comparison of Budget Estimates and Actual Amounts is provided in Table 2-4.

Table 2-4 Comparison of Budget Estimates and Actual Amounts for financial year 2019-20

	Original Estimates Rs million	Total Provisions Rs million	Actual Amount Rs million	Difference Rs million
<u>RECURRENT BUDGET</u>				
Recurrent Revenue	114,810	114,810	99,585	(15,225)
Recurrent Expenditure	(121,569)	(143,582)	(134,915)	(13,346)
Recurrent Balance	(6,759)	(28,772)	(35,330)	(28,571)
Recurrent Balance as % of GDP	1.3%	5.5%*	7.7%*	
<u>CAPITAL BUDGET</u>				
Capital Revenue	6,925	6,925	4,288	(2,637)
Capital Expenditure	(17,035)	(27,530)	(22,852)	(5,817)
Capital Balance	(10,110)	(20,605)	(18,564)	(8,454)
Capital Balance as % of GDP	1.9%	3.9%*	4.1%*	
Budget Deficit	(16,869)	(49,377)	(53,894)	(37,025)
Budget Deficit as a % of GDP	(3.2)	(9.4)	(11.8)	
Net Acquisition of Financial Assets	(2,979)	(4,172)	(8,474)	(5,495)
Adjustment for difference in cash and accrual interest	676	676	18	(658)
Government Borrowing Requirements	(19,172)	(52,873)	(62,350)	(43,178)
Government Borrowing as % of GDP	(3.6)	(10.0)	(13.6)	
Domestic Financing	35,738	69,438	63,409	27,671
Foreign Financing	(16,566)	(16,565)	(1,059)	15,507

Sources: Statement AF, Statement of Comparison of Budget Estimates and Actual Amounts for the financial year 2019-20 (Classification of Expenses by Nature)

- i. Estimates 2019-2020 : in respect of Estimated GDP 2019-20 – Rs 526.9 billion
- ii. Website – Statistic Mauritius, Quarterly National Accounts, December 2020 issue: in respect Actual GDP Q2 2020 – Rs 457.6 billion

* based on NAO workings

Initially estimated at Rs 16.9 billion (Estimates 2019-20), the 2019-20 budget deficit reached Rs 53.9 billion representing 11.8 per cent of GDP compared to a forecast of 3.2 per cent.

Furthermore, the borrowing requirements of Government which was estimated at Rs 19.2 billion (Estimates 2019-20), increased to Rs 62.4 billion representing 13.6 per cent of GDP compared to a forecast of 3.6 per cent.

Borrowing Requirements

Borrowing requirements of Government which was stated at Rs 19,172 million in the Estimates 2019-20, have risen significantly to Rs 62,350 million. Table 2-5 gives details of the estimated and actual Government's borrowing requirements through domestic and foreign financing.

Table 2-5: Government's Borrowing Requirements for financial year 2019-20

	Original Estimates Rs million	Actual Amount Rs million
<i>Domestic Financing</i>		
Net Government Securities	14,736	56,136
Financing from SIC Development Co. Ltd	452	49
Financing from cash and cash equivalent	2,550	(10,776)
Financing from Bank of Mauritius	18,000	18,000
<i>Foreign Financing</i>		
Net Foreign Loans	(16,566)	(1,059)
Government Borrowing Requirements	19,172	62,350

Source: Estimates 2019-20 and Statement AF

As shown in Table 2-5 above, the estimated borrowing requirements were Rs 19,172 million and were to be financed through domestic sources of Rs 35,738 million and offsetting a net repayment of foreign loans of Rs 16,566 million.

The actual borrowing requirements were Rs 62,350 million. Rs 74,185 million were raised from domestic sources, and a net repayment of foreign loans of Rs 1,059 million was effected leaving a cash balance of Rs10,776 million.

MOFEPD explained that the significant rise in borrowing requirements of Government from Rs 19,172 million to Rs 62,350 million was due to the impact of COVID-19 on both revenue and expenditure.

2.6 Revenue and Expenditure of the Consolidated Fund – Excess of Expenditure over Revenue of Rs 10.65 billion

The 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:

- Credited with all revenues of Government and any other money properly accruing to it; and
- Charged only with expenses on the authority of a warrant issued by the Minister to whom the subject of finance is assigned.

Statement B provides details of Revenue and Expenditure of the Consolidated Fund for a particular financial year. Significant deficits were registered during the past two financial years. Expenditure exceeded revenue by Rs 11 billion and Rs 10.6 billion in the years 2018-19 and 2019-20 respectively.

Table 2-6 shows the revenue and expenditure of the Consolidated Fund for the past five financial years.

*Table 2-6 Revenue and Expenditure of the Consolidated Fund
for the Past Five Financial Periods*

Period	Revenue	Expenditure	Excess of Expenditure over Revenue
	Rs	Rs	Rs
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)
July 2019 to June 2020	178,906,756,635	189,555,981,185	(10,649,224,550)

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

Revenue of Government has increased by Rs 42.8 billion (31 per cent) over the previous year. This was mainly attributed to increases in revenue from the Issue of Government Securities of some Rs 19.4 billion (increase of 70 per cent compared to previous year), Loans from Foreign Governments and International Organisations of some Rs 9.7 billion and a transfer of Rs 18 billion from the Bank of Mauritius for the repayment of external debts. These increases were partly offset by a fall in revenue from Taxes on Goods and Services of some Rs 5.3 billion.

On the other hand, Government's expenditure has also increased significantly by Rs 42.4 billion (29 per cent) over the previous year. The increase was mainly attributed to the payment of Covid-19 related expenses. For example, increase in expenditure was noted for the Ministry of Health and Wellness (Rs 1.8 billion), the Ministry of Social Integration, Social Security, and National Solidarity, (Rs 7.5 billion) and the Vote 'Centrally Managed Initiatives of Government' (Rs 24.4 billion). Furthermore, Government Debt Servicing has also increased (Rs 8.5 billion).

Centrally Managed Initiatives of Government

A sum of Rs 9.39 billion was initially provided for in the Budget Estimates 2019-20 to meet expenses under the vote 'Centrally Managed Initiatives of Government'. The Supplementary Appropriation Act 2020 provided for the supplementary appropriation of a sum of Rs 33.7 billion, of which some Rs 26.7 billion were allocated to this item.

Out of the Rs 26.7 billion, some 24 billion were earmarked for measures in response to the Covid-19 pandemic, which included payments under the Wage Assistance Scheme and the Self-Employed Assistance Scheme.

High Dependence of Government on Borrowings to Finance its Expenditure

The major source of Government revenue was from taxes where some Rs 91.8 billion were collected during financial year 2019-20. Other sources of Government revenue included Borrowings, a transfer from the Bank of Mauritius, Grants, Social Contributions, and Other Revenue (Property Income, Sales of Goods and Services, Fines, Penalties, Miscellaneous Revenue and Reimbursements of Loans), as shown in Table 2-7.

Table 2-7 Sources of Government Revenue

	2017-18		2018-19		2019-20	
	Rs m	%	Rs m	%	Rs m	%
Taxes	91,490	67.9	98,300	72.2	91,787	51.3
Borrowings	25,676	19.1	27,769	20.4	56,948	31.8
Transfer from Bank of Mauritius	-	-	-	-	18,000	10.1
Grants	2,600	1.9	1,648	1.2	4,288	2.4
Social Contributions	1,349	1.0	1,326	1.0	1,384	0.8
Other Revenue	13,582	10.1	7,089	5.2	6,500	3.6
Total Revenue	134,697		136,132		178,907	
Total Expenditure	135,933		147,154		189,556	
Deficit	1,236		11,022		10,649	

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

Government has been highly dependent on borrowings to finance its expenditure during the past few financial years. Borrowings ranked second as a source of Government revenue. In financial year 2019-20, borrowings have increased considerably from Rs 27.8 billion to Rs 56.9 billion, and represented some 32 per cent of total revenue.

During 2019-20, Rs 36.6 billion were spent towards Government debt servicing and comprised Capital Repayments, Interests and Management/Service Charges. This sum represented some 19 per cent of total Government expenditure accounted in Statement B.

PART II

THEMATIC

COVID-19 RELATED EXPENDITURE

3 - THEMATIC AUDIT COVID-19 RELATED EXPENDITURE

3.1 Introduction

A national lockdown came into effect on 20 March 2020, following the World Health Organisation's declaration of the COVID-19 as a pandemic. In response to COVID-19, the Government has, over the period March to December 2020, spent some Rs 14 billion on the procurement of medical products, payments under assistance schemes and quarantine charges, as shown in the Table 3-1.

Table 3-1 COVID-19 Related Expenses Incurred by Ministries and Other Bodies

Ministries/Departments	Amount Rs million	Period
Mauritius Revenue Authority	11,700.00	March to September 2020
Ministry of Health and Wellness	1,700.00	March to December 2020
Ministry of Tourism	460.25	March to November 2020
Ministry of Finance and Economic Development	87.80	March to June 2020
Ministry of Commerce and Consumer Protection	72.30	March to June 2020
Total	14,020.35	

According to information gathered by the National Audit Office (NAO), the whole procurement exercise has been managed by the following authorities:

- (a) High-Level Committee set up at the level of the Prime Minister's Office;
- (b) National Task Force on COVID-19;
- (c) Ministry of Health and Wellness;
- (d) Ministry of Commerce and Consumer Protection;
- (e) Ministry of Tourism;
- (f) State Trading Corporation; and
- (g) Mauritius Tourism Promotion Authority.

COVID-19 Solidarity Fund

In addition to the amount of some Rs 14 billion paid by the Ministries/Departments for the COVID-19 related expenses, some Rs 177 million were disbursed by the COVID-19 Solidarity Fund as of December 2020.

The COVID-19 Solidarity Fund was established under the Finance and Audit (COVID-19 Solidarity Fund) Regulations 2020. Amongst others, its object was to contribute to the financing of projects, programmes, schemes related to the COVID-19 virus and also to provide financial support to persons affected by the COVID-19 virus.

From March to December 2020, a total amount of Rs 507.3 million was contributed to the Fund, out of which some Rs 177 million were disbursed during the same period for payment of financial assistance and allowances to front liners amongst others.

Scope of Audit

As Director of Audit, I have to satisfy myself amongst other things “*that satisfactory management measures have been and are taken to ensure that resources are procured economically and utilised efficiently and effectively*” as required under Section 16(1)(e) of the Finance and Audit Act.

Hence, the objective of this review was to ascertain whether value for money was obtained from these procurement exercises undertaken under Emergency Procurement (EP), and whether proper procurement procedures were followed as per rules and regulations.

However, the scope of my audit was severely affected by the non-availability of important records or information in various cases. This is explained below.

NAO’s audit findings, a summary of which is given at paragraph 3.2, are based on audit work carried out on records that were made available and information provided to NAO officers.

Limitations in the Scope of the Audit Exercise

- While carrying out the audit, my staff faced considerable difficulties to obtain records. NAO was informed that the Independent Commission Against Corruption (ICAC) secured 60 procurement files from the Ministry of Health and Wellness (MOHW) for its enquiry. Information regarding procurement procedures was requested from the MOHW but most remained unattended till date. In these circumstances the scope of the audit was heavily impaired. On 25 January 2021, after the completion of audit, the Ministry informed NAO that there is no objection on its part for NAO Officers to access these files at ICAC.
- NAO was informed that the Ministry of Commerce and Consumer Protection (MCCP) acted as facilitator for the EP of 100,000 units PCR Tests and Equipment after technical details and specifications were cleared with MOHW. The main file was secured by ICAC and only a temporary file was made available for audit.
- A sum of some Rs 1 billion was disbursed by the State Trading Corporation (STC) out of its own funds for the purchase of medical products. The amount was subsequently refunded by MOHW on 30 June 2020. Payments made by STC were primarily upon instructions from its parent Ministry (MCCP) and not from MOHW. The STC was reported to be fulfilling its role as the trading arm of Government in an emergency situation, upon specific instructions received from its parent Ministry. The file at MCCP dealing with the various procurements was secured by ICAC.

- During the lockdown period, a committee was set up at the level of MOHW to investigate and make recommendations on the stock position of pharmaceutical products and medical disposables. Neither the agenda of that committee, nor a report on the issues discussed in the meetings was produced for audit. Also, extracts of the decisions taken by the High Level Committee for COVID-19 (set up under the aegis of the Prime Minister's Office) regarding the EP of medical products were not made available.

3.2 Summary of Findings and Concluding Remarks

3.2.1 Ministry of Health and Wellness

- On various counts the Ministry has not complied with procurement rules.
- No contingency plan was prepared at the level of the Ministry.
- MOHW, as leading public body, has disbursed only 35 per cent of the total payments of Rs 1.7 billion for medical products, thus diluting its accountability for and ownership of all these medical products purchased during the COVID-19 period.
- Medical disposables were purchased from companies which had no previous dealings with the Ministry in such goods.
- 60 ventilators were acquired for some Rs 94 million for which no benefits have yet been derived.
- 50 of these ventilators were acquired from a foreign company which had never supplied any medical equipment to the Ministry.
- The contract for the supply of 37 out of 46 drugs was awarded directly to a wholesale pharmacy, which was not a regular supplier of the Ministry.
- There was a significant increase in the price quoted, ranging from 15 per cent to 3,300 per cent for the 37 drugs procured under the EP exercise.
- As of October 2020, the wholesale pharmacy was still making the delivery to the Ministry in respect of the award of the 37 drugs, which were ordered under EP.
- Proper records were not kept at the different stages of the EP exercise.

3.2.2 Ministry of Commerce and Consumer Protection

- There were no written requests from MOHW/National Task Force on COVID-19, such as correspondence or memo or electronic mail for purchase of 225,000 units of Nasal swabs kits, two units of Quant Studio Pro Real Time PCR System and 100,000 units of PCR Tests and equipment. Hence, specifications and quantity of items purchased could not be verified.
- The Ministry did not record any proceedings in respect of choice of suppliers and assessment of the reasonableness of prices quoted by them.

- Interest of Government was not adequately safeguarded since advance payments of the full contract value were effected to the suppliers before delivery of the items.
- Clause for late delivery was not included as a condition in the Letter of Acceptance issued to the supplier and therefore was not applicable. Such a material omission of liquidated damages clause which acts as a deterrent for late delivery, defeats the very purpose of supply of medical items during the emergency where time is of essence.

3.2.3 Ministry of Finance, Economic Planning and Development

- Following the introduction of the COVID-19 Levy, 270 employers withdrew their Government Wage Assistance Scheme (GWAS) applications and refunded amounts totalling some Rs 267 million.
- 146 payments of GWAS totalling some Rs 42 million were in respect of employers who were later put on Mauritius Revenue Authority's (MRA) 'Blacklist' of defaulting employers. Details of such employers were not received in a timely manner from the Ministry of Labour, Human Resource Development and Training.
- Refunds by individuals who were not eligible for the Self Employed Assistance Scheme (SEAS) amounted to some Rs 8 million.
- Funds disbursed under the SEAS could not be examined due to late submission of detailed listing of payments by MRA.

3.2.4 Ministry of Tourism

- EP procedures for the selection of service providers for the quarantine services were not transparent.
- The list of hotels retained to serve as Quarantine Centres included some which were not members of the Association of Restaurants and Hotels in Mauritius (ARHM).
- Two caterers that served the Quarantine Centres were not registered as supplier of catering service with the Mauritius Tourism Promotion Authority (MTPA).
- Deficiencies in communication between concerned Ministries, involved in the repatriation of stranded Mauritians on cruise ships, resulted in some Rs 37.3 million remaining unrefunded by cruise owners.

3.2.5 Concluding Remarks

It is an undeniable fact that the COVID-19 pandemic, which is unprecedented, has created many challenges in the domain of public health management. With a view to saving the lives of the citizens, the authorities may have been well intentioned in deciding to procure medical products on a fast track basis to face the potential harm that COVID-19 may cause.

The prospect of incurring Rs 14 billion of expenditure, together with the challenge of government departments working remotely in the lockdown environment, means that sound financial management, transparency and accountability were more critical than ever. In

times of crisis such as the current COVID-19 pandemic and its economic and social repercussions, good governance matters more than ever. There may be temptations to focus only on the pressing needs created by the pandemic and to sideline considerations for accountability and transparency. However, nothing justifies the flouting of the principles of good governance, especially when it involves public funds.

A High Level Committee on COVID-19 chaired by the Prime Minister was instituted to monitor both local and international epidemiological situations and for rapidly sharing of key information among the different Ministries and other stakeholders on 31 January 2020. On the basis of my audit, I have concluded that the different Ministries/Departments had, instead of implementing the decisions of the High Level Committee on COVID-19 in accordance with rules and regulations, construed these decisions as directives. For instance, in relation to the award of contract made directly to a foreign company by MOHW for ICU ventilators and the purchase of medical products by the MCCP, the Ministries have abdicated their responsibilities to ensure that the procurement exercises were effected on a rule based approach and to ensure the proper and efficient use of public funds.

For procurements where there is no competition, it is important that awarding bodies set out clearly why they have chosen a particular supplier, and how any risks associated with absence of competition are to be identified and mitigated. This is to ensure public trust in the fairness of the procurement process.

The audit exercise has revealed amongst others that there was a lack of proper planning, absence of proper documentation at the different stages of the procurement process, non-compliance with the legal requirements and value for money was not obtained. In various instances NAO found examples where Ministries had failed to properly record key decisions, such as why they chose a particular supplier. There was also no evidence of any documentation regarding consideration of risks, including how the authorities had identified and managed any potential conflict of interest.

The lack of monitoring in the midst of the crisis has resulted in some Rs 94 million paid for defective ventilators, and Rs 853.7 million for medical disposables purchased from companies which had no history of providing medical products to Government, and abnormally high prices being paid by the MOHW (up to 67 times higher than the last price paid for medical disposables by the Ministry).

No documentary evidence in respect of authorisation of medical products acquired for some Rs 1.7 billion was produced to NAO by the different Ministries and Departments. NAO staff was informed that decisions were taken by a committee set up at the level of the MOHW for which neither the agenda nor minutes of decisions taken were available. NAO was also informed that instructions had been received from the High Level Committee for COVID-19 (set up under the aegis of the Prime Minister's Office) for which no documentary evidence was produced.

Preliminary lessons from the current situation suggest the need to re-think risk and contract management frameworks in future procurement procedures and contracts. To ensure that EP in the Public Sector does not turn out to become a fertile ground for the commission of financial abuses and malpractices, it is high time that accountability and transparency in the field of public procurement be reviewed.

Detailed Observations

3.3 Ministry of Health and Wellness

3.3.1 *Non-Compliance with Legal Provisions related to EP*

Relevant legislations with regard to EP are Section 21 of the Public Procurement Act (PPA), Regulation 8 of the Public Procurement Regulations and Directive 44 issued by the Procurement Policy Office (PPO) on 19 March 2020.

- Compliance with provisions of Directive 44 was not ensured by the MOHW. Proper records were not kept contrary to paragraph 3 of the Directive. Also, a competitive procurement exercise as required under paragraph 2 was not even contemplated.
- Contrary to Regulation 8 of the Public Procurement Regulations 2008, there was no evidence of any negotiations with any of the prospective suppliers for all the EP exercises carried out.

3.3.2 *Contingency Planning*

Since the WHO declaration of the COVID-19 as a pandemic, no contingency plan was developed by the MOHW to, amongst other things, forecast the need for medical products. Hence, the basis on which the items and their respective quantities to be acquired under EP was not known. Procurement planning was therefore minimal.

3.3.3 *Accountability and Ownership of Medical Products Acquired – Rs 1.7 billion*

EP of medical products must involve MOHW as leading public body. MOHW has however disbursed only 35 per cent of total payments for medical products out of its budget. The remaining 65 per cent of the total sum was disbursed by public entities not responsible for health matters, namely the Ministry of Commerce and Consumer Protection (MCCP) and the State Trading Corporation (STC). Accountability was thus diluted since procurement was made by entities other than the MOHW.

STC reported that it was just fulfilling its role as the trading arm of Government in an emergency situation, upon specific instructions received from its parent Ministry. Details with regard to suppliers from whom to procure, price, quantity, specifications of the items procured were all provided by MCCP.

The relevant file at MCCP containing all the information had been secured by ICAC. Hence, NAO could not ascertain whether the procurement was done in a fair and transparent manner, in compliance with applicable legal provisions and whether the Ministry has obtained value for money.

3.3.4 *Deriving Value For Money from Medical Products acquired under EP– Rs 1.4 billion*

NAO reviewed a sample of EP exercises carried out by MOHW, STC and MCCP in respect of Medical Disposable Items for some Rs 1.2 billion, ICU Ventilators for some Rs 94.4 million and Pharmaceutical Products for some Rs 77.8 million. The Ministry

derived little value from several medical products purchased. Also, the underlying EP procedures were at times opaque and prevented a proper assessment of the value obtained by the Ministry considering the disbursement of such large amounts of public funds.

3.3.5 Procurement of Medical Disposables – Rs 1.2 billion

Some Rs 1.2 billion were disbursed for the purchase of medical disposable items. Several shortcomings were noted as follows:

- Some Rs 82.2 million were disbursed by MOHW for the purchase of medical disposables from four companies with which the Ministry had no previous procurement dealings in such goods. A search for their trading particulars at the Corporate and Business Registration Department revealed that the authorised business activities of three of them did not relate primarily to medical products. NAO was unable to trace out any requests for submission of quotations from these companies. Also, no evidence could be produced as to whether the regular suppliers of MOHW were requested to submit quotations.
- STC and MCCP paid some Rs 780 million for the procurement of medical disposable items from five suppliers on behalf of MOHW. The basis of their selection was not known and three of the suppliers were not specialised in dealing with medical products.
- 223,710 units of mask N95 and 519,400 units of mask 3 ply were procured by MOHW from the four companies mentioned above, which were not established dealers in medical products. In addition, STC procured 1,551,940 units of N95 masks and 7,035,000 units of 3 ply mask on behalf of the Ministry. However, no records were made available to NAO to ascertain whether these 9.3 million masks procured did meet the technical requirements usually set out by the Ministry.
- The average prices paid for some medical disposables under EP were compared to the last prices paid by the Ministry. It was found that the prices paid were 2 to 67 times higher than the last price paid by MOHW.
- On 16 September 2020, a visit was carried out by NAO officers at the warehouse of MOHW at Castel, where some 34 million medical disposables worth over Rs 460 million were stored. These items were stockpiled in large quantities and were stacked in boxes in a haphazard manner without any identification label. No segregation was made between medical disposable items purchased and those received as donations and hence no reconciliation between the ledger balances and the physical stocks could be carried out.

3.3.6 Procurement of ICU Ventilators - Rs 94.4 million

STC purchased 60 Intensive Care Unit (ICU) ventilators for the Ministry for some Rs 94.4 million for which no benefit has yet been derived eight months after payment was effected, although they were procured under EP. 10 of them are functional but not yet commissioned at time of audit. This is a salient example where no value for money was obtained.

ICU Ventilators Servo-i

10 ventilators make Servo-i were procured from a local company at a total price of Rs 16.5million and were delivered from May to October 2020. As at December 2020, these ventilators were functional but not yet commissioned. NAO could not ascertain whether application and technical training for user and Surgical Technologists respectively would be provided by the supplier. Also, there was no evidence of any warranty offered on the equipment.

ICU Ventilators AeroDuo

On 1 April 2020, the STC ordered 50 ventilators make Aeomed VG70 from a foreign company for MOHW for a total amount of some Rs 77.9 million, which was paid in advance on 2 April 2020. On 25 May 2020, the Ministry was informed that due to their unavailability, AeroDuo ventilators, which have similar technical specifications, could be supplied instead. The Ministry agreed and recommended that each ventilator be equipped with an air compressor including alarm for air compressor failure and a set of 13 accessories as specified in the technical evaluation report. The 50 ventilators and some of the accessories were delivered at MOHW warehouse in Castel on 31 July 2020 and the remaining accessories were delivered on 10 September 2020. The ventilators were not supplied as per requirements and were not functional at all till date. In the absence of any letter of acceptance or any conditions, it was not known if the supplier had submitted any performance security in order to address the risks in case of any contractual default.

- The Advisor on Biomedical Engineering and the Superintendent Surgical Technologist reported that there was no indication of the make/model of the ventilator in the catalogue proposed by the supplier, and hence, quality of the ventilators and their compliance with international norms could not be ascertained. They also concluded that the ventilators received were not the same as the one vetted and recommended by the technical team in June 2020. The five ventilators they tested were faulty and could not be used on patients.
- Two ventilators were configured and tested by technicians from the foreign company in the presence of officers of the Ministry. However, configuration problems were identified. The foreign technicians informed the Ministry that some accessories such as built-in battery, built-in nebulising facility and humidifier holder were not provided, as these did not form part of the specifications.
- The Specialist Anaesthesia, the Respiratory Therapist and the Surgical Technologist have in their respective reports concluded that the ventilators were faulty, of poor quality and cannot be used in any ICU settings. Moreover, the AeroDuo ventilators were not in the official list of FDA approved ventilators.

3.3.7 Procurement of Pharmaceutical Products - Rs 68 million

As at December 2020, the Ministry disbursed some Rs 67.8 million for the procurement of pharmaceutical items under EP. A physical survey of the pharmaceutical products at the Central Supplies Division (CSD) was carried out in April 2020 and a list of 46 drugs considered essential which were not available, or for which stock was critical, was drawn. The following observations were made:

- The contract for the supply of 37 of the 46 drugs was awarded directly to a wholesale pharmacy, which was not a regular supplier of the Ministry as it supplied only three drugs in 2013. The supplier managed to import 21 drugs on an aircraft scheduled for 8 May 2020 and for which the Ministry paid all freight charges. No records were made available as to whether the regular suppliers of the Ministry were offered similar opportunity to supply the Ministry with the 46 drugs. NAO observed that during the same period the Ministry resorted to a different procedure under EP whereby suppliers were requested to submit pro-forma invoices, particulars of manufacturer, available quantity and expiry dates amongst others and selection was made upon a technical evaluation.
- The bids of the wholesale pharmacy were rejected at evaluation stage in one EP exercise done during the lockdown period and also in normal competitive tender exercises carried out by the Ministry in 2017-18 and 2018-19 for lack of information on the pharmacopeia, name of manufacturers and for non-compliance with the Instructions to Bidders. For the procurement of the 37 drugs, no evidence of the pharmacopoeia according to which the products were manufactured and the source of supply of these drugs were submitted. In the absence of these documents, the quality, efficacy and safety of the drugs could not have been ascertained.
- There was a significant increase in the price quoted, ranging from 15 per cent to 3300 per cent, for the 37 drugs procured under EP.
- As of October 2020, the wholesale pharmacy was still making the delivery to the Ministry in respect of the award of the 37 drugs. In the absence of any delivery schedule agreed upon between the supplier and the Ministry, it could not be ascertained whether these drugs were timely delivered during the lockdown period. The question of emergency becomes pertinent if such a long time is allowed for delivery of the drugs.
- Although the need for the purchase of the 46 drugs was determined on the basis that there were no pending orders or tenders, for 18 drugs, contracts for their supply were already awarded prior to the lockdown. Hence, the reasons put forward by the Ministry for the procurement of the drugs under EP were not valid with respect to these 18 drugs. It was also noted that both suppliers delivered five drugs during April and May 2020.
- NAO could not ascertain whether “Certificates of Analysis” for all drugs supplied were produced by the supplier as mandatorily required. Certificates for only 17 drugs were produced at the Central Supplies Division (CSD). Thus little assurance was obtained as to the quality of these medicines.

3.3.8 Procurement of Pharmaceutical Products by the STC for the Ministry

STC paid some Rs 10 million for two pharmaceutical products purchased from the wholesale pharmacy for the Ministry. These drugs were delivered to the Ministry on 12 May 2020. MOHW was not in a position to furnish any information relating to the procurement and neither STC nor MCCP could provide any information as the relevant file had been secured by ICAC.

No proper audit exercise has been carried out in respect of these procurements and no opinion can be expressed as to whether the procurements were done in a fair and transparent manner, in compliance with the legal framework and whether the Ministry has obtained value for money.

3.4 Ministry of Commerce and Consumer Protection

3.4.1 EP of Medical Equipment and Supplies – Non Compliance with Directive of the Procurement Policy Office

According to the Ministry, it had undertaken EPs for and on behalf of MOHW during the national lockdown period from March to May 2020, following instructions received from the High Level Committee on COVID-19 chaired by the Honourable Prime Minister.

The file relating to EPs was secured by ICAC, and a temporary file kept by the Ministry was made available for audit.

Letters of award were issued on 6 May 2020, for the supply of the following:

- 225,000 units of Nasal swabs kits from supplier A for the total amount of Rs 33.7 million;
- Two units of Quant Studio Pro Real Time PCR System and 100,000 units of PCR Tests and equipment for the total amounts of some Rs 10 million and Rs 28.6 million respectively from another supplier B.

The Ministry effected payments totalling some Rs 72.3 million to the suppliers as per Table 3-2.

Table 3-2 Payments effected by Ministry of Commerce and Consumer Protection

Date	Amount Rs	Suppliers	Items	Payment Authority DW No from MOHW
26 May 2020	33,750,000	A	225,000 units of Nasal Swabs Kits units	180 of 2019-20
23 June 2020	9,950,000	B	2 units of Quant studio PCR system	184 of 2019-20
24 June 2020	28,641,250	B	100,000 units of PCR Tests & Equipment	180 of 2019-20
Total	72,341,250			

A scrutiny of the procurement procedures for the purchase of those medical equipment and supplies revealed the following:

- (a) No written requests from MOHW/ National Task Force on COVID-19;
- (b) Record of proceedings regarding the choice of suppliers was not kept;
- (c) Payment to Supplier – Interest of Government not fully safeguarded; and
- (d) Delay in Delivery.

3.4.2 No Written Requests from MOHW/National Task Force on COVID-19

There were no written requests from the MOHW or the National Task Force on COVID-19, be it a correspondence or memo or electronic mail, for the purchase of above-mentioned medical equipment and supplies. Hence, it could not be ascertained whether specifications and quantity of items purchased were according to requirements.

3.4.3 Record of Proceedings Regarding the Choice of Suppliers not Kept

Paragraphs 2 and 3 of Directive 44 issued by the Procurement Policy Office (PPO) on 19 March 2020 set out the procedures, inter alia “*All proceedings relating to the EP shall be recorded*”, and “*Accounting Officers shall keep proper records with respect to the decision to resort to EP*”, that public bodies must follow to undertake the emergency procurement. Proceedings were not recorded in relevant files in respect of the following:

- Choice of suppliers A and B, and on what basis, namely reason and justification;
- Whether those suppliers were already registered with MOHW as potential suppliers for medical items or not; and
- How the Ministry assessed that prices quoted by those suppliers were fair and reasonable in the absence of quotes from other suppliers or other relevant documents from manufacturer.

Moreover, in view of the value of procurement involved, other procurement procedures as per the Public Procurement Act, such as determination of bidder’s qualification to perform the contract, agreement to be signed, submission of performance security and advance payment guarantee, were not followed.

3.4.4 Payment to Supplier - Interest of Government not fully Safeguarded

225,000 units Nasal Swabs Kits

According to quotation dated 2 May 2020 from supplier A, payment of full contract value was required to be made upon order confirmation. However, the letter of award issued to the supplier on 6 May 2020 made no mention of any bank guarantee to be submitted in respect of advance payment, contrary to the General Conditions of Contract – Advance Payment Clause. Full contract value of Rs 33.7 million was paid to the supplier on 26 May 2020 and delivery of the medical items was made to the MOHW on 17 June 2020.

100,000 units PCR Tests and Equipment

As per quotation dated 5 May 2020 from supplier B, 50 per cent of the contract value was payable upon order confirmation. On 9 June 2020, the Ministry requested the supplier to submit a bank guarantee for the full contract amount, that is Rs 28.6 million. Subsequently, on 17 June 2020, the Ministry requested the supplier to submit a bank guarantee for only 50 per cent of the contract value that is Rs 14.3 million. Delivery of the first consignment was to be made within 8-10 weeks and the balance on a staggered basis up to December 2020. However, the quantity of the PCR tests and equipment to be delivered for the first consignment was not mentioned.

Despite that the selected supplier had submitted a bank guarantee of Rs 14.3 million, the Ministry effected payment of the full amount that is Rs 28.6 million on 24 June 2020. The Ministry stated that the Departmental Warrant issued by the MOHW was to lapse on 30 June 2020, and hence, it had to effect full payment to the supplier.

In both cases, the interest of Government was not fully safeguarded since payment was made to supplier in advance without securing adequate bank guarantee for same.

3.4.5 Delay in Delivery

100,000 units PCR Tests and Equipment

- Delivery of the first consignment of the PCR Tests and Equipment was to be within 8-10 weeks of order and staggered delivery of balance until December 2020. Contrary to paragraph 2 (ii) of Directive 44 issued by the PPO, which states that “...the scope of the EP shall as far as possible be limited to the defined period of the emergency”, justification for including period June to December 2020 as emergency period was not seen.
- Due delivery date of the first consignment was by 15 July 2020. However, the first consignment was delivered on 28 August 2020, that is with a delay of six weeks, as evidenced by copy of delivery notes signed by MOHW. In such situation of emergency where the health of the whole population was at stake and time was of essence, even one day delay was material. It was noted that no liquidated damages for late delivery were included as a condition in the letter of award to the supplier. Applicability of liquidated damages could have been a deterrent factor for supplier to default.

As of 8 December 2020, date on which a physical check was carried out at the ex-BAI Stores at Castel where those medical supplies were stored, the 100,000 units of PCR Tests were still in stock,

The Ministry informed NAO that all medical items needed to contain the pandemic were being channelled through the National Task Force on COVID-19 and the responsibility to procure above-mentioned items was assigned to the MCCP and that technical details and specifications had been cleared with MOHW. At that time, the utmost priority of Government was to ensure the protection of the population against the propagation of the pandemic.

With regard to basis for choice of suppliers, their registration with MOHW, assessment of reasonableness of the prices quoted by the suppliers, bidders qualification, performance security amongst others, the Ministry had stated that EP within a confinement/lockdown period does not allow for adherence to proceedings and procedures.

NAO's Comments

Notwithstanding the fact that the situation was an unprecedented one, the Ministry should have ensured that all matters dealt with and all proceedings in respect of major decisions taken while effecting EPs, were duly recorded in line with basic principles of good governance and for transparency.

3.5 Ministry of Finance, Economic Planning and Development

COVID-19 Financial Support Schemes – GWAS and SEAS

The Government Wage Assistance Scheme (GWAS) was introduced as an economic measure to provide financial support to employers so that employees are duly paid their salaries during the COVID-19 period. The Scheme was enacted on 16 May 2020 under Section 24 of the COVID-19 (Miscellaneous Provisions) Act.

The Self Employed Assistance Scheme (SEAS) was introduced along with GWAS to assist self-employed persons who have suffered a loss of revenue as a consequence of the lockdown in the fight against COVID-19. The Scheme was enacted under the COVID-19 (Miscellaneous Provisions) Act under Part XIIC.

- **Government Wage Assistance Scheme** - A review of the GWAS showed that information in respect of defaulting employers was not received in a timely manner.
- **Self Employed Assistance Scheme** - A detailed listing of payments made by MRA was requested on 14 October 2020, but this information has been made available only on 13 January 2021. As such, funds disbursed under the Scheme could not be examined.

3.5.1 Government Wage Assistance Scheme - Information in Respect of Defaulting Employers not Received in a Timely Manner

GWAS initially provided for the payment of salaries of private sector employees across all industry sectors for the last fortnight of March 2020, and for the months of April and May 2020. The quantum of GWAS payment made to employers was based on the National Pensions Scheme contribution returns for the month of January 2020, and was applicable to only those employees drawing a basic salary of up to Rs 50,000. The Scheme was subsequently extended to the months of June to December 2020, but payments were restricted only to employers of the tourism sectors and related businesses whose premises had been closed or activities were not allowed to be carried out under COVID-19 Regulations.

COVID-19 Levy

Employers benefiting from GWAS are liable to a levy known as COVID-19 Levy. The levy is enforceable under Section 24 of the COVID-19 (Miscellaneous Provisions) Act, which states that *“every employer who has benefited from an allowance under the Wage Assistance Scheme shall be liable to pay to the Director-General, in respect of the year of assessment commencing on 1 July 2020, 1 July 2021 or 1 July 2022, as the case may be, the levy specified in sub-section (3).”*

GWAS Payments

Payment of GWAS is calculated and effected through a computer programme managed by the Information Services Department (ISD) of the MRA following an application made by an employer.

During the period March to June 2020, some Rs 8,626 million have been charged to Budget Item ‘Wage Assistance Scheme’ by the Accountant General and made available to MRA for the purpose of GWAS payments. As of 30 June 2020, out of the amount of Rs 8,626 million, the gross amount disbursed by MRA for the period was some Rs 7,912 million, representing some 42,000 payments made to employers. Rejected payments amounted to Rs 42 million.

Following the introduction of the COVID-19 Levy, 270 employers withdrew their GWAS applications and refunded amounts totalling some Rs 267 million.

Employers in Blacklist – Information not Received timely

Employers who have not paid the wages of their employees appropriately or who have laid off their employees during the curfew period, or afterwards for those who continued to benefit from the Scheme, are not eligible to any future payments from the GWAS. The Ministry of Labour, Human Resource Development and Training (MoL) communicates the name of such employers to the MRA, which includes them in a Blacklist, and these employers are debarred from further GWAS payment.

Following further enquiries, the MoL may determine that an employee was laid off for a justifiable reason and inform the MRA accordingly so as to remove the employer from the Blacklist.

ISD updates the ‘Blacklist’ on its system whenever a new list of relevant employers is received from MoL. It was noted that 146 payments of GWAS totalling some Rs 42 million were in respect of employers who were later put on the ‘Blacklist’. The list from MoL was not received in a timely manner, and thus, there is the risk that some of these payments were made to already defaulting employers not eligible for GWAS.

MRA should request MoL to provide updated lists of defaulting employers in a timely manner.

3.5.2 Self Employed Assistance Scheme - Delay in Provision of Information Limiting Scope of Audit

Financial support provided was as follows:

- Rs 5,100 for period from 16 March to 15 April 2020;
- Rs 2,550 for period from 16 April to 30 April 2020; and
- Rs 5,100 for the month of May 2020.

The Scheme was extended to the months of June to December 2020 and provided for the payment of a monthly allowance of Rs 5,100, payable to individuals operating in the tourism sector and related activities only.

During the period March to June 2020, some Rs 2,415 million has been charged to Item 27- 210-015 with respect to the SEAS. Gross amount paid by MRA was Rs 2,428 million and same was reconciled with the Treasury Accounting System figure. Rejected payments amounted to Rs 38 million. Refunds by individuals who were not eligible for the SEAS amounted to some Rs 8 million for the same period.

Information Provided after Considerable Delay

A detailed listing of payments made by MRA was requested on 14 October 2020, but this information was made available only on 13 January 2021. As such, funds disbursed under the Scheme could not be examined.

Amounts disbursed as of 30 September 2020

As of 30 September 2020, total net amounts disbursed by MRA in respect of GWAS and SEAS were Rs 9,338 million and Rs 2,434 million respectively.

3.6 Ministry of Tourism

Government Borne Quarantine Services

In March 2020, following the global outbreak of COVID-19, the High Level Committee, set up at the level of the Prime Minister's Office, assigned the responsibility to arrange for quarantine centres for returning Mauritian passengers to the Ministry of Tourism, with the collaboration of the Mauritius Tourism Promotion Authority (MTPA). This included accommodation as well as catering.

In this connection, a sub-committee, comprising officers from the Ministry of Tourism, Ministry of Health and Wellness and Ministry of National Infrastructure and Community Development, was set up at the level of the MTPA with the following mandate:

- Identify hotels to be used as quarantine centres and define the costing criteria through negotiations.
- Allocation of the passengers and medical staff to the respective hotels.

- Prepare reports about the hotels once the passengers and medical staff are released after quarantine period when deemed necessary.
- Meet on a weekly basis to evaluate/query and approve the claims received from hotels used as quarantine centres.
- Recommend payments to be effected by MTPA.

The Sub Committee decided that Government-owned recreational centres for the elderly, other publicly-owned buildings and 20 hotels were to be used as quarantine centres. The Sub Committee also selected four contractors for the provision of catering services in the quarantine centres.

As from 1 October 2020, quarantine services were made payable. Government-borne charges were restricted to returning Mauritian passengers who were placed in quarantine centres during the period 18 March to 30 September 2020. Some 2,000 rooms throughout the island were retained for the Government-borne quarantine services.

3.6.1 Funding for Quarantine Services

In March 2020, the Ministry of Finance and Economic Development approved the utilisation of unspent funds of the MTPA for the year 2019-20 under its budget item “Promotion and Destination Support” to meet the expenses in relation to the quarantine services. The authority was extended to funds of some Rs 250 million earmarked in respect of the same item under the MTPA budget of 2020-21.

In June 2020, the MTPA received additional funds of some Rs 43.7 million for the quarantine service charges under the Government Estimates of Supplementary Expenditure 2019-20.

As of 30 June 2020, foreign cruise companies had refunded an amount of some Rs 31.3 million for the quarantine charges. Further sums totalling some Rs 45.5 million were received from foreign cruise companies during the period July to December 2020.

Audit of the operations regarding Government-borne quarantine services revealed the following:

- (a) Selection of caterers and hotels was not effected as per the Public Procurement Act;
- (b) Lack of internal checks over claims from service providers prior to payment; and
- (c) Lack of proper coordination among Ministries and wrong information given to foreign students precluding the prompt recovery of quarantine charges.

Selection of Caterers and Hotels not according to Public Procurement Act

During the period April to September 2020, 18 other caterers were added to the initial list of four caterers. The number of hotels retained as quarantine centres was increased to 27.

There was no evidence that procurement procedures as laid down in the Public Procurement Act were followed in the selection of service providers for catering and accommodation for the quarantine services.

- Two of the caterers, of which one was in the initial list of four caterers, were not registered as a supplier of catering service with the MTPA. As of 30 November 2020, payments to the two caterers totalled Rs 15.3 million and Rs 1.3 million respectively.
- It was stated that the list of hotels retained as quarantine centres was agreed with the Association of Hotels and Restaurants in Mauritius (AHRIM). Also, the costings for Room Charge of Rs 1,400 per night and catering fee of Rs 900 per person per day, were worked out in collaboration with the Association.

Processing of Payments – Lack of Internal Checks

Claims in respect of quarantine services borne by Government totalled some Rs 513.9 million, of which a sum of some Rs 460.2 million had already been paid as of 30 November 2020, as analysed below:

	Rs million
Accommodation	266.2
Catering	180.7
Others	13.3
	460.2

Returns/Reports from Health Authorities on passengers and medical staff allocated to the various quarantine centres, as well as the basis thereof, were not made available to NAO.

Consequently, accuracy of bills received from hotels and caterers with regard to room occupancy and number of food packs delivered could not be verified.

Included in the payments were damages for breakage of hotel property of Rs 3.1 million. Claims for these charges were settled without any Police Enquiry Report or other appropriate evidence from the Quarantine Centres.

Difficulty in Recovering Repatriation and Quarantine Charges

- *Returning Mauritians Working on Cruise Ships*

It was agreed that the Ministry of Foreign Affairs would arrange for the quarantine of Mauritian employees working on foreign cruise ships on their return to Mauritius. Foreign cruise owners would pay the Government US\$ 1,300 per crew member for a 15-day cycle in quarantine and the payment would be effected a week prior to the travel date.

As of 31 December 2020, a sum of US\$ 776,180, translated to some Rs 37 million, was still outstanding. Recovery of the outstanding amounts was proving difficult due to lack of

coordination between parties concerned. There were pending issues and, in a few cases, contracts had not yet been signed.

▪ *Amount Due by Foreign Students*

33 foreign students attending a local tertiary institution returned to Mauritius on 28 September 2020. Upon arrival to Mauritius they were kept in quarantine for 14 days.

The students were refusing to pay their quarantine fee of US\$ 1,300 each as they were informed on their arrival in Mauritius, through a document from the Ministry of Health and Wellness, that the accommodation for quarantine would be free of charge.

The students also refused to pay their PCR tests. The total amount claimed amounting to US\$ 54,021, that is, approximately Rs 2.4 million, was still pending as at 31 December 2020.

The Ministry informed NAO that;

- Given the exceptional circumstances, MTPA, pursuant to Directive 44 of the PPO of 19 March 2020, initiated consultations with hotel management to provide their premises to operate as quarantine centres. A committee comprising representatives of Ministries, Government Departments and AHRIM carried out site visits to assess the suitability of hotel premises to be converted into quarantine centres. Following a first leg negotiation by MTPA, 20 hotels were placed at the disposal of MOHW, which signed a Letter of Agreement with each of them.
- Regarding catering services, no hotel employees were authorised access to the quarantine centres. The possibility to provide in-house catering was non-existent. The MTPA, again pursuant to the aforesaid directive, contacted those willing to provide these services.

The services of one of the two caterers referred were retained as he informed he would be in a position to source the required food items and provide an adequate catering service. As for the other caterer, he had been providing his services to Recreational Centres since long.

- All bills paid by the MTPA in relation to quarantine services were duly verified by MTPA officials.

As for claims for damages, members of the sub-committee made site visits to take cognisance of the nature of damages and loss items. Payments were effected on the basis of approval of the Committee. In some cases, no payments were effected and the matters were referred to the Police.

- MTPA is following up on all unpaid invoices by cruise owners. Latest reminders to cruise owners were sent on 12 January 2021 and new deadlines were given for settlement.

Regarding quarantine expenditure refundable by foreign students, the matter is being followed up and if there is no compliance, MTPA will contemplate legal action to recover same.

PART III

AUDIT OF MINISTRIES

AND

GOVERNMENT DEPARTMENTS

4 – THE JUDICIARY

4.1 Sale by Levy and Compulsory Acquisition – Records and Valuation Issues

The Judiciary maintained Deposit Accounts carrying a total balance of Rs 630.3 million as at 30 June 2020, and consisting mainly of Deposit Account – Suitors Monies (Rs 341.1 million) and Deposit Account – Master and Registrar (Rs 275.7 million).

Details of the Deposit accounts are shown in Table 4-1.

Table 4-1 Deposit Accounts – Judiciary

Deposits	2016	2017	2018	2019	2020
	Rs m	Rs m	Rs m	Rs m	Rs m
Suitors Monies	235.0	227.3	235.9	273.2	341.1
Deposit –Master and Registrar	162.6	190.2	210.7	227.4	275.7
Council of Legal Education	2.3	3.3	4.8	6.1	7.3
Municipal Fines	2.0	2.1	2.1	2.1	2.1
United Nations Office on Drugs and Crime	-	1.1	1.1	3.1	3.1
Sundries	0.5	0.9	2.0	0.4	0.4
3rd FOCAC Legal Forum	0.4	0.4	0.4	0.3	0.4
E-Judiciary	0.4	0.4	0.5	0.1	0.2
Total	403.2	425.7	457.5	512.7	630.3

The Deposit – Master and Registrar has three components, as follows:

	Rs m
Compulsory land acquisition dealt with by the Ministry of Housing and Land Use Planning	54.9
Sale by levy dealt with by the Master's Court	218.7
Security costs dealt with by Commercial and Intermediate Court	2.1
Total	275.7

Audit of records relating to Compulsory Land Acquisition and Sale by Levy has revealed the following shortcomings:

- Absence of proper accounting records.

- For determination of sales value of property during the process of Sale by Levy.
 - Absence of Valuation reports for cases filed; and
 - No valuation done on behalf of the sellers.

NAO is also of the opinion that the “mise a prix” for sale of immovable property set at 50 percent was not in the interest of the sellers.

Absence of Proper Accounting Records

Deposit Account - Compulsory Land Acquisition by Government

In a *Compulsory Land Acquisition process*, after determination of the value of the land by the Land Appeal Tribunal, the Ministry of Housing and Land Use Planning (MOHL) transfers funds due for payment to land owners into a Deposit Account held by the Master and Registrar.

- No detailed listing of year end deposit balances was available.
- No register of deposits was kept by the Master and Registrar and the Finance Section.
- No age analysis of the deposit was carried out.
- No return was submitted to MOHL in respect of deposits received from the latter, for follow up purposes.

In the absence of details, audit could not ascertain the amount that should have been credited to the Curatelle Fund, as provided under Section 22(3) of the Land Acquisition Act.

Deposit Account - Sale by Levy

In a Sale by Levy process, the acquirer of the immovable property is required to effect payment of the amount at the cash office of the Supreme Court. The amount paid is credited to the deposit account of the Master and Registrar. When the scheme of distribution is finalised the amount is subsequently paid to the respective person/organization by the Finance Section. A reconciliation statement is prepared upon reconciliation of the monthly deposits and repayments with the records of the Treasury.

- No register was kept at the Master and Registrar and the Finance Section.
- No detailed listing was available.
- No age analysis report was prepared.

The Judiciary informed NAO that

- Return of outstanding balance has been submitted for follow up action.
- As regards the transfer of outstanding balances to the Curatelle Fund, the MOHL should refer the matter to the State Law Office for legal changes.
- As regards the detailed listing, this will be cured by the suggestion of keeping a proper register at the Master's Office of all deposits effected.
- Ageing analysis will be taken up with the implementation of Revenue Collection and Case Management system (RCCMS).

Determination of Sales Value of Property during “mise a prix” process of Sale by Levy

The following were observed

- The valuation report of the private Registered Valuer was not attached to the memorandum of charges, filed at the Master and Registrar Office.
- The “mise” a prix is set at 50 percent of the value of the private Registered Valuer as provided by the Attorney on behalf of creditors. However, under the current system, there is no valuation report on behalf of sellers. There is no independent valuation by the Government Valuer to safeguard the interest of sellers.
- The Commission on Sale by Levy had proposed in August 2014 that the borrower and guarantor should also be given the opportunity to have the property, given in guarantee, independently valued by an independent valuer which may be the Government Valuer.
- As from the year 2017, the “mise a prix” for the sale of immovable property was set at 50 per cent of the valuation given by the private registered valuer.
- In December 2018, the Law Reform Commission recommended the “mise a prix” should not be less than 90 percent of the value of the immovable property when it constitutes the “logement familial” of the debtor.
- In three instances, properties were sold at half the price of the valuation;
 - A land of 2A05 at Montagne Ory, Moka was valued at Rs 28 million in 2018 and was sold at Rs 14 million in 2020 to the creditor (a bank) at the rate of “Mise a prix” of 50 percent;
 - A plot of land of 285 m² at Stanley Rose Hill was valued at Rs 3.2 million in 2019 and was sold in 2020 to the creditor (a bank) at Rs 1.65 million slightly higher than the rate of “Mise a prix” of 50 percent; and

- Another plot of land of 211 m² at Medine Flacq was valued at Rs 200,000 in 2019 and was sold in 2020 to the creditor (a bank) at Rs 110,000 slightly higher than the rate of “Mise a prix” of 50 percent.

NAO is of the view that the proceeds, based on the present “Mise a Prix” was at the detriment of the sellers. It is suggested that legal changes be brought to raise the rate of the “Mise a Prix”.

The Judiciary informed NAO that

- The Law in fact provides that the property seized be valued by an Independent Valuer whose services are retained by the Creditor, but there is no requirement in the Sale of Immoveable Property Act for an independent valuation by a Government Valuer.
- The Commission of Inquiry on Sale by Levy has made recommendations in 2014 and changes to the existing law is of the province of the Attorney-General and Parliament.
- The Law provides that when there are no bidders, the property is knocked down to the Seizing Creditor. This is the case for the sale of land at Montagne Ory. With regards to the sale of plots of land at Stanley, Rose Hill and Medine Flacq – the bids started at Rs 1,615,000 and Rs 100,000 respectively and the highest bids were Rs 1,650,000 and Rs 110,000, therefore the property was adjudicated to the highest bidder, as there was no bidder thereafter.

4.2 Deposits for Suitors Monies

Section 3 of the Bail Act 1999 provides that some defendants or detainees are entitled to be released on bail subject to conditions and based on court judgement. When bail is granted to defendants or detainees, the latter are required to deposit “*suitors monies*” for amounts as determined by courts. They may also be required to make a “*reconnaissance des dettes*”.

The outstanding deposit balance in respect of Suitors Monies, was Rs 341.1 million at 30 June 2020 compared to Rs 273.2 million as at 30 June 2019, that is, an increase of 24.8 per cent. During the financial year 2019-20, some Rs 173 million was collected and Rs 105.1 million was repaid/adjusted.

Audit of records relating to Deposits for Suitors Monies has revealed the following shortcomings:

- There has not been any improvement on matters reported in the Audit Report for the financial year 2018-19.
- There are settled cases for which deposits were not yet repaid.
- The process to refund Suitors Monies is lengthy, cumbersome and not customer oriented. For instance, some customers have to travel several times to come to the Judiciary and Treasury for a refund of Rs 1,000.

- Some Payable Orders for repayment of Suitors Monies which were stale, have not been refunded;
- No register was kept for “reconnaissance de dettes”; and
- Unidentified balance of Rs 2.2 million.

Follow up on Matters Raised in Audit Report 2018-19

At paragraph 3.1.2 of the 2018-19 Audit Report, the following were reported:

- Dormant Deposit Accounts for Suitors Monies totalled Rs 273.2 million at 30 June 2019. No detailed listing was available to reconcile with the control account figures. No age analysis was prepared.
- There were 5,870 cases of deposit accounts for suitors monies totalling Rs 53 million for bails that have already lapsed since more than five years. No decision had yet been taken on whether to transfer the Rs 53 million to the Consolidated Fund.

The Judiciary informed NAO that

- The accountability issues would be solved with the coming into operation of the new RCCMS.
- Due to the fact that mention is made in the Financial Management Manual (FMM) to the effect that deposits of more than five years shall be transferred to the Consolidated Fund, except for suitors’ monies, the advice of the Ministry of Finance, Economic Planning and Development (MoFEPD) was sought with a view to derogating from the standard practice to allow transfer of the above sum of Rs 53 million to the Consolidated Fund. MoFEPD has referred the matter to the Attorney-General’s Office.

As of 4 February 2021

- The implementation of the RCCMS, that was scheduled for completion in February 2019, was not yet completed.
- Despite several reminders sent to MoFEPD, no reply had yet been received.

Settled Cases not yet Repaid

Of 36 Suitors Monies deposits totalling Rs 972,000 for the Port Louis District Court and the Intermediate Court, 27 cases were disposed but the bails have not yet been repaid. No record was available for the remaining nine cases. No explanation could be provided to NAO.

Refund of Suitors Monies

Under the current process for refund of Suitors Monies, the Court Manager of each District Court initiates action to repay the surety. The Finance Section of the Supreme Court submits Deposit Repaid Vouchers to the Treasury which then effects payment. The refund process is administratively lengthy. Suitors Monies were mostly repaid by the Treasury through Payable Orders rather than bank transfers. Also, the surety is required to call at the Treasury at Port Louis for removal of crossing on Payable Orders. The number and amount of bails which have lapsed but the depositor could not be repaid had increased over the years due to lack of proper follow-up.

Since most Courts have Court Officers and Finance Officers in post, it is suggested that a new decentralised mechanism be put in place for the prompt refund of Suitors Monies within a reasonable timeframe.

No Register kept for “Reconnaissance de Dettes”

- There is no formal policy to determine a defendant or detainee’s ability to settle the “reconnaissance des dettes” agreed prior to its signature. The terms and conditions of recoupment in case of breach of “reconnaissance des dettes” was not specified.
- No register was kept to record ‘reconnaissance des dettes’ at all Courts.

The Judiciary informed NAO that it has never been the practice to keep a register for “Reconnaissance de Dette” in Court. However, the form of the Register of Suitors Monies usually kept in Court can be modified to accommodate information as regards the amount of “Reconnaissance de Dette” an accused party is called upon to enter by Court;

Unidentified balance of Rs 2.2 million

The Deposit Accounts included a total sum of Rs 2.2 million, collected during the COVID-19 lockdown period. This amount has not yet been identified and may have been wrongly accounted as deposit.

The Judiciary informed NAO that

- Currently, adjustments are being made to the respective District Court Deposit item as and when relevant information is obtained from District Courts regarding the suitor who effected the payment.
- This exercise is being closely monitored by the Finance Section of the Judiciary and Accountant-General Department.

4.3 Revenue Collection and Case Management System (RCCMS) not yet implemented after more than two years

The Judiciary reviewed its existing “Revenue and Case Management System” (RCMS) in operation at different courts and at the New Court House and Supreme Court. In June 2018

a contract was awarded to a private firm for the development of the RCCMS for the sum of Rs 12.7 million.

Scope of the Project

The scope of the project included development and implementation of a web-based RCCMS software application together with deployment of hardware for cashier systems, associated training, security features and data migration. The two phases were scheduled for completion by December 2018 with the following tasks:

- (a) To provide proper control and monitoring of collection of revenue, thereby generating all outstanding arrears to be included in the half yearly return of arrears of revenue.
- (b) Decentralise the payment of fines and other court fees.
- (c) Provide for securely shared data among all courts so that the general public can pay their fines/fees at any district court.
- (d) Allow online payment of fines without the need for the public to come to court.
- (e) Provide a backend solution for officers at the Judiciary to capture all types of case details, case management and reporting.

Payments

As of 31 December 2020, an amount of Rs 2.5 million, representing 20 percent of the contract amount, was paid to the contractor as advance payment.

As of January 2021

- There was already a delay of more than two years in the implementation of the RCCMS. There is still much to be implemented for realisation of modules apart from revenue collection.
- The Cashier Point of Sales (POS) system, implemented at the new Supreme Court House since October 2020, has been reported to be very slow. The POS systems have not yet been rolled out to other district courts. The User Acceptance Certificate has not yet been signed.

Because of the delay in putting in place the new RCCMS system, the Judiciary has disbursed some Rs 1.3 million for the maintenance of its existing Case Management System for the period July 2018 to June 2021.

The Judiciary informed NAO that

- Implementation of the RCCMS is still ongoing. The Judiciary is closely monitoring the project. Fortnightly project status meetings are being held with the supplier.

- Pending the final implementation of the project, to ensure continuity of the present Case Management System, it is imperative for the Judiciary to renew the existing maintenance agreement with SIL.
- Being given the considerable delay taken for the implementation of the project, the Judiciary is contemplating to apply the liquidated damages clauses as highlighted during the project status meetings with the supplier.

4.4 New Supreme Court Building Project – Lack of Records and Financial Controls

In November 2016, the Government of the Republic of India (GOI) and the Government of the Republic of Mauritius (GOM) signed a Memorandum of Understanding (MOU) which amongst others included the construction of the New Supreme Court (NSC). The GOI would finance the project by way of a grant of US \$ 30 million.

The construction contract was signed in December 2017 between the Project Management Consultant (PMC) as “Employer” and a foreign Construction firm as “Contractor”. The construction works started in December 2017 and were expected to be completed by December 2019. A practical completion certificate was signed in November 2019. The building, inclusive of furniture, was handed over to the Judiciary on 30 September 2020. As of 30 June 2020, payments had reached Rs 983.7 million, equivalent to some US\$ 28.1 million.

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

- No Final Completion Certificate and Final accounts were available as of January 2021.
- Bids received for the construction contract and for procurement of furniture were not made available.
- Material Testing Reports for iron bars and concrete slabs for the construction project were not made available.
- A snag list was submitted by the PMC in November 2019. There was no documentary evidence as to whether all the snags were duly resolved at time of audit in January 2021.
- A certificate of receipt/commissioning of the furniture items for which payments reached US \$ 1,486,611 as of end June 2020 was not available.

The Judiciary informed NAO that

- The Final Completion Certificate and Final Accounts are now available.
- The PMC has requested its Head Office to forward the documents which will be submitted soon.

- The Material Testing Reports for iron bars and concrete slabs are now available for verification.
- All the snags have been resolved and the completion certificate signed by all the parties before the building was handed over to the Judiciary.
- Prior to the taking over of the building, the Judiciary has ascertained that all the Offices/areas are fully equipped with all the required furniture and signed the certificate of completion and handing over.

4.5 Government Asset Register (GAR) not Properly Maintained

An asset register is generally recognised as being one of the most important tools for the efficient and effective management of assets. The GAR aims at providing government with a central database of assets acquired and controlled by Ministries and Departments. It will also form the basis for the recognition of the cost and value of non-financial assets in the accounts of the government. For the GAR to be an effective tool, it is imperative that it is kept up to date at all times.

During the fiscal year 2019-20, the costs of the new Court House Building together with new plant and equipment and new furniture worth some Rs 983.7 million as well as IT equipment amounting to some Rs 4.8 million were purchased together.

- The above costs of some Rs 988.5 million were not recorded in the GAR in the Asset Module of the Treasury Accounting System for inclusion in the financial statements of the Government.
- The master inventory (asset register) of the Judiciary has not been updated since long. NAO could not carry out any physical survey.

The Judiciary informed NAO that:

- The GAR kept at the Judiciary is normally updated on a regular basis following receipt of the relevant information recorded in the TAS of the Treasury.
- The new Supreme Court Building duly completed has been handed over to the Judiciary on 30 September 2020. In these circumstances, arrangements are now being made for the inputs of the relevant data in the GAR system and in the Master Inventory.
- The cost of Rs 4.8 million in respect of IT equipment is related *inter alia* to the purchase of 100 laptops. The distribution exercise has just been completed and the necessary relevant entries will now be recorded in the GAR system.

Follow-up on Matters Raised in Audit Report 2018-19

4.6 Arrears of Revenue - Inadequate Records

Arrears of revenue, which comprised mainly Fines and Court Fees, amounted to some Rs 44.9 million as at 30 June 2020.

The following shortcomings were mentioned at paragraph 3.13 of the 2018-19 Audit Report:

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

In February 2020, the Judiciary informed NAO that

- No Revenue Register was available. This issue will be taken care of upon the implementation of RCCMS.
- As regards Warrants of Arrest, all Courts are adopting the practice to summon Police Officers to depone 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.

As of January 2021

- A Revenue Register was not being maintained and the debtors' figures were still being worked out from Court files.
- The implementation of RCCMS was still ongoing since October 2018.

The Judiciary informed NAO

- that the issue of the maintenance of a Revenue Register will be cured on the implementation of the RCCMS project which is still on going.
- Pending that time, the only alternative is to retrieve debtors figured from the relevant Court Record and the Cause Book.

4.7 E-Judiciary Project - Nugatory expenditure of Rs 216.7 million

The E-Judiciary System was designed to restructure the Court process and to reduce the paper based operations, and also to eliminate the need for physical storage of records to leverage on the benefits of electronic storage within the Courts.

At paragraph 3.2 of the Audit Report 2018-19, I highlighted the following:

- (a) The E-Judiciary system was being revamped in February 2020 by a new system.
- (b) Expenditure totalling some Rs 216.7 million had already been incurred between 2015 and February 2020 on the previous e-Judiciary system and the expenditure would become nugatory and value for money would not be obtained.
- (c) The E-Judiciary computerised system was implemented only at the Commercial Division.
- (d) High maintenance charges amounting to some Rs 28 million annually were paid to service some 1600 cases for the Commercial Court for the year 2016, that is an average of Rs 17,500 per case, which is considered to be on the high side.
- (e) No business case and feasibility report were available.
- (f) There was no detailed pricing of each item in the Bill of Materials of the contract.
- (g) 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.
- (h) 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”.

On the basis of the problems identified at the level of the service provider in connection with the breakdown of the E-Judiciary system in November 2017, the Central Informatics Bureau proposed to revamp the existing E-Judiciary system using open source technology for the Commercial Division only. The reasons for the revamping were as follows:

- (a) High maintenance charges of around Rs 24 million were being spent annually just to service the Commercial Division;
- (b) The E-Judiciary Sharepoint 2007 platform would reach end of life and support would no more be provided by the service provider; and
- (c) The hardware has also reached end of life and thus vulnerable to breakdown.

In February 2020, NAO was informed that the Judiciary is coming up with the revamping of the e-Judiciary which will considerably reduce costs.

As of 27 January 2021, no explanation and details have yet been obtained for the following:

- Business case and feasibility report.

- The detailed pricing of each item of the Bill of Materials.
- Details of a payment of US\$ 590,544, that is some Rs 20 million.
- The balance of US\$91,347.

The Judiciary informed NAO that:

- The expenses met for the setting up of the e-Judiciary system cannot be said to be nugatory inasmuch as it helped Mauritius to secure a honourable ranking in the World Bank for ease of doing business.
- As regards the detailed pricing of each item of the Bill of Materials, several verbal requests in that connection were made to the MNS but to no avail.

4.8 New E-Judiciary System still not fully Operationalised

In December 2018 the Judiciary awarded the contract for the “Revamping of the E-Judiciary System” to a private firm for the amount of Rs 8.3 million and total maintenance charges from year 2 to year 5 amounting to Rs1.9 million, VAT inclusive. The full project was scheduled to be fully implemented by end of October 2019 and the Go Live was scheduled for May 2020.

The project was to be implemented in two phases:

- Phase 1: A software development and implementation of a web based e-Judiciary system with data migration.
- Phase 2: A software development and implementation of a web based interface with data migration to access judgment, legislations, etc and integration with the existing RCMS with on line payment module.

As of 27 January 2021

- The Judiciary had already disbursed some Rs 3.7 million to the supplier, that is 45 percent of the contract amount.
- Phase 1 of the revamped E-Judiciary system was live since March 2020 for the Commercial Court only.
- Phase 2 of the project was still under implementation in December 2020, that is a delay of more than 14 months. Data migration under Phase 2 was still in progress for some 55,000 records of the Family Division and all Legislations, Acts, Library and records of all District Courts.

The Judiciary informed NAO that

- As regards Phase 2 of the project, its implementation is still on going. The Judiciary is closely monitoring the project by holding regular status meetings and as per the supplier, Phase 2 is expected to be completed by the end of this present Financial Year.
- The liquidated damages clauses will be applied in this matter as well.

5 – PRIME MINISTER’S OFFICE, MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT AND EXTERNAL COMMUNICATIONS

5.1 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development revealed that, as of 31 January 2021:

- a) A report on performance has not been submitted for financial years 2018-19 and 2019-20 in respect of the following Departments: Civil Aviation, Police Service and Government Printing;
- b) Two statutory bodies falling under the aegis of the Prime Minister’s Office, have not submitted their financial statements for audit as shown in Table 5-1; and
- c) Annual reports including audited Financial Statements and Audit Report of five statutory bodies have not yet been laid before the NA as shown in Table 5-2.

Table 5-1 Financial Statements not Submitted to NAO for Audit

Statutory Body	Financial Year/Period
Chagossian Welfare Fund	2018-19
National Economic and Social Council	2014
	01 01.2015-30.04.2015

Table 5-2 Annual Reports not Laid before National Assembly

Statutory Body	Period	Date Certified
Information and Communication Technologies Authority	2015	23.08.2019
	01.01.2016 to 30.06.2017	17.10.2019
	2017-18	09.09.2020
	2018-19	24.09.2020
Mauritius Broadcasting Corporation	2015	22.05.2019
Media Trust	2014	27.05.2020
National Economic and Social Council	2013	17.03.2015
Outer Islands Development Corporation	01.01.2016-30.06.2017	03.07.2018
	2017-18	29.04.2019

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the report on performance for the Prison Service for the financial year 2018-19 has been submitted on 16 November 2020. Furthermore, the following Annual Reports have been forwarded to the National Assembly:

Annual Report sent to NA

Statutory Bodies	Period	Date Forwarded
Mauritius Broadcasting Corporation	01.07.2009 to 31.21.2010	16 February 2021
National Economic and Social Council	2013	17 February 2021
Information and Communication Technologies Authority	2015 and 01.01.2016 to 30.06.2017	-

5.2 National Development Unit

5.2.1 Capital Projects - Non Verification of Authenticity of Performance and Advance Payment Securities and Need to re-award Delayed Projects

A Contractor was awarded 64 works orders for a total amount of Rs 340.4 million during the period June 2018 to August 2019. The Contractor went into administration in August 2020. The following were noted:

- (a) Submission of fake Performance and Advance Payment Securities; and
- (b) Delayed projects had to be re-awarded.

Submission of Fake Performance and Advance Payment Securities

Performance and Advanced Payment Securities are means of insuring a client against the risk of a Contractor failing to fulfill its contractual obligations. Both securities were set at 10 per cent of the value of works orders.

Fake Performance and Advanced Payment Securities were submitted to the National Development Unit (NDU) by the Contractor. Upon request of the NDU, a banking institution revealed that it had not issued Performance Securities totalling some Rs 39.9 million in respect of eight projects and Rs 24.8 million as Advanced Payment Security in respect of one project. The securities were fake and could not be enforced though the Contractor performed poorly. As a result, Government had forgone some Rs 64.7 million, representing value of securities not enforceable.

NAO is of the view that the NDU should verify the authenticity of the Performance and Advance Payment Securities submitted by Contractors before start of works.

NDU informed NAO that:

- Measures had already been taken to systematically verify the authenticity of securities for each and every contract awarded with the banks concerned.
- Contracts were awarded to the Contractor based on the Framework Agreement (FA) for Roadworks and Drainworks respectively. It could not be foreseen that the Contractor would go into administration in August 2020.

Delayed Projects had to be Re-awarded

The status of works orders as of September 2020 was as follows:

- Of the 64 works orders awarded to the Contractor, 42 were completed, of which, 25 with delays; and
- Of the remaining 22 works orders, 15 with scheduled completion dates varying from December 2018 to December 2019 were cancelled due to the Contractor's delay to start projects, alignment issues or because works had not yet started. The other seven projects were still on-going although scheduled completion dates varied from March

to September 2019. The estimated value of remaining works for these seven projects was Rs 81 million.

NAO is of the view that due to time factor there is a risk that most of the re-awards of works orders may entail higher costs. These projects should have been completed in 2019.

NDU informed NAO that Works Orders were issued to the next lowest evaluated Contractor under the FA, where applicable. It could not be foreseen that the Contractor would go into administration in August 2020.

5.2.2 Capital Projects - Inadequate Monitoring of Performance

Contractor ‘A’ performed poorly in most of the 77 works orders awarded under FA 2018-20. As of September 2020, the status of these works orders is shown in Table 5-3.

Table 5-3 – Status of Works Orders issued by NDU

Number of Works Orders	Remarks
26	Completed
27	Completed between 50-95 %
24	Cancelled

Of the 53 projects where works had already started, in 11 cases only performances were found to be fair and satisfactory by NDU. In all other cases, performances were rated poor or very poor on account of considerable delays and few resources being deployed on sites.

Works did not start in respect of 24 works orders as resources were not mobilised and had to be cancelled and 11 of them were re-awarded.

The implications of poor performance of Contractor ‘A’ were delays in completion of projects, priority projects not undertaken on time and risk of re-award of contracts at higher prices.

The FA 2018-20 for ‘Construction and Upgrading of Drains and Associated Works’ expired on 15 July 2020. In October 2020, the Performance Review Committee (PRC) of the NDU recommended not to extend the agreement with Contractor ‘A’ for a six-month period. The Central Procurement Board was also informed of the matter.

NAO is of the view that:

- Non-extension of the FA for Contractor ‘A’ for a further six months will not preclude the Contractor from bidding for future NDU contracts. The NDU should report the Contractor to the Procurement Policy Office (PPO). According to paragraph 53(1) of Public Procurement Act, the Director of PPO may under such conditions as may be prescribed, suspend, debar or disqualify a potential bidder or supplier from

participation in procurement on ground of repeated failure in the performance of one or more contracts by the Contractor to comply with the terms and conditions of the contract or the specifications as the case may be.

- The NDU should include a clause in the FA to provide that new works orders will not be awarded to the same Contractor if works on previous works orders are repeatedly unsatisfactory. Presently this is not the case.
- For proper monitoring of Contractors, NDU should maintain a database on their past performance. 77 works orders were awarded to the Contractor during a period of two years. The result is that 24 works orders were cancelled due to lack of resources deployed on sites and partly completed projects had to be re-awarded. The fact that a Contractor had not performed well on previous works orders should be a factor to consider for awarding subsequent ones.

NDU informed NAO that:

- As per practice, no new contract is awarded to contractors who perform poorly. Action is taken against poor performance in accordance with the terms and conditions of the contract such as application of liquidated damages and termination of contract. Consideration might be given to include a clause to this effect in the FA.
- Action has been initiated to report the Contractor to the PPO and Construction Industry Development Board.

5.2.3 Project Delay - Recurring Feature of NDU Projects

Project delay is a recurring feature in the implementation of NDU projects. Delays for completion of works orders issued during financial years 2018-19 and 2019-20 are shown in Table 5-4:

Table 5-4 NDU Projects Delayed

	2018-19	2019-20
Total number of works orders issued	434	133
Total number of works orders with delays for completion	155	39
Delays of less than 6 months	96	33
Delays of more than 6 months	59	6

Source: NDU Project Database

As of October 2020, of the 59 works orders issued in 2018-19 and delayed for more than six months, 21 were still not completed and out of 39 delayed projects of 2019-20, 12 were still on-going.

A few examples of projects with delays are shown in Table 5-5.

Table 5-5 Delays on Specific Projects

Project	Project Value Rs million	Date Contract Awarded	Scheduled Completion date	Remarks
Drain Works at Morcellement Goolamally, Le Hochet	16.2	03.07.18	01.03.19	Not yet completed due to relocation of CWA pipes
Drain works Des Pierre Street Roche Bois	15.7	11.09.18	30.06.19	Not yet completed due to relocation of CWA pipes
Upgrading of Narrow Culvert at Congomah	10.0	22.02.19	30.08.19	Not yet completed due to relocation of CWA pipes
Upgrading of football ground at Cite Richelieu	11.0	24.01.19	30.07.19	Completed on 12.11.20 due to poor quality of soil provided by Contractor
Drain at La Forge Street, Grand Bois	13.4	17.12.18	31.05.19	Not yet completed. Termination of contract envisaged.
Cremation shelter at Grand Bois	4.1	22.08.19	23.12.19	Completed on 7.12.20. delayed due to modification of site layout by Local Authority

Causes of delay include:

- Changes in site conditions due to presence of underground services such as CWA water pipes, telecom cables and other provisions. Any of these services, if found during implementation, result in delays as they will have to be relocated.
- Delays may also be contractor related – for example, poor quality of works and inadequate resources deployed on site. Liquidated damages are applied in case of delay, but it does not seem to act as a deterrent. For instance, liquidated damages were applied in 351 works orders for FA 2015-17 and 2018-20 and yet delays recur.
- Changes in original design of projects during construction phase.

NAO is of the view that:

- The NDU should undertake trial pits prior to issuing works orders to determine presence of underground services. Presently trial pits are undertaken by Contractors after award of contracts.
- There should be better coordination with relevant Authorities to avoid changes in design after award of contract.
- Performance of contractors should be properly monitored.
- The number of works orders issued to contractors at a time should be monitored to ensure they have resources and capacity to carry out the works.

NDU informed NAO that:

- Usually, trial pits are undertaken by contractors. For major contracts, action has been taken for trial pits to be undertaken prior to the award of contracts primarily to ascertain presence of utilities and suitability of the land.
- Clearances are also sought from the relevant Authorities for the implementation of projects. Changes in design of the projects often result from new requests from the public, changes in wayleave conditions and underground services which are not in accordance with the drawings by Authorities.
- A Performance Review Committee is in place to monitor the performance of contractors and consultants. Action is taken to ensure that non-performing contractors are reported to the PPO.
- Most of the delays occur for reasons not attributable to contractors such as bad weather conditions, presence of utility services which are not located in accordance with the drawings provided by the relevant authorities and changes that need to be brought to the design of projects, based on prevailing site conditions.

5.2.4 Contract Management - Non-compliance with Clauses of the Framework Agreement resulting in Higher Costs

NAO noted cases of non-compliance with the FA on the issue of works orders to Contractors. During the period April 2018 to November 2020, the NDU had recourse to three FAs for the construction and upgrading of roads, drains and amenities and associated works.

A Framework Agreement is an agreement between NDU and Contractors establishing the terms and conditions under which Contractors will enter into contracts in the period during which the agreement applies.

According to terms and conditions in the FA:

- No new contract will be awarded to a contractor where the aggregate value of contracts under execution at any one time by that Contractor under the FA has reached 50 per cent of its average annual turnover based over the past five years; and
- For the refusal of works orders by the selected contractor, the NDU shall verify the capacity and capability of the contractor in regard to its mobilisation, availability of plant and equipment, financial position, resource allocation, and shall check its programme of works for all existing contract(s) to substantiate its non-capability to accept new contracts.

It was noted that in some cases, Contractors have rejected works orders from the NDU despite not having reached their 50 per cent average annual turnover limit. In such situation the NDU had to award the contracts to the next lowest bidder at much higher prices as shown in Table 5-6.

Table 5-6 Contracts Awarded at Higher Prices

Project	Lowest Tenderer	Contract Awarded to Next Lowest Tenderer
	Rs million	Rs million
Upgrading of Volley ball cum Basket ball pitch at Pte aux Sables	2.2	2.9
Upgrading of Football ground at Cite Richelieu	9.3	11.0
Construction of drains at La Forge, Grand Bois	12.1	13.4

There is no documentary evidence whether NDU verifies the validity of the reasons for refusal of works orders given by Contractors as provided in FA.

NAO is of the view that NDU should ensure that terms and conditions of the FA are complied with to obtain competitive prices for the works orders.

NDU informed NAO that:

- The 50 per cent limit of the average annual turnover of the contractor based over the past five years is applicable over a period of two years. At any point in time, the lowest contractor may have sufficient ongoing works to handle. Additional works might delay the start of new works orders. Hence, refusal of a performing contractor is viewed to be made in good faith on reasonable grounds.
- The NDU ensures compliance to the terms and conditions of the FA. The application of the FA enables having recourse to other contractors when the contractor with the lowest bid may be working at its full capacity, though not having reached the annual turnover limit.

Follow-up on Matters raised in Audit Report 2018-19

At paragraph 4.1.1 of the Audit Report for the financial year 2018-19 regarding Drain Projects, NAO drew attention on the following:

- (a) Contract for urgent Drains Works awarded under Emergency Procurement not yet completed;
- (b) Scope and Design of Urgent Works not yet finalised; and
- (c) Land Drainage Master Plan not yet prepared.

A follow up on the above matters in the course of audit for 2019-20 by NAO revealed that contracts for the Drain Works have still not been awarded and the Master Plan was still not yet prepared.

5.2.5 Contract for Urgent Drains Works Awarded under Emergency Procurement not yet Completed

The contract for urgent drains works at Cottage with contract value of Rs 139.9 million was awarded under emergency procurement in January 2019 and was to be completed on 30 June 2019. The project was delayed due to bad weather conditions and procedures for securing wayleaves from land owners. NDU allowed extension of time up to 31 March 2020.

As of November 2020, the drains works were still not completed. The Contractor went into administration in August 2020. A Consultant, in his report on outstanding works, highlighted that out of 10 bridge crossings, seven were partly completed and two were not yet started. Only 1.75 km of rock barrier were placed out of 6.25 km and no culverts were constructed. According to the same report, the Contractor did not submit any tests results on concrete for bridges and there was no report confirming that bars used for construction of bridges complied with construction drawings.

The estimated cost of remaining works amounted to Rs 103 million. As of February 2020, the amount paid to previous contractor was some Rs 53.7 million and Rs 5.4 million were retained.

NDU informed NAO that 83 per cent of the works have been completed and action has been taken for a new contractor to be appointed for the remaining works to be completed. The bid documents are being finalised. Bids for the appointment of a contractor for the remaining works are expected to be launched by early March 2021.

Scope and Design of Urgent Works not yet Finalised

NAO highlighted that project 'Design and construction of flood mitigation measures, Avenue Belle Source, Pamplémousses' was still at design stage as of September 2019. Clearances from land owner and land acquisition were still being awaited.

As of November 2020, the contract for the project had not yet been awarded though it was in the 2017-18 approved list of projects and was considered urgent.

NDU informed NAO that as of February 2021, bids have already been launched for Lot 1 and Lot 2 with extended closing date initially due for 13 January 2021 being extended to 27 January 2021 at the request of potential bidders. Land acquisition is in process for Lot 3.

Land Drainage Master Plan not yet Prepared

In the 2018-19 Report, it was mentioned that contract for the procurement of a ‘Digital Elevation Model’ was awarded on 16 November 2018 for the sum of Rs 16.7 million to enable the Land Drainage Authority to prepare a ‘Land Drainage Master Plan’. The aerial imagery would enable identification of flood prone areas.

Part 1 and 2 of the Master Plan are now expected to be delivered in April and September 2021 respectively.

5.3 Department of Civil Aviation

5.3.1 Arrears of Revenue – Debt Recovery Issues

At paragraph 4.2.1 of the Audit Report for financial year 2018-19, I reported, amongst others, that:

- (a) Contrary to financial regulations, cases of long outstanding arrears were not referred to the Attorney-General's Office for legal recovery; and
- (b) Some Rs 3.8 million or 45 per cent of the total arrears were due by one Airline Company.

Audit of revenue for 2019-20 revealed that:

- (a) there has not been much improvement in recovery of arrears; and
- (b) the amount due by the Airline Company was still not recovered.

Slow Rate of Recovery of Arrears

As per the Statement of Arrears of Revenue, some Rs 26.9 million were due by airline companies and private jets owners in respect of 'route air navigation charge', 'approach and aerodrome charge', 'aeronautical meteorological service charge' and 'scheme of charge' as of 30 June 2020. Recovery of most of these debts is doubtful. Actions taken by the Department of Civil Aviation (DCA) were limited to the issue of reminders and letters of concern.

- The balance of Rs 26.9 million was understated by some Rs 7.6 million representing claims raised during the period January to June 2020, for which no payment was received during the financial year 2019-20, and were not included in the Statement of Arrears of Revenue as of 30 June 2020. Hence, the arrears of revenue as of 30 June 2020 should be stated at Rs 34.5 million.
- Of the total amount of Rs 26.9 million outstanding as of 30 June 2020, some Rs 18.7 million relate to the current financial year. This figure includes an amount of some Rs 17.4 million due by one airline company.
- Of the total arrears of Rs 8.3 million which were outstanding as of 30 June 2019, only some Rs 100,000 were collected during financial year 2019-20.
- Arrears of some Rs 8.1 million were over five years old. These cases were not referred to the Attorney-General's Office for legal recovery action.
- Some Rs 3.8 million were due by one foreign airline company for the period July 2008 to December 2011. In May 2019, the DCA was informed that the airline company had been placed under "Reconstruction".

The DCA informed NAO that:

- Rs 17.4 million represent amount due by one airline company which has been placed under Voluntary Administration under Section 287 of the Insolvency Act 2009 since April 2020.
- Some Rs 8.1 million represent arrears of revenue relating to period prior to January 2016, not recovered for reasons such as 'No Response', 'Emails Returned', 'No Invoice', 'Cease Operations', 'Court Cases', etc.
- For the Airline Company owing some Rs 3.8 million, the advice of the Solicitor General was sought, and action is being taken accordingly.

5.4 Government Printing

5.4.1 Lapses in Assets Management

The following shortcomings were noted from a review of assets managed by the Government Printing (GP):

- (a) The principle of “economy” ignored in the acquisition of an air conditioning system for the Binding Sections;
- (b) Poor planning in the procurement of heavy duty collating machines entailing extra costs and wrong application of carry-over provision;
- (c) Decision to write off a digital hot foil stamping machine procured at a cost of some Rs 500,000 which did not operate as planned since purchase;
- (d) Digital press equipment not provided with a continuous power supply for four years due to defective uninterruptible power supply (UPS); and
- (e) Excessive expenditure incurred for the operation of a heavy duty industrial colour digital press procured at a cost of some Rs 12 million.

Acquisition of Air Conditioning System

Due to defective air-conditioners at the Binding Sections since May 2018, a new system was commissioned in January 2020 at a cost of some Rs 4.6 million. Lapses in the process for the provision of proper air-conditioning at the Sections include:

- GP acquired a new system at a cost of Rs 4.6 million although the replacement of the defective air conditioners would have cost only some Rs 300,000. Furthermore, the GP was in the process of moving to a new building which was under construction.
- Overpayment of Rs 575,000 to the supplier representing amount budgeted for “Provisional/Contingency sum” for which no request/approval was filed.

Decision to Upgrade the Air-conditioning System

In May 2018, the Ministry of Civil Service and Administrative Reforms recommended that urgent action be taken for the repair of the defective air conditioning (AC) units at the Binding Sections as this was causing much inconvenience to staff. Equipment in the Binding Sections costing some Rs 30 million had been operating with a high risk of breakdown. The maintenance contractor reported that of the 12 AC units installed, six faulty units of 166,000 Btu/hr cooling capacity needed to be replaced. GP contemplated the replacement of the faulty AC units and solicited the advice of the Energy Services Division (ESD) of the Ministry of Public Infrastructure and Land Transport. However, on 18 January 2019, ESD forwarded specifications for a completely new air conditioning system at a cost of some Rs 5 million.

Opportunity Cost for Implementing a New System versus Providing Additional AC Units

In September 2018, GP procured one AC Unit of 24,000 Btu at a cost of some Rs 38,000. Installing eight units of this type, providing a total of 192,000 Btu of cooling capacity in replacement of the six faulty units of 166,000 Btu cooling capacity, would have cost some Rs 300,000. However, this option was not contemplated by the ESD and GP awarded the contract for a new system for some Rs 4.6 million. Concurrently, GP had embarked in the construction of a new building at a project value of Rs 467.8 million which was scheduled to be completed by end of August 2020.

Provisional/Contingency Sum - Overpayment of Rs 575,000

The contract value for the AC system was approved for some Rs 4.6 million and was inclusive of Rs 575,000 in respect of “provisional/contingency sum”. Provisional/contingency sum must be deducted from the contract price if not expended or used as directed by the Engineer. Payment made to the Contractor on 15 May 2020 included the amount provided for “provisional/contingency sum”. There was no evidence of any request by the Contractor nor any directives/approval by the Engineer for works under “provisional/contingency” as stipulated in the agreement. As such, an amount of Rs 575,000 has been overpaid to the contractor.

The GP informed NAO that:

- Payment for contingency work was due to a lack of proper planning and monitoring of the project whose responsibility was entrusted to the ESD.
- There were conflicting views with regard to additional works completed and the procedures for approval.
- The amount paid for contingency will be recouped.
- All GP’s decisions were based on safety of its resources as well as ESD’s recommendations including payment as GP holds no expertise in that domain.

Procurement of Heavy Duty Collating Machines

During 2019-20, GP proposed to purchase one collating machine “in replacement of an old one”. GP was using two collating machines received from the Government Information Service in May 2015 which subsequently were not fully operational. The non-availability of the collating machine had caused serious production downtime, and the collating process had to be performed manually.

Although only one machine was planned to be purchased and for which a sum of Rs 3 million was budgeted, two such machines were procured through two separate bidding exercises and awarded to the same supplier at the cost of some Rs 3.6 million and Rs 3.9 million respectively.

Procurement of Additional Machine

The first bidding exercise was launched in October 2019, and the contract for the supply of one machine was awarded on 8 January 2020, with delivery in June 2020. In February 2020, tender for the procurement of one additional collating machine with the same specifications was launched and awarded on 26 May 2020.

Request for an additional machine in the same financial year and four months prior to the anticipated receipt of the machine already ordered depicts inadequate planning in the procurement of equipment. The splitting of the procurement involved extra resources for the procurement process and GP not benefiting from bulk discount.

Wrong Interpretation of Carry-Over Provision

The two machines were commissioned on 12 June and 15 September 2020 respectively. During 2019-20, the procurement of only one collating machine was planned and no provision for the procurement of collating machine was made in the 2020-21 Budget.

For the procurement of the second machine, commissioned on 15 September 2020, the GP availed itself of the provisions of Section 3A of the Finance and Audit Act. This Section provides the carry-over of the balance of the provision earmarked for a project to a period not exceeding three months in the following fiscal year without the necessity for further appropriation by the National Assembly, but subject to such limitations and conditions as may be specified in Financial Instructions. The cost of the first machine was met from provisions made in the 2019-20 Budget, whilst disbursements of some Rs 3.9 million were made for the second machine in September 2020, that is in 2020-21.

According to Financial Instructions issued by the MoFEPD, capital expenditure will be eligible for carry-over provided that the sum is used for the same purpose as the initial appropriation, and that there is reasonable certainty that the sum will not be disbursed by the end of the fiscal year of appropriation but within three months after the end of the year. The initial appropriation provided for the procurement of only one machine whereas the payment made for carry-over of capital expenditure refers to the procurement of an additional machine. As such, the provisions of Section 3A of the Finance and Audit Act is not applicable for the procurement of a second machine.

The GP informed NAO that:

- Demands from GP's customers are dynamic and unpredictable being given that most of them cannot plan their yearly printing requirements.
- Due to the urgency and issues in existing machines, procurement exercise was initiated for an additional collating machine. Contract was awarded only in May 2020 due to national confinement.
- Funds were available in the 2019-20 budget due to non-procurement of another equipment.
- As there was an urgent need for a collating machine, GP thought it was wise to proceed for a second collating machine.

- Approval was obtained for carry-over of expenditure.
- The reallocation of funds was approved by the MoFEPD.
- The two collating machines are performing to satisfaction and have a strong positive effect on production.

Digital Hot Foil Stamping Machine not Operating as Required since Purchase

The GP was not able to use a digital hot foil stamping machine purchased at a cost of some Rs 488,000 during 2016 due to inadequate and unsatisfactory printing quality of the equipment. In March 2017, the Binding Section reported that the printing quality of the equipment was inadequate and unsatisfactory. Despite several interventions, the supplier could not resolve the issues. The equipment was sent to the supplier for further investigations, and remained there for nearly two years, without the problems being fixed. GP considered that the supplier could not resolve the problem, and due to the supplier's negligence, it had suffered prejudice from the poor service. GP debarred the supplier from bidding exercises for a period of three months as from September 2019.

During 2020, the supplier was on three occasions invited to repair the equipment, but it did not turn up. GP decided to write off the asset. Since its procurement, the equipment did not operate as required.

The procurement of the equipment at a cost of some Rs 488,000 may be considered as a nugatory expenditure.

Equipment in the Digital Press Section Operating Without UPS

The GP had its digital press equipment connected to a UPS of 80 KVA capacity. In March 2017, batteries costing some Rs 286,000 were replaced but problems were noted with the “inverter” with repair cost estimated at some Rs 226,000. Instead of having the UPS repaired, GP embarked in the procurement of a new one of equivalent capacity based on the recommendations of the ESD. In August 2020, the contract was awarded for some Rs 1.2 million, and the delivery and commissioning of the UPS which was scheduled by 6 November 2020 was postponed to February 2021 due to delay in shipment. As such, GP did not have a functional UPS for some four years for its digital presses.

Impact on the Long Delay to have the UPS Repaired/Replaced

The UPS was used to provide continuous power supply to equipment in the “Digital Press Section” (DPS). Over the years, the number of equipment in operation at the DPS has increased considerably with corresponding increase in power load. However, the capacity of the proposed system was the same as the previous one. The following were also noted:

- The UPS was not functioning properly since end of 2016, and hence, a hazard for the valuable digital equipment; and
- The procurement of the 30 batteries for the UPS in March 2017 at a cost of some Rs 286,000 to replace the faulty ones may be considered as a nugatory expenditure.

The GP informed NAO that:

- The purchase of the UPS had been a lengthy process as it could not be purchased in 2017-18 due to administrative constraint and tender had to be relaunched.
- ESD has recommended the replacement of the existing UPS as it has been in operation for more than 10 years and its high cost of repairs.
- ESD has recommended the purchase of new batteries with the new equipment.

Heavy Duty Industrial Colour Digital Press – Excessive Expenditure Incurred

A heavy duty industrial colour digital press purchased at a cost of some Rs 11.7 million was commissioned on 7 May 2018. The press had a lifespan of some 21 million copies of A4 size. During the first months after commissioning, the equipment started to show signs of unreliability, with faults being reported regularly and repairs attended to by the supplier. As of mid-December 2020, the press had undergone regular repairs costing some Rs 2 million to be operational and for the printing of only some 1.3 million copies. Despite the high cost of repairs, no optimum use could be made of the digital press. The non-availability of this press had resulted in over-utilisation of other digital presses, hence, giving rise to frequent repairs and replacement of spares and leading to inefficiency in production, bottleneck and negatively impacting on GP's output.

The GP informed NAO that:

- For such machine, there is only a sole supplier for its spare parts, thus resulting in absence of competitive prices.
- The machine is highly sensitive, resulting in heavy repairs. Proper calibration of the machine is required due to its sensitivity and that further training is needed. These would be done free of charge by the supplier in order to solve the issues.

5.5 Ministry of Finance and Economic Development

5.5.1 Transfer of Rs 18 billion from the Special Reserve Fund of the Bank of Mauritius – Funds Not Totally Utilised in 2019-20

In the 2019-20 Budget Speech, Government announced that it would make early repayment of some of its public sector debts by using part of the accumulated undistributed surplus held at the Bank of Mauritius (BOM).

The Budget Estimates for 2019-20, at ‘Appendix E: Financing Plan, under code 33130’, also provided for an amount of Rs 18 billion for the early/scheduled repayment of external debts as follows:

- (a) Rs 15.65 billion for early repayment of debt; and
- (b) Rs 2.35 billion for scheduled repayment of debt.

The main objectives behind this transfer were that it would have helped Government in:

- It’s Fiscal Strategy for financial year 2019-20 which included a programme for early repayment of debts. Loans, particularly from external sources, bearing high interest rates and with no or minimal prepayment penalty, were to be repaid in priority. This would have contributed in lowering the debt level, as well as saving on the interests payable on these loans;
- Meeting its Debt Management Strategy for financial year 2019-20, which aims at making optimal trade-off between costs and risks in the financing of Government borrowing requirements. With the planned early repayment of Rs 15.6 billion, Government would have downsized its external debt portfolio; and
- Reducing excess liquidity in the banking system in Mauritius by the prepayment of part of the external debts.

Amendments to Bank of Mauritius Act 2004

Sub-section 47(5)(b) of the Bank of Mauritius Act was amended through the Finance (Miscellaneous) Provisions Act 2019, in July 2019, to provide for funds out of the Special Reserve Fund (SRF) of the BOM to be used for the repayment of Central Government external debt obligations in order to achieve the above-mentioned objectives. The amendments also required the approval of the Board of the BOM before effecting the necessary transfer of funds.

Memorandum of Understanding

On 26 November 2019, the Board of the BOM exceptionally approved the transfer of an amount of Rs 18 billion out of the SRF of the Bank to Government for the purpose of repaying Central Government external debt obligations. Accordingly, on 2 December 2019, a Memorandum of Understanding (MOU) was signed between MoFEPD and the BOM. One of the conditions stipulated in the MOU, was for MoFEPD to ensure that the funds transferred from the SRF are utilised for the purpose of repaying Central Government external debt obligations, in compliance with the Section 47(5)(b) of the BOM Act.

On 3 December 2019, MoFEPD submitted a request to BOM for the transfer of Rs 18 billion to be used for the repayment of Central Government external debts. This amount was credited in the Accountant-General's Bank Account on 11 December 2019.

As at 30 June 2020, only an amount of Rs 8.2 billion had been paid with regard to Government external debt obligations, comprising an early repayment of Rs 6.5 billion and a scheduled repayment of Rs 1.7 billion. This was not in line with what was budgeted for debt servicing, that is Rs 15.65 billion for early repayment and Rs 2.35 billion for scheduled repayment.

In December 2019, MoFEPD came up with another plan for repayment of debts, which was extended over two financial years instead of one year, as initially budgeted for. Details are as shown in Table 5-7.

Table 5-7 Repayment of Debt re-scheduled up to 2020-21

Repayment	Initial Budget Estimates	Planned Repayment Schedules		
	2019-20	2019-20	2020-21	Total
	Rs billion	Rs billion	Rs billion	Rs billion
Early	15.65	6.5	8.9	15.4
Scheduled	2.35	1.7	0.9	2.6
Total	18.00	8.2	9.8	18.0

Source: Records of Public Debt Management Unit

It is to be noted that the new approved planned repayments were not in line with the Debt Management Strategy and the Financing Plan.

The Debt Management Strategy for 2019-20 provided for the downsizing of Government external debt portfolio for the financial year through an early repayment of relatively expensive loans equivalent to some Rs 15.65 billion.

The Ministry informed NAO that:

- The provisions made in the Budget Estimates for 2019-20 were based on the assumption that early repayment could be made as from 1 August 2019. However, as the Finance (Miscellaneous) Provisions Bill 2020 was promulgated on 5 August 2019, the Board of the BOM approved the exceptional transfer of the Rs 18 billion out of the SRF to Government on 26 November 2019 and the MOU between the MoFEPD and BOM was signed on 2 December 2019. 45 days' prior notice had to be given to the creditors, the first early repayment could be effected only on the due date of 1 February 2020.
- In view of the above, in December 2019, another plan had to be drawn up for external debt repayments extending over two financial years, as the repayments have to be effected on the next interest payment dates which spanned over two financial years
- Pending the loan repayments and in compliance with Section 3(4)(a) of the Finance and Audit Act, part of the funds were invested in short term investment instruments on the local money market up to January 2020. Funds were not re-invested after their maturity in view of their negative impact on excess liquidity in the banking system.
- The Budget Estimates for 2020-21 has further extended the use of the funds from BOM as shown in Table 5-8.

Table 5-8 Repayment of Debt re-scheduled up to 2021-22

Financial year	Amount Rs billion
2019-20	8.2
2020-21	4.7
2021-22	5.1
Total	18.0

Source: Budget Estimates 2020-21

The budgeted amount for financial year 2020-21 of Rs 4.7 billion comprised scheduled repayments of Rs 4.46 billion and early repayments of Rs 0.27 billion only.

NAO is of the view that with this further change in the Budget 2020-21 of the planned usage of the funds transferred from BOM, Government may not be able to meet the objectives underlying the early repayment of Central Government external debts.

The Ministry informed NAO that:

- The cancellation of the remaining early repayments scheduled in 2020-21 was due to the outbreak of COVID-19. Government considered that it was not appropriate to, on the one hand contract loans from development partners, and at the same time, to effect

early repayments, particularly when there were pressures on the foreign exchange reserves.

- The remaining funds of Rs 9.8 billion are being used to meet scheduled repayments of Rs 4.7 billion in 2020-21 and Rs 5.06 billion in 2021-22, as provided for in the Budget Estimates 2020-21.

5.5.2 Electronic Inventory Management System Project – Delay in Implementation Due to Lack of Proper Planning

The project for the implementation of an Electronic Inventory Management System (E-IMS) for Ministries/Departments started in 2017. The system would track inventory transactions such as receipts and issues of goods, creation of suppliers' profiles and generation of reports to enable quick decision making, for an effective procurement and supply management.

The project was to be implemented in two Phases. Phase I would involve 10 different sites and Phase II would cover around 172 sites of various Ministries and Government Departments.

Phase 1 - Implementation in Three Ministries at 10 Different Sites

The contract for the procurement of an E-IMS was awarded to Company A Ltd in July 2018 for the total sum of some Rs 3.1 million (excluding VAT), as detailed in Table 5-9.

Table 5-9 Phase I - Contract Awarded to Company A Ltd

	Amount Rs (Excluding VAT)
Development of E-IMS software	900,000
User Licenses for 10 sites	300,000
Training	150,000
Maintenance charges for year 2 to year 5	1,794,000
TOTAL	3,144,000

An amount of Rs 3 million was budgeted in financial year 2018-19 and the actual expenditure incurred on completion of Phase I in December 2018, was some Rs 1.4 million.

Company A Ltd was placed in receivership as from 21st February 2019 and ceased operation. Following discussions between parties concerned, namely MoFEPD and the Receiver Manager of Company A Ltd, it was agreed to have an assignment agreement with another company, Company B Ltd, for the takeover of the E-IMS contract.

Company B Ltd was to provide maintenance on the E-IMS over the remaining years and to proceed with Phase II of the project.

Phase II - Deployment of E-IMS to Remaining Sites

172 sites of various Ministries/Departments were to be included in Phase II of the E-IMS project. Provision of Rs 5.2 million was made in the 2019-20 budget for the Maintenance of E-IMS (Rs 500,000) and E-IMS Phase II (Rs 4,700,000).

Total payments made to Company B Ltd in financial year 2019-20 amounted to some Rs 2 million for, amongst others, the creation of sites, enhancement of the system, payment for licenses and software maintenance agreement.

The following observations were made:

- The E-IMS was a measure announced in the 2017-18 budget speech. As of October 2020, the E-IMS was deployed to only 63 sites in total, for both Phases. This accounts for a completion rate of only some 35 per cent of the total number of sites, although more than two years have elapsed since the initiation of the project.
- The largest Ministry for the implementation of E-IMS was the Ministry of Health and Wellness (MoHW), with 36 sites. In the first instance, priority was given to the Central Supplies Division, the Procurement and Supply Sections, Pharmacy Units of all regional hospitals, specialised and district hospitals.
- An implementation plan was prepared setting out the necessary steps and activities to be carried out by an expected completion date. However, the E-IMS could not be 'deployed' according to the timeline set, as on several sites internet connectivity was not available and also computer hardware needed to be procured. For example, the completion dates for the deployment of E-IMS at Victoria Hospital and the Central Health Laboratory were around 24/26 February 2020 but according to records available at the MOFEPD, these sites were completed mid-June and end of August 2020 respectively.
- Although training was provided to public officers concerned and some guidelines were prepared in connection with the use of the E-IMS, there was, nevertheless, no formal and clearly set standard operating procedures to provide employees with the information necessary to enable them to perform their jobs satisfactorily and in a consistent manner.

The E-IMS project needs to be closely monitored to ensure that the milestones set in the Implementation Plan are achieved.

The Ministry informed NAO that:

- With regard to Phase II of the project, the System has been rolled out at 17 Departments without any major constraints.

- The implementation of the E-IMS at the MoHW started in January 2020 and was completed in December 2020. Due to complexities in the recording of pharmaceuticals at the MoHW, it took more time for the deployment of the System.
- The E-IMS is very effective for Inventory Management of general goods. However, users at the MoHW requested for the System to be enhanced on six occasions, with a total of 71 enhancements. A seventh request for enhancement for Bin Location Management has been requested by the MoHW and is being processed.
- The deployment of the System was further delayed from 15 March to 19 May 2020 due to the Coronavirus Pandemic.
- The initial contractor was put in receivership and the E-IMS contract was transferred to another company only after a delay of six months.
- Presently, arrangements are being made to implement the E-IMS on 24 new sites. Additionally, the Rodrigues Regional Assembly has requested to implement the System on 13 sites in Rodrigues and action has already been initiated.
- Other causes of delays are: Shortage of staff, On-site training for existing and newly appointed officers being time consuming, Unavailability of a Helpdesk at the MoHW Headquarters to facilitate interactions with all sites, Slow internet connectivity via VPN, Physical stock which did not tally with E-IMS balances required a 100 per cent stock take and adjustments; Pharmaceutical products ordered on Trade names, instead of Generic name, Difficulties encountered by users necessitated 70 enhancements to the E-IMS platforms, out of which 10 are still underway.

NAO's Comment

The aim of the project was to put in place an Inventory Management System that would not only facilitate recording of transactions but also serve as a tool for inventory control and for decision making. NAO is of the view that continued delay in putting in place the E-IMS in all Ministries and Departments would imply that weaknesses inherent in the current manual-based system will continue to prevail.

5.5.3 Annual Report on Performance – Low Level of Compliance on the part of Ministries and Government Departments

The Finance and Audit Act was amended in 2015 requiring every Ministry and Government Department to prepare a report on its performance during the previous fiscal year and to submit same to the Minister responsible for the subject of finance, not later than 31 October in every year. The objective behind such initiative was to strengthen governance, transparency and accountability in the public sector.

In line with this amendment, a guideline was issued in 2017 by MoFEPD to assist Ministries/Departments in the preparation of their annual Reports on Performance.

Measures were announced in the 2018-19 budget speech to improve accountability and transparency.

The Finance and Audit Act was further amended in July 2018 to make it mandatory for Ministries and Departments to report on measures taken to address weaknesses identified by the Director of Audit, including wastage of public funds.

Accordingly, the guidelines on the preparation of the Annual Report on Performance were amended through a Circular issued by MoFEPD to include an implementation plan to address shortcomings identified by the Director of Audit.

MoFEPD has held meetings and provided guidance on several occasions to Ministries/Departments in the preparation of Annual Reports on Performance.

In spite of all the above, the level of compliance with regard to the submission of Reports to MoFEPD was low. According to Budget Estimates 2018-19, there were 60 Ministries/Departments. A review was carried out to assess how many of them were complying with the provision of the Act and the circular issued by MoFEPD, as regards the submission of the Annual Reports on Performance.

The following were noted:

- By 31 October 2019, the deadline for submission of the Annual Report on Performance for the preceding financial year ended 30 June 2019, only five Reports were received at MoFEPD. As of October 2020, one year later, a total of 20 reports was received, including the five which were received by the statutory deadline of 31 October 2019.

The compliance rate of 100 per cent, as stated in the budget speech 2018-19 and the target set by MoFEPD for the year 2018-19, have not been reached although more than two years have elapsed;

- MoFEPD has the responsibility to oversee the Annual Reports on Performance of Ministries/Departments. Although reminders were sent to Officers of the Sector Ministry Support Team (SMST) requesting the latter to contact the Ministries/Departments under their responsibility, the situation regarding submission of such Reports has not much improved; and
- As regards to submission of Annual Reports for 2019-20, the prescribed deadline was 31 October 2020. As at that date, only eight Reports had been received. Two more Reports were received in November 2020.

The Ministry informed NAO that:

- Although the statutory deadline for submission is 31 October, Ministries/Departments tend to submit their Reports after the deadline.
- Reminders, through letters and emails were sent to all SMSTs for them to follow up with the line Ministries/Departments under their responsibility to ensure timely submission of their Annual Reports. A copy of guidelines for preparation of the Report on Performance was also attached for ease of reference.

NAO is of the view that the alarmingly low level of compliance by Ministries/Departments tend to indicate that:

- (a) The objective of Government's initiative to strengthen governance, transparency and accountability through the legal provision in the Finance and Audit Act is not being attained.
- (b) Accounting Officers of most Ministries/Departments are not yet concerned about the need to comply with statutory obligations.

Follow up on Matters Raised in Audit Report 2018-19

5.5.4 MauBank Holdings Ltd – Equity Participation in MauBank Holdings Ltd Reaching Rs 5.2 billion as at 30 June 2020

No Return on Investment

As of 30 June 2020, MauBank Holdings Ltd (MHL) has still not been able to meet its long term objective which was to realise partial disposal of its stake in MauBank Ltd, as the latter has still not been able to realise substantial profits and capital growth.

Over the years and up to 30 June 2020, Government has invested a total of Rs 5.2 billion as equity injection in MHL, of which Rs 2 billion were invested during financial year 2019-20. As of 30 June 2020, the investment had still not yielded any dividend.

The Ministry stated that MauBank Ltd had reported an operating profit of Rs 6.3 million as of June 2019. However, since it carried forward deferred tax, an adjustment of Rs 353 million was accounted during the year, thus reporting a loss of Rs 347 million.

The Ministry, in January 2021, further informed that significant progress has been achieved on the operational cost base as a result of cost reduction strategy and the operating expenses are down by 8.26 per cent compared to 2018-19. Total operating income has also seen growth of 8.3 per cent. Operating profit of Rs 127.8 million was reported for the year 2019-20.

Recovery of Non-Performing Loans

In my Audit Report for the financial year 2018-19, I also mentioned that, as far as the Non-Performing Loans transferred to MHL through a subsidiary are concerned, their subsequent recovery may represent a major challenge for MHL as these loans have originally been granted without proper credit base and without adequate conditions and collaterals.

Financial statements for the years ended 30 June 2017 and 30 June 2018 submitted by MHL to MoFEPD indicated impairment losses in shares/equity of Rs 1.8 billion for Maubank Ltd and Rs 1.9 billion on Non-Performing Loans for the subsidiary company. This impacted negatively on the equity and reserves of the MHL. Accumulated losses of MHL which amounted to Rs 5.9 billion as at 30 June 2018 increased to Rs 6.3 billion as at 30 June 2019. This further impacted on the group's equity (Share capital + Reserves) from negative Rs 2.4 billion at 30 June 2018 to negative Rs 2.7 billion at 30 June 2019.

In view of the negative group equity, auditors of MHL requested for an undertaking for support from its shareholders prior to finalisation of the audit report for the respective periods. In September 2020, Government, through MoFEPD, issued a letter of comfort, valid up to 30 June 2021.

MoFEPD, in January 2021, informed that total amount recovered to date by the subsidiary of MHL in respect of the Non-Performing Loan of Rs 5.1 billion totalled Rs 1,284 million as of 30 June 2020. An amount of Rs 875 million has already been transferred to MHL as at 30 June 2020.

NAO's Comment

Government, as ultimate shareholder in the Group, should monitor the approved Corporate plan of the bank on a continuous basis. This will help to determine the efficiency and effectiveness of the bank in achieving the operational goals and objectives.

5.6 Treasury

5.6.1 Investment Management

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

- (a) Investments previously recognised at cost are now stated at fair value. The corresponding figure as at 30 June 2019 of Rs 32 billion was restated to Rs 104 billion.
- (b) Investments for a total amount of some Rs 6.9 billion were in respect of shares in companies which had negative net assets and were, therefore, disclosed at zero fair value as at 30 June 2020.
- (c) During financial year 2019-20, investments totalling Rs 60.5 million were fully impaired.
- (d) Dividends and interests received during financial year 2019-20 amounted to some Rs 557 million and Rs 18.7 million respectively, representing a return of 1.5 per cent of total investment of Rs 39.3 billion.
- (e) Investments (at cost) totalling Rs 4.7 billion did not yield any return during 2019-20.
- (f) Investments (at cost) totalling Rs 30.6 billion and representing some 78 per cent of total investment did not yield any return since acquisition.

Fair Value of Investments as at 30 June 2020 totalling Rs 104.4 billion

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 2020, total investments costing Rs 39.3 billion were disclosed at fair value of Rs 104.4 billion, as shown in Table 5-10.

Table 5-10 Investments as of 30 June 2019 and 30 June 2020

Details	30.06.2020		30.06.2019	
	Fair Value	Cost	Fair Value	Cost (restated)
	Rs	Rs	Rs	Rs
Quoted Shares	628,414,326	140,251,693	911,544,397	140,251,221
Unquoted Shares	56,413,818,787	32,101,515,005	55,889,004,075	25,694,805,890
Equity Participation	46,393,688,991	6,105,248,699	46,393,688,991	5,258,373,317
Sub Total	103,435,922,104	38,347,015,397	103,194,237,463	31,093,430,428
Other Investments	914,695,000	914,695,000	919,095,000	919,095,000
Total	104,350,617,104	39,261,710,397	104,113,332,463	32,012,525,428

Source - Statement F – Detailed Statement of Investments as at 30 June 2020

‘Other Investments’ comprised long term placement of Rs 595 million with the Development Bank of Mauritius (DBM) Ltd and Fixed Deposits of Rs 6 million, Rs 114 million, and Rs 200 million held with various banking institutions on account of the Morris Legacy Fund, the Prime Minister’s Relief Fund and the National Resilience Fund respectively.

As from financial year 2019-20, investments have been measured at fair value. Hence, investments for 2018-19 of Rs 32 billion has been restated at a fair value of Rs 104 billion.

New Investments during financial year 2019-20

Government invested some Rs 7.0 billion in six companies and one statutory body during financial year 2019-20. Details of the new investments are shown in Table 5-11.

Table 5-11 New Investments during 2018-19 and 2019-20

	New Investments 2019-20	New Investments 2018-19
<i>Companies</i>	Rs	Rs
Airports of Mauritius Co. Ltd	250,000,000	301,000,000
Cargo Handling Corporation Ltd	-	178,000,000
Investment Support Programme (ISP) Ltd	1,000,000	-
Mauritius Africa Fund Ltd	-	100,000,000
MauBank Holdings Ltd	2,000,000,000	-
Mauritius Multisports Infrastructure Ltd	2,302,249,285	1,782,000,000
Metro Express Ltd	1,877,395,613	4,323,345,464
Multi Carrier (Mauritius) Ltd	-	10,000,000
National Property Fund Ltd	3	-
Government Bodies		
Wastewater Management Authority	596,875,383	141,051,206
Total	7,027,520,284	6,835,396,670

Source: Statement D1- Vote 3-104- Wastewater Services, and
Vote 25-1 – Centrally Managed Initiatives of Government

New Investment – MauBank Holdings Ltd : Rs 2 billion

An advance of Rs 2 billion provided to MauBank Holdings Ltd in October 2018 has been converted into equity injection by Government during financial year 2019-20 in spite of the fact that no returns had been received from past investments.

As of 30 June 2020, funds for a total amount of some Rs 5.2 billion had been invested in MauBank Holdings and these investments are stated at zero fair value in the Detailed Statement of Investments as at 30 June 2020.

Investment Measured at Zero Fair Value as at 30 June 2020

Investments for a total amount of some Rs 6.9 billion were in respect of shares in companies which had negative net assets as at 30 June 2020 and were, therefore, disclosed at zero fair value as at 30 June 2020.

Details of these investments are as shown in Table 5-12.

Table 5-12 Investments Disclosed at zero fair value as at 30 June 2020

	Year of Investment	Cost Price	% Holding	Net Asset Value	
<i>Unquoted Shares</i>		Rs		Rs	As at
Investment Support Programme Limited	2020	1,000,000	100	(631,477,310)	30.06.19
MauBank Holdings	2001-2005 2015-2016 and 2019	5,196,266,400	100	(833,814,294)	30.06.16
National Property Fund Ltd	2020	3	100	(1,399,107,445)	30.06.19
The Mauritius Post Ltd	2002-2016	626,111,200	100	(101,118,203)	30.06.19
<i>Equity Participation</i>					
National Transport Corporation	Prior 01.07.01- 2018	267,887,202	100	(606,949,624)	31.12.13
Wastewater Management Authority	2017-2020	846,829,887	100	(80,822,792)	30.06.18
Total		6,938,094,692			

Source: Investment Register and Treasury Workings

Investments Impaired during financial year 2019-20

During financial year 2019-20, investments totalling Rs 60.5 million were fully impaired, as detailed in Table 5-13.

Table 5-13 Investments Impaired during financial year 2019-20

Company	Investment		Date Acquired
	Nominal Value Rs	Cost Rs	
Discover Mauritius Ltd	500,000	500,000	2006
National Insurance Co. Ltd	30,000,000	30,000,000	2015
NIC General Insurance Co Ltd	30,000,000	30,000,000	2015
Total	60,500,000	60,500,000	

Source: Treasury Records

Investment in Discover Mauritius Ltd

Investment of Rs 500,000 in Discover Mauritius Ltd was fully impaired since the company is under winding up process.

Investment in National Insurance Company Ltd and NIC General Insurance Co. Ltd

The investments in NIC General Insurance Co. Ltd (NICG) and in National Insurance Company Ltd (NIC) of Rs 30 million each were fully impaired during 2019-20. However, Government's shareholding in these companies were already transferred on 8 March 2016, as follows:

- 100 per cent shareholding of Government in NIC was transferred to NICG against a consideration of Re 1; and
- 100 per cent of Government shareholding in NICG was transferred to National Property Fund Ltd (NPFL) against a consideration of Re 1;

The investments costing Rs 60 million were transferred for a total consideration of Rs 2 only, and were fully impaired in the accounts of Government.

Return on Investments

As at 30 June 2020, investments in Quoted and Unquoted shares and equity participation amounted to some Rs 38.3 billion. Returns on investments during financial year 2019-20 amounted to some Rs 557 million, representing a return of 1.5 per cent only.

Included in the amount of Rs 557 million, was some Rs 150 million received from the State Investment Finance Corporation Ltd, a subsidiary of the State Investment Corporation, in which Government did not hold a direct shareholding.

The budgeted and actual dividends received from investments during the past five financial periods are given in Table 5-14.

Table 5-14 Dividends Received during financial years 2015-16 to 2019-20

Period	Budgeted Rs	Actual Rs
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
July 2019 to June 2020	613,000,000	*556,894,909

Source: Statement D-Detailed Statement of Revenue of the Consolidated Fund for the financial year 2015-16 to 2019-20

*Dividends received included an amount of Rs 4.6 million being shares received in lieu of dividend.

Details of dividends received during financial years ended 30 June 2019 and 30 June 2020 are shown in Table 5-15.

Table 5-15 Dividends received during financial years ended 30 June 2019 and 30 June 2020

Details	Investment at Cost 30.06.2020 Rs	Dividend Received 2019-20 Rs	Dividend Received 2018-2019 Rs
<i>Quoted Shares</i>			
Alteo Group Ltd	1,140	310	346
Excelsior United Development Companies Ltd	37	18	63
IBL LTD	125	3	3
Lux Island Resorts Ltd	401	-	18
Medine Ltd	300	77	87
New Mauritius Hotels Ltd	240	8	16
SBM Holdings Ltd	41,058,573	29,905,230	44,857,845
The Bee Equity Partners Ltd	16	-	22
The United Basalt Products Limited	415	19	-
The Mauritius Development Investment Trust Co Ltd	2	5	5
<i>Unquoted Shares</i>			
AfrAsia Bank Limited	197	11	5
African Export-Import Bank	33,044,559	* 5,012,894	-
African Reinsurance Corporation	36,744,064	2,651,756	2,488,467
Mauritius Housing Company Ltd	59,161,634	24,506,833	25,174,451
Mauritius Telecom Ltd	63,625,174	262,135,717	87,802,740
Overseas Telecommunications Services Co Ltd	-	-	1,691,674
PTA Reinsurance Company (ZEP-RE)	5,447,707	414,073	778,291
Sugar Investment Trust	19,999,980	1,018,577	1,018,577
State Informatics Ltd	32,800,000	10,000,000	4,606,734
State Investment Corporation Ltd	85,000,000	**149,999,959	17,446,500
<i>Equity Participation</i>			
Bank of Mauritius	2,000,000,000	71,249,419	
Total	2,376,884,564	556,894,909	185,865,844

Source: Treasury Abstract– Item Code 1412 – Dividends

* Dividend received from investment in African Export-Import Bank included an amount of Rs 4.6 million being shares received in lieu of dividend.

**Amount received from State Investment Finance Corporation, a subsidiary of State Investment Corporation Ltd

Withdrawals from Income of Quasi Corporations

Government also received income from Quasi Corporations. In 2019-20, Rs 2,152 million were received compared to Rs 1,138 million in 2018-19, as shown in Table 5-16.

Table 5-16 Original Estimates and Actual Revenue Received from Quasi Corporations

Quasi Corporations	2019-20		2018-19
	Estimates of Revenue Rs	Actual Revenue Rs	Actual Revenue Rs
Information and Communication Technology Authority	100,000,000	58,423,084	36,810,143
Financial Services Commission	1,400,000,000	1,293,579,959	797,125,963
Mauritius Ports Authority	600,000,000	300,000,000	150,000,000
State Trading Corporation	500,000,000	500,000,000	150,000,000
Government Lotteries			4,189,488
Total	2,600,000,000	2,152,003,043	1,138,125,594

Source Statement D – Detailed Statement of Revenue of the Consolidated Fund for Financial Years 2018-19 and 2019-20 – Item Code 1413 – Withdrawals from Income of Quasi Corporations

Investments Yielding no Returns during financial year 2019-20

Investments (at cost) totalling Rs 4.7 billion did not yield any return during 2019-20. Details of these investments are given in Table 5-17.

Table 5-17 Investments yielding no returns during 2019-20

		Year of Investments	Cost Price Rs
Quoted Shares	Air Mauritius Limited	Prior 2001	99,178,348
	Lux Island Resorts Ltd	2016	401
	The Bee Equity Partners Ltd	2000-2001	16
	United Docks Ltd	Prior 2001	9,600
Unquoted Shares	Airports of Mauritius Co. Ltd	1998-2019	2,207,085,170
	Air Mauritius Holding Ltd	Prior 2001	87,354,608
	Cargo Handling Corporation Limited	1983-2019	943,600,000
	Development Bank of Mauritius Ltd	Prior 2001 & 2005-2009	496,150,000
	Mauritius Shipping Corporation Ltd	Prior 2001 and 2011	290,693,000
	National Real Estate Ltd	30.06.09	500,000,000
	Shelter- Afrique	2013	4,593,008
	State Investment Corporation	1986-2013	85,000,000
Total			4,713,664,151

Source: Statement F – Detailed Statement of Investments as at 30 June 2018 and Investment Register

Investments not Yielding any Return Since Acquisition

Investments (at cost) totalling Rs 30.6 billion and representing some 78 per cent of total investments did not yield any return since they were acquired. Details are given in Table 5-18.

Table5-18 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	1974-2010	1,828,385,562
Eastern & Southern African Trade & Development Bank Ltd	1991-2018	544,556,976
Landscape (Mauritius) Ltd	2009-2016	3,167,566,278
MauBank Holdings Ltd	2001-2005 and 2015-2019	5,196,266,400
Mauritius Africa Fund Ltd	2016-2019	183,980,000
Mauritius Educational Development Company Ltd	2000-2001	16,000,000
Mauritius Multisports Infrastructure Ltd	2018-2020	4,484,274,285
Metro Express Ltd	2018-2020	10,363,766,487
Multi Carrier Mauritius Ltd	2001-2019	219,000,000
National Housing Development Company Ltd	2007-2008	200,000,000
National Property Fund Ltd	2020	3
Polytechnics Mauritius Ltd	2013-2017	299,937,111
Rodrigues Educational Development	2001-2005	29,000
The Lux Collective	2018	14
SME Equity Fund	2006-2017	105,317,588
SME Mauritius Ltd	2017	25,000
The Mauritius Post Ltd	2001-2016	626,111,200
Equity Participation		
Central Water Authority	1993-2012	1,862,250,913
Civil Service College	2012	15,000,000
Economic Development Board	2004-2005	79,782,747
Mauritius Cooperative Livestock Marketing Federation	1992-1993	450,000
Mauritius Cane Industry Authority	2013	173,803,732
National Transport Corporation	Prior 01.07.01-2016	267,887,202
Rose Belle Sugar Estate Board	1987-1996	98,844,218
Wastewater Management Authority	2017-2020	846,829,887
Total		30,580,066,627

Source: Statement F – Detailed Statement of Investments as at 30 June 2020 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 investment in various entities is not to generate dividends or other financial returns, but to enable them to sustain their operations and improve service delivery.

Interest Received on Other Investments

During financial year 2019-20, a total amount of Rs 18.7 million representing an average return of 3.1 per cent only has been received as interests from long-term placements with DBM Ltd, as shown in Table 5-19.

Table 5-19 Interests Received on Other Investments during 2019-20

Other investments	Investment Rs	Interest Received Rs
<i>Consolidated Fund - LongTerm Placements with DBM Ltd</i>		
Fixed Deposits	420,000,000	12,600,000
Line of Credit to Madagascar	150,000,000	3,750,000
Education Reform Loan Scheme	24,695,000	2,347,882
Total	594,695,000	18,697,882

Source: Treasury Abstract 1 July 2019 to 30 June 2020 - Item Code 14110051 – Investment of Surplus Balances

5.6.2 Public Sector Debt

The Public Sector Debt (PSD) in Mauritius is governed by the Public Debt Management Act, whereby it is stated that the PSD shall be constituted of any debt incurred:

- (a) through the raising of loans, issuing of securities, overdrafts or by any other means by the Central Government, the Rodrigues Regional Assembly, the Local Government and a Public Enterprise, whether or not the loans are wholly or partly guaranteed by Government; and
- (b) by way of advances from the Bank of Mauritius to any entity in the public sector.

Public Sector Debt (PSD) includes debts of the Central Government raised both internally and externally to fund development projects that are critical for sustaining economic growth, creating employment opportunities and improving the quality of life of citizens, debts of Public Enterprises guaranteed by Government and also those not guaranteed by Government.

5.6.3 Analysis of Debt Data

All of the above mentioned debts are detailed in Statement J - 'Statement of Public Sector Debt'. An analysis of the debt data as at 30 June 2020, disclosed therein, showed the following:

- (a) PSD has increased from Rs 320.6 billion as at 30 June 2019 to Rs 381.8 billion as at 30 June 2020, representing an increase of 19 per cent;
- (b) PSD was estimated at Rs 324.5 billion in the budget estimates for financial year 2019-20. The actual PSD as at 30 June 2020 was Rs 381.8 billion, hence an increase of Rs 57.3 billion compared to estimated amount;
- (c) The Public Debt Management Act was amended through the COVID-19 (Miscellaneous Provisions) Act 2020 to provide for calculation of PSD on a Net Basis and the removal of PSD Ceiling;
- (d) PSD as a percentage of Gross Domestic Product (GDP) which was 65.3 per cent (gross basis) as of June 2019 has significantly increased to 83.4 per cent (gross basis) as of 30 June 2020. On a net basis, the PSD to GDP percentage as of 30 June 2020 stood at 70.4 per cent;
- (e) Non-Financial Public Sector Entities held some Rs 5.4 billion of Government Securities. The PSD figure of Rs 381.8 billion is net of this amount;
- (f) As of 30 June 2020, Budgetary Central Government (BCG) Domestic Debt of Rs 304.7 billion represented some 80 per cent of the total PSD. Some 26 per cent of these Debts (Rs 80 billion) will mature within one year, that is by 30 June 2021. In addition, 14 per cent of the BCG Domestic Debt (44.3 billion) will be due for repayment in the financial year 2021-22;
- (g) Over the past five financial years, the issue of Government instruments has exceeded redemption, thus increasing the level of indebtedness;
- (h) BCG External Debt obligation amounted to Rs 43.7 billion, that is an increase of Rs 3.5 billion over the previous year's balance of Rs 40.2 billion;
- (i) As for Extra Budgetary Units and Public Corporation Debt, the balance due at 30 June 2020 has increased by some Rs 3.2 billion, from Rs 35.6 billion as at 30 June 2019 to Rs 38.8 billion as at 30 June 2020;
- (j) Some 19.3 per cent of total Government expenditure for financial year 2019-20 was on Government debt servicing, which amounted to Rs 36.6 billion, that is an increase of 30.4 per cent over the previous year's figure of Rs 28.1 billion; and
- (k) An amount of Rs 2.26 million was paid as commitment fees during financial year 2019-20.

Public Sector Debt as at 30 June 2020 - Increase from Rs 320.6 billion to Rs 381.8 billion, representing an increase of 19 per cent

As of 30 June 2020, PSD amounted to Rs 381.8 billion, compared to Rs 320.6 billion as of 30 June 2019, reflecting a 19 per cent rise. Details are given in the Table 5-20.

Table 5-20 Public Sector Debt as at 30 June 2020 and 30 June 2019

Debt Category	30 June 2020 Rs	30 June 2019 Rs
BCG Debt		
BCG – Domestic	304,788,819,841	249,276,100,000
BCG – External	43,688,541,194	40,258,172,937
	348,477,361,035	289,534,272,937
Guaranteed by Government		
Agencies Extra Budgetary Units	49,602,939	69,684,853
Public Enterprises	34,705,931,400	29,701,346,181
	34,755,534,339	29,771,031,034
Not Guaranteed by Government		
Agencies Extra Budgetary Unit	167,387,121	-
Public Enterprises	3,830,249,767	5,893,959,211
	3,997,636,888	5,893,959,211
Sub Total	387,230,532,262	325,199,263,182
Less Consolidation Adjustment	(5,434,325,451)	(4,544,750,000)
Total	381,796,206,811	320,654,513,182

Source: Statement J - Statement of Public Sector Debt as at 30 June 2020 and 30 June 2019

BCG Domestic Debt was made up of obligations which include proceeds from issues of Treasury Bills, Treasury Certificates, Treasury Notes, Government of Mauritius Bonds and Silver Bonds and loan from SIC Development Co Ltd.

BCG External Debt referred to Loans from Foreign Governments and Institutions, Government Securities held by Non Residents and the International Monetary Fund (IMF) Special Drawing Rights (SDR) Allocations¹.

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.

Significant increase of Public Sector Debt as at 30 June 2020 compared to the past four Financial Years

The PSD figures as at the end of the past five financial years up to 30 June 2020 are given in Table 5-21.

Table 5-21 Public Sector Debt as at end of Financial years 2016 to 2020

Financial year ended	Public Sector Debt Rs million	Increase over the previous year Rs million	Increase over the previous year %
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
30.06.2020	381,796	61,142	19.07

Source: Statements J - Statement of Public Sector Debt for financial years 2015-16 to 2019-20

PSD has been on a rising trend over the past five financial years.

- The figure for 30 June 2020 has increased significantly by 19.07 per cent when compared to 30 June 2019; and
- Public sector debt as at 30 June 2020 has risen by Rs 107.4 billion when compared to Rs 274.4 billion recorded as at 30 June 2016.

The Ministry of Finance, Economic Planning and Development (MOFEPD) explained that the increase was mainly due to the unprecedented impact of COVID-19 on public finances, both on the expenditure and revenue sides which have resulted in a significant increase in public sector debt.

Amendment to the Public Debt Management Act through the COVID-19 (Miscellaneous provisions) Act 2020.

The Public Debt Management Act was amended in May 2020 through the COVID-19 (Miscellaneous Provisions) Act 2020. The main changes brought therein, and effective as from March 2020, were:

(a) Calculation of Public Sector Debt on a Net Basis

A new subsection was added to the Public Debt Management Act to allow the following to be deducted from the PSD, thus showing it on a ‘net basis’:

- *Any cash balance or cash equivalent held by Government with the Bank or any financial institution in excess of an aggregate amount of 200 million rupees;*

- *Any cash balance or cash equivalent held by non-financial public sector bodies in any financial institution in excess of an aggregate amount of 300 million rupees;*
- *Any equity investment held by Government or non-financial public sector bodies in any private sector entity; or*
- *Such other money as may be prescribed.*

Further, a new definition of ‘cash equivalent’, was inserted at Section 2, whereby it was defined as *investment, other than those in shares and units, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.*

Up to 30 June 2019, PSD on gross basis has been used to calculate PSD as a percentage of GDP. This percentage has increased from 62.9 per cent at 30 June 2015 to 65.3 per cent as at 30 June 2019.

For the financial year 2019-20, quarterly PSD as a percentage of GDP has been calculated on a gross basis for the first two quarters ending September and December 2019 respectively. Following amendments brought to the Public Debt Management Act, effective as from 23 March 2020, the quarterly PSD as a percentage of GDP for the quarters ending March and June 2020 was calculated on both gross and net bases. Details are as in Table 5-22.

Table 5-22 Public Sector Debt (Gross and Net basis) as a percentage of Gross Domestic Product

Quarter	PSD as a % of GDP	
	Gross	Net
September 2019	65.5	*
December 2019	65.5	*
March 2020	66.2	59.7
June 2020	83.4	70.4

Source: Records of MOFEPD

*Amendments to Section 6(1A) effective as from 23 March 2020.

The PSD as a percentage of GDP (gross basis) has increased significantly, by around 17 per cent as at 30 June 2020, compared to the previous quarter.

The percentage of PSD to GDP on a net basis as at 30 June 2020 stood at 70.4 per cent, due to the deductions made under section 6 (1A) of the amended Public Debt Management Act.

(b) Public Sector Debt Ceiling

Debt ceilings determine the maximum amount of debt the Government or other public sector entities can carry. Debt ceilings are seen as useful tools to constrain fiscal policy and to promote sustainable debt.

Section 7 of the Public Debt Management Act (before amendments) provided that the total amount of PSD at end of each fiscal year shall not exceed 65 per cent of the GDP at current market prices for that fiscal year. This same Section also included a clause which provided that debt ceilings target would not apply in case “*of natural disasters or emergencies requiring exceptional expenditure*”.

The Fiscal Rule under Section 4A of the Finance and Audit Act, provides that “*the public sector debt shall be governed by the ceiling referred to in Section 7 of the Public Debt Management Act*. The COVID-19 (Miscellaneous provisions) Act 2020 repealed Section 7 of the Public Debt Management Act relating to public sector debt ceiling. As such, Section 4A of the Finance and Audit Act is no longer valid, as it refers to Section 7 which has been completely repealed in the Public Debt Management Act.

MoFEPD stated that:

- Section 7(4)(b) of the previous Public Debt Management Act would have been breached as the PSD as a percentage of GDP increased by more than two per cent due to the impact of COVID-19 on public finances.
- In addition, Government would have been in breach of section 7(5) of the Public Debt Management Act as it would not have been possible to restore PSD as a percentage of GDP within three fiscal years nor meet the ceiling of 65 percent of GDP.
- Although the statutory ceiling on PSD ceiling has been removed, another general fiscal target has been introduced which aims at limiting the interest payment to GDP ratio to below 3.5 percent.
- Section 4A of the Finance and Audit Act will be amended in due course.

Public Sector Debt as a percentage of Gross Domestic Product

PSD was estimated at Rs 324,521 million (gross basis) in the budget estimates for the financial year 2019-20. The actual PSD as at 30 June 2020, per Statement J, was Rs 381,796 million (gross basis) showing an increase of Rs 57,275 million compared to budgeted amount.

Table 5-23 shows data regarding PSD and PSD as a percentage of GDP as at the end of each of the financial years 2014-15 to 2019-20.

Table 5-23 Public Sector Debt and Gross Domestic Product

As at end of	PSD Rs billion	GDP Rs billion	PSD as a % of GDP (Gross Basis)
June 2015	251.9	400.6	62.9
June 2016	274.4	422.1	65.0
June 2017	290.1	446.4	65.0
June 2018	300.2	469.6	63.9
June 2019	320.7	491.1	65.3
June 2020	381.8	457.6	83.4

Source: Statistics Mauritius Website and Records of MOFEPD

I had, in the past, highlighted the increasing trend in PSD over the years. As at 30 June 2020, PSD has increased considerably by some 61.1 billion compared to the previous financial year. This represents an increase of 19 per cent.

Budgetary Central Government Domestic Debt

Consolidation Adjustment - Rs 5,434.3 million

Non-Financial Public Sector Entities held some Rs 5.4 billion of Government Securities. The PSD figure of Rs 381.8 billion is net of this amount. Details of the Consolidation Adjustment are given in Table 5-24.

Table 5-24 Details of Consolidation Adjustment

Details	Nominal Value Rs m
Treasury Certificates	3,916.6
Treasury Bills by Non-Bank Sector	
Financial Services Commission	128.0
Public Corporations	1,189.8
Government of Mauritius Bonds by Non-Bank Sector	
Financial Services Commission	48.4
Treasury Notes by Non-Bank Sector	
Public Officers Welfare Council	4.0
5-Year Govt Bonds by Non-Bank Sector	
Public Corporations	95.2
Sub total	5,382.0
Loan from SIC Development Co Ltd	52.3
Total	5,434.3

Source: Listings from MoFED and the Treasury

Issue of Treasury Certificates

The Bank of Mauritius has issued, on behalf of Government, Treasury Certificates specifically designed for Non-Financial Public Sector Bodies (NFPSBs) with a maturity of 182 days. As of 30 June 2020, Treasury Certificates to the tune of Rs 3,916.6 million were issued to different NFPSBs, as detailed in Table 5-25.

Table 5-25 Treasury Certificates issued to Non-Financial Public Sector Bodies

Bodies	Nominal Value Rs million
Cargo Handling Corporation Ltd	100.0
Central Electricity Board	1,500.0
Cyber Properties Investment Ltd	150.0
District Council of Black River	64.3
District Council of Flacq	60.0
Economic Development Board	50.0
Finance Intelligence Unit	0.4
Informatics Park Ltd	18.0
Information and Communication Technologies Authority	140.0
Landscape (Mauritius) Ltd	175.0
Mauri Facilities Management Co Ltd	10.0
Mauritius Ports Authority	200.0
Mauritius Revenue Authority	16.8
Municipal City Council of Port Louis	126.1
Municipal Council of Beau Bassin Rose-Hill	111.0
Municipal Council of Quatre Bornes	315.0
Municipal Council of Vacoas/ Phoenix	70.0
State Trading Corporation	800.0
The District Council of Pamplemousses	10.0
Total Investments in Treasury Certificates	3,916.6

Source: Treasury Ledger

Loan from SIC Development Co Ltd - Rs 52.3 million accounted under Domestic Debt

In May 2017, SBM (Mauritius) Infrastructure Development Company Ltd (SBMIDC) entered into a Dollar Credit Line Agreement with Export-Import Bank of India (EXIM)

under which EXIM agreed to extend to the SBMIDC a Line of Credit (LOC) for S\$ 500 million.

Government guaranteed the loan obligations of SBMIDC under the LOC. SIC Development Co. Ltd (SICDC) was to issue Redeemable Preference Shares to SBMIDC to finance eligible projects to be implemented under the said Dollar Credit Line Agreement.

On 5 April 2019, the SICDC agreed to extend to Government a loan of US\$ 71 million from funds of LOC to finance eligible projects to be implemented by different Ministries.

The loan disbursed under the EXIM Line of Credit was accounted for under Domestic Loan in Statement J – ‘Statement of Public Sector Debt’ as at 30 June 2020 and consolidation adjustment was made for same as the loan was included in the debt of Public Corporations in respect of SBMIDC.

Maturity Structure of Government Securities

At 30 June 2020, Government Securities represented 80 per cent of the total PSD and comprised Treasury Bills of Rs 42.4 billion, Treasury Certificates of Rs 3.9 billion, Treasury Notes of Rs 63.2 billion, Bonds of Rs 188.6 billion, and Silver Bonds of Rs 6.6 billion. Table 5-26 provides an indication of the years of maturity of the outstanding Government domestic debts as of 30 June 2020.

Table 5-26 Maturity Structure of Government Securities

Years of Maturity	Treasury Bills	Treasury Certificates	Treasury Notes	Bonds	Silver Bonds	Total	%
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m	
2020-21	42,446.1	3,916.6	20,194.7	13,647.6	-	80,205.0	26
2021-22	-	-	28,221.5	16,130.6	-	44,352.1	14
2022-23	-	-	14,761.5	20,599.7	-	35,361.2	12
2023-24	-	-	-	18,176.9	-	18,176.9	6
2024-25	-	-	-	36,373.3	-	36,373.3	12
2025-26	-	-	-	83,651.8	6,616.2	90,268.0	30
Onwards							
Total	42,446.1	3,916.6	63,177.7	188,579.9	6,616.2	304,736.5	100

Source: Ledger of Respective Securities

According to the maturity profile of Government Securities, some 26 per cent of the total debt will mature within one year, and some Rs 80 billion will be needed to settle those debts.

In addition, some 14 per cent of outstanding debts, amounting to Rs 44.3 billion, will be due for repayment during financial year ended 30 June 2022

There was a concentration of maturities in the near term, as shown in Table 5-26.

Silver Bonds - Rs 6.6 billion

Silver Bonds comprised Silver Retirement Bonds of Rs 1.8 billion and Silver Savings Bonds of Rs 4.8 billion. In accordance with Section 5 of the Public Debt Management Act and Section 57 of the Bank of Mauritius Act, the Bank of Mauritius, acting as agent of the Government, offered the Silver Savings Bond (SSB) and Silver Retirement Bond (SRB) for sale on 1 August 2019.

The SRB, with interest compounded annually, was issued at par to Mauritian citizens aged 50 and under 65 years of age at an annual interest rate of 5.5 per cent. The interest will be capitalised until the holder reaches the age of 65. After the age of 65, interest on the Bonds will be paid quarterly at the annual rate of 5.5 per cent. The bonds may be redeemed at any time wholly or in part.

The SSB, with a fixed coupon rate, was issued at the rate of 5.5 per cent per annum with interest payable quarterly to Mauritian residents aged 65 years and above. The Bonds may be redeemed wholly or in part at any time at par with accrued interest.

As of 30 June 2020, a sum of Rs 337.4 million was transferred from SRB to SSB on the holders reaching 65 years of age and interests to the tune of Rs 7.0 million were capitalised.

Redemption of Financial Instruments Lower than their Issue, Resulting in Increase in Debt

Table 5-27 shows issues and redemptions of the main financial instruments by Government for the past five financial years:

Table 5-27 Issues and Redemptions of Government Securities

Details	30 June 2016 Rs billion	30 June 2017 Rs billion	30 June 2018 Rs billion	30 June 2019 Rs billion	30 June 2020 Rs billion
Issued					
Treasury Bills	58.5	67.7	37.2	39.7	46.1
Treasury Notes	16.3	19.1	20.1	21.0	21.9
Treasury Certificates	-	-	-	1.9	7.4
GoM Bonds	21.4	24.8	24.9	27.7	40.4
Total	*96.2	*111.6	*82.2	*90.3	115.8
Redemption					
Treasury Bills	50.1	63.4	49.9	36.2	33.0
Treasury Notes	16.8	16.1	17.7	19.3	14.8
Treasury Certificates	-	-	-	-	5.4
GOM Bonds	0.8	10.2	7.2	9.9	11.3
Total	*67.7	*89.7	*74.8	*65.4	64.5

Source: Report of Director of Audit and Treasury Financial Statements

*Figures reported in respect of financial years ended 30 June 2016 to 30 June 2019 have been restated to include issue and redemption of GoM Bonds.

As shown in Table 5-27, over the past five financial years, the redemption of the financial instruments was lower than the issue. Therefore, debts continued to increase over the years.

In addition, Silver Saving Bonds and Silver Retirement Bonds amounting to Rs 6.6 billion were issued during financial year 2019-20, while redemptions during the same period amounted to Rs 33.9 million.

MOFEPD stated that these Bonds were issued as part of a budget measure and it was open for investment for a limited period only. As per the terms and conditions of the issuance, these are perpetual Bonds but redemptions are allowed at the request or upon the death of the bondholder.

BCG External Debt, Extra Budgetary Units and Public Corporations Debts

Table 5-28 shows the balances of two categories of debts, namely BCG External Debt and the Extra Budgetary Units/Public Corporation debts from end of June 2016 to end of June 2020.

Table 5-28 BCG Debt – External, Extra Budgetary Units and Public Corporations

Debts (As at)	30.06.16	30.06.17	30.06.18	30.06.19	30.06.20
	Rs billion	Rs billion	Rs billion	Rs billion	Rs billion
BCG - External Debt	53.5	46.2	44.5	40.2	43.7
Extra Budgetary Units and Public Corporations	23.0	24.6	29.7	35.6	38.8
Total	76.5	70.8	74.2	75.8	82.5

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

As at 30 June 2020, BCG External Debt, Extra Budgetary Units and Public Corporations Debt totalled some Rs 82.5 billion. This represented an increase of Rs 6.7 billion compared to the same debts as at 30 June 2019.

During financial year 2019-20, a total amount of Rs 10.9 billion has been repaid with regard to external loan.

The balance of BCG External Debt as of 30 June 2020 stood at Rs 43.7 billion, that is an increase of Rs 3.5 billion compared to that of 30 June 2019.

As for Extra Budgetary Units and Public Corporations Debt, the balance due at 30 June 2020 has increased by some Rs 3.2 billion, from Rs 35.6 billion as at 30 June 2019 to Rs 38.8 billion as at 30 June 2020.

Government Debt Servicing – More than 19 per cent of total Government Expenditure were on Government Debt Servicing

The 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 years is shown in Table 5-29.

Table 5-29 Government Debt Servicing for Financial Period 2016-20

Particulars	Year ended				
	30.06.2016 Rs m	30.06.2017 Rs m	30.06.2018 Rs m	30.06.2019 Rs m	30.06.2020 Rs m
*Interests					
External Debt	668.9	720.6	675.0	710.6	637.6
Domestic Debt	9,448.9	10,237.7	10,703.3	11,937.0	12,727.6
Management Service Charges	11.6	7.2	4.5	3.5	24.3
Sub Total	10,129.4	10,965.5	11,382.8	12,651.1	13,389.5
Capital Repayments					
External Debt	2,579.0	6,695.2	3,028.9	4,067.2	10,875.1
Domestic Debt	3,298.2	10,737.3	7,508.8	11,356.5	12,352.9
Total	16,006.6	28,398.0	21,920.5	28,074.8	36,617.5

Source: Treasury Accounting Systems

* Interest is computed on an accrual basis

For the financial year 2019-20, interest payments on Public Debt amounted to some Rs 13.37 billion and some Rs 24.3 million were incurred in respect of management service charges.

Table 5-30 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 years 2015-2016 to 2019-20.

Table 5-30 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
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
July 2019 to June 2020	36,617.5	189,556.0	19.3

Source: Statement D1- Detailed Statement of Expenditure of the Consolidated Fund

Some 19.3 per cent of total Government expenditure for financial year ended 30 June 2020 were on Government debt servicing. Debt servicing to the tune of Rs 36.6 billion, represented an increase of 30.4 per cent over the previous year.

MOFEPD stated that debt servicing includes early repayment of a loan amounting to some Rs 6.4 billion. Excluding this early repayment, Government Debt Servicing would have been Rs 30.2 billion for the financial year 2019-20, representing 15.9 per cent of total Government expenditure, down from 21.8 per cent in financial year 2016-17 and 19.1 per cent in financial year 2018-19.

Commitment Fees of Rs 2.26 million paid during 2019-20

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. An amount of Rs 2.26 million was paid as commitment fees during financial year 2019-20.

It was also noted that since 2011, a total amount of Rs 20.18 million has been paid by Government to the Japan International Cooperation Agency, as commitment fees, for the financing of the Grand Bay Sewerage Project.

5.6.4 Loan Administration

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 have increased by 8 per cent to reach Rs 11.5 billion as at 30 June 2020;
- (b) New Loans disbursed during 2019-20 totalled Rs 731 million;
- (c) Loans instalments repaid during 2019-20 totalled Rs 86.3 million; and
- (d) Loan Capital, Interests and Penalties becoming due as at 30 June 2020 but not yet paid to Government have increased from Rs 3.4 billion to Rs 4.1 billion

Outstanding Loans reaching Rs 11.5 billion

The total outstanding balance of loans made by Government to Statutory Bodies and Other Bodies was Rs 11.5 billion as of 30 June 2020. This represents an increase of 8 per cent over the amount outstanding as at 30 June 2019 of Rs 10.6 billion.

Amount owed by two Statutory Bodies being 63 per cent of Total Outstanding Loans

Two Statutory Bodies, namely the Central Water Authority and the Wastewater Management Authority owed some Rs 3.9 billion and Rs 3.4 billion respectively, representing some 63 per cent of the total outstanding loans of some Rs 11.5 billion.

Details are shown in Table 5-31.

Table 5-31 Total Loans due to Government as of 30 June 2020

Name of Borrowers	Original Loan Rs	Outstanding Loan Rs
Statutory Bodies		
Central Water Authority	6,923,217,787	3,922,064,047
Mauritius Cane Industry Authority (ex SPMPC)	20,408,214	16,793,167
Mauritius Cane Industry Authority (ex MSIRI)	2,631,395	307,522
Mauritius Meat Authority	5,717,943	5,669,085
Irrigation Authority	278,370,422	289,457,610
National Transport Corporation	156,022,528	154,071,447
Rose Belle Sugar Estate	96,577,646	95,158,052
Mauritius Broadcasting Corporation	67,268,268	67,268,268
Wastewater Management Authority	5,013,472,616	3,350,271,598
Sub Total	12,563,686,819	7,901,060,796
Private and Other Bodies		
Development Bank of Mauritius Ltd	471,100,000	250,208,219
Mauritius Housing Company Ltd	51,394,315	2,715,907
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	454,843,950
Landscape (Mauritius) Ltd	163,121,466	163,121,466
Metro Express Limited	500,000,000	220,830,095
Cargo Handling Corporation Ltd	699,000,000	772,271,845
Airports of Mauritius Ltd	513,372,400	320,844,908
MauBank Ltd	8,000,000	8,000,000
Polytechnics Mauritius Ltd	486,000,000	651,213,763
Airport Terminal Operations Ltd	494,130,000	573,861,945
Pamplemousses District Council	23,520,000	14,700,000
Riviere Du Rempart District Council	18,480,000	11,550,000
The Municipal Council of B. Bassin R. Hill	42,000,000	29,400,000
Rodrigues Regional Assembly	14,847,000	14,694,000
Sub Total	4,368,624,223	3,574,024,104
Private Individuals		
Repatriation Expenses	2,827,070	711,889
Small Scale Industries	546,277	178,392
Sub Total	3,373,347	890,281
Total	16,935,684,389	11,475,975,181

Source: Statement M – Statement of all Outstanding Loans Financed from Revenue as at 30 June 2020

Note: The original amounts of foreign loans are stated at their rupee equivalent on date of issue.

New Loans Disbursed during 2019-20 totalling Rs 731 million

During 2019-20, new loans totalling some Rs 731 million were disbursed, as shown in Table 5-32.

Table 5-32 New Loans Disbursed during 2019-20

Bodies	Loan Amount Disbursed Rs
Central Water Authority	240,543,238
Wastewater Management Authority	72,435,330
Development Bank of Mauritius	14,100,000
Metro Express Limited	220,000,000
Repatriation Expenses	40,844
Cargo Handling Corporation Ltd	184,000,000
Total	731,119,412

Source: Treasury Records

Loan to Central Water Authority – Rs 240.5 million

On 13 September 2019, a new loan agreement was signed between Government and the Central Water Authority to enable the latter to continue with the implementation of capital projects. Total disbursements during 2019-20 amounted to Rs 240.5 million in respect of seven projects, namely Bagatelle Downstream Works and Treatment Plant (Rs 174 million), Pont Lardier Water Treatment Plant (Rs 3.6 million), Riviere du Poste Water Treatment Plant (Rs 18.3 million), Mont Blanc Water Treatment Plant (Rs 5.0 million), La Nicoliere Water Treatment Plant (Rs 20.3 million), Construction of New Pumping Station at Plaine Lauzun (Rs 2.5 million) and Cold Portable Water Meters (Rs 16.8 million).

With the new loans of Rs 240.5 million issued during 2019-20, and given that no repayments were being effected by the CWA, the total amount of loans outstanding has gradually increased to reach Rs 3.9 billion as at 30 June 2020.

Loan to Wastewater Management Authority - Rs 72.4 million

During 2019-20, a new loan agreement was signed between Government and the Wastewater Management Authority (WMA) for an amount of Rs 151.3 million, of which loan disbursed as of 30 June 2020 amounted to Rs 72.4 million. No repayments had been effected since the first disbursement of loan in 2014. Total outstanding loans as at 30 June 2019 of Rs 3.28 billion has increased to Rs 3.35 billion as at 30 June 2020.

Loan to Development Bank of Mauritius.-Rs 14.1 million

A loan of Rs 100 million was initially provided in the Estimates 2019-20 for the construction of SME Parks at Plaine Magnien. On 19 June 2020, the Development Bank of Mauritius (DBM) Ltd made a request for funds in respect of this project to the Ministry of Finance, Economic Planning and Development (MOFEPD). On 29 June 2020, Government disbursed an amount of Rs 14.1 million to the DBM. As of January 2021, a loan agreement stating the terms and conditions of the loan between Government and the DBM was not yet signed.

The Ministry of Finance, Economic Planning and Development (MOFEPD) explained that the contract for the construction of the SME Park at Plaine Magnien has been awarded on 3 September 2020. The loan agreement is being finalised and will be signed in due course.

Loans Instalments paid during 2019-20 totalling Rs 86.3 million

Only a total of Rs 86.3 million, representing some five per cent of the total amount of loan capital expected to be repaid by 30 June 2020, was repaid during 2019-20.

Several Statutory Bodies and Other Bodies have not effected any repayments since long. Two of them, namely the Wastewater Management Authority and Polytechnics Mauritius Ltd have not effected any payment since the loan amounts were first disbursed. Thus, the recoverability of a major part of the debts remains doubtful.

Loans, Interests and Penalties Due as at 30 June 2020 - Rs 4,151,247,621

Arrears with regards to loans comprised capital due as at 30 June 2020 but not yet paid and interest and penalty due in respect of claims issued by the Treasury as at that date.

Eight Statutory Bodies and nine other Bodies have not repaid their loan instalments, accrued interests and penalties by the due dates, details of which are at Table 5-33.

As at 30 June 2020, total arrears amounted to Rs 4.1 billion, comprising capital of Rs 1.9 billion and interests and penalties of Rs 2.2 billion.

Table 5-33 Arrears of Capital and Interest and Penalty due as of 30 June 2020

Statutory Bodies	Note	Principal- Arrears Rs	Interest and Penalties Rs	Period due	Remarks
Central Electricity Board			865,142	2011-2015	Paid 16.10.2020
Central Water Authority	1	829,739,460	660,777,383	1999-2020	No repayment
Irrigation Authority	2	287,635,509	236,256,563	1983-2020	No repayment since Aug1996
National Transport Corporation	3	154,071,448	328,393,164	1988-2020	No repayment.
Mauritius Meat Authority	4	5,669,085	-	1986-1990	No repayment since 1980
Mauritius Broadcasting Corporation		-	1,672,517	2017-2020	Repaid 17.12.2020
Rose-Belle Sugar Estate		82,402,514	115,683,803	2014-2018	Repayment in kind in Sept 2020
WasterWater Management Authority	5	322,890,539	713,972,395	2014-2020	No Repayment since 2014
Other Bodies					
Small Scale Industries	4	178,392	1,227,601	1988-2017	No repayment since 1993/94
Ex. M.C.C.B Ltd	6	81,308,000	79,714,126	1996-2020	In liquidation
Bus Companies	4	4,460,006	-	-	No repayment since 1995
Rodrigues Regional Assembly	7	14,694,000	10,804,347	2011-2020	Insufficient payment
Pamplemouses District Council		588,000	367,500	2020	Paid 29.07.2020
Riviere du Rempart District Council		462,000	288,750	2020	Paid 24.07.2020
Municipality of Beau Bassin - Rose Hill		-	2,736,247	2020	Paid 23.07.2020
Polytechnics Mauritius Ltd (ex Knowledge Parks Ltd)	8	97,682,064	86,985,438	2018-2020	No repayment
Airports of Mauritius Ltd		25,294,827	4,426,800	2020	
Total		1,907,075,844	2,244,171,776		

Source: The Treasury's Records

MoFEPD explained that loans are generally provided to the Statutory Bodies, Private Bodies and Other Bodies to finance their capital projects. Repayment notice is sent by the Treasury on a timely basis as per the terms and conditions of the loan contracts.

However, some organisations are not in a capacity to service their debts due to their financial situation and discussions are ongoing to explore the possibilities of waiving of interest, re-scheduling the loan repayment or conversion of the loan into equity participation.

With a view to further improve the financial situation and the debt servicing ability of these organisations, several efficiency and revenue optimisation measures are being implemented.

Note 1 - Central Water Authority

Claims in respect of arrears on capital, interests and penalties issued to the Authority as at 30 June 2020 amounted to some Rs 1.5 billion (capital : Rs 829.7 million and Interest/Penalty: Rs 660.8 million) , that is, some 36 per cent of total arrears of Rs 4.1 billion. During 2019-20, no repayment in respect of arrears has been effected by the Authority.

MOFEPD explained that, in view of its difficult financial situation, CWA is implementing a series of measures to optimise its revenue and reduce its expenditure.

In addition, a Technical Committee, comprising of various stakeholders, has been set up to examine the financial situation of the CWA and to make proposals, including a financial restructuring, that would enable the latter to meet its commitments in the future.

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 2020 amounted to Rs 524 million (capital - Rs 288 million and interests plus penalties - Rs 236 million). Since August 1996, that is, some 24 years back, no repayment has been effected by the Authority despite regular claims being issued.

Note 3 - National Transport Corporation

Total arrears of Rs 482 million (Capital Rs 154 million and Interest Rs 328 million) were in respect of 11 loans contracted by the National Transport Corporation (NTC) over the years 1986 to 1998. The Corporation has been effecting regular monthly repayments of Rs 10,000 as interest in respect of only one loan contracted in 1995 (Indian Line of Credit Loan of Rs 41.6 million). No repayments have been effected in respect of all other loans contracted by the Corporation.

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

As at 30 June 2020, 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 1.4 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 MOFEPD for a decision as to whether the loans could be written off.

Note 5 - Loan to Wastewater Management Authority

As of 30 June 2020, total loans disbursed to the Authority as per Loan Agreements signed between Government and the WMA since 2014 amounted to Rs 3.35 billion as shown in Table 5-34.

Table 5-34 Loans to Wastewater Management Authority

Date of Loan Agreement	Amount of Loan Disbursed Rs	Loan Repayment Period
6 May 2014	920,992,616	March 2018 – September 2027
19 August 2014	307,700,000	March 2019 – September 2028
14 November 2014	394,788,725	October 2019 – April 2029
23 February 2015	140,170,223	April 2020 – October 2029
25 May 2015	141,492,383	September 2020 – March 2030
25 May 2015	401,909,462	September 2020 – March 2030
15 September 2016	536,572,049	June 2021 – December 2030
11 August 2017	255,009,473	June 2022 – December 2031
20 November 2018	179,201,337	June 2023 – December 2032
19 September 2019	72,435,330	June 2024-December 2033
Total	3,350,271,598	

Source : Advance Ledger

As per the Loan Agreements, interest was accrued as from the date of the first drawdown of the loans by the WMA. The latter was unable to pay the interests on the due dates.

As of 30 June 2020, claims already issued in respect of capital and interests plus penalties due totalling some Rs 1.04 billion (Capital - Rs 323 million, Interests and Penalties - Rs 714 million) remained unpaid.

MoFEPD explained that as from financial year 2017-18, with a view to improve the financial situation of WMA, the sewerage projects implemented by the organisation, are being financed through a combination of both debt and equity participation.

Moreover, the organisation has implemented a series of measures to optimise its revenue and reduce its expenditure. In addition, a Technical Committee, comprising of various stakeholders, has been set up to examine the financial situation of the WMA and to make proposals, including a financial restructuring, that would enable the latter to meet its commitments in the future.

Note 6 – Mauritius Cooperative Central Bank (In liquidation)

The loan amount due as at 30 June 2020 stood at Rs 81.3 million since the bank went into liquidation in 1996. Further, interests and penalties due as of 30 June 2020 were Rs 79.7 million. As per the order of priority set out in the schedule of the Mauritius Cooperative Central Bank (MCCB) Liquidation Act 1996, Government was ranked at the 6th position to be repaid. A case was 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. The hearing took place on 26 October 2020 and has been fixed for continuation on 18 March 2021. Thus, the exact amount and date of payment to Government in respect of the outstanding balance were still not known.

Note 7- Rodrigues Regional Assembly

A loan of some Rs 15 million was advanced to the Rodrigues Regional Assembly to finance development projects in the Fisheries Sector in year 2011. As of 30 June 2020, there has been insufficient repayment of capital and interest by the Assembly. Arrears outstanding as at 30 June 2020 amounted to some Rs 25.5 million. (Capital Rs 14.7 million and interests and penalties Rs 10.8 million).

Note 8- Polytechnics Mauritius Ltd (ex-Knowledge Parks Ltd)

In April 2014, Polytechnics Mauritius Ltd (ex-Knowledge Parks Ltd) contracted a loan for an amount of Rs 486 million to finance the construction and management of university campuses. The loan repayment started in March 2019 and had to be made in 20 semi-annual instalments of both capital and interest. The total amount due as of 30 June 2020 which was Rs 184.7 million, (comprising capital of Rs 97.7 million and interest/penalty of Rs 87 million) had not been paid by the Organisation as of December 2020.

Loan to Development Bank of Mauritius – No Loan Agreement

In December 2013, Government disbursed an amount of Rs 110.5 million to the Development Bank of Mauritius (DBM) to provide funds to Private Aided Secondary Schools, registered with the former Private Secondary School Authority, operating in disadvantaged areas for the purpose of improving educational infrastructure.

The loan agreement was not available at the Treasury and as such the terms and conditions of the loans were not known.

The amount due (capital, interest and penalties) by DBM as at 30 June 2020 was therefore not reflected in Statement N – Statement of Arrears of Revenue.

5.6.5 Arrears of Revenue - On the Increasing Trend

Statement N - 'Statement of Arrears of Revenue' as at 30 June 2020 was prepared by the Treasury on the basis of the returns submitted by all Ministries and Government Departments.

The following were noted from an examination of Statement N and the relevant records:

- (a) Arrears of Revenue have reached Rs 14.5 billion, representing a 10.2 per cent increase over the previous year;
- (b) Arrears of Revenue of the Mauritius Revenue Authority represented 61 per cent of total arrears figure of Government;
- (c) Arrears in the Book of Treasury increased by Rs 790.3 million, being a 23 per cent increase over last year's arrears; and
- (d) During financial year 2019-20, Ministries/Departments have written off arrears of revenue totalling Rs 386.6 million, compared to Rs 195.2 million written off in financial year 2018-19.

Arrears of Revenue as at 30 June 2020: Increase of 10.2 per cent compared to end of previous year

As of 30 June 2020, arrears of revenue of Government totalled some Rs 14.5 billion. The arrears of revenue as at the end of the past five financial years are given in Table 5-35.

Table 5-35 Arrears of Revenue as at end of Past Five Financial Periods

As at	Arrears of Revenue	Increase/(Decrease) over end of Previous Financial Period
	Rs	Rs
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	*13,162,021,028	2,152,654,662
30 June 2020	14,506,471,843	1,344,450,815

Source: Annual Reports of the Accountant-General

*The figure as at 30 June 2019 has been restated in financial year 2019-20.

Annual increases have been noted in the arrears of revenue figure. There has been a significant increase of some Rs 1.3 billion as at 30 June 2020, compared to the end of the previous financial year.

Mauritius Revenue Authority – 61 per cent of total Arrears 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 2020 totalled some Rs 8.83 billion. This represents some 61 per cent of the total arrears figure of Rs 14.5 billion.

The total book balance of arrears of revenue for the MRA as at 30 June 2020 stood at Rs 27.1 billion. The remaining sum of Rs 18.3 billion not accounted as arrears of revenue in Statement N represented mainly cases pending under objection at the MRA, cases pending at the Assessment Review Committee (ARC), 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 5-36:

Table 5-36 Mauritius Revenue Authority - Book Balance of Arrears as at 30 June 2020

	Customs	Income Tax and Other Taxes	Total
	Rs	Rs	Rs
Amount Under Dispute	521,592,134	-	521,592,134
Pending under Objection	-	84,038,668	84,038,668
Pending at Assessment Review Committee	-	15,829,497,961	15,829,497,961
Pending under the Alternative Tax Dispute Resolution and the Expeditious Dispute Resolution Tax Scheme	-	967,909,374	967,909,374
Sum Otherwise not Due	-	846,854,381	846,854,381
Arrears of Revenue	20,561,823	8,810,701,224	8,831,263,047
Total Book Balances	542,153,957	26,539,001,608	27,081,155,565

Source: Returns of Arrears of Revenue submitted by MRA

Arrears of the Treasury - 23 per cent Increase over last year's figure

Arrears in the books of the Treasury as of 30 June 2020, comprising mainly Loans, Interests and Penalties, Guarantee Fees and Accidents and Claims, have increased by some 23 per cent compared to the previous year, as detailed in Table 5-37.

Table 5-37 Treasury - Arrears of Revenue as of 30 June 2019 and 30 June 2020

Arrears of Revenue	30 June 2020 Rs	30 June 2019 Rs
Loans, Interests and Penalties	4,151,247,621	3,351,815,818
Guarantee Fee	51,733,125	60,952,986
Accidents and Claims	11,048,846	10,976,574
Total	4,214,029,592	3,423,745,378

Source: Returns of Arrears of Revenue for Treasury as at 30 June 2019 and 2020

Arrears of Revenue for Loans, Interest and Penalties – Rs 4.15 billion

The arrears figure for loans, interests and penalties of Rs 4.15 billion comprised Rs 1.9 billion as capital repayment due, and Rs 2.25 billion as interests and penalties due by 17 Statutory Bodies/other Bodies. There has been an increase of Rs 0.8 billion, that is, some 24 per cent when compared to the previous year figure of Rs 3.35 billion.

Arrears of Revenue for Guarantee Fee – Rs 51.7 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.

The arrears of revenue of Rs 51.7 million as at 30 June 2020 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 still not been paid by CEB.

Arrears of Revenue for Accidents and Claims – Rs 11 million

Arrears of revenue of Rs 11 million as at 30 June 2020 were in respect of 237 accident cases, of which 142 cases, with claims totalling some Rs 5.8 million, were due for more than 10 years since the accident occurred. Hence, some 52 per cent of the cases of arrears of revenue for accidents and claims were long overdue, and the possibility of recovery could be remote.

Of the total arrears of revenue of Rs 11 million due as at 30 June 2020, approval was obtained from the Attorney General's Office (AGO) on 28 October 2020 for write off of an amount of Rs 2.2 million in respect of 55 cases. Additionally, application for authority to write off long outstanding debts in respect of 48 additional cases and involving an amount of Rs 1.4 million was made to the AGO on 30 October 2020. Hence, some 32 per cent of arrears of revenue as at 30 June 2020 would not be collected.

Arrears of Revenue Written-Off

During financial year 2019-20, a total of Rs 386.6 million was written-off by Ministries/ Departments, being long outstanding and irrecoverable debts, compared to Rs 195 million for financial year 2018-19. Details are shown in Table 5-38.

Table 5-38 Arrears of Revenue Written-Off

Ministries/Departments/Statutory Bodies	2019-20	2018-19
	Rs	Rs
Ministry of Local Government and Outer Islands	-	235,620
Registrar- General's Department	4,796,765	509,566
Corporate and Business Registration Department	15,690,950	12,138,149
National Audit Office	-	135,000
Judiciary	2,648,508	9,005,467
Treasury	929,276	-
Mauritius Revenue Authority	131,801,135	173,193,795
Ministry of Housing and Lands	230,757,469	-
Total	386,624,103	195,217,597

Source: Treasury and MRA's Records

It is to be noted that Rs 230.8 million, representing nearly 60 per cent of the total amount of arrears written off during the year 2019-20 related to the Ministry of Housing and Lands.

Treasury explained that 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.

5.7 Mauritius Revenue Authority

5.7.1 Revenue Collection - Revenue collection has Decreased by 2.3 per cent Compared to the Past Financial Year

The Mauritius Revenue Authority (MRA) is the agent of Government, responsible for collecting all major tax revenues and enforcing tax laws in Mauritius.

The taxes administered by MRA are all on a self-assessment system. Under this system, persons liable to pay the relevant tax or duty have to submit declarations/returns at the end of specified periods and pay the tax, if any, in accordance with the declarations/returns. The 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.

A review of the revenue records at the MRA showed the following:

- (a) Revenue collection has decreased by 2.3 per cent compared to the past financial year;
- (b) Non-collectible debts represent 67 per cent of total debts as at 30 June 2020;
- (c) Collectible Debts (excluding Customs and Excise) as of 30 June 2020 were some Rs 8.8 billion, compared to Rs 8.2 billion as of 30 June 2019, thus representing an increase of some seven per cent;
- (d) There were significant long outstanding arrears of revenue in respect of PAYE and Tax Deduction at Source (TDS), dating as far back as year 1993 and financial year 2006-07 respectively;
- (e) The arrears of PAYE and TDS due by Ministries and Departments amounting to Rs 372 million are not real arrears, and have arisen mainly due to unallocated payments;
- (f) The total of credit balances represented some 49 per cent of the Collectible Debts of Rs 8.8 billion reported as a gross figure as of 30 June 2020. 44 per cent of these balances were over one year old. Actions taken to clear those credit balances have not been successful;
- (g) Debt collected during the financial year ending 30 June 2020 totalled some Rs 1.7 billion as compared to some Rs 3.7 billion for financial year 2018-19. This represented a shortfall of some 53 per cent in debt collection, and was attributed partly to the two-month lockdown period;
- (h) Some Rs 7 billion of the arrears, representing 79 per cent of the total collectible debts as at 30 June 2020 were over one year old; and
- (i) Irrecoverable debts amounting to some Rs 22 million were written off during financial year 2019-20. An additional amount of some Rs 4 million was written off through the use of discretionary powers of the Director-General.

Decrease in Revenue Collection

During financial year 2019-20, actual revenue collected by MRA, in respect of the various types of taxes (excluding Customs and Excise and related VAT collections) totalled some Rs 46.6 billion, as compared to some Rs 47.7 billion collected during 2018-19. This represents a decrease of some 2.3 per cent.

Arrears of Revenue

In accordance with Financial Instructions, the MRA is required to submit a Statement of Arrears of Revenue to the Accountant General 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.

Non-collectible Debts represent 67 per cent of Total Debts

Collectible Debts consist mainly of taxes, penalties and interests due which were payable at year end. Also included under Collectible Debts are amounts due on assessments under appeal at Supreme Court or Privy Council.

Non-collectible Debts represent mostly tax claims pending under objections at the MRA and cases lodged at the Assessment Review Committee (ARC) after netting off of amounts which the taxpayer has to pay at 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 are referred to as 'Sum otherwise not due'.

Details of Collectible and Non-collectible Debts are shown in Table 5-39. The non-collectible debts represent 67 per cent of total debts.

Table 5-39 Collectible and Non-Collectible Debts as of 30 June 2020

	Collectible Debts	Non-Collectible Debts
	Rs	Rs
Arrears of Revenue	8,775,738,024	-
Cases pending at Supreme Court and Privy Council	34,963,199	-
Pending under Objection	-	84,038,668
Pending at ARC	-	15,829,497,961
Pending under ATDR and EDRTS	-	967,909,374
Sum Otherwise not due	-	846,854,381
Total Book Balances	8,810,701,223	17,728,300,384

Source: Statement of Arrears of Revenue

Collectible Debts – Rs 8,810,701,223 - Increase of seven per cent

Total Arrears of Revenue – Collectible Debts (excluding Customs and Excise) as of 30 June 2020 was some Rs 8.8 billion, compared to Rs 8.2 billion as of 30 June 2019, thus representing an increase of some seven per cent. Details of Arrears of Revenue as per Tax type are shown in Table 5-40.

Table 5-40 Arrears of Revenue - Collectible Debts

Tax Type	As of 30 June 2020	As of 30 June 2019
	Rs	Rs
Income Tax (ITAX & CTAX)	3,595,368,459	3,821,929,795
Value Added Tax	3,903,169,652	3,499,262,207
Betting & Gaming	253,622,666	259,632,444
PAYE	771,281,857	401,549,628
TDS	167,697,004	150,059,396
Others	119,561,585	115,735,575
Total	8,810,701,223	8,248,169,045

Source: Statement of Arrears of Revenue

Out of total Collectible Debts of Rs 8.8 billion as at 30 June 2020, some Rs 7.5 billion were in respect of Income Tax and VAT debtors, representing 85 per cent of such debts.

Arrears of Revenue in respect of PAYE as of 30 June 2020 have increased by some 92 per cent compared to the end of the previous financial year. Some 82 per cent of the increase were in relation to Ministries and Departments. These PAYE arrears are not real arrears and have arisen mainly due to unallocated payments.

Arrears of Revenue - PAYE and TDS

PAYE is the system whereby employers are required to withhold tax from the emoluments of employees chargeable to tax at the time the emoluments are received by or made available to the employees. The tax withheld each month is then remitted to the MRA.

Similarly, under the system of TDS, the payer is required to deduct tax at time the payment is received by or credited to the account of the payee, and remit same to MRA.

Included in the above figure of arrears as of 30 June 2020 are amounts of some Rs 771 million and Rs 168 million, representing debts in respect of PAYE and TDS respectively.

The two systems, PAYE and TDS, were set up to readily withhold tax and remit same to MRA on a timely basis, and as such, are not expected to lead to Arrears of Revenue.

Age Analysis of PAYE and TDS Arrears – Long Outstanding Arrears

The age analysis of the arrears revealed that as far as PAYE was concerned, some of the debts dated as far back as 1993 and have considerably increased over the years. For TDS, arrears have been recorded since financial year 2006-07.

Details are shown in Table 5-41.

Table 5-41 Age Analysis - PAYE and TDS Arrears

Range	PAYE Rs	TDS Rs
Prior to 30.06.2005	630,991	
01.07.2005 - 30.06.2006	663,035	
01.07.2006 - 30.06.2007	1,428,237	3,681,194
01.07.2007 - 30.06.2008	1,337,145	747,289
01.07.2008 - 30.06.2009	8,269,581	2,217,994
01.07.2009 - 30.06.2010	4,563,756	4,545,877
01.07.2010 - 30.06.2011	3,463,360	11,038,486
01.07.2011 - 30.06.2012	11,348,944	7,156,723
01.07.2012 - 30.06.2013	12,842,556	15,091,527
01.07.2013 - 30.06.2014	16,449,243	10,934,133
01.07.2014 - 30.06.2015	7,204,942	7,702,901
01.07.2015 - 30.06.2016	14,301,641	8,147,505
01.07.2016 - 30.06.2017	18,957,255	16,945,293
01.07.2017 - 30.06.2018	133,871,109	24,067,372
01.07.2018 - 30.06.2019	295,574,301	30,337,150
01.07.2019 - 30.06.2020	240,375,763	25,083,558
Total	771,281,859	167,697,002

Source: Age Analysis- Debt Management Unit

Arrears of Revenue PAYE - Action to clear arrears unsuccessful

The Arrears of Revenue listings for PAYE as detailed in Table 5-42 were examined.

Table 5-42 Arrears of Revenue – PAYE

	Rs	Number of cases	Unique TAN
Companies and Body Corporate	735,311,213	39,566	12,551
Individuals	28,390,536	2,613	1,556
Sociétés, Successions & Trusts	7,580,109	1,687	596
Total	771,281,858	43,866	14,703

Outstanding debts for PAYE totalling some Rs 771 million were in respect of 43,866 cases, representing 14,703 unique Tax Account Number (TAN).

Actions taken to clear these arrears and to remedy the circumstances whereby they arose have not been successful.

PAYE and TDS due by Ministries and Departments – Arrears of Rs 372 million not real arrears

Examination of the Arrears of Revenue listings revealed that several Ministries and Departments (Examples listed in Table 5-43), figured among the employers indebted towards MRA as far as PAYE and TDS were concerned.

Arrears of Revenue are recognised and measured when taxpayers fail to pay their taxes by the due date. For those Government employees posted at the different Ministries/Departments mentioned below, PAYE deductions from emoluments are automatically credited to MRA Revenue Item in the Treasury Accounting System.

The MRA has acknowledged that these arrears have arisen as a result of payments not being allocated due to lack of relevant details. MRA is working with the Treasury to have this issue resolved. In addition, a Clearing Unit has been set up at the level of the MRA to address the issues of unallocated payments in all relevant taxes.

Table 5-43 Arrears of Revenue – PAYE and TDS

Name of Organisation	PAYE Rs	TDS Rs	Total Rs
Police Department	42,718,768	1,042,934	43,761,702
Min of Health & QL - Port Louis	134,518,183	-	134,518,183
Victoria Hospital & PMOC Region 5	33,583,265	2,655,162	36,238,427
A.G Jeetoo Hospital - Region 1	36,475,785	304,937	36,780,722
SSRN Hospital - Region 2	28,486,008	816,357	29,302,365
Flacq Hospital Region 3	35,938,608	1,351,270	37,289,878
MOE Zone 1 P.Louis North	19,164,290	-	19,164,290
J Nehru Hospital Region 4	13,307,128	-	13,307,128
Ministry for Rodrigues Central Administration (Regional Assembly)	12,750,611	1,265,479	14,016,090
MOE Zone 4 Q. Bornes/Vacoas	7,871,092	20,000	7,891,092
Total	364,813,738	7,456,139	372,269,877

Collectible Debts - Credit Balances

As of 30 June 2020, credit balances in the Collectible Debts listings totalled some Rs 4.3 billion, as shown in Table 5-44.

Table 5-44 Credit Balances

Tax Type	Rs
ITAX	212,791,248
CTAX	2,010,620,824
VAT	711,686,027
Betting and Gaming	32,097,952
PAYE	969,726,826
TDS	315,688,018
Others	74,223,975
Total	4,326,834,870

Source: Debt Management Unit

The total of credit balances represented some 49 per cent of the Collectible Debts of Rs 8.8 billion reported as a gross figure as of 30 June 2020.

Age Analysis - Long outstanding Credit Balances

An age analysis of the credit balances in the Taxpayers' accounts showed that 44 per cent of the balances were over one year old as shown in Table 5-45.

Table 5-45 Age Analysis of Credit Balances

	Rs	Percentage (%)
Less than 3 months	1,463,591,599	34
3-6 months	279,431,589	7
6-12 months	661,042,496	15
More than 12 months	1,922,769,186	44
Total	4,326,834,870	100

Source: Debt Management Unit

- Some Rs 2 million were credit balances for periods dated as far back as 20 years, and included amount of some Rs 0.8 million which related to periods prior to 1993.
- Some Rs 100 million were for period 2000-2009.
- 42 per cent of the total credit balances, representing some Rs 1.8 billion were in respect of period 2010 to 2019.
- These credit balances have arisen due to unallocated payments and actions taken by the MRA to clear them have not been successful.

Conclusion –Statement of Arears of Revenue includes arrears arising due to unallocated payments

Total Arrears of Revenue under MRA at the end of each financial year is disclosed in the Statement of Arrears of Revenue (Statement N) of the Annual Report of the Accountant General.

The Statement of Arrears of Revenue submitted by MRA to the Accountant General includes debts which have wrongly been classified as such, due to unallocated figures, mismatch of payments with payables and also comprises debts with remote possibility of recovery.

Debt Recovery

One of the main objectives of the Debt Management Unit is to enforce payment of any tax due by making use of enforcement tools provided in the relevant revenue laws, amongst others, the Income Tax Act, VAT Act and Gambling Regulatory Authority Act.

Provision has been made in the above-mentioned Acts to the effect that no law relating to the limitation of action shall bar or affect any action or remedy for recovery of tax.

Whenever a debt is not settled within the due date, reminders are issued to the taxpayer requesting him to settle the tax due, together with accrued penalties and interests. When the tax remains in arrears, the Director General may enforce payment of the tax by different measures.

Debt Collection – Rs 1,728,463,770 – Decrease in amount of collections

Debts collected during the year ended 30 June 2020 totalled some Rs 1.7 billion compared to some Rs 3.7 billion for financial year 2018-19. This represented a shortfall of some 53 per cent in debt collection, and was attributed partly to the two-month lockdown period.

As already highlighted in my previous Audit Reports, the debt recovered during the year could not be readily traced to the different enforcement actions undertaken, and hence, their effectiveness could not be assessed.

Age Analysis of Debts – 79 per cent of Debts over one year old

The age analysis of debts as at the end of the current period was reviewed. Details are given in Table 5-46.

Table 5-46 Age Analysis of Collectible Debts as of 30 June 2020

Period	Rs	% of Total Arrears
Prior to 1993 - 30.06.2000	100,675,073	1
01.07.2000 - 30.06.2010	976,212,147	11
01.07.2010 - 30.06.2019	5,879,022,120	67
01.07.2019 - 30.06.2020	1,854,791,884	21
Total	8,810,701,224	

Source: Debt Management Unit- Age Analysis by Financial Year

In certain cases, debts relating to the same period have, over the years, increased. For those cases which have been recently followed up by the Debt Management Unit, penalties and interests in respect of the debts were computed and included in the existing debt figure, thus accounting for the increased amount of a particular debt. In other cases, the debt recorded was without penalty and interest.

Apart from the fact that debt recovery was slow for old debts, no meaningful conclusion could be drawn as the recording of the debts was not consistent, where some were inclusive of penalties and interests, others not.

As can be seen from Table 5-45, some Rs 7 billion, representing 79 per cent of the total collectible debts related to debts dating more than one year.

An analysis of high value debts revealed that three companies, either defunct or in financial distress had debts in respect of VAT totalling some Rs 217 million. There were also two individuals who owed a total of some Rs 400 million.

Irrecoverable Debts of Rs 22 million written off

Irrecoverable debts amounting to some Rs 22 million were written off during financial year 2019-20 under Section 17 of the MRA Act.

An additional amount of some Rs 4 million was written off through the use of discretionary powers of the Director-General, as provided under the Income Tax Act and the VAT Act.

Irrecoverable debts refer to long outstanding debts for which all possible enforcement actions have already been explored, but without any successful outcome. Enforcement actions undertaken include claims, agreements, attachment orders (on bank accounts and debtors), distress warrant, inscription, renewal, objection to departure, contrainte and prosecution.

5.7.2 Status of Objections and Appeal Cases – 554 cases with assessed amounts totalling Rs 9.1 billion (52 per cent) Pending at ARC since prior to January 2018

Following an assessment raised by the MRA, a taxpayer who is not satisfied with the tax payable has the right to object to same within 28 days of the date of the Notice of Assessment. Objections are dealt with by the Objections, Appeal and Dispute Resolutions (OADR) Department. An objection should be determined within four months from the date it was lodged.

Any taxpayer who is not satisfied with the determination of an assessment carried out by the OADR Department, may lodge written representations to the Assessment Review Committee (ARC) within 28 days of the date of the notice of determination.

Under Section 20(3) of the MRA Act, representations made by an aggrieved person at the ARC shall be dealt with as expeditiously as possible and a panel shall endeavour to:

- (i) Fix the case for hearing within six months from the date the representations were lodged. (The words “six months” were replaced by the words “within 2 months” with effect from 24 July 2017 and within “3 months” with effect from 25 July 2019); and
- (ii) Give its decision on the representations heard by it not later than eight weeks from the start of the hearing. (The words “8 weeks from the start of the hearing” were replaced by the words “4 weeks from the end of the hearing” with effect from 24 July 2017).

A review of the Objections and Appeal records at the MRA showed that there were several long outstanding cases pending at the ARC.

As of 30 June 2020, out of a total of 2,145 cases, with assessed amount of some Rs 17.5 billion, 554 cases with assessed amount of some Rs 9.1 billion, representing 52 per cent in terms of total assessed amount related to cases lodged prior to year 2018. Six cases dated as far back as 1999.

For a single taxpayer, six cases were pending where the total amount assessed was Rs 7.8 billion, representing some 45 per cent of the total amount of Rs 17.5 billion. These cases were lodged at the ARC between November 2015 and December 2018.

The MRA informed NAO that appeal cases at the ARC were not under its purview. Nevertheless, MRA has been assisting in reducing the backlog of such cases through resolution of the dispute during pre-hearing negotiations with the taxpayers and the implementation of incentive schemes, such as Alternative Tax Dispute Resolution Scheme.

5.7.3 Social Security Contributions – Arrears of Social Contributions reaching Rs 1.6 billion as of 30 June 2020

Following amendments brought by the Business Facilitation (Miscellaneous Provisions) Act to various legislations, the MRA was entrusted with the responsibility for the collection of Social Security Contributions for the National Pensions Fund (NPF), contributions for the National Savings Fund (NSF), the Training Levy under the Human Resource Development Act and the Recycling Fee under the Employment Rights Act. As from January 2018, employers were required to submit all returns and effect payments in respect of NPF/NSF contributions and Training Levy to the MRA.

The MRA is responsible for both the collection of NPF/NSF contributions and enforcement of same by way of audits and assessments. Arrears of contributions may in case of default in payment, be recovered by the MRA using the enforcement actions provided under the Income Tax Act. MRA remits the collections to the account of the Ministry of Social Integration, Social Security and National Solidarity (MSS) at the Bank of Mauritius.

A review of the records of the MRA relating to Social Contributions showed the following:

- (a) Arrears of Social Contributions due for a period exceeding 12 months amounted to some Rs 1.2 billion, representing 77 per cent of the total amount of arrears due as of 30 June 2020;
- (b) Debtors of social contributions as of 30 June 2020 included companies which were defunct or in the process of winding up;
- (c) Regarding arrears of Social Contributions totalling some Rs 377 million, which have not been migrated from MSS to the MRA system, MRA has carried out an analysis of same, and informed MSS accordingly in November 2018. There was no further communication between the MRA and MSS regarding follow up of any of these debts; and

- (d) Social Contributions totalling Rs 219 million were due by Ministries/Departments as of 30 June 2020. In several cases, the remittances of social contributions had been made by the Ministries and Departments, but could not be properly allocated by the MRA in the absence of the relevant return details at time of payment.

Collection of Social Contributions

The MRA has collected some Rs 8.05 billion as Social Contributions during the financial year 2019-20, as compared to some Rs 7.66 billion for the previous financial year. Table 5-47 refers.

Table 5-47 Collection of Social Contributions

Contributions	2019-20	2018-19
	Rs million	Rs million
NPF	4,692.55	4,458.32
NSF	2,201.54	2,075.60
Training Levy	1,156.35	1,116.75
Recycling fee	4.40	11.30
Total	8,054.84	7,661.97

Source: MRA – Finance and Administration Department (FAD)

Arrears of Social Contributions as of 30 June 2020

Arrears of NPF, NSF, Training Levy and Recycling Fee in the Integrated Tax Administration Solutions (ITAS) as of 30 June 2020 totalled some Rs 1.57 billion, as shown in Table 5-48. These comprise arrears due as from 1 January 2018, date on which MRA took over the responsibility for the collection of Social Security contributions, together with arrears for the Ministry of Social Security for period prior to January 2018 and migrated into the MRA ITAS.

Table 5-48 Arrears of Social Contributions as at 30 June 2020

Tax Type	Total Rs	No. of Employers
NPF	892,682,320	10,406
NSF	480,677,815	12,906
Levy	190,488,817	6,617
RCF	3,872,026	144
Total	1,567,720,978	

Source: MRA-Debt Management Unit

Age Analysis of Social Contributions Arrears – Long Outstanding Arrears

An age analysis of the Social Contributions arrears revealed that:

- Arrears of Social Contributions due for a period exceeding 12 months amounted to some Rs 1.2 billion, representing 77 per cent of the total amount of arrears due as of 30 June 2020.
- The arrears included a sum of about Rs 34.3 million relating to contributions for June 2020 which were not yet collectible.
- Some Rs 540 million were debts in the range of five to 10 years, representing 44 per cent of total arrears.
- Arrears for periods exceeding 10 years amounted to some Rs 175 million.

Arrears Include those for Companies in Process of Winding up or Defunct

A scrutiny of the Arrears of Social Contributions listings as at 30 June 2020 revealed that they included certain companies/employers which were defunct or in the process of winding. Being given the current status of these companies, the probability of recovery of these debts is remote.

The MRA should, along with the Debtors List for Social Contributions, also provide to the National Pensions Fund, information on the results of its enforcement actions to enable the latter to determine which debts are doubtful and make the necessary provision in their financial statements. This also applies when communicating the debtors figures for Training Levy and Recycling Fee to MSS for onward submission to the Human Resources Development Council (HRDC).

The MRA informed NAO that the different Enforcement Actions taken against a debtor are not recorded in the MRA computer system. Enhancements are required to the Debt Management Module to be able to provide such information.

Debts amounting to Rs 377 million not Migrated – No further communication between MRA and MSS

Following the implementation of the measure in connection with the collection of contributions of NPF, NSF, HRDC Levy and Recycling Fee by the MRA with effect from 1 January 2018, debts amounting to some Rs 1.5 billion in respect of 34,871 employers for the period July 1978 to November 2017 were referred to MRA for recovery actions.

The debts were analysed by the MRA, and some Rs 1.1 billion, involving 11,336 employers, were loaded in MRA computer system. A breakdown of the balance of some Rs 377 million which have not been migrated is at Table 5-49.

Table 5-49 Non-Migrated Debts

Category	No. of cases	Amount Rs
Ministries/Departments	155	132,127,243
PSEA	106	38,562,590
Debt relating to Levy for Diplomatic Mission	6	692,141
Small Debts ≤ Rs 1,000	20,268	3,303,263
Has TAN and not Live on ITAS	2,236	188,609,740
TAN not identified on ITAS	769	14,160,911
Total	23,540	377,455,888

Source: Debt Management Unit

Enforcement actions are initiated only for the recovery of migrated debts. As far as those debts not loaded in the MRA system, MRA had carried out its analysis and informed the MSS accordingly in November 2018. There was no further communication between the MRA and MSS regarding follow up on any of these debts.

Social Contributions due by Ministries/Departments – Non Allocation of Contributions

The non-migrated debts included some Rs 132 million, representing 155 cases, reported as being due by Ministries/Departments for period prior to December 2017. Over and above these non-migrated debts, outstanding contributions for Ministries/Departments for the months of December 2017 to December 2019 amounted to some Rs 87 million (excluding surcharges) as per MRA records.

The above figures recorded as outstanding contributions do not necessarily imply that contributions have not been settled by the respective Ministries/Departments. It was observed that, in several cases, the remittances of social contributions by Ministries and Departments could not be properly allocated by MRA in the absence of the relevant return details at time of payment.

The non-allocation of contributions received against amounts payable may lead to an overstatement of the debt figure, while at the same time understating individual social benefits contributions.

Since 2018, the MRA has been working with the Accountant-General to have this issue resolved. The MRA should pursue its efforts to ensure that remittances of Social Contributions by Ministries and Departments are complete with all relevant details and returns. This situation should be resolved urgently to ensure that the accounts of Ministries/Departments, as well as those of their respective employees, are credited with the total contributions paid.

5.8 Customs

5.8.1 Arrears of Revenue – Deficient Recovery Procedures

The Return of Arrears of Revenue for the Customs Department as of 30 June 2020 showed total arrears figure of Rs 542.15 million of which Rs 521.59 million were classified as “*Disputed debts*”, that is debts where agreement on their settlements had not been reached with debtors. The remaining Rs 20.56 million were classified as collectible debts and accounted for in the Statement of Arrears of Revenue of the Accountant General as of 30 June 2020.

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

- (a) Low level of collectible debts over the past five years;
- (b) Cases of lengthy enquiry and processing time;
- (c) Significant amount of arrears written off/adjusted; and
- (d) Significant amount of arrears from companies under receivership.

Low Level of Collectible Debts over the Past Five Years

Collectible debts as a percentage of total arrears for the past five financial years are shown in Table 5-50.

Table 5-50 Arrears of Revenue as at end of Past Five Financial Years

Financial year	Collectible	Amount Due Rs 000		Percentage	
		Disputed (Non collectible)	Total	Collectible to Total	Disputed to Total
2015-16	51,302	611,206	662,508	7.7	92.3
2016-17	51,080	480,057	531,137	9.6	90.4
2017-18	27,943	682,986	710,929	3.9	96.1
2018-19	53,532	559,915	613,447	8.7	91.3
2019-20	20,562	521,592	542,154	3.8	96.2

Source: MRA Return of Arrears of Revenue

For the past five financial years, the percentage of collectible to total arrears had remained below 10 per cent. For 2019-20, the percentage dropped to its lowest at 3.8 per cent.

There was a significant decrease in collectible debts of Rs 32.97 million as at end of 2019-20 compared to previous financial year.

The total number of cases of debts increased from 444 as at end of the previous year to 748 cases in financial year 2019-20, that is an increase of 68 per cent.

The number of disputed cases at Assessment Review Committee (ARC), Court and Police Service significantly increased from 153 as at end of previous year to 241 in 2019-20 for a total amount of some Rs 194 million. However, at the Legal Services Department (LSD) and Objection Appeal and Dispute Resolution Department of the MRA, the total number of cases increased from 87 as at end of 2018-19 to 189 as at 30 June 2020, when the arrears reached Rs 164 million.

Cases of Lengthy Enquiry and Processing Time

An analysis of total arrears of revenue and a scrutiny of a sample of debtors' files revealed cases which were outstanding for several years and were not yet resolved due to lengthy enquiry and processing time.

- (i) *Cases at Court:* 14 cases, with total arrears of some Rs 13 million, had been referred to Court since more than five years. Two of these cases, with a total of some Rs 1.2 million, were at Court since year 2003, that is some 17 years ago. As of 30 June 2020, 17 cases with arrears totalling Rs 13 million were still at Court.

MRA informed NAO that 13 cases with arrears of Rs 12.4 million were still at Court. For the remaining cases, where judgment has been delivered, adjustment will be made in the forthcoming Statement of Arrears.

- (ii) *Cases at Assessment Review Committee:* The total number of cases referred to ARC significantly increased from 89 with arrears totalling Rs 106.7 million in 2018-19 to 196 with arrears of Rs 132.3 million in 2019-20. Arrears of some Rs 28 million arising from 14 cases were still at the ARC since the year 2015.

MRA informed NAO that 191 cases with arrears of some Rs 124 million are still at ARC, of which 134 cases relate to importations made by one company.

- (iii) *Cases at Legal Services Department:* Cases referred to the LSD were not properly followed up by Customs. 92 cases were still at the Department, of which 33 cases with arrears amounting to some Rs 157 million were outstanding for more than five years. It included one case that was referred to LSD since year 2005.

MRA explained that out of the 92 cases, procedure for write off has been initiated in 29 cases where the amount involved was some Rs 102.6 million, 30 cases involving some Rs 55.1 million are still under enquiry by LSD and 16 cases involving some Rs 2 million had been referred to Solicitor-General's Office by LSD.

- (iv) *Cases at the level of Police Service:* 28 cases for amounts totalling Rs 48.9 million were under enquiry at the Police Service, of which 18 cases totalling Rs 43.8 million had been referred since more than five years. Of the 28 cases, 20 related to cases of undervaluation of cars and returning citizens. Three cars were in Police custody since 2012 while 12 cars were kept at Customs warehouse since 2013.

The Customs Act was amended in July 2019 to provide that “Where any goods so seized are subject to wasting or other forms of loss on value the goods may with the consent of the owner be disposed of by Customs and the proceed be retained in an escrow account”. Customs has not been able to dispose of the cars. Since the cases dated since long, and the cars were subject to loss in value, Customs might not be able to recover the duties and taxes due.

Customs informed NAO that a meeting was convened between MRA and the Commissioner of Police in October 2020 to discuss this issue.

- (v) Two cases of lengthy enquiry and processing at the Fiscal Investigation Department (FID) and LSD with total arrears amounting to some Rs 54 million were included in the Return of Arrears:

- In May 2012, Customs noted that exempt goods cleared by an entity in year 2010 for charitable purposes were instead used for commercial purposes. Three Customs Offence Reports (CORs) were raised and were referred to LSD in June 2012. In December 2012, LSD referred these cases to FID for further investigation and the latter submitted its report in June 2015. Further clarifications were sought from the FID and the latter submitted requested clarifications in January 2018. LSD referred these cases to the Director of Public Prosecutions (DPP) in March 2018, more than five years after the offences occurred.

As of 30 June 2020, the amount due by the entity totalled Rs 52.54 million (10 per cent of the total arrears). Despite the amount claimed from the entity was material, FID took some 30 months to submit its report and a further 30 months to submit clarifications. As of November 2020, LSD was awaiting final advice from DPP.

- In year 2009, following the review of Bill of Entries (BOEs) for goods imported by a company for the years 2008 and 2009 by Customs, three CORs were raised for several cases of false declaration, wrong classification and undervaluation.

These cases were referred to LSD in September 2009. It was only in December 2016, seven years later that LSD became aware that the case had not been lodged. LSD referred the case to the DPP for advice in June 2018.

In April 2019, the company ceased business. As of June 2020, amount due by the company totalled some Rs 1.9 million. There is a risk that Customs may not be able to recover the duties and taxes due to delay in taking appropriate action.

Significant Amount of Arrears Written Off/Adjusted/to be Written off

- (i) A total amount of some Rs 7.7 million relating to 10 cases was written off in 2019-20. The write off was attributed to insufficient evidence to proceed with prosecution case, offender is a foreigner and no prima facie evidence of fraud.

The inordinate delay in taking appropriate action along with insufficient evidence to proceed with a prosecution resulted in a loss of revenue for Customs and Government.

- (ii) In year 2007, after a survey by Customs, it was noted that a company had unlawfully removed goods from the bonded warehouse. The case was referred to LSD in May 2008 to initiate legal proceedings against the company.

The case was put on hold at Customs for unknown reasons. Some eight years after the offence, a COR was raised on 16 January 2015.

In March 2015, the case was again referred to LSD for legal action. In December 2016, the case was referred to the DPP. Subsequently, the case was lodged before the Intermediate Court in January 2019. In June 2020, the Intermediate Court ordered a stay of proceedings against the accused for abuse of process on grounds of inordinate delay.

The DPP informed Customs in July 2020, that the matter was brought to a close and was referred to Customs for any further action, so that this situation does not recur in the future. As of 30 June 2020, the amount due from the company amounting to some Rs 102 million had already been adjusted in the Return of Arrears of Revenue.

- (iii) Following a post control review in February 2012, a case of wrong classification in respect of a yacht was identified by Customs. The yacht was placed under Customs surveillance. Meanwhile, the ownership was transferred from the importer's company to another company in year 2013 despite being under Customs surveillance. The wrong classification led to a short-payment of duties and taxes amounting to some Rs 25 million. Both companies had been dissolved and did not possess any assets. In July 2020, the approval of the Audit and Oversight Committee of MRA was being sought to write off the amount due.

Significant Arrears from Companies under Receivership

Arrears of revenue included debts totalling Rs 134.9 million from two companies under receivership:

- (i) Arrears from companies under receivership significantly increased from Rs 91 million in previous year to Rs 141 million in 2019-20. 81 per cent of the debts were of entities which went on receivership during the past five years and included debts amounting to Rs 112 million, representing some 80 per cent of the debts, owed by a single company.

The company went into receivership in June 2017. The amount due was in respect of three claims totalling Rs 112 million. Three stock takes of all goods at the company's premises were carried out after the company went into receivership. Thereafter, a claim for short-payment of duties and taxes of Rs 66 million was issued to the company. Bills of entries were reviewed by Customs with much delay, some three to five years, in respect of the other two claims totalling some Rs 46 million, as Bills of Entries for years 2014, 2015 and 2016 were reviewed in year 2019.

- (ii) Arrears of Revenue included an amount of Rs 22.9 million owed by a company which went into receivership in August 2014.

A search was carried out on the premises of a company in January 2007. 35 Bills of Entries relating to years 2004 to 2007 were reviewed. In March 2010, three years later, a COR for declaring a value which was below the true value was raised for an amount of Rs 19.3 million. The case was referred to LSD in April 2010. It was only in October 2015 that the LSD informed Customs that there was not sufficient evidence to proceed with prosecution.

A notice for payment of Rs 3.5 million was sent late in March 2014 to the company following the review in 2013 of several BOEs for the years 2011 and 2012.

Hence, the probability of recovering the amount due of Rs 22.9 million was remote.

MRA informed NAO that a status of receivership has been requested from Receiver Manager for these cases and MRA is awaiting response for the way forward.

5.8.2 Customs Offence Reports – Long Outstanding Cases

The return of arrears of revenue as of 30 June 2020 included a total amount of some Rs 236.9 million in respect of 85 unsettled CORs, of which 72 involving some Rs 235.3 million were classified as non-collectible debts.

An analysis of the unsettled CORs revealed the following:

- (a) Long outstanding unsettled CORs; and
- (b) Insufficient evidence to raise COR

Long Outstanding Unsettled CORs

An age analysis of the CORs showed that in 43 of the 85 unsettled cases, representing arrears of some Rs 128.9 million (54 per cent by value of total unsettled CORs), the CORs were raised more than five years ago. It included 11 CORs, with arrears totalling some Rs 22.9 million which were raised more than 10 years ago.

Insufficient Evidence to Raise COR

As of 30 June 2020, procedures for write off had been initiated for 11 CORs involving some Rs 99.2 million. It included an amount of some Rs 98.7 million relating to one COR raised in 2015 for which the Independent Tax Panel concluded that there was no prima

facie evidence of fraud and as such authorisation to raise a claim was not granted against the company. Furthermore, LSD advised no further action in this case.

MRA informed NAO that Departmental Instruction had been issued in October 2019 to all units in respect of the procedures to be followed for raising of COR, ensuring all facts and evidence are scrutinised before proceeding with a COR.

5.8.3 Port Surveillance and Inspection – Inadequate CCTV Coverage and Under utilisation of Drones

An audit on the use of CCTV cameras for Port surveillance and supervision of containers in the Examination Bay revealed the following:

- (a) Delay in installation of CCTV cameras by Mauritius Port Authority (MPA);
- (b) No agreement between the MRA and Cargo Handling Corporation Limited (CHCL);
- (c) Inadequate control and monitoring of CCTV live images in Customs CCTV Control Room; and
- (d) Under-utilisation of drones

Delay in Installation of CCTV Cameras by MPA

In the year 2018, consultations were initiated between MPA and MRA on a new CCTV project with camera coverage at strategic locations. As reported at paragraph 4.6.2 of the Audit Report for financial year 2018-19, MRA had informed that it would not 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.

As of November 2020, the planned installations of CCTV cameras by MPA had not yet been materialised.

MRA explained that the CCTV project is being led by MPA and it has no control over its implementation.

No Agreement between CHCL and MRA

In November 2018, MRA had informed that an agreement would be signed by CHCL and MRA whereby Customs would have control on some of their cameras. However, as of November 2020, there was still no agreement between the parties. Hence, Customs has only viewing access of the images of the cameras belonging to CHCL.

MRA informed NAO that a Memorandum of Understanding with CHCL is expected to be signed by June 2021.

Inadequate Control and Monitoring of CCTV Live Images in Customs CCTV Control Room

The images of the 168 CCTV cameras belonging to Customs, CHCL and MPA were transmitted on a 24-hour basis on four screens in the CCTV Control Room. Of the 144 cameras belonging to CHCL, the images of only 16 were permanently transmitted on one screen while those of the remaining 128 cameras were displayed on a rotational basis. All the images were viewed by only one Customs Officer at a time. It was, therefore, difficult for the latter to have a complete overview of events taking place at strategic locations at a certain point in time.

MRA informed NAO that, by the second semester of 2021, it is putting in place a multifunctional control room which will be manned by at least five officers.

Under-utilisation of Drones

Customs had previously acquired two drones at a total cost of some Rs 980,000 for the aerial surveillance of the Port and surrounding areas. A third drone equipped with waterproof camera was acquired in June 2019 at a cost of some Rs 565,000 for operations at high seas.

These drones were not efficiently used as Customs did not have a plan for their operations. During financial year 2019-20, they performed only 43 trips, that is, an average of one to two trips per month. Each trip was for a duration not exceeding battery time ranging from 16 to 27 minutes for each drone.

The third drone was put to use in September 2019 and performed only eight trips during the year 2019-20. It was not used in October and December 2019, January and February 2020.

MRA informed NAO that two batches of Customs officers have been trained in handling of drones. Henceforth, the drones will be used by the officers to optimise their use.

5.9 Corporate and Business Registration Department

5.9.1 Revenue Management – Weaknesses in Recording and Recovery Procedures

At paragraph 4.8.1 of the Audit Report for the financial year 2018-19, I reported, amongst others, that:

- (a) The completeness and accuracy of revenue collected during 2018-19 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 were used and refund of overpaid fees were not updated in CBRIS;
- (b) The reports generated from CBRIS could also not be relied upon due to large gaps detected in the receipts issued; and
- (c) 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 2019-20 revealed that there had not been much improvement as the Corporate and Business Registration Department (CBRD) has still not resolved the above mentioned shortcomings.

Revenue Collection

As per ‘Miscellaneous Reports’ in CBRIS, collection of revenue during 2019-20 amounted to some Rs 456.6 million, made up of some Rs 406.6 million and 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 2019-20 for Company Licences, Fines and Lodging & Others was some Rs 226.2 million and Rs 223.7 million respectively.
- *Refunds of Overpaid Fees.* As of 30 June 2020, refunds of an amount of some Rs 1.5 million, representing overpaid fees by debtors, effected through the Treasury Accounting System (TAS), were not recorded/updated in the respective debtor’s account in CBRIS.
- *E-Payments.* Revenue received through e-Payments was not reconciled with the daily list of e-Payments received from the Accountant General.
- *Receipts Issued.* There was a difference of 97,703 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. According to ‘list of skipped receipts’ report, the number of skipped receipts was 2,242 for the period 1 July 2019 to 30 June 2020 compared to 7,588 for period 1 July 2018 to 30 June 2019.

The Department informed NAO that:

- The difference between CBRIS Reports and TAS Reports was due to many online payments not loaded in a timely manner on CBRIS. The matter was referred to the State Informatics Limited (SIL) and the Mauritius Network Services Ltd.
- 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.
- With regard to the gap in receipt numbers, SIL was called upon to look into the matter and to come up with ways to reduce the gap further. Two sequences of receipts, one for the Cash Office and another one for the online payments became effective as from 1 July 2019.

The gap has been reduced significantly compared to the last financial year but there were still some receipt gaps. SIL was again requested to investigate further into the matter.

Slow Recovery of Arrears

As of 30 June 2020, arrears of revenue amounted to some Rs 99 million. The Department has not yet implemented other measures for recovery of the outstanding arrears:

- *Recovery of Arrears.* The rate of recovery for the past five financial years was slow, ranging from three to eight per cent of total arrears in the ensuing financial year. Of the Rs 91 million due as at 30 June 2019, only some Rs 7 million were recovered during financial year 2019-20. CBRIS does not cater for specific relevant information, such as whether payments relate to the current period or previous years arrears.
- *Amounts written off.* Decrease of arrears was mainly due to the write off. Significant amount of arrears totalling some Rs 446 million was written off over the period 1 January 2013 to 30 June 2020.
- *Long Outstanding Debts.* Arrears up to 30 June 2016 totalling some Rs 35 million represented some 35 per cent of total outstanding debts of Rs 99 million as of 30 June 2020.

The Department informed NAO that:

- 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 beyond its control.
- All avenues have been explored to recover these arrears.

5.10 Registrar-General's Department

A review of the records and control systems at the Registrar-General's Department (RGD) revealed the following:

- (a) Lapses in revenue collection;
- (b) Ineffective recovery of arrears; and
- (c) Discrepancies in the database of the Mauritius e-Registry System.

5.10.1 Lapses in Revenue Collection

Cash Report

As per the Treasury Accounting System (TAS) the RGD collected some Rs 5 billion during financial year 2019-20. However, the cash report from the Mauritius e-Registry System (MeRS), including the different types of revenue was not available.

Hence, the completeness and accuracy of revenue collected for the different duties/taxes for the period under review could not be ascertained.

The Department informed NAO that:

- A detailed cash book could not be extracted from the MeRS as all IT officers were fully engaged with the migration of data to a newly acquired server during the period of audit.
- The above mentioned data could only be extracted after successful migration.

Short Remittances of Collections not yet Recovered

At paragraph 4.9.3 of the Audit Report for the financial year 2018-19, I reported, amongst others, that collections of some Rs 400,000 were short remitted during the period 21 April to 18 August 2017 by a Cashier where 25 receipts were altered. In October 2020, that is more than three years later, the amount short remitted to RGD has still not been refunded, and the case was still at the level of the Police Service.

RGD informed NAO that a latest reminder has been sent to the Police Service on 28 September 2020.

Revenue collected by Other Institutions

At paragraph 4.9.3 of the Audit Report for the financial year 2018-19, mention was made of a difference between MeRS and TAS figures. The same shortcoming was noted during financial year 2019-20. Some Rs 19.6 million were collected by other Government Institutions on behalf of the RGD as per TAS. However, MeRS showed collections for a total amount of Rs 17.1 million. The difference of Rs 2.5 million arising was not reconciled.

The Department informed NAO that:

- Despite several requests, Ministries/Departments are not sending returns of cash collected by them on behalf of the RGD.
- The possibility to enhance the MeRs financial reports to cater for inclusion of collection by each Ministry/Department has already been discussed with the Software Developer.

5.10.2 Arrears of Revenue – Rs 377 million – Ineffective Recovery of Arrears

Arrears of Revenue still remain a high risk area for the RGD due to significant number of defaulting debtors.

Overstatement of Arrears of Revenue

The figure of Rs 377 million submitted to the Treasury was overstated by some Rs 10 million due to arithmetical errors.

Movement in Arrears of Revenue during past four years

Over the past four financial years, from 1 July 2016 to 30 June 2020, total debtors balances have increased from Rs 359 million to Rs 377 million, of which new debtors totalled Rs 351 million. Total amount recovered was Rs 134 million, whereas debts were reduced by Rs 199 million representing Adjustments and Write off.

The movement of Arrears of Revenue for the period 2016-17 to 2019-2020 is shown in Table 5-51.

Table 5-51 Movement of Arrears of Revenue

	2016-17 Rs m	2017-18 Rs m	2018-19 Rs m	2019-20 Rs m	Total Rs m
Balance as at 1 July	359	369	404	350	359
Less Adjustments to Debits	28	71	47	33	178
Less Write Off		15	1	1	17
Less Collections	40	49	34	12	134
Less Arrears Payment Scheme				4	4
Sub total	291	235	322	301	26
New Debtors	78	169	28	76	351
Balance as at 30 June	369	404	350	377	377

Source: Statement Accts F.258 A and Audit Reports

Campement owners owed Rs 15 million as of 30 June 2020, of which Rs 12 million were outstanding for more than 10 years. Only Rs 127,000 were recovered during the year under review.

The Department informed NAO that claims and reminders are sent individually to Campement owners each year. Inscriptions are enrolled on non-payment of amount due.

High Value Debtors

As of 30 June 2020, there were 17 companies and 10 individuals which owed a total amount of Rs 143 million, that is, 38 per cent of the total arrears to RGD.

There was no evidence that “service of contrainte” was served on six companies to recover their respective outstanding debts. Among those arrears of high value debtors there were five cases totalling some Rs 8.8 million which were already time barred as per Section 44 of the Land Duties and Tax Act.

The Department informed NAO that actions have been taken, namely by issuing reminders, claim under Arrears Payment Scheme (APS) and inscriptions enrolled.

‘Short on Deed’

The prior year figures contain an amount of Rs 16 million relating to revenue taxes that were ‘short on deed’. These are cases where the registration fees were originally under-claimed. Reassessments were not carried out on these cases. The above figure was also not duly supported by relevant document.

The Department informed NAO that short payment on deeds records will be updated.

Mechanisms for Recovery of Arrears

Arrears Payment Scheme

The RGD had recourse to the APS for recovery of debts. This Scheme was announced to be re-introduced for another year in Budget 2019-20, to enable debtors to repay only the tax amount, thereby waiving the penalty, provided payment of debt was effected by 31 March 2020. This facility was extended to 30 June 2020 as per amendments under the COVID-19 (Miscellaneous Provisions) Act 2020.

However, during the ensuing financial year 2019-20, only some Rs 12 million representing 3 per cent of the Rs 350 million due as at 30 June 2019 were recovered. The rate of recovery of debt was low.

Recovery of Arrears by the Mauritius Revenue Authority

At paragraph 4.9.2 of the Audit Report for the financial year 2018-19, I mentioned that, pursuant to the Section 30(b) of the Finance (Miscellaneous Provisions) Act 2016, debtors owing duties/taxes amounting to Rs 80 million and Rs 208 million were transferred to MRA in March 2017 and July 2019 respectively.

As of September 2020, there was no evidence of any action taken for recovery by MRA.

The Department informed NAO that the recovery by MRA is still being awaited.

Valuation Mechanism not yet Reviewed

The process of valuation of immovable properties is lengthy and takes a maximum of eight months for the property to be revalued by Valuation Department (VD) and sent to the transferor/transferee. If the latter is not agreeable with the decision of the VD, they may lodge a case at the Objection Unit (OU). This further involves an additional four months for the case to be settled. Any person who is aggrieved by the decision of the OU is provided with the option to have recourse to the Assessment Review Committee (ARC), which is an independent body, without any legal restriction and deadline to hear any representation for consideration as per Section 28(4) of the Land (Duties and Taxes) Act.

Although cases had passed through this lengthy process, and after years the reassessed amounts have been determined at the ARC, the parties still failed to settle their debts, and hence, resulting in increase in the arrears of revenue figure over the years

Despite my previous Audit Reports, no action has been taken to review the process of the Valuation Mechanism though assurance has been given by management to have a Valuation Roll as a tool that would enable the availability of the open market value of immovable properties prior to registration. Any claim for additional registration fees would therefore not arise.

The Department informed NAO that the implementation of the Valuation Roll would be a more appropriate solution.

Loss of Revenue due to delays in Re-assessment

Objection Unit

Objections were “allowed” in 53 cases, involving foregone additional duty/tax of some Rs 3.4 million, on ground that they were not assessed by the Objection Unit within the delay of four months as from the date of objection. The deposits of some Rs 250,000 were also refunded by RGD.

Untraceable Debtors

Some Rs 39 million in respect of 484 cases representing additional duties/taxes could not be recovered as notices sent were returned undelivered.

The Department informed NAO that as of 30 June 2020, there were 318 cases totalling Rs 10.7 million that were untraceable debtors. The remaining 166 cases had already settled their claims.

5.10.3 Discrepancies in Database of the MeRS

There were differences between figures from the reports generated from MeRS and records maintained by the different Departments as shown in Table 5-52.

Table 5-52 Difference between MeRS and Departmental Records (DR)

	MeRS Reports	As per DR
Cases sent to Valuation Department that were overdue as at Mid-September 2020	139	23
Cases pending at Objection Unit as of 30 June 2020	45	31
Untraceable debtors as of 30 June 2020	484	318

The Department informed NAO that there were no outstanding cases before the Objection Unit and for untraceable debtors, 166 of them had already settled their debts.

6 – DEPUTY PRIME MINISTER’S OFFICE, MINISTRY OF ENERGY AND PUBLIC UTILITIES

6.1 Adoption of Liquefied Natural Gas – Lack of Coordination

In response to environmental concerns around carbon emission and climate change, consultancy services were resorted to for studies for the adoption of Liquefied Natural Gas (LNG) so as to diversify the country’s energy supply, improve energy efficiency, reduce carbon emissions and raise the renewable energy contribution in the energy mix to 35 per cent by 2025.

In that context, some Rs 44 million have been disbursed by the Ministry since 2017-18. This was financed by the Ministry and two Statutory Bodies, A and B, each contributing Rs 11,384,520 and US \$ 316,237 respectively in December 2018.

Prior to that, in 2014, a prefeasibility study was carried out by Statutory Body A.

6.1.1 *Non-achievement of desired objectives*

As at 30 June 2020, the desired objectives might not have been achieved, as:

- The consultancy contract was stopped in August 2019.
- Government was apprised that Statutory Body B, has embarked on procedures to secure services of a consultant for development of an LNG Hub in Mauritius.
- The prefeasibility study carried out by Statutory Body A, regarding the LNG project, revealed the existence at that time of low demand for LNG, likely to lead to underutilisation of any costly LNG’s infrastructure, and lack of small LNG carriers for shipment to long distances.

These would indicate lack of centralised planning and holistic approach with the risk in services being duplicated, thereby entailing unnecessary costs.

6.1.2 *Contract’s Closure*

A 16-month contract was awarded by the Ministry to a consultant (Consultant) on 9 October 2017 for the sum of US \$ 1,195,670 and Rs 828,000, exclusive of VAT to cover namely:

- (a) Phase I - the technical, legal, economic and financial feasibility of shifting to LNG; the development of financial models for its implementation; and
- (b) Phase II - the assessment of the environmental and social impact; and to assist in the appointment of a Transaction Advisor for the implementation of the project.

Over and above the 16-month contract, additional services for US \$ 95,000 excluding VAT were also awarded to the Consultant in 12 September 2018 to review Pre-Feed reports for the supply of LNG to statutory body A.

Phases I and II were to be completed by 13 March 2019.

The following were observed:

- Phase I was completed in July 2019, that is more than one year after projected submission date of 22 June 2018.
- Phase II was not proceeded with.
- The contract came to a close in August 2019.

NAO is of the view that an appropriate steering committee should be set up with the main stakeholders to decide on the overall strategy regarding adoption of LNG.

The Ministry informed NAO that:

- Delay in Phase I was due to factors beyond Ministry's Control.
- Approval to proceed with Phase II of the Project was sought from Government, which decided to defer consideration of same. Thereafter,
 - a multi-disciplinary Steering Committee was set up under another Statutory Body C regarding development of LNG; and
 - services of a Consultant were subsequently enlisted to assess potential of Mauritius for LNG Hub and to elaborate preferred options for Mauritius.
- On 14 September 2020, a Ministerial Committee discussed the development of LNG taking into account the outcome of various studies that have been carried out on the matter, the proposed International Donor Assistance for the Project as well as uses to be made for a greater adoption of LNG. A Technical Committee was subsequently set up to examine the issue and make recommendations.
- The additional services for US \$ 95,000, were subsequent to a decision of Statutory Body A in the context of an assessment of Pre-Feed Reports submitted by bidders for the supply of LNG and selection for a Contractor to operate gas turbine using LNG.

6.2 Capital Investments in Wastewater Management Authority through Loans and Equity Participation – Absence of monitoring framework for refund of loans

6.2.1 *Non- reimbursement of loans*

At paragraph 5.1 of the Audit Report for the financial year ended 30 June 2019, I reported that loans disbursed to Wastewater Management Authority (WMA) in respect of claims issued as at 30 June 2019 were not being reimbursed to Government.

Total loans outstanding as of 30 June 2019, were some Rs 3.3 billion. An additional loan of Rs 72.4 million was disbursed to WMA in 2019-20.

6.2.2 Shares and Equity Participation

Other than loans, funds were also made available to WMA by way of ‘Shares and Equity Participation’ which amounted to Rs 250 million as at 30 June 2019. A further sum of Rs 597 million was disbursed in 2019-20 to WMA under this item, making up a total of Rs 847 million.

Inadequate planning

- So far, the main reason advanced by WMA for non-reimbursement was non-generation by it of adequate revenue through waste water management. The WMA was of the view that its customer base and present tariffs would not be sufficient to recover the capital investment costs incurred.
 - Despite the Wastewater (Licence for Discharge of Industrial Effluent into Wastewater System) Regulations 2019, as from 01 January 2020, revenue generated by WMA remained quite unsubstantial for repayment of loans.
 - These loans were advanced for capital works. Financing such types of works by way of loans without a framework for refund would not guarantee their reimbursement.
- Memorandum of Understanding between the Ministry and WMA regarding funds advanced by way of ‘Shares and Equity Participation’ was not available.
- Accordingly, the terms and conditions governing the ‘Shares and Equity Participation’ could not be ascertained for monitoring purposes and to ascertain responsibility of each party.

6.2.3 Review of legal and financing framework

The Ministry and the WMA were to review the framework under which WMA was currently operating and to propose a new agreement compatible with the new financing arrangement of capital projects.

In that respect, the Wastewater Management Authority Act was to be amended. Proposals for review of the WMA Act were to be submitted by February 2020.

However, as at December 2020, proposed amendments were not seen.

The Ministry informed NAO that:

- COVID-19 induced situations and change at the level of the Ministry caused a delay in finalising Bill for amendment to the WMA Act. This is expected to be carried out over the period March to August 2021. However, amending the WMA Act would not bring a surge in revenue.
- Certain measures were being taken to increase the revenue generating capacity of WMA such as:

- the promulgation of the Wastewater (Licence for Discharge of Industrial Effluent into Wastewater system) Regulations 2019, effective as from 01 January 2020;
 - Setting up of a Technical Committee in January 2021 to examine amount of loans due/equity and shares issues, their maturity dates as well as to make proposals to enable their repayment; and
 - Additional revenue of some Rs 18 million expected to result from two projects to be completed by 2023 regarding new house connections to sewerage networks.
- Regarding the absence of a signed Agreement or Memorandum of Understanding, the elaboration of an Agreement to be signed by all parties concerned is being worked upon since January 2021.

6.3 Loans to Central Water Authority for the implementation of Capital Water Projects - Absence of documentation to monitor loan recovery

6.3.1 *Non-reimbursement of Loans*

As per records of the Treasury, an amount of Rs 3,922 million was due by Central Water Authority (CWA) as at 30 June 2020. Several loans totalling Rs 3,882 million were advanced to CWA over the period 1991 to 30 June 2020. This included an amount of some Rs 241 million disbursed in 2019-20.

6.3.2 *Absence of documentation for monitoring purposes*

Loan Agreements were signed between the Ministry and CWA regarding loans disbursed only as from 2011, although loans had been disbursed prior to that.

To ensure compliance with the Loan Agreements and for effective monitoring of the loans, proper documentation must be kept at the level of the Ministry regarding particulars of loans, such as dates of disbursement, total amounts of loans disbursed and repayment of loans and interests.

However, such particulars were not readily available at the Ministry.

The Ministry informed NAO that:

- It is to be highlighted that the repayment of loan is effected between the Treasury and the CWA as the former issues requests/invoices to CWA for repayment in accordance with the terms and conditions of the Loan Agreement. The Ministry is not involved in this process nor does it have any record of transactions between the Treasury and the CWA. This has been confirmed by the Treasury. Such information should be retrieved either from the accounts of the CWA or the Treasury and cannot be available at this Ministry. Furthermore, the Loan Agreement entered into between the Ministry and CWA in November 2020 makes no provision for the Ministry to oversee or monitor this process of repayment of loan.

- In January 2021, following a brainstorming meeting held, a Technical Committee has been set up under the chairmanship of the General Manager of CWA and comprising representative of Ministry of Finance, Economic Planning and Development and Ministry of Energy and Public Utilities, to examine the amount of loans due and their maturity dates as well as make proposals to enable their repayment.
- Notwithstanding the fact that the Loan Agreement is silent on the monitoring process, the Ministry will seek to liaise with the Treasury, the Ministry of Finance, Economic Planning and Development and Central Water Authority to henceforth keep records of the disbursement and repayment of the loans by the Central Water Authority.

6.4 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) a report on performance has not been submitted in respect of the Ministry of Energy and Public Utilities for financial year 2019-20; and
- b) Annual reports including audited Financial Statements and Audit Report of three statutory bodies have not yet been laid before the NA as shown in Table 6-1.

Table 6-1 Annual Reports not laid before the National Assembly

Statutory Body	Period	Date Certified
Central Water Authority	2017-18	12.06.2020
Utility Regulatory Authority	2018-19	28.09.2020
Wastewater Management Authority	2018-19	29.10.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the Annual Reports of the Central Water Authority, Utility Regulatory Authority and Wastewater Management Authority have been forwarded to the National Assembly on 15 February 2021, 30 December 2020 and 26 January 2021 respectively.

7 – MINISTER MENTOR’S OFFICE, MINISTRY OF DEFENCE AND RODRIGUES

7.1 Police Service

7.1.1 Safe City Project - Lapses in Contract Management

Government embarked on the Safe City Project (SCP) with a view to enhancing the quality of life of people by combatting crimes and drugs proliferation and to assist in more effective traffic and road safety management. The SCP comprises the installation of smart cameras in major public areas and a radio communications system. On 19 December 2017, the Police Service signed two contracts on an operating lease model with Mauritius Telecom (MT) for the implementation of the SCP:

- (a) Lease of Intelligent Video Surveillance (IVS) and Intelligent Traffic Surveillance (ITS) cameras, and Centralised Command and Control Centre for a total cost of US\$ 410 million (VAT Exclusive) for a 20-year period. On 29 October 2018, an addendum to the contract was signed for the provision of steel poles for fixing of cameras for some US\$ 9.3 million (VAT Exclusive). The variation was due to non-availability of appropriate poles.
- (b) Lease of Radio Communications System for some US\$ 46 million (VAT Exclusive) for a 20-year period.

Under the first contract, Government was required to make a non-refundable advance payment of US\$ 13 million (VAT Exclusive), annual fees of US\$ 16.6 million (VAT Exclusive) during the first seven years and US\$ 21.6 million (VAT Exclusive) for the remaining 13 years. Additional annual amounts of US\$ 714,000 (VAT Exclusive) are payable during the first 12 years and US\$ 95,000 (VAT Exclusive) during the remaining period for the provision of steel poles. An annual amount of some US\$ 2.3 million (VAT Exclusive) is also payable under the second contract on a quarterly basis. The total contract amount was thus US\$ 465.3 million, exclusive of VAT.

The lease agreements were not made available to NAO Officers; access was provided to only certain extracts of the agreements. The Police Service explained that the agreements could not be provided due to a clause of mutual non-disclosure under the terms and conditions of the agreement.

Section 110 (2) of the Constitution of the Republic of Mauritius 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”.

The constitutionality of clauses in contracts that deprives the Director of Audit of access to public records for audit purposes is questionable.

The Police Service informed NAO that the advice of the Attorney-General’s Office was being sought on this matter.

Based on examination of records and information made available to NAO Officers, the following shortcomings were noted:

(a) Procurement Management

- NAO was informed that the contracts were awarded directly to MT by virtue of Section 3(1)(a) of the Public Procurement Act (PPA) which stipulates that notwithstanding any other enactment, the PPA shall not apply to procurement undertaken “to protect national security or defence, where the Prime Minister so determines, and the procurement is undertaken by the most competitive method of procurement available in the circumstances”.
- No evidence was produced to NAO to the effect that the procurement was undertaken by the most competitive method or that an assessment was made to ascertain that the contract prices were fair and reasonable.

The Police Service informed NAO that a pilot project was carried out in 2017 by MT prior to embarking on the SCP and was based on a due diligence exercise carried out by the Ministry of Finance, Economic Planning and Development.

(b) Contract Management

- 18 months after the scheduled completion date (June 2019), the SCP was not fully operational.
- As of 28 January 2021, User Acceptance Test (UAT) for IVS cameras was carried out at 756 of the 2,000 sites from which footages were being received. Only one of the seven sub-command centres was commissioned.
- The Service Level Agreement (SLA) for the hosting of servers has still not been finalised.
- From the government side, implementation of the project is being monitored by staff of the Police Service. A Consultant was not appointed for the management and coordination of this major project.

(c) Expenditure Management

- Some 50 per cent of funds provided for in the budgets for the past three years have not been utilised.
- The validity and accuracy of total payments of some Rs 760 million as of 30 June 2020 could not be ascertained as relevant documents were not made available.
- In May 2019, some Rs 47.3 million were disbursed to Central Electricity Board (CEB) as advance for supply of electricity for 130 ITS and 2,000 IVS sites. However, as of 28 January 2021, cameras installed at only 756 of the 2,000 IVS sites were operational.

Procurement Management

In September 2017, the Police Service was informed that Government has agreed in principle to procure the services of MT for the implementation of the SCP as per Section 3(1)(a) of the PPA. This Section stipulates that notwithstanding any other enactment, the PPA shall not apply to procurement undertaken “to protect national security or defence, where the Prime Minister so determines, and the procurement is undertaken by the most competitive method of procurement available in the circumstances”. No evidence was produced to the effect that an assessment was made in respect of the fairness and reasonableness of the contract amounts.

A Technical Committee was thereafter set up to finalise all the terms and conditions of the contracts and to chart the way forward for the project. Hence, the Service Provider was selected prior to the setting up of a chart for the way forward.

The Police Service informed NAO that a pilot project was carried out in 2015 by MT prior to embarking on the SCP and was based on a due diligence exercise carried out by the Ministry of Finance, Economic Planning and Development.

Contract Management - Delay in Implementation

The SCP which was scheduled to be operational by June 2019 was not yet fully operational as of January 2021. Delays in the implementation of the Project were attributed to:

- Decision to install steel poles for the IVS cameras instead of CEB poles as originally planned during implementation phase;
- Installation issues of servers at the Government Online Centre;
- Issue due to “End of Supply” of the communication equipment; and
- Serial number of cameras not matching those specified in the technical specifications.

As of December 2020,

- A Consultant was not appointed for the management and coordination of this major project.
- The SLA for the hosting of servers at Government Online Centre was being vetted by the Attorney General’s Office. The SLA should have been finalised prior to the SCP being operational.
- IT Security Audit (ISA) to ascertain completeness of deliverables was not finalised.

The Police Service informed NAO that:

- The various causes of delays were beyond the control of the management team.
- A Consultant was not appointed as the Police Service already had the expertise of installing CCTV since 2009-10.

- The ISA will be conducted at the end of the implementation period prior to final commissioning.

Deliverables not attained

The SCP consists of the setting up of a system to provide tools and technologies to Police Service for monitoring and managing its resources so as to enhance its responsiveness and efficiency through real time information. As of 30 December 2020, several deliverables were not finalised.

- 3,159 of the 4,000 IVS cameras have been installed at 1,610 of the 2,000 sites.
- 130 of the 300 ITS cameras have been installed over 69 of the 75 sites.
- 346 vehicular mounted radios have been installed in vehicles of Police Service, while four have yet to be installed. One static radio terminal has yet to be installed in a Police Station.
- Only one of the seven sub-command centres was completed and commissioned.

It was not known whether cameras damaged through accidents and acts of vandalism were promptly replaced.

The Police Service informed NAO that:

- As of 28 January 2021, UAT for IVS cameras was carried out at 756 of the 2,000 sites from which footages were being received as per Police Service requirements. UAT at remaining sites were in progress.
- The remaining six Sub-command Centres will be completed by March 2021.

NAO's Comment

The effectiveness of components delivered for the Project was not known.

Expenditure Management - Payment Documents Not Produced

Funds provided for in the budgets have not been used as planned and payments were effected for the leases to MT based on UAT. Copies of UAT were not seen. During the past three financial years, some Rs 760 million were spent on SCP as shown in Table 7-1. However, payment vouchers and supporting documents were not produced to NAO Officers. Hence, the accuracy and validity of payments made could not be ascertained.

Table 7-1 Funds Disbursed for Safe City Project

Financial Year	Budgeted Amount	Amount Spent	Remarks
	Rs million	Rs million	
2017-18	440	416.6	Non-refundable advance payment
2018-19	460	47.5	Advance payment for electricity charges, etc
2019-20	642	296.0	Payment for lease, steel poles and furniture and rental of office space
Total	1,542	760.1	

Some Rs 47.3 million, representing advance payment for the supply of electricity for “130 ITS and 2,000 IVS sites” in respect of the SCP were paid to the CEB in May 2019. However, as of 28 January 2021 the SCP was not fully completed and cameras were installed at only 69 ITS and 1,626 IVS sites and UAT carried out over 756 IVS sites.

The Police Service also paid monthly rental of some Rs 117,000 for office space at Ebène to accommodate the Centralised Command and Control Centre as from July 2018.

The Police Service informed NAO that:

- The project has been delayed due to unforeseen circumstances and funds have not been used as planned.
- The advance payment was made following a consensus between the Police Service, CEB and the Ministry of Finance, Economic Planning and Development. As of 10 February 2021, power has already been supplied at more than 1700 IVS sites and 70 ITS sites. The Police Service was awaiting a report from CEB on the actual cost incurred for those sites.
- Payments for SCP are made in foreign currencies and effected by the Treasury. The payment vouchers are thus kept by the Treasury.

NAO's Comment

The Police Service is a self-accounting department and as such should keep all documents relating to payments made under its budget.

7.1.2 Lapses in the maintenance of aircrafts and inadequate resources for proper provision of service

The Maritime Air Squadron (MAS) which is a specialised unit of the National Coast Guard (NCG) is equipped with four aircrafts (three Dornier and one Defender Aircrafts) for the surveillance of the Exclusive Economic Zone of Mauritius, search and rescue operations, and outer island support.

- Only two of the four aircrafts were operational and may not be sufficient to achieve the objectives of the MAS. Also, approval for the request to purchase another aircraft made since November 2019 has still not been obtained; and
- Maintenance and engineering support fees were paid for non-operational aircrafts.

Only two Aircrafts Operational

MAS was equipped with four aircrafts with only two being operational. The Defender aircraft (MPCG-02) was decommissioned on 1 January 2019 and another aircraft (Dornier MPCG-01) was grounded since December 2019 and approved for decommissioning on 15 December 2020. In November 2019, Police Service sought the approval of the Prime Minister's Office (PMO) for the purchase of one Passenger Variant Dornier Aircraft. As of mid-January 2021, the approval of PMO was still awaited. Hence, as of December 2020, the NCG was being serviced by only two Dornier Aircrafts (MPCG-03 & MPCG-04). These two operational aircrafts might not be sufficient to achieve the objectives of MAS.

The Police Service informed NAO that Dornier MPCG-03 and MPCG-04 are new aircrafts which are exploited adequately to ensure operational capabilities of MAS.

Maintenance and Engineering Support Fees paid for Non-operational Aircrafts

The technical maintenance support agreement for the aircrafts covering a three-year period was signed with an Airline Company (AC) on 1 March 2017 and extended up to 30 October 2020. The contract provided for the maintenance of two Dornier aircrafts (MPCG-01 and MPCG-03) and engineering support for three Dornier aircrafts (MPCG-01, MPCG-03 and MPCG-04) against payment of a monthly maintenance fee of US\$ 7,800 per aircraft and charges for engineering support of US\$ 4,700 per month for the first two Dornier and US\$ 3,200 per month for the third Dornier (MPCG-04).

The following were noted:

- First line maintenance of the third Dornier (MPCG-04), including defect investigation was being undertaken by the Police Service for more than four years. Except for technical advice from AC and foreign Manufacturing Company (MC), the need to have the aircrafts maintained by AC might not be justified in as much as the Police Service has the ability to maintain the Dornier aircrafts.
- The contract was based on payment of fees in US dollar which was subject to currency fluctuations, although AC is a local company.
- MPCG-01 was grounded since December 2019 and was decommissioned in December 2020; yet, maintenance and engineering support fees were also paid to AC during the whole of financial year 2019-20.
- MPCG-03 had undergone a Mid-Life Upgrade (MLU) during 2018-19 at a cost of some Rs 270 million and was reported as fully serviceable and mission worthy in June 2020. Maintenance and engineering support fees were paid to AC even during the period the aircraft was undergoing MLU.

The Police Service informed NAO that:

- The third Dornier (MPCG-04) was under warranty and was thus not included in the maintenance contract. During the four years of operation, the aircraft has been exposed to saline, rugged and extreme weather conditions during its operational missions, and henceforth, needs detailed monitoring and technical expertise during its maintenance schedule.
- Payment was effected in foreign currency as spares were purchased by AC from overseas, and hence, paid in foreign currency.
- Monthly maintenance charges were payable as per agreement and were mandatory. AC was undertaking scheduled maintenance which include preservation of aircrafts. AC was requested to waive off the maintenance charges.

Cost of Mid-Life Upgrade of aircraft exceeded purchase price

At paragraph 6.2.3 of the Audit Report for financial year 2018-19, I reported on the absence of evidence certifying the fairness and reasonableness of the price of Rs 270 million paid for the MLU of the Dornier Aircraft.

The following were noted:

- The cost of the MLU to the Police was not limited to payments made to MC. The 15 existing systems which were upgraded and replaced were also retained by MC.
- The commissioning was completed with the installation of the radar in November 2019. However, there were still several technical hitches regarding the functioning of the radar.

The Police Service informed NAO that:

- Any modification or upgrade has to be effected by MC, who is the Original Equipment Manufacturer (OEM) of the aircraft. MC is also an enterprise of the Government of India and all responsible agencies had taken cognizance of the contract amount.
- All the old system was retained by MC in accordance with the contract.
- The anomalies will be resolved on integration of the software patch for the radar system. However, the effectiveness of the radar is not hampered by the software patch. OEM will supply a higher version of the software after its successful trials at no additional costs.

Lapses in the Disposal of Defender Aircraft

The Defender Aircraft costing some GB £ 1.8 million was commissioned in October 1992. In July 2020, tender procedures for the sale of the aircraft with most of the spares held in stock, was initiated. There was an inappropriate determination of reserve price of

Rs 5 million as only the spares included for sale had cost Rs 13.8 million. The aircraft was finally sold at some Rs 6.9 million.

The following lapses were noted:

- Delay in disposal of the aircraft has led the Police Service incurring unwarranted expenditure in respect of maintenance and storage costs. The aircraft was unserviceable since March 2017. Approval for its disposal was obtained on 9 November 2018 and the aircraft was decommissioned with effect from 1 January 2019, that is some 21 months after being reported as unserviceable. Tender for its sale was launched on 7 July and sold in December 2020; and
- An unreasonable stock of spare parts of Rs 22 million was maintained. The stock of spares included five engines at a value of Rs 20 million.

The Police Service informed NAO that some 95 per cent of the spares were donated by the Government of India and did not bear a European Aviation Safety Agency Certificate and hence could not be used.

Inappropriate Reserve Price Determined for the Aircraft

The Police Service had estimated the sale price of the aircraft on the basis of market survey and other issues, such as condition of aircraft and availability of spares. However, the reserve price should have been determined on factors including the following:

- The aircraft was the property of Government and was not deployed for any commercial purposes.
- It had “excellent maintenance”, and full back up spares/maintenance equipment package available along the aircraft.

The Police Service informed NAO that:

- The reserve price was determined after considering that the aircraft which was already 28 years, was not air worthy, and the type and model was no longer in production;
- The aircraft is occupying space either at Maritime Air Squadron or at AC and the latter has informed that a rental fee will be charged.

Sale of the Aircraft

In July 2020, Government decided to put the aircraft and spares on sale. Two proposals were received. The highest bidder withdrew his bid and the Police Service recommended its sale to the second bidder for some Rs 6.9 million on 1 October 2020.

The Police Service informed NAO that the Letter of Acceptance was issued on 21 December 2020 and the settlement for the sale made in January 2021.

Maintenance Charges paid for Aircraft grounded since December 2019

The Dornier Aircraft MPCG-01 was acquired for US\$ 6 million and was commissioned on 17 July 1990. A MLU of the aircraft was carried out in 2012 by MC for some US\$ 2.4 million.

Although the aircraft was grounded since December 2019, monthly maintenance charges were paid to AC. During financial year 2019-20 some US\$ 11,000 were paid to AC for its maintenance. As the cost of repairs was estimated to be half the cost of a new aircraft, on 4 September 2020, MC recommended for it to be “retired from service and serviceable parts be utilised as spares for other Dornier Aircrafts”. Clearance was sought for its decommissioning and the Police Service informed NAO that the approval was obtained on 15 December 2020.

7.1.3 Asset Management – Police Service Delivery affected due to Defective Equipment and Delay in Procurement

The Police Service manages a significant number of assets. The cost of acquisition of non-financial assets for the past three financial years totalled some Rs 1.6 billion.

Examination of records relating to asset management revealed several deficiencies. These included:

- (a) Actual expenditure on assets for the past three financial years did not tally with their value, as recorded in the Government Assets Register (GAR).
- (b) Coastal Surveillance Radar System (CSRS) was not operational. Only two maintenance visits were effected instead of four scheduled visits as per contract. Reports of preventive maintenance visits were not produced to NAO Officers. Three radars were not operational as at December 2020. The achievements of CSRS could not be assessed.
- (c) A defective Remotely Operated Vehicle costing some Rs 14 million was not operational since date of purchase in June 2014.
- (d) A patrol vessel was stranded since March 2020 due to leakage of rudder stock.
- (e) Delay in implementation of the Advance Passenger Information System.
- (f) Delay in procurement of the new Automated Fingerprint System which entailed escalating estimated cost from some Rs 17.2 million in October 2017 to some Rs 86.2 million in May 2020.

Government Asset Register - Value in Government Asset Register did not tally with expenditure

In July 2017, GAR was introduced for the Central Government to keep track of assets from their acquisition to disposal. The maintenance of GAR would enable the recognition of assets in the accounts of Government and ensure the efficient and effective management of Government assets. All non-financial assets acquired as from 1 July 2017 were to be

recorded in GAR, while assets acquired prior to 1 July 2017, were to be recorded as per an implementation plan as detailed in circulars issued by the Treasury.

The actual expenditure incurred on assets for the past three financial years totalling some Rs 1.6 billion did not tally with the value of these assets as recorded in the GAR. Assets of value exceeding some Rs 660 million were not recorded in GAR.

An examination of the GAR revealed the following:

- Some construction works in progress, such as the construction of Regional Detention Centre at Piton, construction of SMF Buildings, Driving License and Test Centre, and the upgrading of aircrafts were omitted in GAR.
- Intangible assets, such as Application Software Registry and Crime Occurrence Tracking System Application Software were not recorded.

The Police Service informed NAO that verification to identify the differences in actual expenditure and GAR is being done, and GAR will be updated.

Coastal Surveillance Radar System – Objectives not attained

A contract for the supply, installation and commissioning of the Coastal Surveillance Radar System (CSRS) was signed on 3 November 2009. The project was financed through a grant provided by the Government of India. One of the objectives of CSRS was to enhance coastline and the Exclusive Economic Zone (EEZ) surveillance. However, details about the range or coverage of the EEZ were not known. The CSRS which was commissioned in April 2011 comprised eight Radars, eight Automatic Identification System (AIS), Control Centre and five Stand alone AIS stations.

Maintenance visits of the CSRS not as per contract

On 1 April 2017, a three-year maintenance contract which included both preventive and breakdown maintenance was renewed. Cost payable for the maintenance of CSRS was as follows:

- (a) A visit by one Engineer was charged at some US\$ 5,400 on a call basis in respect of breakdown/maintenance for a period of five working days, and an additional amount of US\$ 850 per day per Engineer for period exceeding five days; and
- (b) Four preventive maintenance charges totalling some US\$ 196,000 for 252 staff days.

Section 2.3 of the maintenance contract stipulates that during the term of the Contract, the Service Provider ‘shall depute its technical expert(s) to Service Recipient’ to carry out maintenance as per the terms and conditions indicated in the contract. Reports of preventive maintenance visits could not be produced to NAO Officers. The following were noted:

- During the three-year maintenance contract period, only two out of the four scheduled maintenance visits were effected. Hence, the Service Provider did not abide by the terms of the renewed maintenance contract. The absence of preventive maintenance might result in increased risk of breakdown of the system or improper functioning.

- Some Rs 16.3 million were disbursed for six maintenance visits from June 2013 to February 2020 under the two three-year maintenance contract periods. According to the Police Service, the radars in use at the CSRS Stations are 10 years old, and are no longer under production by the Original Equipment Manufacturer. The contractor has proposed an upgrade of CSRS.

Achievements of the CSRS not known and Non-operational radars

The deliverables of the CSRS were not made available to NAO Officers. As such, the effectiveness of the objectives of the CSRS, that is, EEZ surveillance and enhancing the rescue capabilities amongst others could not be ascertained.

The National Coast Guard (NCG) reported that three radars were not operational, namely those found at Gris Gris, St Brandon and Agalega since January, May and July 2020 respectively. This might have impacted on coastal surveillance. There was no evidence that the Service Provider was contacted to carry out repairs.

NAO was informed that a combination of both the radar and the Stand Alone AIS Stations is required for effective surveillance of the EEZ of Mauritius. In the absence of CSRS, the Police Service was adopting alternative means, like AIS, Global Maritime and Safety System and surveillance by ships, boats and aircrafts.

The Police Service informed NAO that:

- The CSRS is about 10 years old and has completed its electronic life. Spare parts are not readily available, and there is a long lead time for delivery.
- The maintenance visits are effected only on availability of spare parts. Visits were made in April 2018 and September 2019. The maintenance contract was extended to March 2022 as there were two visits still pending.
- The next visit of the Service Provider will be planned for both preventive, as well as breakdown maintenance based on the progress of Covid-19 pandemic, flights and availability of spare parts.
- Some 2,600 illegal activities were detected from January to November 2020 due to surveillance of targets assisted by CSRS.
- Radar, AIS and GPS are sensitive electronic equipment requiring a stable electrical supply for their operation.

Remotely Operated Vehicle costing Rs14 million defective since receipt in June 2014

A Remotely Operated Vehicle (ROV) was acquired in 2014-15 for some Rs 12.9 million. The objective of the acquisition was to limit human intervention on suspected parcel(s) so as to protect human life for any bomb disposal and enhance the operational capabilities of the Explosive Handling Unit for counter terrorism operations.

ROV was delivered on 2 June and commissioned on 6 August 2014. Several operational defects were noted since its acquisition. Some Rs 12.9 million were paid to the supplier in September 2014. Liquidated damage of Rs 1.4 million was retained for late delivery. The supplier served a Mise-en-Demeure for the refund of the amount retained as liquidated damage. The Police Service also filed a counter affidavit as the supplier had provided a defective ROV, and hence, was either bound to supply another ROV or pay damages as a result of such breach of contract. An Arbitrator was thereafter appointed.

In December 2020, that is, after more than six years since the acquisition of the ROV, the dispute was still not settled. ROV acquired at a cost of Rs 12.9 million had never been operative as a result of the defects found in the vehicle. As such, the Explosive Handling Unit had been carrying out 29 manual interventions, while human lives were being put at risk.

Arbitration Case not yet Finalised

The hearing for arbitration was scheduled from 8 to 11 December 2020. An inspection of ROV was effected by both parties on 9 December 2020, and the report forwarded to the overseas manufacturer for an eventual finding.

- Public funds had been tied up in a defective vehicle and its objectives had not been attained.
- The non-availability of such a vehicle in certain adverse situation might project a negative image of the Police Service.

The Police Service informed NAO that the supplier has submitted its proposal and the case has been mentioned for 5 March 2021.

Guardian Ship

In 1993, the Guardian Ship was acquired for some US\$ 3.5 million from the Indian Navy. The ship was used for coastal patrols, outer island support, search and rescue operations, assistance to vessels in distress, joint operations with other units of the Police Service, such as Anti-Drug and Smuggling Unit, exercises with visiting foreign naval ships and boarding at sea.

The maintenance of the ship's hull and fitted onboard equipment was undertaken through 'Refit' which was conducted at interval of two to three years. The last refit undertaken was the 'Service Life Extension Refit' (SLER) which was carried out in Naval Dockyard Mumbai from 1 December 2017 to 24 May 2018. The SLER which was funded by the Government of India cost some Rs 140 million (INR 270 million). The SLER undertaken in 2017-18 was expected to extend the service life of the ship by four to five years.

The ship was stranded on several occasions due to breakdown. The ship was not operational since March 2020. Repairs were to be undertaken in January 2021. As such, the objectives of the ship which were to carry out coastal patrols around the island, Outer Island support, search and rescue operations amongst others, were not fully attained

The Police Service informed NAO that:

- The repairs were delayed due to Covid-19 pandemic and potential suppliers were not conversant with the e-Procurement System.
- The ship is actually undergoing repairs.
- The coastal surveillance, outer island support and search and rescue operational were undertaken by the other ships of NCG.

Lapses in the implementation of Advance Passenger Information and Passenger Name Record System

In October 2018, the Police Service initiated action for the launching of the bid for the supply, commissioning and maintenance of Advance Passenger Information and Passenger Name Record System (APIS) at a project value of Rs 225 million. The project value was increased to Rs 282 million during 2020-21. The main objectives of the APIS are to enhance and streamline border control processes by obtaining advance warning of ‘suspect’ persons and to accelerate the process of legitimate passenger clearance.

The contract, awarded to a consortium for some US \$ 10.8 million excluding VAT but inclusive of four years of maintenance costs, was signed on 27 September 2019. This sum exceeded the project value by Rs 150 million.

Sums of Rs 110 million and Rs 150 million were provided for in the budget 2018-19 and 2019-20 respectively. No disbursement was effected in 2018-19. As of December 2020, some US\$ 3.5 million were paid to the Contractor when the project was originally scheduled to be completed in September 2020. The completion date was revised to 31 March 2021.

Contract for Independent Security Audit not yet awarded

In July 2020, the Central Informatics Bureau (CIB) requested the recruitment of a Consultant for an “Independent Security Audit” (ISA) based on the “complexity of the project”, to ascertain whether all the deliverables would be provided within the project. The cost for the recruitment of the Consultant was estimated at Rs 2 million.

As of 8 January 2021, the Request for Proposal for carrying out the ISA was still not awarded. The System is due to be fully operational in March 2021, while the ISA was expected to be carried out prior to User Acceptance Test.

The Police Service informed NAO that bids were at the technical evaluation stage.

Need for biometric access door not identified at planning stage

The need for installation of biometric access door for proper control of movement of staff at the office dedicated for APIS was not identified during the planning stage of the project. This necessitated additional tender exercises which delayed the implementation of APIS.

The Police Service informed NAO that bids were at the technical evaluation stage.

Existing Automatic Fingerprint Identification System obsolete

The Automated Fingerprint Identification System (AFIS) which was implemented at the Crime Records Office (CRO) in 1999 was reported as being obsolete since 2016, and procedures were initiated in 2018 for the procurement of a new system. However, as of December 2020, the bidding documents were not finalised. The project value which was estimated at some Rs 17.2 million in October 2017 has escalated to some Rs 86.2 million in May 2020.

Obsolescence and Non-Compatibility with Microsoft software

Although several upgrades were carried out to improve the functionality of AFIS, it still showed some limitations, such as the failure to back up fingerprints. Moreover, the Service Provider for software had ceased the maintenance support since 2016. A new system was required to cater for an eventual system crash. AFIS was also not compatible with the software available in the market. The following technical problems were being encountered with the existing AFIS:

- The fingerprint analysis system was not responding since 11 December 2017.
- The system was running on old generations of servers and software. Consequently, the system was not accessible to the seven remote workstations rendering CRO unable to process fingerprints slips and Scene of Crime prints and a backlog of 300 records which needed to be input in the system.
- Some services, such as deleting an existing fingerprint record and backup of the fingerprint system, are still not available.

On 3 October 2017, CIB informed that the estimated cost for a new AFIS was some Rs 17.2 million and submitted the technical specifications.

Revised Specifications and Revised Estimation Cost

The cost estimates escalated from Rs 23 million in February 2018 to Rs 80.5 million in August 2018 and further increased to Rs 86.2 million in November 2020 thus impacting on budgetary provision. Additional funds for the project were sought and invitation for bids was uploaded on the e-Procurement Portal on 11 November 2020. The following were noted:

- The quoted prices submitted by the three bidders grossly exceeded the cost estimate and the amount earmarked. CIB concurred that the significant price deviation was due to the surge in the cost of AFIS solutions on the market.
- The initiation of the procurement request dated as far back as 17 October 2017 and the new tendering exercise was re-launched only in November 2020, that is more than three years after initial request.

The Police Service informed NAO that:

- The revised specifications and cost estimates of Rs 86.2 million were submitted by CIB for vetting, but the latter advised the use of the e-bidding documents for Complex IT projects.
- The Procurement Policy Office (PPO) was solicited for the preparation of draft bidding documents. The new revised draft bidding documents were thus vetted by the Central Procurement Board and the deadline for the submission of bids was extended to 17 February 2021.

7.1.4 Deficiencies in Management of Procurement

The following deficiencies were identified in the procurement processes of the Police Service:

- The procurement lead time was exceeded in several cases.
- Delay in bidding process due to issues in technical specifications, inaccurate cost estimates and contracts being awarded following several bidding processes.

As such, the Police Service was operating without certain goods being available for a long time due to procurement issues. Funds earmarked to that effect were also not utilised. This also impacted on other service costs.

Procurement Lead Time Exceeded

In 2013, PPO issued Directives for Procurement Lead Time (PLT), being the interval in calendar days between the preparation of bidding documents and the issue of award of contract. The Police Service has, in some procurement of goods, exceeded the prescribed lead time by more than 50 days, and in one case by 84 days.

Delay in Procurement Process due to Lack of Proper Technical Specifications

Some procurements initiated in prior years were not finalised during 2019-20. Hence, several goods were not procured, as planned. The inclusion of inaccurate and unclear specifications in tender documents had been one of the causes of delay in procurement. Request for clarification resulted in amendments to the bidding documents, which in some cases required extension of time for submission of bids. In some cases, specifications had to be reviewed several times resulting in re-tendering exercises.

The Police Service informed NAO that:

- The evaluation exercise is delayed as most of the evaluators are Police Officers, who are often taken up by their police duties and are not available for bid evaluation.
- Remedial action is being taken to cater for the problem of technical specifications. For complex procurements, users will be required to clarify issues and specifications may be evaluated and tested by independent bodies.

Tracksuits not Procured after Three Bidding Exercises effected over a Period of Three Years

According to the annual requirement, 11,400 tracksuits had to be procured for five sections of the Police Service. The procurement of 9,600 tracksuits initiated during financial year 2016-17 was not finalised after three bidding exercises over a period of three years, and was subsequently cancelled due to funding issues. Two other bidding exercises were also cancelled due to non-compliance with specifications and failure of supplier to supply the goods.

Only Fifteen Per Cent of the Quantity Required was Supplied

The only bid received in the tender launched in November 2016 was not retained. Tender was re-launched on 1 June 2017 with revised specifications. The contract for 11,400 tracksuits was awarded for some Rs 4.7 million. Only 1,800 tracksuits were supplied from 2 March to 29 August 2018, which was beyond the expected delivery date. The procurement of the remaining 9,600 tracksuits was cancelled due to non-compliance with specifications.

Procurement Exercise not Finalised due to Inappropriate Test Certificate

On 10 November 2017, tender for the procurement of 7,100 tracksuits was launched. The contract was awarded for some Rs 520,000 for the purchase of only 1,300 tracksuits due to inappropriate test certificates accompanying the bids. The Police Service recommended the re-launching of tender for the tracksuits not yet purchased for other sections of the Police Service.

Failure to Deliver Tracksuits by Selected Bidder

Another tender was launched on 22 May 2018. The contract for the supply of 5,600 tracksuits for three sections was awarded on 12 July 2018 for some Rs 2.5 million. The selected bidder had previously failed to supply 9,600 tracksuits as per tender awarded on 5 October 2017. The bidder again failed to deliver the 5,600 tracksuits. The tender was cancelled in April 2019 and the Police Service recommended the disqualification of the bidder. However, there was no documentary evidence of request for disqualification.

Evaluation Delayed and Tracksuits not Procured

A tender was launched on 16 August 2019 for the procurement of 15,200 tracksuits for three sections. This exercise included the 9,600 tracksuits which were in the annual procurement plan for year 2016-17. The evaluation exercise was delayed, and on 9 July 2020, the Police Service decided not to purchase the tracksuits during 2020-21 due to financial constraints, and the tender was cancelled. Although the tracksuits were required since financial year 2016-17, the Police Service has not been able to procure the required quantity after three years.

The Police Service informed NAO that the selected bidder could not fulfill its obligations and the other bids received were not responsive. The last tender was cancelled since there was a reduction of funds due to the Covid-19 pandemic.

Supply of Ready-Made Camouflage Shirts and Trousers Delayed due to Inaccurate Cost Estimates and Specification

The Special Mobile Force (SMF) requested the purchase of 2,000 camouflage shirts and trousers on 23 July 2018. An invitation for bid was made on 4 September 2018 with an estimated cost of Rs 4 million. During the evaluation exercise, specification issues relating to 'Reacting Dyeing' and fabrics were noted. In January 2019, the tender was cancelled, and the Departmental Bid Committee (DBC) recommended that tender be launched 'with revised estimated cost and confirmation of specifications pertaining to 'Reacting Dyeing Test'.

Tender not Allocated due to Unclear Specifications

Another tender was launched on 12 April 2019. During examination of bids, it was noted that no range for evaluation of water and oil repellent finish and static treatment was specified in the bidding documents. An expert appointed by the Police Service concluded that the results were unsatisfactory and did not meet the specifications of a fabric required for a technically high-quality item of clothing. Police Service requested that fresh tender be launched with revised specifications.

Tender Awarded – Goods not yet Supplied

Another tender was launched and letter of award of contract was issued on 21 August 2020. The Contractor requested that the shirts and trousers be delivered up to 8 February instead of 15 January 2021 due to the Covid-19 Pandemic. The procurement exercise for purchase of camouflage shirts and trousers was delayed by more than two years. The delay was mostly attributed to specification issues.

The Police Service informed NAO that:

- The draft bidding documents were vetted by the user department prior to launching of tenders.
- Henceforth, user departments will be requested to improve the way of drafting specifications regarding technical aspects.

Procurement of Ready-made Trousers of Present Design

On 14 November 2019, tender was launched through open advertised bidding (OAB) for the purchase of 8,000 ready-made trousers estimated at some Rs 7.4 million. Letters of award of contract were issued to two bidders on 28 January 2020, that is 5,000 pairs for some Rs 3 million to one bidder (Bidder A) and 3,000 pairs for some Rs 1.8 million to another bidder (Bidder B).

Procurement Compliance Audit by PPO revealed Shortcomings following Allegations made by an Aggrieved Bidder

An aggrieved bidder requested the setting up of an independent panel to evaluate whether the selected bidder has directly or indirectly engaged in corrupt, fraudulent, collusive or obstructive practices in competing for the contract. A 'Procurement Compliance Audit' carried out by PPO highlighted shortcomings, such as absence of essential information regarding submission of samples and the awarded price was abnormally low compared to estimated cost.

The Compliance Monitoring Report concluded that, with the exception of the fake/manipulated test report and conflict of interest, the other ground for complaints of the aggrieved bidder was not valid. The case of manipulated test report and conflict of interest were referred for an independent inquiry. However, the outcome of the independent inquiry was not known.

Request for Extension of Delivery date by Bidder A not Approved and bid Re-launched

The 5,000 pairs of trousers (present design) were to be delivered by 27 May 2020. The supplier was granted an additional 90 days for delivery on ground of force majeure, equity and fairness. A second request for extension dated 6 September 2020 was not entertained and the contract was cancelled.

On 15 September 2020, bids were invited through restricted bidding for the purchase of only 2,000 instead of 5,000 pairs of trousers as required under previous cancelled contract. The contract was awarded for some Rs 1.6 million on 30 November 2020.

Delay in Delivery of Trousers by Bidder B due to Specification Issues

On 31 August 2020, 3,000 pairs of ready-made trousers were delivered. However, the trousers delivered were not as per specifications in bidding documents. In November 2020, a Technical Committee set up to examine deviation on compliance to specifications concluded that the 3,000 pairs of trousers supplied were acceptable. The following were noted:

- There was no evidence of receipt of sample which was a pre-requisite for the bid.
- In September 2019, the Uniform Section, informed that there was an urgent need for provision of uniform items as stock had reached re-order level and was rapidly depleting. Nevertheless, much time was spent in the procurement evaluation process. The contract was awarded on 28 January, trousers delivered on 31 August, but accepted in mid-November 2020, after resolving specification issues. Hence, although there was an urgent need for uniform items, required trousers were available after more than one year.

The Police Service informed NAO that the procurement exercise was time consuming as random samples had to be tested.

Training Shoes Partly Procured

In November 2016, some Rs 17.2 million were earmarked for the purchase of 12,110 pairs of training shoes. In June 2017, the Departmental Bid Committee (DBC) approved the award of contract in respect of 3,000 pairs for the SMF, and tender be re-launched for the remaining 9,110 pairs.

Anomalies Pinpointed by Independent Review Panel

In August 2017, a bidder challenged the decision of the DBC at the Independent Review Panel (IRP) on the grounds that it submitted the lowest bid. The IRP concluded that the applicant had merits and there was a need to have an expert at the stage of evaluation in order to ascertain the quality and specifications of the training shoes. The IRP ordered a refund of cost of participation to the applicant. However, on 19 February 2020, the Supreme Court quashed the decision of the IRP concerning the refund of the cost of participation to applicant.

Bids not Finalised due to Non-compliance with Technical Requirements

On 9 March 2018, another bid exercise for 16,300 pairs was launched. As bids received did not comply with the technical requirements, the user department was requested to review the specifications.

Bid Validity Extended Four Times

On 14 December 2019, the Bid Evaluation Committee (BEC) recommended the award of the contract for 16,300 pairs of training shoes for some Rs 19 million. An application for review from an aggrieved bidder was rejected by IRP on 6 February 2020. However, the procurement exercise was further delayed due to request for procurement of additional training shoes. The bid validity had to be extended on four occasions, the last one up to 31 December 2020.

The Police Service informed NAO that it is very difficult to have proper specifications for training shoes as certain tests are not available in Mauritius.

Procurement Exercise for Raincoats lasted more than Three Years

The procurement exercise for the supply of raincoats dated back to 18 April 2016, when the first tender was launched for the supply of 1,300 raincoats for attendants and Police Officers. Two more tenders were launched in October 2016 and March 2017. The bids received were rejected on ground of non-compliance with technical requirements.

On 31 July 2019, the contract for the supply of 600 raincoats for Police Officers was awarded for some Rs 514,000. On 2 October 2019, the delivery of 600 raincoats was not accepted as the material used and the belts were not according to the approved sample. A Technical Committee concluded that the sample closely matched all technical specifications and the weight was not a criterion in the bidding documents for evaluation. The 600 raincoats were finally delivered on 30 December 2019. Some Rs 45,000 were deducted as Liquidated Damages (LD) for late delivery. The procurement exercise for

raincoats for Police Officers took more than three years while procurement of raincoats for Attendants was not yet finalised. This is considered as unreasonable.

Heavy-Duty Boat with Trailer

An Open Advertised Bidding (OAB) exercise was carried out on 31 October 2017 for the procurement of a heavy-duty boat, including quick intervention boat, semi-rigid inflatable craft and maintenance charges. The project was estimated at Rs 25 million.

Procurement Exercise delayed due to Insufficient Details in Bidding Documents and Failure to submit Tax Clearance Certificate

Three addendums were subsequently issued to clear queries raised by potential bidders as the evaluation criteria set in the tender documents were not sufficiently detailed. This impacted on the closing date for submission of bids and had to be extended twice from 19 December 2017 to 23 January 2018.

The sole bidder quoted an amount of some Rs 26.1 million. A major deviation regarding the dimension of the fuel tank of the heavy-duty boat was noted by the BEC during the technical assessment of bids. However, no clarification of bid was sought. On 18 April 2018, BEC recommended the award of the contract for only the supply of the Quick Intervention Boat and Semi-Rigid Inflatable Boat, together with their maintenance contract of two years for some Rs 14 million and fresh quotation for the heavy-duty boat. The tender was thereafter cancelled as the selected bidder failed to submit the tax clearance certificate within the prescribed delay.

Bid Reconsidered after Observations of IRP and Contract Awarded

On 10 May 2018, the bidder applied for review on the ground that the bid for the heavy-duty boat was substantially responsive. IRP observed that there has been a confusion by both the Police Service and the bidder, and recommended that the bid be reconsidered. The validity period had to be extended six times, from 18 April 2018 to 2 March 2019. On 8 February 2019, the contract was awarded for the supply of a heavy-duty boat with trailer and a maintenance contract of two years for some Rs 14.9 million.

Liquidated Damages Reviewed and Extension of Time Granted

The boat which was scheduled for delivery on 7 July 2019 was actually tested and commissioned on 1 November 2019, that is, a delay of 117 days. Some Rs 1.3 million, representing the maximum of 10 per cent were retained as LD. Following the supplier's request to waive LD, a Technical Committee recommended that LD be applied for 31 days only, and some Rs 722,000 were refunded to the supplier. Extension of time was granted for time taken for clarification, approval and additional times for modification work and force majeure.

Claim for Adjustment of Contract Price by Contractor

On 13 March 2020, the Contractor requested an adjustment in the contract price in accordance with Clause 18.3 of Section 1 of the bid documents as the award was delayed.

However, the factor which should be used for adjustment was not specified by both parties at the time of request for extension.

On 26 August 2020, PPO stated that the Police Service had an ‘obligation to adjust the price’ by the factor specified in the request for extension. However, since same was omitted, Police Service was requested to seek legal advice as to whether the supplier was entitled to claim the adjustment.

According to advice from the Attorney General’s Office dated 14 October 2020, no adjustment in contract price was required as obligations of both parties had lapsed on delivery and commissioning of the boat on 1 November 2019, and payment already effected. The supplier was accordingly apprised on 23 October 2020.

The Contractor maintained the request for adjustment of some Rs 1.3 million, and claimed payment within the next 15 days, failing which he will have recourse to legal actions for recovery of the said sum together with a claim for damages.

The Police Service informed NAO that:

- Pre-bid meetings will be held for items with complex specifications so as to obtain competitive responsive bids.
- Some issues in respect of technical specifications and cost estimates are beyond control. Re-launching has to be resorted to on receipt of non-responsive bids.
- A Technical Committee has been set up to update list of suppliers, carry out market surveys, work out specifications, calculate estimate costs and any other related matters prior to launching of bids, and also ensure that Directive for Procurement Lead Time is applied on all procurement of items and services.

7.1.5 Non-repayment of Advances Motor Car/Motor Cycle

As of 30 June 2020, the outstanding balances in respect of motor car and motor cycle advances totalled some Rs 288.2 million. However, irregular repayments were not properly monitored resulting in non-recovery of outstanding balances. This unsatisfactory feature was also reported upon by the Internal Auditors.

There was no indication that the Treasury was informed of the outstanding balance in respect of officers who retired from the service, in order to make the necessary deductions from their respective retirement benefits.

Motor Car

In seven cases, refunds of advances for purchase of motor car were interrupted and the balance due totalled some Rs 1.4 million as at 30 June 2020. In three of the cases, no repayment was effected since financial year 2017-18.

Motor Cycle

In 42 cases of advance made in respect of purchase of a motor cycle, repayments were also interrupted and the balance due totalled some Rs 1.2 million as at 30 June 2020. 18 of the cases totalling some Rs 244,000 were referred to the Attorney General's Office since as far back as 1999. The cases referred were in connection with officers who have already retired, dismissed from the service or interdicted.

The Police Service informed NAO that:

- A list of officers who have not yet settled their outstanding balances has been submitted to the Accountant General for appropriate legal action.
- The Finance Section has been instructed to submit a report on action taken to recover the outstanding balance.

Follow up on Matters Raised in Audit Report 2018-19

7.1.6 Procurement of Uniforms - Inadequate Planning resulting in Dormant Stock and Funds Unnecessarily Tied Up

At paragraph 6.2.1 of the Audit Report for financial year 2018-19, I reported on the poor planning in the procurement of uniforms which resulted in stock out. The Police Service procured 65,200 newly designed shirts for some Rs 29 million since May 2019. As of December 2020, the purchase of newly designed trousers could not be finalised after three tender processes. The shirts could not be issued to staff as corresponding trousers were not yet procured.

A review of the procurement of uniforms revealed the following:

- The procurement of the newly designed trousers was delayed due to specifications issues and trousers of existing design had to be purchased to cater for current needs.
- An additional amount of some Rs 3.4 million was disbursed for the purchase of 8,000 trousers of existing design due to higher unit price, as compared to the price of the newly designed trousers.
- Funds of some Rs 29 million were unnecessarily tied up in the procurement of 65,200 newly designed shirts. These were delivered since May 2019 and were kept in an inappropriate store. The shirts will only be issued on receipt of newly designed trousers scheduled for March 2021.

Newly Designed Trousers not yet Procured due to Specifications Issues

Two tender exercises had to be cancelled due to failure of bidders to comply with specifications. On 6 October 2020, the contract for the acquisition of the newly designed trousers was awarded for Rs 27 million. The change of design of uniforms was delayed and will be implemented only after receipt of newly designed trousers scheduled for

March 2021. Hence issues relating to specifications resulted in delay in procurement of newly designed trousers.

The Police Service informed NAO that fabric for uniforms is not readily available on the market.

Impact of Delay in Procurement of Newly Designed Trousers

Due to delay in procurement of newly designed trousers, the Police Service had to purchase shirts and trousers of existing design to cater for current needs. As of November 2020, this amounted to some Rs 16 million.

On 7 August 2019, the contract for the supply of 8,000 existing design trousers was awarded for some Rs 7.5 million, that is at a unit price of Rs 943. However, contract for the newly designed trousers were subsequently awarded at a unit price of Rs 517. The Police Service had thus incurred an additional amount of Rs 3.4 million for the procurement of trousers of existing design compared to those of newly designed trousers.

The Police Service informed NAO that the difference in price was attributed to the difference in fabric between the present and the new design and the cost being lower on large scale production.

7.1.7 Enquiry on Irregularity Not Completed after Five Years

At paragraph 6.2.4 of the Audit Report for financial year 2018-19, I mentioned about the unreasonably long delay to complete the enquiries in respect of an irregularity in revenue collections at Northern District Headquarters that occurred some five years ago. It was reported that a Police Officer, acting as Revenue Clerk did not account fully for all the monies collected by him. The Police Officer was interdicted from duty as from April 2015. NAO reported on control failures, receipts not recorded in cash book, collections either not banked or delay in banking, and absence of segregation of duties.

As of 30 June 2020,

- There was still an unexplained difference of some Rs 31.8 million representing collections not banked. This amount was outstanding in the Advance Account opened in the name of the Police Officer.
- Police enquiry was not completed after five years.
- Recommendations of Departmental Board of Enquiry dating three years back were not fully implemented. On 2 May 2017, the Board also recommended that disciplinary proceedings be initiated against the Manager, Financial Operations and the Chief Cashier and Senior Police Officers who acted as Divisional Commanders in the Northern Division for the period 2009 to 2014. This recommendation has not been initiated more than five years after the case was uncovered.

As of November 2020, some Rs 1.7 million were paid as salaries and rent allowance to the interdicted Police Officer.

The Police Service informed NAO that:

- The services of a financial expert were sought on 30 October 2020 on the advice of the Office of Director of Public Prosecutions as the issues involved purely financial aspects and the complexity of the case.
- The designated Assistant Manager, Internal Control who will assist the Central Criminal Investigation Division (CCID) in that case will inform the Police Service as to whether he can assist in the enquiry, otherwise, a request will be made to the Ministry of Finance, Economic Planning and Development for the assistance of a financial expert in this particular case.
- Police investigation will be carried out after receipt of report of the expert.
- The then Chief Cashier had been reprimanded and no instruction was given to the Human Resource Division to initiate any disciplinary action against any officer in connection with the irregularities.
- All the Officers who acted as Divisional Commanders in the Northern Division have retired from service.

7.2 Prison Service

7.2.1 Ineffective Close Circuit Television Camera System at Eastern High Security Prison

The Eastern High Security Prison (EHSP) which was operational since 2014 was equipped with closed circuit television camera (CCTV) system at a cost of some Rs 63 million. At the end of the defects liability period, the system was under a five-year maintenance contract for the sum of Rs 21.85 million as from January 2016. Maintenance works were not carried out to the satisfaction of the Prison Service. The system was not functioning properly, and in 2017, the Contractor was awarded repair works for Rs 1.8 million. Advance payment of 50 per cent was effected for purchase of materials and repair works, but several cameras were still not functional. Payment of the balance was retained pending completion of works. The Contractor submitted a quotation of some Rs 2.3 million in February/March 2018 for new faulty items which were not approved by Prison Service due to unsatisfactory performance.

The Prison Service contemplated the termination of the maintenance contract and denied the Contractor access to the EHSP. Thereafter, the faulty uninterruptible power supplies (UPS) and circuit breakers were attended to by the Prison Service in collaboration with the Electrical Services Division (ESD) of the Ministry of National Infrastructure and Community Development. As of September 2020, two thirds of the total cameras were not functional, including all the “Dome Cameras”, and only 34 of the 77 DVRs were functioning since August 2018. As such, most of the images from the operational cameras were not recorded and stored over an acceptable period.

Inability of the Contractor to Provide Proper Maintenance

The maintenance Contractor was not able to maintain the system to the satisfaction of the Prison Service despite the five-year maintenance contract for some Rs 22 million and repair works of Rs 1.8 million awarded in 2017. The defects were attributed mainly to frequent power loss due to faulty UPS and damage of fibre optic cables by rodents. Since August 2018, the Contractor was denied access to the prison and was thus, unable to maintain the system. The system was last serviced by the Contractor in March 2018, that is, nearly three years ago.

In September 2020, after repairs were completed by the Prison Service in collaboration with ESD on the electric network and in respect of faulty UPS and circuit breakers, the Contractor was requested to complete the pending work on the CCTV system. The maintenance contract lapsed on 31 December 2020, and some Rs 11 million were disbursed for the period 1 January 2016 to 30 June 2018.

The Prison Service informed NAO that:

- The Contractor apprised the Prison Service that it would not claim for period of denied access.
- Surveys were effected on the systems.

- From 5 October to 7 December 2020, the Contractor maintained and repaired the system.
- A comprehensive report on the status of the equipment and quotation for repairs will be submitted.

7.2.2 Rented CCTV Cameras System not fully Operational

Since 2017-18, the Prison Service opted for rental of CCTV system instead of maintaining the existing ones in operation. The contracts for rental of CCTV system at Beau Bassin Prison (BBP), including the Pirates Wing were awarded in July 2017 for five years. Following a mutiny in March 2020, 15 cameras at the BBP were damaged and the whole CCTV system at the Pirates Wing was out of order until its repairs in December 2020. As such, part of the system at BBP was not functioning properly for nine months and the Pirates Wing was not covered with a CCTV system for that period during which, security may have been compromised.

Payment for Civil and Auxiliary Works not Supported by Certificate for Satisfactory Performance for Works

The contract value for the rental of the CCTV system included an amount of some Rs 4 million for civil and auxiliary works. The Service Provider used the existing CCTV infrastructure to house the cables, and as such, civil works were not carried out. In March 2020, the Attorney General's Office (AGO) advised Prison Service to release payment in respect of works satisfactorily performed, and to work out the cost implication with respect to unfinished work or to the difference in the quality of civil works performed.

The Prison Service proposed to retain only Rs 230,000 for the existing conduits used to house cables and Rs 470,000 for installation and maintenance of air conditioners which were not as per contract terms. On 18 November 2020, some Rs 3.2 million were paid to the Service Provider without determining the value of works payable as advised by the AGO.

7.2.3 Asset Management - Government Asset Register not Updated

A Government Asset Register (GAR) was introduced in July 2017 for the Central Government to keep track of assets from their acquisition to disposal and to ensure their efficient and effective management. The recording and updating of GAR, and its implementation plan were detailed in circular issued by the Treasury.

Some Rs 25 million have been disbursed for the acquisition of assets during the past three financial years. However, assets acquired prior to July 2017 have not been captured in GAR and no input was made since December 2019. Hence, the objective of recognising all Government assets in the Annual Statements of the Treasury may not be met.

The Prison Service informed NAO that assistance under the Youth Employment Programme will be provided for the updating of GAR.

7.2.4 Additional Cost borne by the Prison Service due to Inability of Detainees to appear before the Bail Remand Court

The Prison Service is equipped with Video Conferencing Units at six institutions where detainees on remand are accommodated. The detainees appear before the Bail and Remand Court (BRC) through video conferencing within the prisons' compound without being transferred to court. During 2019-20, a new Conferencing Unit was acquired for some Rs 150,000 following damage to the former one due to lightning.

During the period July 2019 to October 2020, some 2,000 detainees could not appear before the BRC through Video Conferencing due to communication problems. As a result, the period of detention of these detainees had to be extended for non-appearance before BRC. This situation had a direct impact on the prison's population and detention cost.

7.2.5 Advances to Dismissed/Retired Officers not yet Recouped

The Advance Account balance for motorcycle of Rs 4.4 million as at 30 June 2020 included an amount of some Rs 300,000 representing outstanding advances made to six officers who were dismissed or retired during the period 2017 to 2019. Despite action taken, the outstanding amount had still not been recovered as of October 2020.

The Prison Service informed NAO that:

- The case of an Officer was referred to AGO by the Treasury in February 2020.
- Two Advance Accounts totalling some Rs 24,000 were cleared in November 2020.
- Reminders were sent to the Treasury on 21 December 2020 and 13 January 2021 for recovery of outstanding amounts from the other officers.

7.2.6 Mismanagement in Accounting and Disposal of Cigarettes

Following the decision by the Prison Service to make the Prisons a smoke free area, the number of cigarettes detainees were allowed to purchase out of their earnings or private cash weekly was gradually reduced. As from 1 February 2019, cigarette was considered as a prohibited article and its possession would be an offence as per Prison Regulations. As of date of ban, there was a stock of 12,635 cigarettes as per records of the Main Store, and this balance adjusted to 18,635 cigarettes with the return of the remaining stock from different institutions after the ban. The stock was increased to 25,655 following an Internal Audit exercise in April 2020. As of November 2020, there was still a stock of 5,055 cigarettes held at the Main Store after disposal of 20,600 units at a loss of some Rs 64,000.

Various shortcomings on the management of the stock of cigarettes at different penal institutions were highlighted by NAO. At the Central Prison, receipts and issues of cigarettes were recorded in an Occurrence Book and 66,400 cigarettes received from Main Store were not accounted for.

In February 2020, officers of the Internal Control Cadre were requested to conduct an enquiry on the procurement of cigarettes and its remaining stock after the ban in February 2019. The internal audit exercise revealed shortcomings and shortages of cigarettes. The main findings were:

- Records were not properly maintained and absence of subsidiary records.
- Receipts and issues were not recorded in chronological order. 200,000 cigarettes issued in April 2017 were accounted for in year 2018. After classification of receipts and issued in chronological order, ledgers showed negative balances. This delay in recording was thus deliberate, and meant to hide shortages.
- There were inconsistencies regarding the dates of issue and that of receipts between two stores at EHSP. Difference of up to 169 days was noted.
- An initial stock of 18,635 cigarettes was found at Main Store and after the enquiries and returns of cigarettes from other stores, the stock was 25,655 cigarettes.
- The correctness of records could not be ascertained. A stock of 252,398 cigarettes valued at some Rs 1.8 million was unaccounted and untraceable at four prisons.

In July 2020, the case was referred to the Police Service, for enquiry and for appropriate action to be initiated. As of October 2020, Police enquiry was still in progress.

Prohibited Article not Promptly Disposed of

The Prison Service initiated action to sell the dormant stock of cigarettes. These cigarettes were initially procured at Rs 7.19 per unit. However, the supplier agreed to buy back the cigarettes at only Rs 10 per packet of 20 units. In April 2020, the Prison Service decided to dispose of the stock by way of informal quotation.

In May 2020, four potential buyers were invited to bid. The contract was awarded for a total amount of some Rs 105,000 that is, Rs 4.10 per unit. As of 24 November 2020, some 80 per cent of the stock had been sold for some Rs 84,000 and a stock of 5,055 units was still at the Main Store.

The Prison Service informed NAO that the matter was referred to the Police Service for enquiry, and statements have been recorded from various Prisons Officers.

7.2.7 Prohibited Articles found within Premises of Prisons

At paragraph 5.26 of the Audit Report for financial year 2017-18, I reported on prohibited items found within the premises of the Prison Service. During the period January to October 2020, 485 prohibited articles have been found within prison premises or in detainees' custody. These articles included mobile phones, SIM cards, batteries and battery charger as well as improvised weapons. The BBP and EHSP were among the institutions where prohibited articles were more frequently found.

Security measures have been implemented by the Prison Service to detect prohibited articles and deter trafficking within prison premises and amendments made to the Reform Institution Act. The Prison Service is planning to acquire a body scanner which will be installed at BBP to assist in the detection of prohibited articles within prison premises.

The Prison Service stated that the number of prohibited articles secured is on the decreasing trend due to security measures being taken and tender was launched for the procurement of a body scanner.

Follow up on Matters Raised in Audit Report for Financial Year 2018-19

7.2.8 Case of Embezzlement - Advance Account of Rs 1.2 million not yet Cleared

At paragraph 6.3.1 of the Audit Report for financial year 2018-19, I reported that an Advance Account was opened in the name of a Prisons Officer who was dismissed from service with effect from 13 June 2018 in a case of embezzlement of funds which occurred from March 2012 to June 2013. The Advance Account of some Rs 1.2 million has not been cleared as of 30 June 2020. In December 2018, the case was referred to the AGO to initiate a civil case with a view to recovering the amount due.

The Prison Service informed NAO that the status of the case was not known despite several reminders sent to the AGO.

Detainees Private Cash/Earnings – Main Deposit Accounts not fully Reconciled with Individual Detainee’s Account

The Deposit Account is made up of earnings derived by detainees and of any money collected from detainees’ relatives. Detainees are allowed to spend from the amounts deposited for the purchase of specified goods and any unspent amounts are refunded upon their release. As from February 2019, cash deposit was accepted only for purchase of medicines not available in the Prison’s Pharmacy or for other medical purposes. The balance of Rs 1.3 million in the Deposit Account as of 30 June 2019 was not sufficient to cater for all the liabilities due to malpractices in claims for replenishment of imprest.

At paragraph 6.3.2 of the Audit Report for financial year 2018-19, I reported on the serious lapse in financial control resulting in misappropriation of detainees’ cash and the settlement of the outstanding payments from an Advance Account.

In July 2019, some Rs 4 million were advanced to the Prison Service to settle outstanding payments of Rs 3.1 million to suppliers and Rs 840,000 in the Detainees’ Deposit Account. The AGO advised Prison Service to review the existing system, carry an enquiry to identify culpable officers and subsequently transfer the Advance Account in the name of officer/s found guilty.

As of 30 June 2020, the balance of the Deposit Account amounted to some Rs 4.1 million. There was no evidence of any investigation having been carried out to enquire into the debit balances totalling some Rs 300,000 for two institutions and these negative balances seem to be increasing. Further, the balances of the individual accounts were not reconciled with that of the main Deposit Account.

The Prison Service informed NAO that:

- The Police Service was requested to enquire into the deficient Deposit Account.
- The debit balances were due to the transfers of detainees from one prison to another, and which were not reported to the Finance Section.

7.2.9 No improvement in the Operation of Imprest Accounts

Imprests were not operated as per Financial Instructions. The Commissioner of Prisons was authorised to issue sub-imprest for a total amount of Rs 300,000 to officers thereby holding these sub-imprest holders responsible for the custody and accounting of such funds and to meet expenditure.

No remedial action was taken regarding shortcomings highlighted in the Audit Report for financial year 2018-19.

- Nine of the 12 sub-imprest accounts exceeded Rs 5,000 but were not operated through bank accounts nor was the prior approval of the Accountant General sought.
- Imprest money at the Women Prison was not properly secured.

The Prison Service informed NAO that:

- It is more cost effective to keep money in safe as the Imprest amount is used rapidly and replenished twice or thrice monthly. The approval of the Accountant General will be sought.
- The Imprest money held at the Women Prison is being kept in a safe.

7.3 Rodrigues Regional Assembly

7.3.1 Summary of Audit Observations

The law requires that the Director of Audit shall within eight months of the close of every financial year audit the accounts of the Rodrigues Regional Assembly (RRA) and report thereon. A Report on the audit of the Accounts of the RRA has been submitted separately. This chapter provides a summary of the audit observations.

The key observations for financial year 2019-20 are summarised below:

- (a) Weaknesses in financial and performance reporting;
- (b) Inadequate oversight mechanism;
- (c) Lapses in financial management;
- (d) Non-compliance with legislations;
- (e) Lapses in management of financial assistance granted to the needy; and
- (f) Poor project management.

Weaknesses in Financial and Performance Reporting

The Annual Financial Statements were prepared on a cash basis. Current assets and current liabilities were thus not recognised. Arrears of revenue were understated. Investments were overstated and share certificate was not received in respect of investment made in a Company.

The RRA has guaranteed loans under the new social housing scheme but this contingent liability was not disclosed in the financial statements.

An Annual Report on Performance was still not submitted to the Minister of Finance, Economic Planning and Development as required under the Finance and Audit Act.

Inadequate Oversight Mechanism

Several weaknesses were noted in the internal control system and the recommendations of the oversight authorities such as Independent Commission against Corruption and Procurement Policy Office were still not implemented.

The Internal Control Unit was understaffed and the audit plan did not cater for the audit of capital projects, amongst other core operations of the Commissions. There was also high percentage of uncompleted tasks. Remedial actions were not always taken in respect of matters raised in the internal control reports.

Lapses in Financial Management

An excess expenditure of Rs 125 million was not sanctioned by the Regional Assembly, contrary to financial instructions.

Regulations for the setting up of companies in which RRA has made investments, were not always complied with.

The effectiveness of RRA's revenue management system was not satisfactory. Rates for lease rental and licence have not been reviewed since long. There was also inadequate follow up of arrears of revenue with respect to Trade Licence.

Non-Compliance with Legislations

In view of the construction of a new runway at Plaine Corail Airport, the project for the resettlement of Sainte Marie villagers was not done in compliance with applicable laws.

Procurement procedures in line with the Public Procurement Act were not followed in the selection of contractors for the new Social Housing Scheme.

Concerning Human Resource Management, allowances over and above salaries, were paid to five officers on interdiction for services not rendered, contrary to Human Resources Management Manual and PRB Report.

Lapses in Management of Financial Assistance granted to the needy

NAO found instances where financial assistance were disbursed by Commissions without ensuring that necessary safeguards were in place to ensure that public funds had been used effectively. For example, in the case of Casting of Roof Slab Scheme, the private service providers had provided misleading information to management for beneficiaries to obtain financial assistance. A Monitoring Committee was not set up to deal with cases where conditions of agreement were not complied with.

The new Social Housing Scheme was not properly managed as terms and conditions of agreement were not always complied with. The housing units were constructed with much delay, contrary to agreement.

The objective of providing subsidy to the lower income beneficiaries for constructing water tanks has not been achieved as they did not always use the fund for that purpose.

Poor Project Management

Every year NAO identifies deficiencies in the implementation of capital projects and corrective actions taken to ensure judicious use of public funds were inadequate. The implementation of projects has not improved compared to previous years. There were still various issues which included significant contract variations, non-compliance with conditions of contract, projects objectives not attained, considerable delays in the completion of projects and delay damages not applied.

The construction of the Rehabilitation Youth Centre (RYC) was not properly planned as there were several security lapses. As of October 2020, the RYC was not yet operational.

The construction of Social Security House at Mont Lubin which was scheduled for completion in November 2018, was still not completed as of October 2020. Delay damages were not yet applied. The Commission had to spend some Rs 2.8 million in 2020 to house its head office and different units.

As of June 2020, RRA had spent Rs 492 million on the construction of five desalination plants. However, less than 50 per cent of their production capacity of 4500 m³ was attained.

Although the e-Health project had been commissioned, most of the units of the hospitals, Area and Community Healthcare Centres were still running on a manual mode, one year after.

The coffee processing plant was constructed without any feasibility study and strategic direction. Completion of the project was inordinately delayed and was not yet handed over to the Commission as of October 2020.

The objectives of several Agricultural Schemes had not been attained as they were inadequately monitored and supervised.

8 – VICE-PRIME MINISTER’S OFFICE, MINISTRY OF LOCAL GOVERNMENT AND OUTER ISLANDS, AND GENDER EQUALITY, CHILD DEVELOPMENT AND FAMILY WELFARE

8.1 Local Government and Outer Islands

8.1.1 Waste Carrier Licensing Unit – Under-utilisation of Human Resources due to Inappropriate Organisation Structure

In January 2015, following the assignment of the subject of Solid Waste Management to the Ministry of Environment and Sustainable Development, Disaster and Beach Management (MoEnv), the Solid Waste Management Division (SWMD), which was under the purview of the Ministry of Local Government (MOLG), was transferred to the MoEnv.

The Waste Carrier Licensing Unit (WCLU), a sub Unit of the SWMD, had however remained under MOLG. Four Technical Enforcement Officers were retained to operate the WCLU. Three of them were officers of MOLG and one was from SWMD, now under the purview of MoEnv.

- The Scheme of Service (SOS) of an Enforcement Officer consists of 10 different duties. Those attached to the MOLG appeared to be doing only one of the listed duties, namely examining and registering waste carrier vehicles, while those working at the SWMD were carrying out the 10 duties listed in the SOS.
- The Officer in Charge of the WCLU was an Officer of the MoEnv as MOLG did not have an appropriate officer who could take charge of the Unit.
- During 2019-20, WCLU processed 815 applications for Waste Carrier Licence (WCL) and issued 740 licences. WCL fees collected by the Unit for the year amounted to Rs 561,000.

The Ministry informed NAO that:

- On 6 January 2021, the Attorney General’s Office advised that, in line with Section 33(1) of the Interpretation and General Clause Act, all provisions relating to solid waste management should be under the responsibility of Ministry of Environment, Solid Waste Management and Climate Change.
- Accordingly, the WCLU has been transferred to the latter Ministry on 12 January 2021. The employees of the WCLU would now be called upon to perform duties as per the prescribed scheme of service.

8.1.2 Acquisition of Tipper Lorries – Delivery of Vehicles Not Accepted due to Supplier’s Default

Financial clearance from the National Environment Fund for the acquisition of 17 Tipper Lorries was obtained in November 2018. Following an Open Advertised Bidding exercise in February 2019, MOLG awarded the contract for the supply of the Tipper Lorries in July 2019 for an amount of Rs 42.3 million to a local private company.

The vehicles were to be delivered by January 2020. However, as of 30 November 2020, delivery was still being awaited.

The following unsatisfactory features were noted:

- (a) Manufacturing inspections were not carried out by the Project Manager as per Tender Document.
- (b) Tipper lorries to be delivered were not according to Tender Specifications.
- (c) Delivery of the vehicles had been delayed due to the Supplier’s default.

Inspection by the Project Manager.

The Supplier was required to inform the Ministry of the arrival of the 17 lorries for inspection by the Project Manager, prior to starting the manufacture of the crew cabin locally. The Supplier failed to inform the Ministry on time. It was thus not possible to confirm whether the power take offs and the tipper mechanisms were factory fitted as required in the specifications.

In January 2020, the Supplier was requested to confirm whether the power take offs and tipper mechanisms were factory fitted to enable the final commissioning and delivery of the Tipper Lorries to the respective Local Authorities. However, the Supplier did not submit the appropriate documents.

Non-Conformance with the Tender Document.

The Contractor agreed to send the 17 Tipper Trucks to South Africa to have the tipper mechanisms and power take offs to be factory fitted anew. The Trucks reached Mauritius on 9 September 2020.

In September 2020, the Project Manager accompanied by a Mechanical Engineer from the City Council of Port Louis inspected the 17 Tipper Lorries and found that they were fitted with the same sub-frame assembly and tipper mechanisms as initially installed.

Delay on Delivery of the 17 Tipper Lorries to Concerned Local Authorities

As of November 2020, no decision was yet taken by the Ministry as whether to terminate the contract or not as there was a potential breach of contract.

Given that the performance of the contract had reached an advanced stage, any termination of the contract could entail considerable delay of the project including legal consequences and court litigations.

The Ministry informed NAO of the following:

- At a meeting in March 2020 the Contractor admitted that the tipper mechanisms and power take offs were fitted locally. This was regarded as a deviation from the technical specification.
- Advice from the Solicitor General was sought on a potential breach of contract by the Supplier for non-compliance with the Technical Specifications. The Ministry was advised to inform the Supplier of the details of the breach and also give the Supplier reasonable time to remedy the breach, failing which, the contract would be terminated and the Supplier would be liable to damages as a consequence of the termination.
- Given that the Supplier had so far failed to comply with the requirements of the Technical Specifications, the Project Manager did not recommend acceptance of the lorries.
- The Ministry could not accept the lorries as they did not comply with the Technical Specifications.
- The Ministry has on 25 January 2021 decided to terminate the contract with the Supplier, and is seeking legal clearance from the Attorney General's Office in view of the possibility of eventual court cases.

NAO's Comment

- As of 22 January 2021, the Ministry had not yet reported the Supplier's deficiency to the Procurement Policy Office.

8.2 Mauritius Fire and Rescue Service

8.2.1 Fire Certificate – Absence of Proper Management Information System for Fire Risk Management

The operations relating to the processing of Fire Certificates under the Mauritius Fire and Rescue Services (MFRS) Act 2013, as amended, were reviewed. The following shortcomings were noted:

- (a) Absence of a proper management information system for prescribed premises as per the Act and for Fire Certificates processing;
- (b) Undue delay in the processing of Fire Certificate applications;
- (c) Inaccurate record for Fire Certificate applications;
- (d) Fire Certificates not renewed; and
- (e) Inadequate follow up on conditions attached to issue of Fire Certificates.

Absence of Management Information System

The MFRS Act, effective since February 2014, requires owners of premises as prescribed, to apply to the Chief Fire Officer for a fire certificate in relation to the premises, which certifies that all safety requirements have been met in relation to those premises.

- As of December 2020, MFRS did not have a comprehensive computerised database of all prescribed premises in the island. Several prescribed premises might be remaining outside the scrutiny of the MFRS.
- A spreadsheet in Excel format was kept as a register to record applications received for Fire Certificates for private and Government buildings separately, and the follow up of their processing. Important management information, such as number of applications received, status of their processing, delays and reasons for late issuance of fire certificates, as well as owners of prescribed buildings who were in default with the Act was not readily available.

Delays in the Processing of Fire Certificate Applications

The Register of Fire Certificates in Excel format for the year 2019 and for the period January to August 2020 was reviewed. During the year 2019, 4,977 applications for Fire Certificates were received.

- 3,149 Fire Certificates were issued to applicants. 2,715 of these Certificates were issued after the statutory time period of 21 working days, or 13 working days, as prescribed under the applicable legislations at the date of application. The delays ranged between 22 and 587 days.

- 1,159 Improvement Notices were issued in respect of these applications. 259 of these Notices were issued after the statutory period of five working days after the site visit. The time taken varied from six to 461 days.
- As of 31 October 2020, 798 of 1,159 Improvement Notices had already lapsed and no Fire Certificates were issued. Applicants were allowed one month upon receipt of an Improvement Notice to comply with fire safety measures following a fire safety inspection.

1,847 Fire Certificate applications were received from January to August 2020. 817 of these applications were still under process as of 15 November 2020. The long time taken to complete the inspection findings for 243 applications received from private entities, and in respect of which inspections were completed, could not be explained.

Inaccurate Record for Fire Certificate Applications

Several inconsistencies were noted in the Register of Application for Fire Certificates in respect of applications received during 2019:

- Applications for fire certificates received were not sequentially numbered.
- Reliable dates were not inserted in the respective fields in the Register. For instance, Fire Certificates in respect of 73 applications were found to have been issued before their respective application dates, 57 Improvement Notices were issued before the inspection dates, and 116 applications had inspection dates before their application dates.
- The 'Date' field in respect of 843 applications was left blank. It was not known whether these applications were processed.
- 395 applications were flagged as 'treated' without the inspection date.

Fire Certificates not Renewed

- The MFRS (Fire Safety Plan and Fire Certificate) Regulations 2018, effective from 13 October 2018, provide that any Certificate which was valid before the coming into operation of these Regulations should remain valid for a period of one year. All valid Fire Certificates issued prior to the Regulations expired on 12 October 2019.
- All Fire Certificates which expired since 12 October 2019, were not renewed as of October 2020.
- As of end of October 2020, a fee on renewal of fire certificate, as required by Section 19 (5C) of the MFRS Act, was yet to be prescribed.

Inadequate Follow Up on Conditions attached to issue of Fire Certificates

No action was taken against licensees who had not complied with the conditions associated with the issue of their Fire Certificate, namely the submission of a *Fire Safety Plan* as stipulated in Section 18 of the MFRS Act.

The MFRS informed NAO that:

- A proper registry system is in place where all information regarding prescribed buildings are being registered.
- All owners of buildings issued with a Fire Certificate prior to October 2018 are required to submit fresh application for a new Fire Certificate whereby the onus is on the owner. With regard to expired fire certificates, since 2018 about 3,000 letters have been issued around the island informing premises owner that they will need to apply for a new Fire Certificate.
- The proclamation of GN 134 of 2018 requiring all buildings under Schedule 1, excluding residential under seven storeys, to have a valid Fire Certificate brought an influx in the number of applications resulting in a drastic increase in work load. The inspection processing time is extended when applicants are not compliant. The statutory time period of 21 working days, or 13 working days could not be met due to lack of human resource. After six months, the application is set aside.
- “Treated” is inserted for incoming concerning approval of plan for construction, approval of Fire Evacuation Plan and issue of ‘no objection’ letter for leasing of premises where no inspection of premises are required.
- Present Regulation does not make provision for any renewal fee. The issue will be taken into consideration when GN 134 of 2018 will be amended.
- The MFRS is considering the approval of Fire Evacuation Plan as a mandatory requirement for the issue of Fire Certificate but this should be included in amendment of regulations.
- As regards follow up on Fire Certificate issued, work procedures have been revised for enforcement inspections to be carried out at least once prior to renewal of Fire Certificate.

NAO considers that for proper monitoring of prescribed premises and fire certificates processing, it is imperative that MFRS acquires a computerised management information system that enables quick access to critical control information, rather than to continue with the manual based registry system.

8.3 Gender Equality, Child Development and Family Welfare

8.3.1 *Construction of a Model Shelter at La Colombe – Project not completed due to delay in addressing Sanitary Issues*

The existing shelter at La Colombe at Pointe aux Sables has the capacity to accommodate a maximum of 60 children. As the Shelter has reached its full capacity, in October 2017 it was decided to construct a model shelter with project value of Rs 60 million to be provided over four financial years as from 2018-19. The objectives were to create a child friendly and conducive environment for the growth and development of children, and to provide utilities and amenities for the smooth running of activities at the shelter.

The project was to be undertaken in two phases: Phase I was for the erection of a boundary wall and Phase II was for the set up of new facilities to better take charge of children admitted at the shelter.

As of end of December 2020, that is four years later, due to delay in addressing the sanitary issues reported since 2016, the construction of the model shelter had not yet been initiated. A review of the project revealed:

- a) Delay in addressing the poor sanitary conditions prevailing at the shelter;
- b) Delay in completing construction of the boundary wall;
- c) Upgrading works of the existing shelter carried out before addressing the sanitary issues; and
- d) Phase II of the project for the construction of a Model Shelter not yet initiated.

Delay in addressing the poor sanitary conditions prevailing at the shelter

On 19 October 2016, the Child Development Unit (CDU) of the Ministry submitted a list of infrastructural works which were urgently needed and prioritised as follows:

- 1. An absorption pit/septic tank in the plot of land.
- 2. Extension of the fencing to include the sewerage system adjacent to the absorption pit.
- 3. Creation of a play area in open air including green space.
- 4. Review of drainage system.

As of December 2020, no remedial actions had been taken to address the sanitary issues prevailing at the shelter, despite the fact that clearance for the construction of a new septic tank had already been obtained from the Wastewater Management Authority (WMA) since October 2017. Besides, several stakeholders namely Ministry of Health and Wellness, the Ombudsperson for Children and the Waste Water Service Provider had expressed their concerns over the sanitary conditions at the shelter during the past four years.

The Ministry informed NAO that it was guided by the technical advice from the Ministry of National Infrastructure and Community Development (MNICD) which was supervising the project and same is ongoing.

Delay in completing the construction of the boundary wall

The tender procedures for the construction of the wall started in April 2018. On 25 April 2019, a year later, the contract was allocated under the Framework Agreement 2018-19 to the District Contractor (DC) for the sum of Rs 2.6 million. The completion date was scheduled for 31 August 2019 and was subsequently revised to 30 November 2019.

In February 2020, it was observed that the works done were not in line with requirements of the Ministry of Environment, Solid Waste Management and Climate Change (MOE). The Contractor was requested to carry out the works as per the design submitted by the MNICD, failing which deductions will be made accordingly on remaining balance of payments.

On 8 September 2020, the Engineer informed that the works have to be executed in a separate contract as it should be carried out by civil engineering contractors. Hence, the additional works would have to be quantified. As of end of December 2020, the project had not yet been completed and liquidated damages would have to be applied.

The Ministry informed NAO that the contract was entered into between the District Contractor and MNICD. However, the Ministry did express concern about the delays.

Upgrading works of the existing shelter carried out before addressing the sanitary issues

On 15 May 2019, the Ministry decided to upgrade the existing shelter. On 21 May 2019, the MNICD was requested to submit a refurbishment plan for the renovation of the existing shelter. On 4 June 2019, residents of the shelter were relocated at Belle Rose, previously called La Marguerite.

In June 2019, the WMA reported that there were signs of overflow near one grease trap which caters for all wastewater from the kitchen. However, the problems of waste disposal were not addressed promptly.

On 9 March 2020, the Ministry requested the MNICD to initiate actions for the infrastructural works to be executed by the DC, the revised estimated cost being Rs 4.0 million. The site was handed over to the DC on 20 June 2020.

The Ministry informed NAO that it stands guided by the technical recommendations of the MNICD before addressing any issues.

Phase II of the project for the Construction of a Model Shelter Not Yet Initiated

On 7 October 2019, the Architect from MNICD concluded that the site was not suitable for the proposed construction of a model shelter. The remaining plot of land after the construction of leaching field and septic tank as recommended by WMA would not be sufficient for a model shelter which was to accommodate 50 residents and 20 members of staff.

The construction of the model shelter could not be initiated due to delay in finding a suitable place and also because no fund was provided in Budget 2020-21. Instead, funds to the tune of Rs 4.5 million have again been allocated in 2020-21 for upgrading works at the shelter.

NAO is of the view that issues pertaining to the sanitary conditions should have been resolved prior to the implementation of other projects. Although construction of a new boundary wall and infrastructural works have been undertaken, it was not appropriate to move children back to the existing shelter as issues reported on the drainage system and absorption pit have remained unresolved; and issues relating to a healthy environment which is essential for a place of safety, have not been prioritised.

8.3.2 Integrated Support Centre Services Project – Objective not achieved due to delays in resolving IT issues

The setting up of the Integrated Support Centre (ISC) service aims at offering members of the public a platform to report cases of domestic violence and child abuse on a 24/7 basis through Hotline 139 and 113 respectively so that the Ministry can provide immediate, consistent, coordinated and timely support to victims of such violence. The project was officially launched with cost estimates of Rs 5 million on 8 March 2019.

The Ministry provided its officers with tablets to attend to calls and have access to the Domestic Violence Information System and the Child Protection Register as they were allowed to work from home after working hours to attend the call forwarding. As of November 2020, the ISC was not fully operational due to the issue of bugs identified in the tablets that could not be resolved.

ISC Agreement not finalised

A private Company offered its support to the Ministry for the setting up of an ISC Service via a dedicated Wide Area Network for the reporting of cases. On 6 March 2019, the Company and the Ministry entered into a Memorandum of Understanding for a period of three months pending the execution of the Agreement.

- As of 9 September 2020, after one and a half year, the ISC agreement has not yet been signed between the Company and the Ministry.
- In the absence of a formal agreement, the Ministry could not enforce any obligations on the Company.
- The timeframe for the implementation of the project was not defined. A total payment of some Rs 500,000 was effected to the Company for the services provided.

Procurement of Tablets

The Company recommended the procurement of a specific make of tablets in April 2019, due to its security update, instead of tablets with another mobile operating system. However, the expert advice from the Central Informatics Bureau was not sought for the procurement. In May 2019, 26 tablets were procured for the sum of some Rs 520,000 and commissioning was done in July and September 2019.

Delays in addressing bugs

In July 2019, bugs were identified causing session time out with the tablets. Despite the fact that the ISC software, the PABX and the mobile operating system were regularly upgraded from July 2019 to August 2020, and after several tests, the bugs could not be resolved and the tablets had remained idle for more than a year. The warranty period of the tablets which was for at least one year from the date of purchase, ended on 25 September 2020.

Availability of hotline

Each of the hotlines 139 and 113 was relayed to only one mobile phone, instead of four after office hours. The hotlines remained busy and were not easily accessible to public, as only one officer attended to calls and gave counselling.

NAO is of the view that the objective of the ISC services has not been achieved due to the delays in addressing the issue of bugs in a timely manner.

The Ministry informed NAO that the agreement could not be signed as the issues/bugs on the system were still not resolved. Only once these issues have been resolved that the Ministry will enter into an agreement with MT.

A simulation was done with iPads during the month of December 2020 after the second upgrade was done in October 2020. In January 2021, after successful testing of hotline 139, a cutover (switch from mobile) to tablets was carried out. Currently, four officers have been allocated tablet for use.

8.3.3 Residential Care Institutions - Non-compliance with Regulations

A review of records revealed the following:

- a) Most Residential Care Institutions (RCIs) were not yet registered as Place of Safety; and
- b) Shelters were accommodating more children than allowed.

Most Residential Care Institutions (RCIs) were not yet registered as Place of Safety

In accordance with the Place of Safety for the Welfare and Protection of Children Regulations 2019, no RCI should be in operation unless it obtains a licence designating it as a Place of Safety. RCIs existing as at 1 October 2019 were required to make applications by 31 December 2019 to be designated as Place of Safety. The deadline for existing shelters for submission of applications was extended to 31 March 2020. As of November 2020, out of 15 NGOs, only one had been declared Place of Safety.

NAO is of the view that the Ministry should ensure that Shelter Managers complete their registration procedures promptly.

The Ministry informed NAO that as at January 2021, five NGOs had submitted their applications and it is currently reviewing the regulations to accommodate all the RCIs. As at February 2021, two NGOs out of five have been registered as Place of Safety.

Shelters were accommodating more children than allowed

Regulation 6 (3) of the Place of Safety Regulations 2019 provides that “The Place of safety shall not have more than 25 children so as to ensure personalised care of children”. However, as of November 2020, eight shelters were accommodating more than the prescribed number of children ranging from 30 to 45 residents.

8.3.4 Overstay of child victims of abuse at hospitals - Non-compliance with Policies and Guidelines

The Ministry of Health and Wellness signed a Protocol of Collaboration with the Ministry and prepared guidelines on Child Abuse to enable the medical examinations of suspected child abuse cases to be carried out on a fast track basis, that is within 24 hour. This would enable early referral to child protection service and the Police and subsequently their prompt admission to a shelter.

- A review of the data as of October 2020 submitted on the stay of children victims of abuse at the J. Nehru, Victoria, Jeetoo and Brown Sequard Hospitals revealed that 37 children had overstayed for a period of eight to 113 days.
- Due to lack of space at the shelters, these children were not taken over by the Child Development Unit immediately after being discharged although they were of sound health as per the Doctors’ report.

NAO is of the view that the Ministry should ensure that the Guidelines and Protocol of Collaboration are duly followed in the best interest of the child and that issues are resolved as expeditiously as possible.

The Ministry informed NAO that:

- It is ensuring that the Guidelines and Protocol of collaboration with the Ministry of Health are duly followed.
- As at date, all minors discharged from hospitals, have been admitted to shelters.

Follow up on Matters raised in Audit Report 2018-19

8.3.5 Child Protection Register (CPR) – System Underutilised

At paragraph 23.1 of the Audit Report for the financial year 2018-19, I reported on the non-implementation of the Child Protection Register (CPR). As of end of December 2020, completeness of the child protection cases recorded in the CPR could still not be ascertained.

The CPR is a computerised listing of child protection cases, which enables the Child Development Unit (CDU) to record and address cases of children in distress reported at the Ministry with increased efficiency.

On 26 June 2020, it was decided that case conferences should be organised on a weekly basis to decide on cases to be input in the CPR and all cases involving Emergency Protection Orders (EPOs) for removal of children shall be listed on the CPR which should be ready and fully operational as from 1 July 2020.

A total amount of Rs 3.9 million has been paid for the installation and maintenance of the software over the period June 2014 to June 2020.

A scrutiny of the CPR revealed the following shortcomings:

- The number of cases of child abuse/neglect reported at the six CDU outstations from January to September 2020 was 4341 while only 277 EPOs were input in the CPR.
- Only cases involving EPOs for removal of children are now being listed on the CPR and officers were requested to adjust and arrange to have input of relevant cases as from January 2020. Therefore records for EPOs prior 2020 were not input in the CPR.
- The list of cases recorded in the CPR was not made available to NAO and therefore, the number of cases could not be agreed with the record of the Ministry.

NAO is of the view that the Ministry should ensure that all reported cases of child abuse are recorded in the CPR for proper monitoring and follow up.

The Ministry informed NAO that it is ensuring that all outstanding cases involving EPOs for removal of children are being input on the CPR. The input process is ongoing for new cases.

8.3.6 Shelters/Residential Care Institutions – Lapses in Administration

At paragraph 23.3 of the Audit Report for the financial year 2018-19, I highlighted the weaknesses that existed at the three Government Shelters and 18 private Residential Care Institutions (RCIs) where the Ministry had placed children in distress.

The budgeted provisions for the financial year 2019-20 for Child Protection, Welfare and Development were Rs 61.5 million and the actual expenditure amounted to Rs 53.8 million. Funds were provided mainly to meet the running expenses of drop-in centre, and shelters for children and recurrent grant to the National Children Council.

Site visits carried out by NAO Officers from 4 to 17 November 2020 at the three Government shelters and four shelters run by NGOs revealed significant shortcomings:

- (a) Administrative records were still not properly kept

Books and records at RCIs, in particular files of residents, were still not properly maintained. They were again found to be incomplete in terms of Court orders, Birth and

Health Certificates, schooling, dietary requirements and medical/psychological follow ups. Care Plans have still not been developed and Daily Information Sheets were also not kept.

(b) Residents at Shelters not attending school/Tardy declaration at two Government Shelters

20 residents of four shelters in the age group of 4 to 17 years old could not be admitted in schools due to unavailability of important documents. In four cases, minors admitted at two Government Shelters during 2019 and 2020 were not declared at the Civil Status Office as at November 2020.

(c) Some residents at a Government owned Shelter did not receive parental visits

As per records, 20 residents at a Government owned shelter have not received parental visits, since August 2020 which was contrary to the Contract Agreement for Management of Shelters whereby the Ministry should arrange for parental visits, thus facilitating meetings amongst siblings. There were cases where residents showed resistance towards attending school until they received parental visits.

(d) Non-accountability of funds disbursed to NGOs

The NGOs and Trust Fund, and the Government Shelters did not submit a detailed breakdown of income and expenditure to the Ministry. Therefore, control over the use of the funds disbursed was inadequate.

(e) Lack of ongoing specialised training to Caregivers

Section 3(5) of the Additional Condition Attached to Licence under the Child Protection (Place of Safety for the Welfare and Protection of Children) Regulations 2019 provides that *“The place of safety shall ensure quality of alternative care provision in the residential care setting, in particular with regard to the professional skills, selection, training and supervision of carers”*. No evidence could be provided to NAO to the effect that special training was conducted for carers.

NAO is of the view that:

- Oversight by the Ministry should be strengthened to ensure that essential records are properly maintained for the proper functioning of the shelters and residents get their documents for school registration promptly.
- Ongoing specialised training on issues relevant to child care would have empowered the caregivers with the necessary skills to better understand their roles, responsibilities and duties.

The Ministry informed NAO that:

- All respective documents have been forwarded to the shelter Managers to expedite matter in admitting the minors in respective educational institutions and matters have been referred to the Tardy Declaration of Birth Section for necessary action.

- The NGO's had been requested to submit audited financial statements so that the Ministry can have oversight of their expenditure.
- The issue of parental visits is being addressed by the Parental Visit Section.
- It is looking into avenues of collaboration with the Mauritius Institute of Education and the National Social Inclusion Foundation for a tailor made training programme for caregivers. The project is still in the conception phase.

8.3.7 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The **Statutory Bodies (Accounts and Audit) Act** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The **Statutory Bodies (Accounts and Audit) Act** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report,

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) the National Women's Council falling under the aegis of the Ministry of Gender Equality and Family Welfare has not submitted their financial statements for the period 08.03.2018 to 30.06.19 for audit; and
- b) Annual reports including audited Financial Statements and Audit Report in respect of the National Children's Council have not yet been laid before the NA as shown in Table 8-1.

Table 8-1 Annual Reports not Laid before the National Assembly

Statutory Bodies	Period	Date Certified
National Children's Council	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

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

9 - MINISTRY OF TECHNOLOGY, COMMUNICATION AND INNOVATION

9.1 ICT Projects - Implementation Issues

9.1.1 National Authentication Framework – ‘Right First Time’ Specifications and Cost Estimation Not Ascertained

The Project

The National Authentication Framework (NAF) was implemented under the Digital Government Transformation Strategic Plan 2018-22 and aimed at facilitating the delivery of secured online Government Services to citizens. The NAF platform, named MAUPASS, would support a 2-Factor authentication layer, allowing citizens to be authenticated centrally prior to performing sensitive e- Government transactions. Many e-Government applications, existing and new, as well as the Government Portal, would migrate or integrate the NAF platform in phases.

The implementation of the project was reviewed by audit. The following unsatisfactory features were noted:

- (a) Inability to properly determine ‘right first time’ specifications and cost of the project;
- (b) Technical options not properly considered; and
- (c) Contract duration more than doubled.

Inability to determine ‘right first time’ specifications and cost of the project

- The initial cost estimate of the project was Rs 15 million, but was revised in August 2019 to Rs 22 million, following amended technical specifications.
- Three bidding exercises were conducted for this project. The first exercise was cancelled in September 2018 on the ground of non-responsiveness of the sole bid received, while the second exercise was set aside in July 2019 as bids received were well above Rs 50 million. The substantial price deviation was explained as being due to several factors relating to the types of solutions, software and other licensed components.

The Procurement Policy Office observed that the estimated cost had not been worked out in a systematic way.

- The third bidding exercise, with substantially modified specifications, was carried out in September 2019. Three bids with substantial price differential were again received. In December 2019, the contract was awarded to the lowest bidder for the sum of Rs 8 million excluding VAT, and for a duration of five months including operational acceptance.

Technical options not properly considered

Prior to the second bidding exercise, the Central Informatics Bureau (CIB) informed that the Government Online Centre (GOC) had already embarked on a Portal Enhancement Project with 2-Factor authentication and that it would be more cost effective to leverage on the existing GOC platform, which already held more than 200,000 registrations. Also implementing NAF on the GOC platform would be less disruptive and would involve less migration effort.

In spite of the advice of the CIB, the Ministry proceeded with the launching of the tender.

Contract duration more than doubled

Included in the scope of works of the contractor for the project were:

- (a) integration of MNIC/CPD system on the NAF platform;
- (b) working in collaboration with other third-party suppliers for the integration with the Republic of Mauritius Portal and seven other Government Portals on the NAF platform; and
- (c) migration of some 246,000 records from the systems of the seven other Government portals.

These works were to be executed in two phases. Operational acceptances were to be made before June 2020.

As of October 2020, that is five months after the contractual period, the status of the integration/migration works were as follows:

- *Integration of Platforms*
 - The Judiciary, Assessment Review Committee, GOC and the Local Authority's BLUP were integrated on the NAF platform.
 - The Smart Mobile Apps Platform (SMAP) was replaced by the On-Line Payment of Motor Vehicle Licence system due to non-responsiveness of the SMAP contractor resulting in delay. The online Payment of Motor Vehicle Licence system however had a Single Sign-On feature.
 - Little progress was noted regarding the process to integrate the PSC e- recruitment platform, e-services and other Government systems/platforms.
- *Migration of Records*

Migration of nearly 50 per cent of the records from the system being integrated on the NAF platform was not possible. This was due to wrong data having been stored in user systems, which were maintained by third parties.

The Ministry informed NAO that:

- The NAF project is innovative. It is a highly specialised area in ICT with security as a very important factor. Even suppliers provide very varying quotes for the same scope with a strong deviation from each other because of various technical reasons.
- The technical aspects for leveraging the NAF on the GOC upcoming 2-Factor Authentication system, as well as the cost to amend technical specifications, were discussed with the National Computer Board. In November 2018, NCB informed the Ministry that the proposal would entail additional charges, the more-so a reply from the supplier was being awaited. Considering the importance of the NAF project for successful completion of other projects, the Ministry tendered out for the NAF anew.
- As of December 2020:
 - Eight systems have been integrated with NAF.
 - As regards the PSC e- recruitment Platform, concerns expressed by the PSC were outside the scope of the NAF project. Revalidation of NIDs had to be undertaken to synchronise with the CPD data. Testing for the integration of the PSC e-recruitment system was in progress.
 - Data issues had been addressed through the integration with the Info Highway platform and an addition of approximately 110,000 records were cleaned by the GOC and uploaded to NAF.

9.1.2 New Certification Authority – Go Live of the System Delayed

The Project

The project was implemented on a fast-track basis along with the NAF project. It consisted of the supply, implementation and installation of a Certification Authority (CA) to be hosted on the GOC. The new CA would provide authentication services to key infrastructure of the government as well as to the existing Mauritius National Identity Scheme.

Award of Contract

The contract was awarded to a consortium between a local company and its Korean partner for the sum of Rs 44,192,559 in January 2020. The duration of the contract was six months from the date of contract signature, that is 12 February 2020 and operational acceptance was scheduled for end of September 2020.

Project Development

The development of the CA suffered significant delay due to the heavy dependence of the local company on its Korean partner which had the relevant competencies for the designs, development and implementation of such system. As of October 2020, the development was still in progress. The following shortcomings were noted:

- (a) System requirements analysis and specifications, originally planned for April 2020 were submitted in September 2020. Travel restrictions precluded the Korean partner from performing a thorough analysis of requirements. The CIB had informed that many issues were ‘unclear’.
- (b) The installation and configuration of the new CA application on servers and the training of users, which were to be carried out in Mauritius by the Korean partner according to the contract, would now be done remotely. There was no indication that charges under the contract would be adjusted for the change in the mode of the contract execution.
- (c) Assessment of human resources and IT facilities necessary for the smooth operation of the new CA had not yet been carried out.

The Ministry informed NAO that:

- Software Requirements Specifications (SRS) had to be amended on several occasions due to inaccuracies and requirements not captured properly. The final SRS submitted in September 2020 was reviewed to clarify certain specific requirements related to Mauritius National Identity Card signing issues. The SRS exercise was completed with an SRS Clarification document that was submitted on 9 November 2020.
- The User Acceptance Testing had been completed and IT Security Audit was being performed. The Go Live of the CA system and Operation Acceptance will be possible only after the receipt of the CA licence by the National Computer Board from ICTA.
- The Consortium had submitted an HR document, elaborating the resources required to man the new CA.

9.2 Data Protection Office – Absence of Management Information System and Uncollectible Arrears

The Data Protection Act regulates the processing of personal data that form part or are intended to form part of a filing system. All Data Controllers and Data Processors in Mauritius are required to register with the Data Protection Office (DPO). Registration fees are payable as per relevant DPO Regulations.

Inefficient Management of Data Controllers and Processors due to absence of a Proper Information System

- The DPO did not have a proper information system for the management of Registered Controllers. The use of the computerised system for the purpose was discontinued and DPO was now resorting to manual processing. A list of Registered Controllers was kept in Excel format.
- There was no mechanism to ensure that all processors of information under the purview of the Data Protection Act were registered with the DPO and were paying the necessary registration fees.

- The process for exchange/sharing of information between the Government departments regarding entities where the issue of ‘Personal Data Processing’ may be relevant, is yet to be established.
- Little considerations seemed to be given to Data Controllers in Rodrigues. As of October 2020, only three data controllers were registered with the DPO.

Arrears of Revenue not Collectible

Revenue estimates, actual collections and arrears of revenue for the past three years are shown in Table 9-1:

Table 9-1 Data Protection Office - Arrears of Revenue

Financial Years	Estimates	Collections	Arrears as at 30 June
	Rs million	Rs million	Rs million
2017-18	7.00	5.68	26.66
2018-19	5.60	6.98	55.52
2019-20	6.60	6.38	53.00

Source: Accountant General – Statement of Arrears of Revenue

- A debtors list for Registered Controllers as at 30 June 2020 could not be produced to audit.
- There was no monitoring of payment for arrears of registration fees. Much of the arrears of revenue may not be receivable.
- Enforcement Notice under Section 9 of the DPA 2017 for non-payment of registration fees were served on 40 data controllers in December 2019. There was however no follow up on the Enforcement Notices such that it was not known whether the data controllers had responded to the notices.

The Ministry informed NAO that:

- The onus to register with the DPO lies with controllers and processors.
- There are no legal provisions under the Data Protection Act 2017 and the Data Protection Regulations 2020 with respect to arrears of Registration fees. The State Law Office has advised that it would not be in order to claim arrears from controllers and processors who are not compliant with respect to registration/renewal.
- The supposed arrears were in fact not real arrears. A letter has been sent to the Director of Internal Control for writing-off of same.
- With regards to enforcement of notices, the Prime Minister’s Office has been requested to post a few police officers as prosecutors for the DPO. The Ministry will consider the possibility to refer the case files to the Police.

Follow Up on Matters Raised in Audit Report 2018-19

9.3 School Net II Project for Secondary Schools – Nugatory Expenditure of Rs 81.7 million

The contract for this Project, which aimed at providing high speed connectivity to secondary schools, was awarded to a private supplier for the sum of Rs 122.5 million in December 2015. The contract comprised the supply of equipment and rental of telecommunication lines for two years. Cumulative payments under the contract amounted to Rs 81.7 million as of 30 June 2020.

The private supplier went into receivership in January 2019.

I reported the following shortcomings in my two previous reports:

- (a) The CISC informed in October 2018 that telecommunication tests at eight of the 164 intended secondary schools were not conclusive; and
- (b) None of the 164 targeted secondary schools had been connected for internet access.

As of October 2020, the problems had remained unresolved, thereby defeating the very purpose of the Project.

The Ministry informed NAO that:

- Telecommunication tests could not be performed at Modern College – Flacq due to renovation works and seven sites in Rodrigues since the supplier failed in procuring the required license for connectivity from the ICTA.
- The Receiver Manager of the company submitted a proposal to complete the project, but same was found unacceptable owing to the additional cost associated.
- The Ministry has assessed the hardware installed at all sites and found that limited sites had a good infrastructural configuration.
- The Ministry has received unsolicited funds of Rs 60 million under the budget 2020-21 for a new High-Speed Connectivity for Secondary School Project. A joint Project steering committee with the Ministry of Education, Tertiary Education, Science and Technology (MOETEST) has been set up. The scope and cost estimates of the new project were worked out after consultations with latter regarding requirements. A new Project Request Form has been submitted to the Ministry of Finance, Economic Planning and Development (MoFEPD) to secure financial clearance for implementation of the project based on the new cost estimates, which was above the budget provision.

NAO is of the view that the expenditure incurred on the School Net II Project was nugatory as value for money had not been obtained.

10 - MINISTRY OF PUBLIC INFRASTRUCTURE AND LAND TRANSPORT, AND FOREIGN AFFAIRS, REGIONAL INTEGRATION AND INTERNATIONAL TRADE

10.1 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report,

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development revealed that, as of 31 January 2021:

- a) a report on performance has not been submitted in respect of the Ministry of National Infrastructure and Community Development for financial years 2018-19 and 2019-20; and
- b) Annual reports including audited Financial Statements and Audit Report of two statutory bodies have not yet been laid before the NA as shown in Table 10-1.

Table 10-1 Annual Reports not laid before National Assembly

Statutory Bodies	Period	Date Certified
Construction Industry Development Board	2018-19	23.07.2020
Road Development Authority	2018-19	18.08.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of each of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

10.2 Land Transport Division

10.2.1 Inadequate Measures for Reducing Road Accidents Involving Auto/Motor Cycles

The number of fatal road accidents involving auto/motor cycles is alarming. Based on the following observations, NAO is of view that road safety measures taken by the Ministry of Land Transport and Light Rail (MLTLR) for reducing road accidents involving auto/motor cycles were inadequate:

- (a) Inadequate enforcement of Regulations regarding speed violations;
- (b) Objectives of setting up of Motor cycle Driving Schools were not yet attained;
- (c) Non-compliance with Regulations regarding roadworthiness tests for auto cycles; and
- (d) Extension of validity of provisional licences leading to further delay in raising the standard of auto/motor cycle drivers.

As of 30 June 2020, there were 219,465 auto/motor cycles registered at the National Land Transport Authority. The number of fatal road accidents involving auto/motor cycles is shown in the Table 10-2.

Table 10-2 Fatal Road Accidents involving Auto/Motor cycles

	2018	2019	January-June 2020
Total number of Persons killed in road accidents.	143	144	52
Death of riders/ Pillion riders of motor/auto cycles	69	55	26*
Death of riders of auto/motor cycles as a percentage of total number of fatalities	48%	38%	50%

Source: Statistics Mauritius

* According to the Police Service, there were 16 additional fatal road accidents involving riders and pillion riders during the period July to 30 September 2020.

Inadequate Enforcement of Regulations regarding Speed Violations

One of the causes of fatal accidents is speeding. During the period July 2019 to June 2020 the Photographic Enforcement Unit (PEU) attached to the Police Traffic Branch downloaded 10,008 images pertaining to speed violations by Auto/Motor cycles from speed control cameras.

7,751 images relating to auto/motor cycles representing 77 per cent of the images, were rejected by the PEU for reasons as shown in the Table 10-3:

Table 10-3 Rejection of Images

Reasons for Rejection	Number of Images
Registration Plate obstructed	744
No front registration plate	6,011
Rear registration plate not according to law	659
Registration plate defaced	337
Total	7,751

Regulations 58 and 59 of Road Traffic (Construction and Use of Vehicles) Regulations 2010 prescribing size, layout and spacing of characters on registration plate were not enforced. As shown in Table 10-3, 6,670 images were rejected due to ‘Rear registration plate not according to law’ or ‘No front registration plate.

NAO is of view that the Police Service and National Land Transport Authority should enforce the Regulations, otherwise the use of speed cameras to detect speed violations will be ineffective and images captured will be useless.

Objectives of Setting up of Motor Cycle Driving Schools were not yet Attained

At paragraph 10.1.3 of the Audit Report for the financial year 2018-19, I mentioned that driving schools for motor cycles were introduced to improve motor cycle riding skills with a view to reducing the number of accidents. The Ministry spent some Rs 19 million on the project Motor Cycle Driving School during 2016-17 and 2017-18.

As of November 2020, no regulations were passed to make it mandatory for a learner driver to follow a course in a Motor Cycle Driving School and to pass a driving theory test.

The objectives of the Motor Cycle Driving School have not yet been attained.

Non-compliance with Regulations regarding Roadworthiness Tests for Auto cycles.

According to Road Traffic Regulations 2016, auto cycles should be examined for roadworthiness by Private Operators. These Regulations are not being implemented and in the absence of fitness tests, there is the risk that auto cycles with defects are circulating on our roads which may contribute to fatal road accidents.

Extension of Validity of Provisional Licences

According to the Police Service, the number of holders of provisional licence for auto/motor cycles totalled 732,470 as of 30 September 2020.

In March 2018, the Road Traffic Regulations 1954 were amended to grant holders of provisional driving licence obtained prior to March 2018, a three-year period, that is, until March 2021 to complete their training and secure their driving licences as competent drivers.

The Regulations were further amended in July 2020 to extend the validity up to March 2026 since few learners had availed themselves of the three-year moratorium.

NAO is of view that the extension of moratorium period to March 2026 will not help to contain the number of accidents involving auto/motor cycles as provisional licence holders are not necessarily competent and skilled drivers.

Taking into consideration the high number of fatal road accidents involving auto/motor cycles, NAO is of view that the Ministry must take appropriate measures to enforce/amend Regulations in relation to National Road Safety Strategy in respect of auto/motor cycles.

The MLTLR informed NAO of the measures being adopted and which are as follows:

- Speed management by the use of automated speed cameras and traffic calming measures together with Police enforcement of speed limit violations coordinated with publicity campaigns.
- New legislations have been prepared to introduce the probationary driving licence for inexperienced and new driving licence holders.
- Reviewing the driver licensing mechanism and amendments made to provide for enhanced training and testing of learner drivers, particularly for auto/motor cyclists.
- Regarding speed violations, request has been made to the National Land Transport Authority for strict enforcement of regulations prescribed for size of registration plates.
- In respect of Motor Cycle Driving Schools, it is expected that with the new regulations being promulgated and restrictions imposed under these regulations, learner riders would be compelled to acquire proper training before applying for driving tests.

The MLTLR informed NAO that proposals for amendments to the Road Traffic Regulations 1954 in this respect have not been agreed to by Government.

It also explained that:

- A policy is being worked out by this Ministry regarding the roadworthiness tests for autocycles.
- As regards the provisional driving licences for auto/motorcycles issued prior to March 2018, further amendments have already been made to the Road Traffic Regulations

1954. The time frame to clear the huge backlog of learner licence holders has been worked out together with the Police Service. Due to lack of human resources at the Traffic Branch, the learner licences will be renewed upon application, with a validity extended up to year 2026.

10.2.2 Maintenance of Traffic Signal Equipment – Absence of Competitive Prices

A tender exercise for the maintenance of Traffic Signal Equipment is carried out on an annual basis through the open advertised bidding method. A verification of the bids received for the financial years 2013-14 to 2020-21 showed that with the exception of financial year 2015-16 where two bids were received, in all other financial years, response was received from only one single bidder.

Thus, from 2013-14 to 2020-21, contract for the maintenance of Traffic Signal Equipment was awarded to the same Contractor with contract price as shown in Table 10-4.

Table 10-4 Contract Price for Maintenance of Traffic Signal Equipment

Financial Year	Contract Price Rs million
2013-14 Extended to March 2015	6.9
2015-16	6.9
2017-18	11.8
2018-19	13.8
2019-20	20.8
2020-21	23.9

As from 2019-20, the contract also included provision of spare parts by the Contractor.

The MLTLR informed NAO that the bid for the maintenance of Traffic Signal Equipment is carried out through an open advertised bidding method. There are other potential bidders who regularly request additional information during the bid exercise but unfortunately they do not submit their bid.

NAO is of the view that in the absence of competitive bids, it cannot be ascertained whether the amounts paid to the Contractor were fair and reasonable, and thus whether value for money was obtained.

The fact that there are other potential bidders in Mauritius as revealed by the MLTLR, the latter must take measures with a view to obtaining competitive bids for the maintenance works.

Such measures may include the following:

- Launching of a second tender exercise if response is obtained from only one bidder.
- Presently the time period between launching of tenders and closing date for submission of bids is about four to five weeks. This may be increased to give other potential bidders time for preparation of a highly technical bid.
- Building up a database of, and engaging with potential bidders for the maintenance works with a view to creating a competitive market, in conformity with the Public Procurement Act.

The MLTLR informed NAO that in case of only one bid for the above exercise, the measures as proposed by the NAO will be observed.

10.2.3 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development revealed that, as of 31 January 2021:

- a) A report on performance in respect of the Ministry of Land Transport and Light Rail for financial year 2019-20 has not been submitted;

- b) The National Transport Corporation which operates under the aegis of MLTLR and Light Rail has not submitted its financial statements for financial years 2014, 2015, 2017-18 and 2018-19 and for the period 1 January 2016 to 30 June 2017 for audit; and
- c) Annual reports including audited Financial Statements and Audit Report of two statutory bodies have not yet been laid before the NA as shown in Table 10-5.

Table 10-5 Annual Reports not laid before National Assembly

Statutory Bodies	Period	Date Certified
Bus Industry Employees Welfare Fund	2018-19	10.07.2020
National Transport Corporation	2013	18.11.2015

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of each of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

10.3 National Transport Authority

10.3.1 Lapses in the Operation of the Free Travel Scheme

A sum of Rs 1.2 billion was paid during 2019-20 under the Free Travel Scheme and Rs 6.3 billion during the past five years. NAO noted lapses in the operation of the Scheme as follows:

- (a) Delays in reviewing payment methodology proposed by a Consultant;
- (b) Terms and conditions of agreement with cooperative societies and bus companies not reviewed since 2011;
- (c) Inadequate control over payment to bus operators of Rodrigues; and
- (d) Non-compliance with Road Traffic Regulations regarding submission of appropriate returns by bus operators.

Delays in reviewing Payment Methodology proposed by a Consultant

A sum of Rs 12.8 million was paid to a Consultant for reviewing the Free Travel Scheme in 2016-17. According to the Consultant, the free travel subsidy calculation did not give an accurate picture of subsidy usage and might not always be equitable in distribution as the number of students and old age persons vary by route and location. The Consultant recommended that an integrated ticketing system (Cashless Bus Ticketing System (CBTS)) with smart cards for metro and buses be developed with the result that payment would reflect the actual number of passengers travelling.

In April 2018, the National Land Transport Authority (NLTA) launched a tender for a 'Request for Proposal for Consultancy Services for the introduction of CBTS'. However, no consultant has yet been appointed.

The budget estimates for financial year 2019-20 provided a sum of Rs 1.5 million for acquisition of IT equipment (servers) for CBTS. However, this sum was not spent at all. As of October 2020, the CBTS has not yet been developed.

The MLTLR informed NAO that the CBTS is under consideration by the Ministry. The NLTA will have to be accordingly advised on the way forward. The CBTS is a highly complex project having wide financial, legal and technical intricacies. In view thereof, options have to be thoroughly assessed such that the country avails the best solution, the more so, that once rolled out to public transport, the CBTS could span over a 20+ years period.

Terms and Conditions of Agreement with Bus Companies and Cooperative Societies not Reviewed since 2011

At paragraph 10.2.1 of the Audit Report for the financial year 2018-19, I highlighted that the contract under the Free Travel Scheme with bus companies and cooperative societies was signed in January 2011 and was extended in December 2012 until further notice.

I also mentioned on the advice given by the Attorney General's Office not to make payment if services were not provided on a school day due to, for instance, inclement weather conditions. The agreement signed with the bus operators has still not been amended to include such clause.

During the audit exercise for 2019-20, any possible impact of introduction of light rail on number of students and old aged persons travelling by bus for the appropriate route was ascertained. For instance, from statistics submitted by a bus company, the number of old age persons/disabled persons/students travelling by bus was 207,100 in August 2019, 175,008 in January 2020 and 110,287 in June 2020 in a particular bus route also served by the Light Rail. In the coming months, with the extension of the light rail services to Quatre Bornes and Curepipe, the same decreasing trend should be expected for the bus companies operating on these routes.

The above matters warrant a review of terms and conditions of contract agreement regarding payment of free travel subsidy.

The MLTLR informed NAO that a Technical Committee has been set up to examine and submit recommendations on the ways and means to more efficiently administer subsidies being disbursed to bus operators, including the Free Travel Scheme. As regards the impact of Light Rail Transport on bus companies, a committee will submit a report on the subject matter.

Inadequate Control over Payment to Bus Operators in Rodrigues

A sum of Rs 43.8 million was paid by the NLTA to bus operators in Rodrigues under the Free Travel Scheme. Under Section 16 of the NLTA Act, a Rodrigues Transport Committee was set up to issue motor vehicle dealer's licence, road service licence, public service vehicle licence, among others.

According to information available at the Registration and Licensing System of the NLTA, the licences of some 70 buses had already expired during financial years 2015-16 to 2018-19. Moreover, no information was available as to whether motor vehicle licences (road tax) were paid by the respective bus operators. In the absence of information, the risk exists of payment being made by NLTA Head Office to bus operators in Rodrigues who are not operating.

Updated information concerning licences renewals and payment of road tax should be available at the NLTA to support validity of payment of subsidy.

The MLTLR informed NAO that the bus operators in Rodrigues submit returns through the NLTA Office in Rodrigues. The Officer-in-Charge forwards the returns to the NLTA Head Office under cover of an official correspondence. The Officer-in-Charge will be requested to, in addition, certify that the Road Service Licences were valid for the period for which the returns were submitted. As regards the non-availability of motor vehicle licences details, the system was not being updated by the officers posted at the NLTA Cash Offices, Rodrigues as they were officers of the General Services grades and who were regularly reshuffled. It has, therefore, been proposed that officers in the grade of Licensing and Registration Officers be recruited by the NLTA to work at the counters of the NLTA Cash Office in Rodrigues.

Non-compliance with Road Traffic Regulations as regard to Submission of Appropriate Returns

According to Regulation 2 of the Road Traffic (Public Service Vehicles) (Records and Returns) Regulations 1984, *‘the holder of a road service licence shall submit to the Authority monthly returns in the forms set out in Parts I, II and III of the First Schedule.’*

The information to be submitted to the Authority includes details of number of buses operated, trips performed, passengers carried and revenue collected on a daily basis along each route operated by a licence holder. Furthermore, on 3 April 2008, a request was made to operators (bus companies and bus operators) for the submission of detailed statistics regarding the number of disabled/old persons and students carried.

No returns were submitted by cooperative societies while only two out of five bus companies submitted all the required information.

The MLTLR informed NAO that:

- The possibility of issuing Fixed Penalty Notices to operators not complying with the regulations may be envisaged, and that provision of Fixed Penalty already exists under Section 163 of the Road Traffic Act and Regulations 2, 3 and 4 of the Road Traffic (Public Service Vehicles) (Records & Returns)) Regulations 1984.
- The possibility to amend the Schedule of the Regulations to cater for the submission of more detailed ridership information in terms of paid and free passengers which includes old aged persons and students. A committee is being set up with relevant stakeholders to look into the matter and recommend accordingly.

10.3.2 Revenue Management - Lapses in the Revenue Collection System

NAO noted lapses in the revenue collection system at NLTA. Total Revenue for the financial year 2019-20 amounted to some Rs 1.7 billion of which some Rs 563 million were collected directly by NLTA and the balance by collecting agents. The following shortcomings were noted:

- (a) Non-compliance with Financial Instructions regarding cash surveys;
- (b) Lapses in the internal control system over issue of electronic receipts;
- (c) Absence of rotation of Cashiers; and
- (d) Delay in deposit of funds by a company acting as collecting agent.

Non-compliance with Financial Instructions regarding Cash Surveys

An important element of control is to ensure that cash as reflected in the records of Ministries/Departments are actually on hand with the respective officers concerned. This is achieved through both scheduled and surprise cash surveys. Financial Instructions issued by the Ministry of Finance, Economic Planning and Development require Accounting

Officers to carry out regular Departmental Surveys on cash in the custody of cashiers. There was no evidence of any such surveys carried out at the NLTA since several years.

The MLTLR informed NAO that a survey team is being set up to carry out periodical surprise surveys and reports will be submitted for action.

Lapses in the Internal Control System over issue of Electronic Receipts

NAO was provided with a database of all electronic receipts issued by NLTA during financial year 2019-20. Following a sequence check performed by my officers, some 5,300 receipts were not seen to have been recorded in the database. These were also not identified among the cancelled receipts submitted to my officers.

According to the NLTA, these ‘missing’ receipts related to “no-payment transactions”. The NLTA had a list of all institutions and government bodies exempted from payment of road tax and other fees.

NAO is of the view that there was inadequate control over generation of electronic receipts regarding “no-payment transactions” as:

- No exception report was generated by the NLTA on a regular basis regarding “no-payment transactions”.
- Receipts relating to “no-payment transactions” were not printed, as opposed to cancelled receipts, thus resulting in an absence of audit trail. These receipts were also not reported in the Cash Books.
- There was no evidence that the ‘missing’ receipts were counter-checked against the list of institutions/Government bodies exempted from payment of fees to ensure that the missing receipts were genuine and related to “no payment transactions”.

In the absence of any monitoring being done, there is the risk that fees due to the NLTA may be reported as “no-payment transactions” resulting in fees not being collected.

The MLTLR informed NAO that:

- With regard to reports on “no payment transactions” the NLTA IT Unit is arranging for the regular generation of reports pertaining to these transactions. These reports would accordingly be relayed to the Examination Unit for records.
- As regards recording of “no payment transactions” in Cash Books, the Manager Financial Operations (MFO) has already been requested to arrange for an internal memorandum to be addressed to the Officer-in-Charge, Registration and Licensing to ensure the recording of the said transactions in Cash Books.
- Furthermore, the NLTA confirms that receipts are not issued in respect of “no payment transactions” as they do not involve payment. However, records of these transactions are kept at the Examination Unit as detailed above in line with the existing procedures.

- The MFO posted at the NLTA will be instructed to constitute a team and initiate immediate monitoring. Monthly reports will have to be submitted to the Road Transport Commissioner.

Absence of Rotation of Cashiers

Out of 28 Management Support Officers who were assigned cashier's duties at the counters of the NLTA, 12 have been acting as cashier at the NLTA for the past 10 to 18 years.

NLTA should arrange for rotation of duties among its Officers so as to improve its internal control system and to eliminate the risks associated with the handling of cash.

The MLTLR informed NAO that the significant shortage of staff including the grade of Management Support Officers at the NLTA, is not favouring a regular and significant rotation exercise thereto including the Counters. Approval has been obtained for the recruitment of 14 Licensing and Registration Officers/Senior Licensing and Registration Officers to carry out, *inter-alia*, cashier's duties.

Delay in Deposit of Funds by a Company acting as Collecting Agent.

During financial year 2019-20, an amount of some Rs 1.1 billion was remitted to the NLTA by its collecting agent. Examination of collections made by the collecting agent in May and June 2020 revealed that funds were deposited to the account of NLTA with four to nine days delay. This is not in line with agreement signed with the collecting agent which stipulates that funds would be credited to the account of NLTA within two working days from date of collection.

Financial Instructions require that monies collected should be banked as promptly as possible.

The MLTLR informed NAO that the collecting agent has been requested to strictly adhere to the provisions of clauses relating to remittances as stipulated in the Agreement.

10.3.3 Passenger Information System - Project Objective not yet Attained

The objective of the Passenger Information System (PIS), with a project value totalling Rs 25.1 million, has not yet been attained. The objective was to provide citizens with information about buses arrival time and waiting time under specific bus shelters for identified routes.

The contract for development of the PIS was awarded for the sum of Rs 21.9 million in June 2019 and it was commissioned in September 2019. The NLTA spent a further sum of Rs 3.2 million on installation of additional Global Positioning Systems (GPS) in buses.

In September 2020, NAO Officers carried out site visits in the presence of officers of the NLTA at 24 of the 34 bus shelters where digital boards were installed under PIS. It was noted that the digital boards were displaying bus arrival time as per the NLTA timetable uploaded on the System, instead of real time information on bus arrival time at the bus shelters. According to reports submitted by Road Transport Inspectors, real time

information was not being displayed at the bus shelters due to the fact that the Stand Regulators were not ‘assigning buses’, thus hampering the effective operation of the PIS.

Various items of equipment were provided to bus companies for implementation of this project. An assignment screen equipped with a sim card was installed in the cabin of bus operators at five bus stations. In addition, 280 buses were equipped with GPS devices. No agreement was seen to have been signed between the bus companies and the NLTA regarding the responsibilities of each party for damages or theft of these items of equipment.

This project was commissioned on 12 September 2019. According to the agreement signed, the first year maintenance was free of charge. As of November 2020, no contract for the maintenance of the PIS was entered into.

NAO is of the view that the implementation of the PIS was not properly planned. Some Rs 25.1 million were invested on this project. Necessary measures must be taken to meet project objective. To ensure collaboration of the bus companies, the NLTA could consider reviewing the agreement signed with them for disbursement of funds under the Free Travel Scheme by inserting additional clauses regarding assignment of buses.

The MLTLR informed NAO of the measures being adopted which are as follows:

- The attention of bus operators has been drawn several times in respect of input of data. The contractor has agreed to supply bus operators with tablets of assignment screen for input of data under same contract without additional costs. Procurement is still under way.
- A draft Memorandum of Understanding highlighting the responsibilities of each stakeholder has already been submitted to the MLTLR and it has been relayed to the Attorney General’s Office for legal vetting.
- Regarding maintenance of the PIS, in line with advice obtained from the Ministry of Technology, Communication and Innovation, the services of the Contractor would be sought as and when required.

Follow Up on Matters Raised in Audit Report 2018-19

10.3.4 Motor Vehicle Licences – Slow Operation of on-line Payment System

At paragraph 10.2.3 of the Audit Report for the financial year 2018-19, I highlighted on the slow operation of the on-line payment system for which a sum of Rs 5.7 million was spent and which became operational as from November 2018.

According to bidding documents, the on-line system would sustain processing of 1,000 payments per day. During 2019-20, 967 payments were made on-line and 174 during the seven month period up to 30 June 2019.

The on-line system did not accept payment if a payee had any outstanding balances on his account. Most payments of motor vehicle licences were made through Mauritius Post Limited (MPL). The latter was not connected to the Registration and Licensing System of the NLTA, and therefore, such payments were not reflected therein. As of October 2020, there was a backlog of 15 months regarding updating of the system with payments made at MPL.

NAO is of view that the backlog should be cleared at the earliest to ensure project objectives are attained.

The MLTLR informed NAO that:

- The NLTA is holding further consultations with the Ministry of Information Technology, Communication and Innovation and the MPL to come up with alternative solution to facilitate the renewal of motor vehicle licences.
- There is a backlog of renewals of MVLs which emanated from the MPL. In fact the IT system at Post Offices are not connected with the NLTA system. Hence, in order to update the system with regard to renewal of MVL transactions effected at post offices, manual inputs have to be made. This is time consuming and the MPL provided four of its Officers to the NLTA to palliate this issue. There is still a backlog to be mopped up.

10.4 Foreign Affairs, Regional Integration and International Trade

10.4.1 Salaries and Allowances - Inadequate Control over Overtime and Lapses in Payment of Allowances

An examination of records relating to salaries and allowances paid during 2019-20 revealed the following:

- (a) Expenditure on overtime exceeded original budgeted amount by 194 per cent;
- (b) Overtime performed for conveyance of officials not according to established rules; and
- (c) No approval for payment of subsistence allowance at the rate of Rs 7,340 per day to home based staff posted at different Missions when they came on official visit to Mauritius.

Expenditure on overtime exceeded original budgeted amount by 194 per cent

For 2019-20, actual expenditure on overtime totalled some Rs 13.8 million, and exceeded the original budgeted amount of Rs 4.7 million by 194 per cent.

Payment of overtime to Office Auxiliaries and Drivers ranged from 48 to 214 per cent of their annual salary for financial year 2019-20.

The Ministry should properly monitor and control overtime work so as to avoid any over expenditure.

The Ministry informed NAO that recourse to overtime was unavoidable and increase in payment was a consequence of the exceptional circumstances prevailing due to the emergence of the Covid-19 pandemic. The Ministry was engaged in an unprecedented exercise of repatriation of Mauritian citizens, arrangement for the airlifting of medical equipment and pharmaceutical products.

Overtime performed for Conveyance of Officials not according to Established Rules

The Pay Research Bureau (PRB) in its 2016 Report recommended that '*Ambassadors, High Commissioners, Permanent Representatives and Officers drawing a monthly salary of Rs 110,000 and above, be provided with an official government car and driver to attend official functions, and an official car (without driver) for private trips while on leave in the home country*'. However, it was noted that:

- In some cases, an official car with a driver was put at the disposal of Officials posted at different Missions abroad and on leave in Mauritius. The drivers were performing overtime for the conveyance of the officials for trips performed till late during weekdays, weekends and public holidays.

- Overtime paid to drivers for conveyance of one Ambassador and one High Commissioner who were on leave in Mauritius during 2019-20 amounted to some Rs 85,000 and Rs 151,000 respectively.
- The drivers were instructed to perform these trips verbally by officers of the Transport Section without any official requests obtained for same. In most instances, there was no prior approval to perform the overtime, and yet, the claims were being authorised, approved and paid. This was contrary to established rules.

The Ministry informed NAO that it was not practical/possible to always ask for the specific details of an Ambassador and know the duration of such assignments to convey approval beforehand to the Drivers, and that as per established procedures, a car was put at the disposal of Ambassadors to attend meetings.

No Approval for Payment of Subsistence Allowance at the rate of Rs 7,340 per day

Home based staff posted at different Missions were paid an allowance of Rs 7,340 per day when they came on official visit to Mauritius. Contrary to established procedures, payment of allowance at the rate of Rs 7,340 per day was not referred to the High Powered Committee for approval of such payment.

The Ministry informed NAO that the allowance was administratively revised in 2014 from Rs 3,300 to Rs 7,340 and same has been the practice.

10.4.2 Fleet of Vehicles – Lapses in Transport Management

An examination of records relating to the management of the fleet of vehicles available at the Ministry and Missions revealed the following:

- (a) Acquisition of vehicles not according to plan for replacement resulting in expenditure exceeding budgeted amount; and
- (b) No follow up action on old vehicles already replaced by new ones in some Missions.

Acquisition of vehicles not according to plan for replacement resulting in expenditure exceeding budgeted amount

Five cars for existing Missions, and another five cars for the Ministry were acquired for some Rs 20.8 million instead of seven and one cars as per annual plan respectively during 2019-20. Actual expenditure exceeded the budgeted amount of Rs 15 million by Rs 5.8 million.

At four Missions, namely Geneva, London, New Delhi and Paris, more than two diplomatic vehicles were used. The monthly distance covered by these vehicles for the period July 2019 to January 2020 was low. The number of drivers was also less than the number of cars available at some of the mentioned Missions. For example, Geneva Mission employed only two drivers for three cars, and the monthly distance covered by the two service vehicles ranged from 122 to 486 km and 222 to 721 km respectively.

The Ministry informed NAO that the vehicles were acquired due to opening of new consulate and to business requirements. One driver has been assigned the responsibility of more than one car in view of the departure of the previous driver from the Mission and difficulties to have replacement because of the Covid-19 situation. The low mileage was due to Covid-19 situation prevailing.

No follow up action on old vehicles already replaced by new ones in some Missions

Four Missions, namely Addis Ababa, Antananarivo, Moscow and New Delhi were still in possession of its old vehicles, which were replaced by new ones.

For instance, in Addis Ababa Mission, the old service vehicle was disposed of on 8 May 2019, that is more than 28 months after its replacement on 27 December 2016, and the old Representational Vehicle (RV) which was replaced in September 2017 was not yet disposed of as of November 2020. Monthly distance covered by the old RV ranged from 95 km to 305 km. A total of 1,515 kilometres was covered from May 2019 to July 2020. The car was idle for seven months from July to September 2019, January and April to June 2020. Moreover, it was used for only seven, five and three days in October, November and December 2019 respectively.

NAO is of the view that delay in taking action to dispose of the old vehicles entailed unnecessary maintenance cost of the vehicles, particularly when they were not optimally utilised.

10.4.3 Rent of Office Accommodation and Lease of Premises - Nugatory Expenditure of some Rs 2.3 million

Audit of the records relating to rent paid by the Ministry for office accommodation locally and lease of premises overseas revealed the following:

- (a) Rent of Rs 1.1 million paid for unoccupied space; and
- (b) Prepaid rent of Rs 1.2 million not refunded on early termination of lease of premises.

Rent of Rs 1.1 million paid for unoccupied space

Levels three and four of a building were rented to accommodate the Finance Section, Human Resources Section and Regional Integration Division. The following were noted:

- The Finance Section which was to move out to level four by end of January 2020 was finally relocated in September 2020. Lack of proper planning for the relocation of the Section led to payment of rent amounting to some Rs 385,000 for space unoccupied for some six months. Despite several site visits carried out, all the user requirements were not identified, and a proper procurement plan could not be prepared. This led to considerable delay to relocate the Section, with piece meal procurement of items needed.
- During a site visit at level three, it was found that only a single officer was occupying a small office and most of the office space thereat was unoccupied. As of November 2020, the Human Resources Section and Regional Integration Division were not

relocated to that building, and rent for 10 months amounting to Rs 706,000 was paid for unutilised space.

The Ministry informed NAO that relocation could not be effected because of lockdown, readiness of new location in terms of IT facilities, closing of financial year, resistance of staff to move, and that arrangements have been made to re-allocate the office space at level three following the arrival of officers from Missions abroad.

Prepaid rent of Rs 1.2 million not refunded on early termination of lease of premises

Prepaid rentals totalling some Rs 1.2 million were not refunded by lessors on early termination of leases when former Ambassador (Amb)/High Commissioner (HC)/Office Management Executive (OME) returned to Mauritius. The newly appointed Amb/HC chose other premises for rent rather than premises for which rent had already been paid. Prepaid rental not refunded are given in Table 10-6:

Table 10-6 Rent not Refunded on Early Termination of Lease

Mission	Post	Rent not Refunded		
		Month/ Days	Amount Foreign Currency	Rs
Riyadh	Amb	3½ months	SAR 74,203	720,952
	OME	1 month 9 days	SAR 9,262	89,890
Canberra	HC	2 months	AUD 10,429	289,393
Beijing	Amb	6 days	RMB 14,000	83,594
Total				1,183,829

The payments of some Rs 2.3 million may be considered as nugatory expenditure as no benefits were derived from the sum spent.

The Ministry informed NAO that for Riyadh Mission, as per contractual terms, no claim can be made by the lessee in case of early departure except for force majeure, and that the former Ambassador was recalled to the country following Government decision.

10.4.4 Renovation Works and Purchase of Assets – Lapses in Procurement Procedures

A review of the records relating to the contract awarded for the renovation works and purchase of assets revealed the following shortcomings:

- No fund provided for and approval for reallocation of funds obtained after award of contract;
- Over-estimation of the renovation works and Bill of Quantity not prepared;
- Non-compliance with Financial Instructions;

- (d) Notification to unsuccessful bidders not sent;
- (e) Scope of Works for office of Adviser not prepared; and
- (f) Quotation exercise not carried out for assets purchased.

A request for the renovation of an office, including the lounges, Reception Area, Secretariat Office, kitchen and others located at the 11th floor was received in November 2019. The Project Manager (PM) prepared the scope of works which included renovation works to be carried out concurrently at the office of the Adviser at the 14th floor. The following were observed:

- ***No fund provided for and approval for reallocation of funds obtained after award of contract***

No fund was provided for the renovation works in the Budget Estimates 2019-20. Moreover, the approval for reallocation of funds was obtained on 19 March 2020, after the award of contract for renovation works of Rs 1.7 million on 5 February 2020.

- ***Over-estimation of the Renovation Works and Bill of Quantity not prepared***

As per notes of meeting held on 10 December 2019, the PM informed that the contract was to be a lump sum one instead of a measured contract as it was the practice for all renovation works. Moreover, the magnitude of hidden works could not be quantified. He also informed that the cost of approximately Rs 2.9 million had been purposely over-estimated to ensure that the bids received would fall within the approved cost estimates. This was against proper procurement rules.

Bill of Quantity with details of the specific surface area to be renovated was also not available in the bidding documents.

- ***Non-compliance with Financial Instruction No 1 of 2014***

On 11 December 2019, a tender exercise for the works was carried out through the restricted bidding exercise. Paragraph 12 of Financial Instructions No. 1 provides that '*The Departmental Bid Committee (DBC) shall be responsible, inter-alia, for – (a) vetting bidding documents for procurement below prescribed amounts*'. The Chairman of the DBC flagged out that the invitations of the bids had not been brought to the attention of the DBC before launching of bids, nor the scope of works were examined by the Committee.

- ***Notification to unsuccessful bidders not sent***

Notification of the name and address of the successful bidder and the contract amount was not sent to the three unsuccessful bidders. This was contrary to Directive No 10 of 2012 from the Procurement Policy Office.

▪ ***Scope of Works for office of Adviser not prepared***

Given that no separate scope of works was prepared for the office of the Adviser, it was not possible to identify the works carried out and the total amount paid for same.

▪ ***Quotation exercise not carried out for assets purchased***

After the renovation works, a list of assets, such as classic sofas, tables, chairs, paintings by Mauritian artists and decorative items costing some Rs 1.3 million was purchased to enhance the physical appearance of the office at Level 11.

Paragraph 2 of Section 44 of the Public Procurement Regulations 2008 states that ‘*A public body shall maintain records showing details of oral or informal quotations sought from suppliers prior to the award of the contract*’. Contrary to these Regulations, no quotation exercise was carried out, and the assets were procured directly from different suppliers. Moreover, these suppliers were not in the register of suppliers of the Ministry.

The Ministry informed NAO that according to the Project Manager, the hidden works implied those works that could not be seen at the time of preparing the bidding document due either to the fact that they were concealed behind panelling or were not visible due to false ceiling etc. A lump sum contract was thus opted for.

Follow up on Matters raised in Audit Report 2018-19

A review of the matters raised at Paragraphs 8.1 - ‘*Construction of Residences and other Projects in New Delhi*’ and 8.2 - ‘*Ex-Indian Ocean Commission Secretariat Building*’ of the Audit Report for the financial year 2018-19 showed the following:

- (a) No expenditure was incurred during 2019-20 for the ‘Construction of Residences and other Projects in New Delhi’; and
- (b) No decision has yet been taken for renovation of the Ex-Indian Ocean Commission Secretariat Building.

10.4.5 No expenditure was incurred during 2019-20 for the Construction of Residences and other Projects in New Delhi

At paragraph 8.1 of the Audit Report for the financial year 2018-19, mention was made that no expenditure had been incurred on the construction of the High Commissioner’s and home-based staff Residences, the upgrading of amenities/services and the enhancement of the security system at the Chancery in New Delhi as of 30 June 2019 despite funds were provided since 2016-17.

During financial year 2019-20, a total amount of Rs 13 million was provided for the construction of the High Commissioner’s and home-based staff Residences, upgrading of amenities and services and upgrading of security system in New Delhi. Fund was again not disbursed on the projects as at June 2020. Pre-bid meeting for consultancy services for the design, preparation of works bidding documents, supervision and contract administration scheduled for 26 February 2020 was also not held.

The Ministry informed NAO that due to Covid-19 situation in India, the pre-bid meeting could not be held.

No decision has yet been taken for renovation of the Ex-Indian Ocean Commission Secretariat Building

At paragraph 8.2 of the Audit Report for the financial year 2018-19, mention was made that the building housing the ex-Indian Ocean Commission (IOC) Secretariat Building in Quatre Bornes was in a deplorable state and abandoned since 2013, date from which the Secretariat has moved to a rented office in Ebene. It was then contemplated to renovate the building. 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 one which would house several regional organisations.

For 2019-20, the rent paid by the Ministry was around Rs 19.8 million. In November 2020, the Ministry reverted back to its decision of renovating the building to house the IOC Secretariat only, and not to demolish the building. Some Rs 550,000 were also paid for site clearance and cleaning of building in June 2020 to enable a survey to be carried out by the Ministry of National Infrastructure and Community Development (MNICD).

Much time was wasted in deciding whether to demolish or renovate the building. In the meantime, the building was being squatted by intruders. A case was even reported to Police on 4 June 2020. Access to the building was not yet secured.

11 - MINISTRY OF EDUCATION AND HUMAN RESOURCES, TERTIARY EDUCATION AND SCIENTIFIC RESEARCH

11.1 Early Digital Learning Programme – Compliance and Implementation Issues

Provision was made in the budget 2019-20, for the distribution of Tablet PCs to Grade IV pupils. The EDLP project is jointly financed by Government of India (GOI) and Government of Mauritius (GOM). The total cost of EDLP Phase III amounted to some Rs 232.2 million (US\$ 6.2 million) for the supply of 12,800 Tablet PCs, 840 rack chargers, 475 notebooks and 474 projectors.

A review of the project revealed the following:

- (a) Lapses in Procurement Procedures - Non-compliance with Public Procurement Act;
- (b) Delay in finalising the ‘Second Addendum’ resulting in late deliveries of EDLP equipment;
- (c) Issues over the use of EDLP equipment;
- (d) Testing and commissioning not yet done for completed works and electrification works not yet carried out in some schools for Grade IV classrooms; and
- (e) Security issues – theft perpetrated at schools causing an increase in number of stolen Tablet PCs.

Lapses in Procurement Procedures - Non-compliance with Public Procurement Act

The Public Procurement Act (PPA) does not apply in the case where there is an agreement or arrangement between Mauritius and a foreign State which allows Mauritius to benefit from the expertise and development experience of that foreign State in a particular field. On 26 September 2019, the Procurement Policy Office (PPO) informed the Ministry that although this project is exempted from the Act, due diligence should still be applied in the procurement process in accordance with Section 3 (1A) of the Act. However, the Ministry did not comply with Section 3 (1A) (ii) of the Act as no report on due diligence, with supporting documents and its recommendations, was submitted to the high-powered committee.

Delay in finalising the ‘Second Addendum’ resulting in late deliveries of EDLP Equipment

The Memorandum of Understanding (MOU) for EDLP Phase I Project signed on 14 November 2016, includes a provision for its extensions, amendments and modifications. On 9 August 2018, the First ‘Addendum’ to the MOU for the extension of the EDLP project for Grade 3 (Phase II) was signed between the Ministry and an Indian Consultant. A ‘Second Addendum’ was signed by the Ministry and the Consultant in October 2019 for the extension EDLP Phase III project.

The expected delivery of equipment stipulated in the ‘Second Addendum’ was December 2019. The pre-dispatch inspection was effected in India from 10 to 14 January 2020. Deliveries of Tablet PCs, rack chargers, notebooks and 50 projectors were effected in February and March 2020. The remaining 424 projectors were delivered in June 2020 after the lockdown period in Mauritius. The delay was mainly due to late finalisation of the ‘Second Addendum’ by two and a half months, following the introduction of a more technologically advanced tool for the EDLP Phase III project.

The Ministry informed NAO that:

- On 28 June 2019, Cabinet was apprised of the implementation of EDLP Phase III project, which would be extended to pupils of Grade IV;
- It has to ensure that the specifications for the devices were within its budget which explains the time taken to finalise/sign the Second Addendum.

Issues over the use of EDLP Equipment

- *EDLP equipment were not fully utilised and training not yet provided to Educators*

30 primary schools throughout the Island were visited by NAO Officers from 16 to 20 November 2020. It was found that EDLP equipment were partially being used in schools. Notebooks issued to educators were being used in Grade IV classrooms but training had not yet been provided to the educators. The warranty period for tablet PCs started as from 13 March 2020. However, as of November 2020, tablets issued to pupils were not being utilised and remained idle at schools.

On 14 January 2021 the Ministry informed NAO that a training programme for educators was ready and training would be provided by the Mauritius Institute of Education in mid-January 2021 and Grade IV students would then be able to use the tablets.

On 4 February 2021, the Ministry informed NAO that training of Educators for the use of Classroom Management Software has been completed.

- *Delay in finalising the Classroom Management Software*

The EDLP Phase III project for the Grade IV pupils had enhanced features as compared to that for the lower grades. One of the features is the Classroom Management Software (CMS), a highly technical and complex component which should be hosted on a server, to enable educators and pupils to have their individual accounts and credentials created. The Ministry conveyed its approval for the Consultant to host the CMS application on Cloud Server on 8 October 2020. However, an agreement should be signed for the Non-Disclosure, Data Protection and Security, Service Level and other related matters. As of December 2020, the Non-Disclosure Agreement was still not finalised.

NAO is of the view that delay in acquiring the server to host the CMS would further delay implementation of the whole project. New data would have to be collected for the joining Grade IV pupils to create their accounts and credentials. Besides, two school terms had already elapsed and there is a high risk that implementation of the project for the Grade IV pupils would not be finalised by the third term.

The Ministry informed NAO that the Server to host the CMS has been acquired and credentials would be provided after training to schools. The Non-Disclosure Agreement has been finalised and sent to the Consultant.

Testing and commissioning not yet done for completed works and electrification works not yet carried out in some schools for Grade IV classrooms

As of December 2020, testing and commissioning of electrical works completed for Grade IV classrooms were not yet carried out at the 30 primary schools visited. Moreover, electrical works were not yet completed in 78 other primary schools.

NAO is of the view that the electrification works should have been properly planned to ensure that all pupils benefit from the same facilities at the same time.

The Ministry informed NAO that the procedures for electrification works could not be initiated in advance unless funding was granted to the Ministry. Delays in implementation of the project was due to human resources constraints in the Infrastructure Management Unit, unresponsive bids and delays by Contractors in completion of school projects.

Security issues – Thefts perpetrated at Schools causing an Increase in number of Stolen Tablet PCs

During financial year 2019-20, several cases of thefts were reported at 14 primary schools around the Island. Out of a total of 276 stolen Tablet PCs, 92 were recovered by the Police, of which 14 were found to be defective. In 2018-19, some 31 Tablet PCs were reported stolen. Even though value of equipment stolen was deducted from payments to the Security Service Providers, security at schools still needed to be strengthened to safeguard school assets.

NAO is of the view that:

- The requirements of the PPA should be complied with as advised by the PPO. To ensure the successful and timely implementation of the project, procurement of both the hardware and software and the electrification works should be undertaken concurrently; and
- In view of the significant value of assets being held at schools, it is essential to strengthen the security measures to deter the recurrence of theft and the loss of assets.

The Ministry informed NAO that it is working with the Commissioner of Police for strengthened surveillance and vigilance especially in high risk prone areas.

11.2 School Requisites - Free Textbook Scheme for Grade 7, 8 and 9 – Inadequate Control Mechanism

On 9 October 2019, the Mauritius Institute of Education (MIE) awarded the contracts for the supply of 679,160 textbooks to three suppliers for the sum of Rs 35.6 million. On 15 November 2019, Government decided that textbooks for Grade 7, 8 and 9 for mainstream programme be offered free of charge to students of Lower Secondary as from

January 2020. To ensure the timely distribution of the textbooks to schools, the procurement of the textbooks was entrusted to the MIE and the Mahatma Gandhi Institute (MGI).

Audit of the procurement of textbooks to be distributed to 51,603 students of 144 State and Private Secondary Schools for Grade 7, 8 and 9 for all subjects revealed the following shortcomings:

- (a) Lapses in financial procedures;
- (b) Lapses in procurement exercise - deliveries of textbooks were effected after the agreed date; and
- (c) Inadequate control over the receipt and issue of textbooks.

Lapses in financial procedures

The Ministry released the total contract sum of Rs 35.6 million as advance payment to MIE for the purchase of textbooks on 9 and 15 January 2020 on the basis of the letter of award instead of the invoices and delivery notes, which was contrary to proper financial procedures.

According to MIE records, payments totalling Rs 33.6 million were effected to the three suppliers over the period January to September 2020. As of end of December 2020, the remaining balance of Rs 2.0 million was still held by MIE.

Lapses in procurement exercise - deliveries of textbooks were effected after scheduled dates

The letters of award and the contract documents for mainstream and extended programme, were dated 9 and 28 October 2019 respectively. As per the contracts, deliveries of the textbooks for mainstream and extended programme should have been effected by 6 and 16 December 2019 respectively. However, as per records, deliveries for the mainstream programme were completed in March 2020 while that for the extended programme, delivery was only completed in August 2020.

Inadequate monitoring and control over the receipts of textbooks

As of 30 November 2020, completeness of the deliveries of the 679,160 textbooks could not be ensured. All records were kept at the MIE, while deliveries were effected directly to the distribution points decided by the Ministry.

Records at the Zone Directorates and Central Supplies Division of the Ministry were examined. It was found that deliveries of only 506,517 textbooks could be traced. Details of the date and point of deliveries of the remaining 172,643 textbooks were not available. Besides, no record was available for the 272,272 textbooks stated to have been delivered directly to the Private Secondary Education Authority. Although a control mechanism was in place over the receipt of the textbooks, NAO could not perform a reconciliation of the quantity of textbooks ordered and delivered due to inadequate records available at the Ministry.

The Ministry informed NAO that:

- The advance payment was made to MIE to finance the procurement of the textbooks. This was an exceptional measure requiring an exceptional process for the benefit of all the students.
- As regards textbooks which could not be retraced through the distribution lists at the Warehouse and Zones, Schools were requested to submit the number of textbooks they have received for records purposes.
- The delivery of the textbooks to schools was monitored by way of an online feedback system on a daily basis. Updates were communicated to Cabinet on a weekly basis.

11.3 Procurement of Watch and Security Services for Schools and Institutions - Delay in Awarding the Contract

The contract for the Provision of Watch and Security Services for the 292 Schools/Institutions which was awarded to two Service Providers on 14 October 2013 had expired on December 2016. Tenders were launched on two occasions during 2017-2018 and 2018-2019. However, as of end of December 2020, the procurement had not yet been finalised.

Audit of the procurement procedures revealed the following:

- (a) Recommendation of the Central Procurement Board to proceed with Framework Agreement for the provision of Watch and Security Services not yet adopted;
- (b) Tendering procedures cancelled due to challenges by unsuccessful bidders; and
- (c) Renewal of the contract on a month to month basis for more than 48 months.

On 16 February 2017, the Central Procurement Board (CPB) recommended that the Ministry opts for Framework Agreement (FA) for the Provision of Watch and Security Services and carries a bidding exercise for one year only. However, as of December 2020, three years after expiry of the contract, the Ministry had not yet entered into a Framework Agreement. Tenders were launched during 2017-18 for the provision of the services for one year while the tenders for 2018-19 were for three years.

The Ministry informed NAO that subsequent bids for the said service for a period of three years have been launched through the CPB in May 2019. The proposal to consider entering into a FA Contract will be taken up afresh with the PPO for its advice on the way forward.

Tendering procedures cancelled due to challenges

The tenders launched during 2017-18 and 2018-19 for the services were subsequently cancelled after challenges were lodged by unsuccessful bidders in accordance with the Public Procurement Regulations 2008. Their appeals were referred to the Independent Review Panel (IRP) for review.

▪ *Tender Exercise 2017-18: Cancellation of Contracts after Award*

Due to a challenge lodged by one of the unsuccessful bidders at the IRP on 31 July 2018 after award of the contract to two successful bidders, the procurement proceedings had to be cancelled following the advice of the Solicitor General, as the Ministry had made wrong calculations of the estimates and all the bids received were non-responsive.

▪ *Tender Exercise 2018-19: Cancellation of Contracts after Award*

On 25 September 2019, the contract was awarded to the successful bidder for the sum of Rs 184.6 million for three years. Challenges were again lodged by three of the unsuccessful bidders for the reason that the contract price of the successful bidder was abnormally low.

On 4 February 2020, the contract was awarded to another bidder for the sum of Rs 313.2 million after the bids were re-evaluated by the CPB. On 10 February 2020, the award of the contract was again challenged by the first successful bidder. The bidding exercise was subsequently cancelled in accordance with Section 39(1) of the Public Procurement Act following advice received from the Attorney-General's Office.

The Ministry informed that the decision to cancel the exercise was based on proposed amendments that had to be brought to the bidding documents in respect of the scope of services, payment schedule and revised cost estimates to comply with the Workers' Rights Act 2020.

Renewal of contracts for more than 48 months

Since January 2017, the contract for Watch and Security Services has been renewed on a month-to-month basis to the same two Service Providers pending the award of new contract. The Ministry disbursed some Rs 198 million to the two contractors for their services for the period January 2017 to December 2020 on the same terms and conditions.

Due to the monthly renewal of the contract, a Performance Security could not be requested from the Service Providers, although the performance of the Service Providers were not satisfactory.

NAO is of the view that the Ministry should consider entering into a FA contract as recommended by the CPB as there are only a few contractors for the provision of Watch and Security Services in the market.

The Ministry informed NAO that:

- the contracts were extended on a month-to-month basis as a temporary arrangement, on the same terms and conditions, until award of new contracts as security services could not be stopped and Performance Securities were not warranted; and
- The recommendation of the CPB to enter into a FA contract would be taken afresh with the PPO for its advice on the way forward.

11.4 Capital Projects – Lapses in Procurement Procedures and Contract Management/Delays in Execution of Projects

A sample of five contracts for a total contract value of Rs 87.6 million was examined, as shown in Table 11-1. The examination revealed the following:

- (a) Delays in execution of projects due to poor performance of the Contractors;
- (b) Lapses in procurement procedures and delays in taking over of project;
- (c) Delays in execution of projects due to incomplete scope of works; and
- (d) Significant delays in award of contract and inadequate monitoring of project.

Table 11-1 Sample of Capital Projects Examined

Contracts	Projects	Contract Value Rs
A	Construction of New Science Block and Renovation, Upgrading and Refurbishment of Existing Block At Sir Leckraz SSS Flacq	49,996,260
B	Upgrading Works at Royal College Curepipe	8,498,000
C	Construction of New toilet block at Pandit Sharma Ayrge Government School, Morcellement St Andre	10,217,062
D	Upgrading Works at D Hurry Government School	10,617,093
E	Marcel Cabon SSS – Civil Works and Construction of High Level Fencing	8,307,920
Total		87,636,335

Delays in execution of projects due to poor performance of the Contractors

Contract A

The objective of the project was to provide new laboratories with new infrastructure to respond to the present needs of students and the expected increase in demand for use of laboratories as the school is to become one of the academies under Nine Year School Reform by June 2021. The project was divided into two phases. Phase I was to be completed by 13 November 2019 but was extended to 19 December 2019, while the duration of Phase II was two months.

- *Poor Performance of Contractor*

On 2 September 2020, due to the poor performance of the Contractor, the Ministry of National Infrastructure and Community Development (MNICD) had decided to proceed with determination of the contract in case outstanding works were not completed within 14 days. As of end of December 2020, completion of the Phase I of the project had still not been completed, thus a delay of nearly one year. Maximum Liquidated Damages (LD) of Rs 5.3 million was applied. Phase II of the project had not yet started.

The Ministry informed NAO that a letter of termination of contract has been issued to the contractor on 25 January 2021. The Contractor has been informed that the Ministry reserves the right to recover any losses due to his inability to fulfil the obligations in respect of the contract.

Contract B

The project consisted of demolition of existing low boundary wall with link fencing and construction of new boundary wall, new pedestrian and vehicular entrance gate. The expected completion date was 29 May 2019 but extended to 21 June 2019. The maximum LD was Rs 370,000, representing 4.4 per cent of the contract value.

- *Poor progress of works*

Due to contractor's poor site organisation and management, warning letters were sent on 22 March and 19 August 2019. A site visit was effected on 9 November 2020 and it was observed that there was poor workmanship in concrete coping, rendering works and metal welding works.

- *Breach of contract*

Although full LD were applied, the completion of the project was delayed by more than one year which was considered as a serious breach of contract. The project was completed and handed over on 5 October 2020.

The Contractors for both Contract A and B poorly performed in respect of previous contracts awarded by the Ministry. It was in February 2020 that their poor performance was reported to the Procurement Policy Office.

The Ministry informed NAO that to ensure better monitoring and control, an interim performance report on the Contractor will be submitted by the MNICD for necessary action.

Lapses in Procurement procedures and delay in taking over of project

Contract C

- *Lapses in Procurement Procedures*

Bids for the Construction of New Toilet Block at Pandit Sharma Ayrga Government School were invited on 2 July 2018, with closing date 7 August 2018. The estimated cost of the project was some Rs 8.3 million.

On 11 April 2019, the contract was awarded for a sum of Rs 10.2 million after negotiation with the bidder. The revised contract price was 22.7 per cent higher than the estimated cost which was above the authorised limit of 15 per cent.

▪ *Delay in completion of project and issue of completion certificate*

The expected completion date of the project was 17 December 2019. However, the project was completed and handed over on 9 October 2020 with a delay of 296 days. A scrutiny of the last available certificate dated 24 August 2020 showed that LD was not applied. As of December 2020, the MNICD had not yet issued the completion certificate due to non-submission of AS-Made drawings and sets of final results and test certificates by the Contractor.

NAO is of the view that the Schedule of Rates (SOR) method may be applied for preparation of cost estimates. The SOR method provides a basic framework to evaluate cost estimate of projects. The SOR is a list in a contract setting out the staff, labour and plant hire rate that a contractor will use for pricing cost. Hence, the contract price for similar projects would be harmonised and more reliable cost estimates would be prepared.

The Ministry informed NAO that completion certificate will be issued upon confirmation from the Energy Services Division that AS-Made drawings have been received. The SOR method will be communicated to the MNICD for consideration in its preparation of cost estimates.

Delays in execution of project due to incomplete scope of works

Contract D

The upgrading works started on 28 November 2018 with expected completion date scheduled for 27 April 2019. After the handing over of site on 20 November 2018, it was agreed that all electrical installations and *Sankoré* projectors should be removed to enable the contractor to start civil works.

Due to omissions of the electrical installation and other works in the initial scope of work, the completion of the project was delayed by eight months. The upgrading works were completed on the approved extended completion date of 13 January 2020. However, partial completion of works was done on a phased basis. The final taking over of upgrading works took place on 19 August 2020. The start and completion date for each phase was not defined. Hence, the period of delay could not be assessed.

The Ministry informed NAO that the renovation of classrooms of blocks B, C, D and E were carried out in phases. The handing over of blocks could only be carried out after the Electrical Services Division had completed the electrical exercises in the building.

Significant delays in award of contract and inadequate monitoring of the project

Contract E

▪ *Delays in award of the contract*

The costs estimates as determined by the MNICD in December 2017 and September 2018 were Rs 5.7 million and Rs 8.6 million respectively. The bidding procedures started in February 2018 but the contract was awarded under Framework Agreement on 29 February 2019, with a delay of nearly two years. The contract was awarded for the sum of Rs 7.6 million with expected completion date of 9 January 2019. The contract amount was nearly Rs 2 million higher than the initial cost estimates of Rs 5.7 million.

▪ *Delays in completion of project due to poor workmanship*

According to the contractor works were completed on 29 June 2020. Due to unsatisfactory works done, the MNICD could not issue the final taking over certificate. As at 12 October 2020, several issues were still not yet attended to, and there was a delay of more than a year after completion of works.

NAO is of the view that due to inadequate monitoring over the implementation of the project, several issues had remained unattended for more than a year. The value of works unattended should be deducted from outstanding payments made to Contractor.

The Ministry informed NAO that dedicated meetings were held to resolve the issue of delay and poor workmanship. The amount for deduction is being quantified by the Quantity Surveying Section of the MNICD for poor workmanship.

11.5 Infrastructural Management Unit (IMU) - Inadequate Monitoring of Projects

A Framework Agreement (FA) concerns the selection of contractors for carrying out maintenance, repairs, rehabilitation and minor construction works, including new works in connection with Government Buildings and associated infrastructures under the responsibility of the Ministry of National Infrastructure and Community Development for Ministries and Departments over an initial period of 24 months which may extended.

The FA 2018-19 for Maintenance, Repairs and Rehabilitation of Government Buildings which came into force on 1 November 2018 with expiry date of 31 October 2020 was subsequently, extended to 31 March 2021.

As of 30 October 2020, 138 work orders were issued to 16 District Contractors (DCs) for a total contract value of Rs 472 million for the four Zones. 83 projects were completed and some Rs 98.5 million were paid to the DCs. A scrutiny of 78 project files revealed the following shortcomings:

- (a) Poor performance of the contractors resulting in significant delays in completion of projects; and
- (b) Liquidated Damages (LDs) not consistently applied due to inadequate monitoring.

Poor performance of the contractors resulting in significant delays in completion of projects

Examination of 40 projects which were allocated to four DCs revealed that 14 of them were completed with significant delays ranging from 16 to 575 days. These delays represent serious breach of contract. In some cases, works did not start as scheduled in the Work Orders.

Site visits effected by the MNICD and the Ministry revealed that the performance of the contractors was not satisfactory as progress of works was slow. Despite monitoring by the Ministry through frequent meetings, the performance of the contractors did not improve significantly and delays for completion of works were still noted.

Liquidated Damages (LDs) not consistently applied due to inadequate monitoring

Out of the 78 projects examined, some Rs 5 million were charged as LDs for delays in completion. However, due to inadequate monitoring, LDs amounting to some Rs 4.3 million were not applied in respect of 12 projects which were completed after the expected completion date. Most of the projects should have been completed before March 2020. Consequently, the conditions of the FA were not consistently applied for projects allocated to DCs.

NAO is of the view that Contractors' performance should be closely monitored and strict measures should be taken against defaulting contractors. The number of contractors under the FA should be reviewed so that projects are delivered on time.

The Ministry informed NAO that:

- the performance of Contractors are closely monitored for each project. Delays are occasioned for various reasons, beyond the control of the Engineers, such as inclement weather, access to sites of works and unavailability of materials.
- The MNICD monitors the Contractors' performance at their level.

Follow up on Matters raised in Audit Report 2017-18

11.6 Project Records for Capital Projects and the Infrastructure Maintenance Unit were still not complete

At paragraph 9.6 of the Audit Report for the financial year 2017-18, I reported that the online monitoring system and the E-PSIP system initiated by Ministry of Finance, Economic Planning and Development (MoFEPD) since 2017 was not being fully utilised. The Ministry replied that records kept in files would be input once the Infrastructure Management Information System (IMS) is implemented and operational.

However, as of end of November 2020, the IMS had not yet been implemented. It was again noted that the Excel file maintained for recording of information on capital projects and maintenance and upgrading works at the IMU were still not complete.

In line with the Capital Project Process Manual (CPPM), the Ministry should report to MoFEPD on implementation progress and updated cash flow forecasts. However, reports in respect of ongoing projects were not regularly submitted, but were provided only on request.

NAO is of the view that it is essential to have accurate and up to date information to ensure that a complete and reliable database is maintained which will assist for monitoring, control and decision making purposes.

The Ministry informed NAO that funds have been allocated in the financial year 2020-21 for the IMS project. It is at the consultation stage with the Central Informatics Bureau for the preparation of specifications and bidding documents.

Follow up on Matters raised in Audit Report 2018-19

11.7 Contract D - Abdool Rahman Government School - Rs 70.5 million

Undue delay in finalising the procurement for Phase II of the project

At paragraph 11.3 of the Audit Report for the financial year 2018-19, I reported that due to substantial delay in completing Phase I of the project, procurement procedures for Phase II were still at bidding stage.

On 25 June 2020, tenders for Phase II with an extended closing date of 15 September 2020 were re-launched by the Central Procurement Board. As of end of October 2020, the project for Phase II was still at bidding stage.

Five years had already lapsed since the project was initiated. Due to substantial delays in awarding the contract, the estimated costs of the project of Rs 70.5 million as determined in 2016, would have to be revised taking into consideration the increase in costs such as labour, materials and other related costs.

The Ministry informed NAO that on 16 October 2020, the Bid Evaluation Report was submitted and on 10 November 2020 notification letters were issued. On 13 November 2020, a challenge was received from an unsuccessful bidder. The award of the contract is being processed.

11.8 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.

- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the MoFEPD revealed that, as of 31 January 2021:

- Five statutory bodies falling under the aegis of the Ministry have not submitted their financial statements for audit as shown in Table 11-2; and
- Annual reports including audited Financial Statements and Audit Report of 10 statutory bodies have not yet been laid before the NA as shown in Table 11-3.

Table 11-2 Financial Statements not submitted to NAO for audit

Statutory Body	Financial Year/Period
Early Childhood Care and Education Authority	2018-19
Rajiv Gandhi Science Centre Trust Fund	2017-18 2018-19
Sir Seewoosagur Ramgoolam Foundation	2014 2015 01.01.2016-30.06.2017 2017-18 2018-19
Universite Des Mascareignes	2018-19
University of Technology Mauritius	2017-18 2018-19

Table 11-3 Annual Reports not laid before National Assembly

Statutory Bodies	Period	Date Certified
Early Childhood Care and Education Authority	01.01.2016-30.06.2017	30.05.2018
	2017-18	28.09.2020
Mauritius Examinations Syndicate	2018-19	31.08.2020
Mauritius Institute of Education	2018-19	31.08.2020
Mauritius Qualification Authority	2017-18	27.8.2020
Open University of Mauritius	2018-19	12.10.2020
Private Secondary Education Authority	2018-19	28.08.2020
Sir Seewoosagur Ramgoolam Foundation	2006-07 to 2007-09	20.10.2015
	1.7.2009 to 31.12.2010	20.10.2015
	2011-13	20.10.2015
Tertiary Education Commission	2018-19	12.08.2020
University of Mauritius	2013	30.10.2014
	2018-19	28.10.2020
University of Technology Mauritius	2011	29.04.2019
	2012	22.07.2019
	2013	07.10.2019
	2014	18.08.2020
	2015	30.10.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board in most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the following Annual Reports have been sent to the National Assembly:

Annual Reports sent to National Assembly

Statutory Bodies	Period	Date Sent
University of Mauritius	2013 and 2018-19	19 January 2021
University of Technology, Mauritius	2011 and 2012	14 January 2021

12 - MINISTRY OF TOURISM

Follow Up on Matters Raised in Audit Report 2018-19

12.1 La Citadelle Project – Signs of Abandonment of Project

At Paragraph 12.1 of my Annual Report for the financial year 2018-19, I reported that since November 2018, a plot of land of an extent 24A50 at La Citadelle, being part of the Fort Adelaide in Port Louis, was vested in the Ministry for the creation of an ‘espace artistique’ at the site.

The status of project implementation was reviewed as of September 2020. The following was observed:

- (a) The Master Plan for the project had not been reviewed.
- (b) Fencing to prevent encroachment at the site had not yet been effected.
- (c) Existing infrastructure was not being maintained.

Master Plan not Reviewed

The existing Master Plan was deemed outdated. In August 2019, the Ministry considered that a new one that reflected current vision of the site needed to be worked out with all stakeholders. No funds were provided in the budget of the Ministry for the financial year 2020-21 to that effect, as well as for any other consultancies that might be required for the purpose. Also, there was no evidence that necessary works for the preparation of the new Master Plan had started.

Protection of the site

A survey to ascertain the extent of land that needed to be fenced to prevent encroachment was yet to be effected as of September 2020.

Infrastructure Not Maintained

Cumulative expenditure for the restoration of the site amounted to some Rs 39.7 million as of 30 June 2020. During a site visit in October 2020, the following was noted:

- Of the 15 available slots, only one was in a lettable state and was rented out. Clay bricks were falling off the sidewalls in the other slots.
- Major electrical works were needed. Only remedial works were being undertaken. The Electrical Service Division had advised that required electrical works would have to be carried out through a framework agreement once the Master Plan for the project was drawn up.
- In September 2016, the Valuation Department had advised that repairs needed to be carried out before the slots could be rented out.

- Proper signage of dangerous places at the site for the safety of visitors as well as surveillance cameras for the security of the premises were yet to be installed.
- The two binoculars for public viewing of the Port Louis area were out of order.

The Ministry informed NAO that:

- Consultations are on-going on the way forward to develop the cultural and historical value of the site.
- The Ministry of Housing and Land Use Planning has informed that the survey works are nearing completion and Survey Plans would be ready by February 2021.
- The attention of the Project Manager of the Ministry of National Infrastructure and Community Development overseeing the renovation was drawn regarding the state of slots. Provision for electrical works to be carried out in the slots has been made in the tender exercise launched on 21 January 2021.
- Needful is being done by the Tourism Authority to affix proper signage at dangerous places at the site. Security cameras have been fixed by the Police Department and cabling works will be undertaken to make the cameras operational.

12.2 Letting of Restaurant ‘Le Batelage’ at the Souillac Tourist Village – Rentals Not Received

The Government property was let to a private individual since January 2011. The monthly rental was Rs 25,609 and has never been revised. Two payments of Rs 100,000 each were received from the tenant in December 2013 and January 2014 respectively and no other payment was received as of 30 June 2020. Outstanding rentals as at 30 June 2020 amounted to Rs 2,603,592. The tenant was still occupying the premises in September 2020.

The case has been referred to the Supreme Court for recovery.

The status of the case as of January 2021 was not known.

The Ministry informed NAO that:

- The case for eviction of the tenant has been transferred from the Supreme Court to the Intermediate Court and came for trial on 15 January 2021.
- The Attorney General’s Office informed on 15 January 2021 that the tenant has made a proposal for refund in instalment. The matter is currently under examination.

12.3 Governance Issues- Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) a report on performance has not been submitted in respect of the Ministry of Tourism for financial year 2019-20; and
- b) annual reports including audited Financial Statements and Audit Report of two statutory bodies have not yet been laid before the NA as shown in Table 12-1.

Table 12-1: Annual Reports not laid before the National Assembly

Statutory Bodies	Period	Date Certified
Tourism Authority	2017-18	13.03.2020
Tourism Employees Welfare Fund	2018-19	31.08.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of each of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the Annual Reports of the Tourism Authority and Tourism Employees Welfare Fund have been forwarded to the National Assembly on 03 February 2021 and 18 February 2021 respectively.

13 - MINISTRY OF HEALTH AND QUALITY OF LIFE

13.1 Medical Equipment - Impact on Health Services

According to its mission statement, the Ministry of Health and Wellness will, among others, transform the existing health services into a modern high performing quality health system. It encompasses the involvement of the Ministry from user requirement up to replacement of Medical Equipment (ME) to ensure continuity of health care services.

For the past five years, some Rs 934 million were spent by the Ministry on acquisition of ME and major spare parts out of the revised budget of Rs 1,337 million. Some Rs 403 million, representing 30 per cent of the budgeted figure, remained unutilised as the Ministry did not have a plan for ME to be acquired. For instance, no details were submitted on what ME the Ministry intended to spend from the Rs 300 million voted in 2019-20.

The following observations were made from a review of the records relating to the acquisition of ME:

- (a) Purchase under Annual Plan (AP) not effected following new procedures for acquisition of ME;
- (b) Repeated requests for the same ME were made by hospitals but were not entertained, or took a long time for hospitals to obtain them;
- (c) Unavailability of ME due to breakdown or non-acquisition of important ME giving rise to long waiting lists for diagnosis;
- (d) Lapses in the procurement process adopted by the Ministry resulted in delays in the acquisition of ME urgently required and/or value for money has not been obtained;
- (e) ME were being used before commissioning;
- (f) Lack of oversight from the Ministry over usage and maintenance of ME which hampered the smooth running of the health services;
- (g) Absence of important records;
- (h) ME remaining idle during their warranty period; and
- (i) Faulty ME and unserviceable items representing serious health hazards and occupying unnecessary space were not disposed of in the absence of a disposal protocol.

Purchase under Annual Plan not effected

During 2019-20, the Ministry adopted a new procurement system where requests from the five regional hospitals were grouped and tenders launched by category at one go. This strategy has not worked, and none of the 427 items of ME (22 different types) which were planned to be acquired, estimated at some Rs 208 million, were procured during this financial year. The ME which also included those for which procurement procedures were to be launched on fast track were carried forward to Annual Plan 2020-21, thus resulting in at least one year delay in their acquisition.

Repeated Requests for the same ME were made by Hospitals but were not entertained, or took a long time for Hospitals to obtain them

Defective Radiotherapy ME at Victoria Hospital (VH) - The status report from VH as at 29 October 2020 showed that the Linear Accelerator (LINAC) which was commissioned in 1994 was not operational since August 2020. There were regular breakdowns on the unique machine available in Mauritius, hence, causing considerable trouble and stress to the suffering patients. No remedial action was taken despite the need for a new LINAC was increasingly felt since 1998. I have reported on this matter in the Audit Report for financial year 2016-17. Repeated requests by the Hospital authorities have also not been entertained. Specifications and cost estimates have already been submitted to the Ministry. The latter did not have an approved ME replacement policy to ensure high quality of service.

Unavailability of ME due to Breakdown or Non-acquisition of Important ME giving rise to Long Waiting lists for Diagnosis

- As at 18 October 2020, there was a total of 4,820 cases awaiting for an echography examination at the five Regional Hospitals.
- On 9 January 2020, there were 3,500 patients waiting for an echography examination at VH, whereas at another hospital, it took approximately six months to get such tests done.
- There were also cases where there were long delays in getting appointments for other examinations, such as endoscopy, angiography and lithotripsy. The delay was attributed to non-availability of ME.
- There were several complaints on the lengthy delays for appointment schedules of cancer patients.

Lapses in the Procurement Process adopted by the Ministry resulted in Delays in the Acquisition of ME urgently required and/or Value for Money has not been obtained

For two different procurements, both the Central Procurement Board (CPB) and the Supervising Officer of the Ministry highlighted that there were long delays in the procurement exercise. The main reasons for such delays were discrepancies in specifications and tenders wrongly evaluated which led to cancellation of procurement whereby the whole exercise had to be undertaken anew. Further, training for Biomedical Engineers and users were not provided as stipulated in the bidding documents.

ME were being used before commissioning

Supply, Installation, and Commissioning of Video Endoscopy Set (SSRNH) - Rs 19 million

In May 2019, the contract for 'Supply, Installation, and Commissioning of Video Endoscopy Set at Sir Seewoosagar Ramgoolam National Hospital was awarded to Company A for an amount of some Rs 19 million (VAT Exempt and excluding maintenance charges not mentioned in the bidding documents). However, the ME was commissioned on 25 February 2020, that is 22 months after the request although being considered as an urgent acquisition.

The testing of the endoscopy system revealed that three defective gastroscopes (major parts of the ME) were replaced on 4 November 2019. Payment to Company A was effected in April 2020 after the deduction of some Rs 950,000 as liquidated damage (LD) considering that the delivery was completed on that date. The supplier did not agree with the LD imposed, and on 27 May 2020, it pointed out that the ME has been in use since beginning of September 2019 (prior to commissioning) and that endoscopy cases were performed on a number of patients; that is, before full delivery of all accessories. The exact date of delivery could not be properly determined by the Ministry and the LD was reimbursed to the supplier in October 2020.

Supply, Installation, and Commissioning of Anaesthesia Workstations (New ENT Hospital) – Rs 7.2 million

On 9 November 2020, the supplier of the four units of Anaesthesia Workstation reported that the items of equipment were transferred to and from New ENT and VH and also claimed that the ME were already being used at VH although not yet officially commissioned. It also reserved the right to claim interest for unpaid amount from one month after delivery.

At end of November 2020, the Anaesthesia Workstations had not yet been commissioned and no payment was yet effected. No information was provided as to why the commissioning exercise has not yet been undertaken.

Lack of Oversight from the Ministry over Usage and Maintenance of ME which hampered the Smooth Running of the Health Services

Maintenance agreements were not always entered into and renewed in time, resulting in refusal of the contractors to attend to troubleshooting of ME. The services provided by external parties, where the technicians were not qualified and trained, were not always satisfactory. They did not always promptly attend to repairs of the ME, and spare parts were being replaced after “unacceptable delays”.

In July 2020, the Ministry acquired a Uninterruptible Power Supply (UPS) for the Angiography Machine at Dr A G Jeetoo Hospital which was required since July 2017, but was still not commissioned as at end of November 2020. The CT Scan at VH was also operating without a UPS since February 2019.

Absence of Important Records

Absence of important records for ME was noted in almost all hospitals. This resulted in inadequate control over ME, and non-existence of information for procurement of new and replacement of ME at Ministry’s level. With the exception of VH, the lists of ME for other hospitals were not updated since 2018. The lists were incomplete as various important information was missing therein.

In 2017, Government decided to introduce a Government Asset Register (GAR) where Ministries had to record stock of assets as at 30 June 2017, and acquisitions made as from 1 July 2017. After three years, in 2020, the Ministry has not yet complied with the instruction issued as information from regional hospitals was not submitted or not according to template provided.

ME Remaining Idle during their Warranty Period

ME totalling some Rs 67 million have already been delivered at the New ENT Hospital. Following Government decision to treat COVID-19 patients at the said hospital since March 2020, ME already installed and commissioned were lying dormant or warranty period has already lapsed. As at July 2020, there were long waiting lists for CT-Scan at various hospitals, but unfortunately the new CT-Scan at the ENT Hospital could not be used.

Still at the New ENT Hospital, items of ME were commissioned without the involvement of the Biomedical Engineer of the Ministry. In January 2020, it was found that a component was not installed for the CT Scan which was commissioned in December 2019.

Faulty ME and Unserviceable Items Representing Serious Health Hazards and Occupying Unnecessary Space were not Disposed of in the Absence of a Disposal Protocol

Audit site visits at the five regional hospitals revealed that various items of ME which were supposed to have been disposed of since long were still lying scattered in the yard or kept in warehouses of these hospitals leaving no room for accommodations of other unserviceable items.

13.2 Renal Health Services - Gaps in Overall Management

According to reports of the Ministry of Health and Wellness (MOHW), 10 per cent of the local population had chronic kidney disease (CKD). CKD is a progressive disease that damages the kidneys causing the renal function to deteriorate gradually and necessitating lifesaving dialysis/transplant. High diabetes rates worsen this situation.

Scope of review

The scope of this review was not restricted to a dialysis capacity audit but was focused on a wider review of the renal health services of the MOHW. Key mechanisms targeted were the early detection, renal information system, prevention, dialysis services, kidney transplantation and the public private partnership (PPP) in dealing with CKD.

The review revealed gaps in the overall management of the renal health services by the MOHW. However, opportunities to add value to renal health services exist by:

- Addressing renal health services in an integrated, planned and controlled manner.
- Using renal information system to improve early detection and to set up a renal registry.
- Establishing preventive strategies and piloting renal health education programmes.
- Enhancing the cost effectiveness of dialysis and fostering a PPP to mop all dialysis needs.

- Improving capacity for renal transplant surgeries locally and setting up a bank of kidneys.

Observations

13.2.1 Policy Formulation and Strategic Planning Framework

The MOHW has not formulated a strategic plan to develop a national renal health programme to coordinate all health services provided to renal patients. Policies focussed mostly on dialysis rather than early detection and prevention strategies.

13.2.2 Costing of Renal Health Services

Estimated cost at the MOHW for dialysis services offered to 1,400 dialysis patients amounted to some Rs 350 million per year. According to financial reports of the MOHW, the total cost of all activities related to renal health care amounted to some Rs 550 million annually, and was projected to increase further.

13.2.3 Early Detection of CKD

The renal function is usually assessed, diagnosed and monitored through two laboratory tests, namely Blood Creatinine and Urea. Some 1.8 million such tests were performed annually upon requests of Clinicians to confirm the status of the renal function of their patients. At current pricing level (Rs 95 per test), the MOHW was spending annually some Rs 170 million on these two tests to assess and monitor the renal function of patients.

13.2.4 Information System for All Renal Patients

There were information deficiencies from an epidemiological and research perspective as the MOHW did not have a database of all CKD patients and their particulars. The MOHW had access to automated test results detecting CKD, but little value was seen added. This platform was not used to build a renal registry for renal disease management.

13.2.5 Prevention of CKD

Preventive strategies for CKD combining early detection/ referral for slowing disease progression and harm reduction actions were inadequate:

- Reports of patients with Creatinine above 250 (MOHW protocol for CKD) were obtained from the Central Health Laboratory. Analysis and follow up of same showed that many CKD diagnosed patients were not referred to the Renal Units at its earliest for prompt slowing of disease progression.
- Nephrotoxic medication and herbal supplements are generally not indicated for renal patients, but these medicines are amply available over the counter in private pharmacies. The population was not sensitised on the judicious use of these medical products.

- Many patients were still undergoing dialysis with central line catheters as vascular access rather than fistula. The latter was generally less prone to infections upon prolonged use.

13.2.6 CKD Health Promotion

According to World Health Organisation (WHO) reports, CKD can be clinically managed for years. Management reports generated showed that many CKD patients had been on dialysis for long periods ranging over 14 - 24 years. 49 patients were currently undergoing dialysis since more than 11 years. Such model cases were not showcased to other CKD patients to change any pessimistic attitude to dialysis and CKD. The MOHW had not issued brochures to promote better CKD disease management and raised public awareness and empowerment.

13.2.7 Managing Dialysis Services

Since 20 years, the MOHW was striving to integrate all dialysis services in the public hospitals. This endeavour was ongoing as six private dialysis units were still being needed to mop the extra demand. Capacity problems were not flattened:

- *Delayed Infrastructure Development* - Since 2004, repeated requests for capacity expansion were made to the MOHW, but only two new dialysis units have been set up since.
- *Replacement of Old Equipment* - Replacement of old dialysis machines was erratic. More than 60 per cent of dialysis machines were in continuous and heavy use for periods ranging from 13 to 19 years when its normal life time was around 10 - 12 years under normal use. Maintenance costs were high.

13.2.8 Collaboration between MOHW and Private Dialysis Units

Yearly fees paid to private dialysis service providers amounted to some Rs 42 million. However, there was no structured collaboration with them. Service Level Agreements were not made. Unclear collaborative ventures undermine confidence of private entities to invest resources to provide adequate and quality dialysis.

13.2.9 Renal Transplantation (RT)

According to Ministry's report, RT has real advantages over dialysis. In spite of that, the MOHW has still not been able to set up a local RT Unit and recruit a RT Surgeon. Renal transplant surgeries (previously done locally from 1993 to 2006) were now being done in India. Laws for cadaveric donors have not yet been proclaimed, resulting in renal patients being reliant on living donors only for renal transplants.

13.3 Regulatory Controls over Medical Products are Inadequate to ensure that they are Supplied in a Safe, Effective and Ethical Manner to the Public

Government spends significantly on medical products (MP), such as pharmaceutical products (PP), dangerous drugs (DD), health supplements, medical devices, cosmetics and

other health care products. MPs play a vital role to save life, restore health, prevent diseases and stop epidemics. MPs are primarily regulated by the MOHW and the Pharmacy Board (Board) under the Pharmacy Act (PA) and the Dangerous Drugs Act (DDA).

A review of regulatory controls over medical products was carried out to determine if regulatory bodies were fulfilling their mandate to ensure that only quality medical products, including DD, were made available to the public in a safe, effective and ethical manner.

13.3.1 Summary of Findings

As credible regulatory authorities, the MOHW/Board are expected to address regulatory and integrity issues in a comprehensive, fair, firm and transparent manner. However, effective regulations of all MPs were seen impaired and increased the risks of society being over-medicated:

- (a) The MOHW/Board displayed poor information management skills regarding medical products, people and establishments which it was mandated to regulate and license;
- (b) Existing legal provisions to regulate all aspects of MP were complex, fragmented and in some cases outdated, resulting in regulatory gaps;
- (c) Several legal provisions were inadequately implemented, leading to compliance failures and restricted enforcement on behalf of the MOHW/Board;
- (d) Several regulatory controls were ineffective as they were not systematically implemented and monitored; and
- (e) Integrity issues in regulatory processes were handled by the MOHW/Board in a soft and inadequate manner.

13.3.2 Detailed Audit Observations

Poor Information Management

The MOHW/Board had uncharacteristically limited information systems in place to gather mandatory intelligence regarding all medical products imported, persons working in pharmacies, as well as those people handling DD and the respective establishments where DD were being handled. No baseline information was available for MPs handled in the Freeport Zones.

Significance of Imports of Medical Products

The MOHW did not know the exact amount of imported MP per category despite clearing every consignment of MP imported. No protocols were established by the MOHW with the Mauritius Revenue Authority (MRA) to gather segmental information for imports of MP, thus restricting the quality of the monitoring and regulatory policies.

Figures compiled by NAO and shown in Table 13-1 revealed that medical products totalling some Rs 10 billion were being imported annually and included PP for some Rs 4 billion.

In addition, an average of some Rs 990 million of MP was imported yearly in the Freeport Zones.

Table 13-1 Medical Products Imported

Medical Products categories	Average Yearly Imports Rs million
Pharmaceutical Products/DD/vaccines	4,360
Cosmetics, Health care and hygiene products	1,895
Medical devices/appliances/sunglasses	1,130
Disposables, consumables, gloves, masks etc.	1,017
Energy drinks, health supplements, Infant Milk/food etc.	960
VAT on direct imports (approx.)	650
Total Direct Imports	10,012
Freeport imports	990
Total All Imports	11,002

Source MRA- Customs

13.3.3 Non-compliance with the Legal Framework

The existing legal framework for regulating all aspects of PP and DD was complex, fragmented and was not adequately implemented by the regulatory authorities. Several regulatory gaps and compliance failures in respect of the Board/MOHW which impaired an effective regulation of all MP were observed:

Implementation of the Legal Requirements of Pharmacy Act

Several provisions of the Pharmacy Act did not reflect present national realities and were not robust enough to address new pharmaceutical issues as they arise and to continue to stand the test of time and scrutiny:

- *Revision of the Pharmacy Act* - The MOHW did not act in a decisive manner to revise the Act, as piecemeal amendments were continuously being made to it. This has resulted in a complex legal framework. The present one does not cover most of the medical products for which medical claims were made, thus resulting in many regulatory gaps.
- *Compliance failures* - The Board/MOHW did not comply with several provisions of the Act. Key regulatory controls were not always properly designed or implemented adequately. Details of some of the control failures are elaborated in paragraphs 13.3.4 and 13.3.5 below.

Implementation of the Legal Requirements of the Dangerous Drugs Act

NAO is of the view that the MOHW/Board did not effectively meet its mandatory licensing role to screen, track and ensure accountability for all DD handling persons under the Dangerous Drugs Act. Little assurance was obtained as to whether all DD operators were known and were correctly screened to handle DD in a controlled and accountable manner.

Updating of Schedules under the Pharmacy Act and Dangerous Drugs Act

The Dangerous Drugs Act contains many listed items in four Schedules I, II, III (DD) and IV (precursors) whilst the Pharmacy Act also provides for listed items in the First (poisons) and Sixth (therapeutic substances) schedules. Despite their important prescriptive nature, these schedules were not properly updated and restricted the application and enforcement of laws.

Alignment of schedules of the Dangerous Drugs Act to the updated UN tables of narcotics/psychotropic substances/precursors was made in an ad-hoc manner. There were discrepancies, such as omissions and spelling errors in the Schedules and prevented their enforcement.

Contrary to Section 30(1) of the Pharmacy Act, the Board has been approving new therapeutic substances for registration despite not being specified in the Sixth Schedule of the Act.

Board Regulations/Policies

Regulations/policies issued by the Board were made in an ad-hoc and reactive manner. Several organisational issues were identified. Regulatory and enforcement authorities were not always working together to form a coherent regulatory system for PP and DD. From the matters discussed as per agenda of Board meetings, it was observed that the Board did not adequately address strategic/policy matters, such as risk management strategies, compliance audit, management information systems, and a communication strategy regarding public health issues.

13.3.4 Ineffective Regulatory Controls

Several regulatory control mechanisms were not always well designed and aligned to existing legal requirements. Controls over the registration of PP and Pharmacy Technicians (PT), operators' licensing, inspection and enforcement were often inadequate and ineffective:

Licensing of Operators

The Board did not ensure strict compliance with its licensing obligations applicable for all the economic operators under the Pharmacy Act and the Dangerous Drugs Act. Contrary to Sections 8 and 27 of the Dangerous Drugs Act, the Board did not license over 500 economic operators handling DD/precursors, thus resulting in license fees foregone, and more importantly, a lack of regulatory checks thereon.

Registration of Pharmacy Technicians

The Board was mandated under Section 4 of the Pharmacy Act to register PT assisting pharmacists. A register of the particulars of PT was not kept as per Section 11(a). PTs were practising in some 400 pharmacies without being registered contrary to requirements of Section 12 of the Pharmacy Act. As of December 2020, the Board had not implemented these legal obligations as required by the Act. This compliance failure precluded the Board to regulate PT by setting minimum qualifications, levy fees and take disciplinary action in case of negligent action of PT while dispensing medicines to the public.

Registration of Pharmaceutical Products

Despite being mandated under the Pharmacy Act, the lists of PP registered for import with the Board, together with their importers were still not approved by the Board and were not available for public consultation on the website of the Ministry.

The MOHW submitted a database of some 7,200 registered PP for examination. Registration was ad-hoc and incomplete leading to registration and renewal fees potentially not collected and products not stringently screened prior to import authorisation.

Regulating the Sale Practices for Pharmaceutical Products

Under the Pharmacy Act, pharmaceutical trade practices had to be scrupulously monitored and controlled. Deviations were noted but not sanctioned as intended by law.

- Contrary to the provisions of Section 17 of the Pharmacy Act, unauthorised articles were sold in pharmacies, whilst other PP was sold in places other than pharmacies. Pharmaceutical products were sold/dispensed at many places other than pharmacies without the requirement of a Pharmacist being present. Many general retailers were selling simple medicines at their premises without the authorisation of the Ministry.
- In a report issued in September 2020 by the Competition Commission, it highlighted the concerns expressed “*over marketing and promotional activities being practised at wholesale level in terms of free samples, financial and other incentives provided to doctors in exchange for exclusive brand prescription*”. Despite that Section 40 of the Act prohibits expressly such illegal arrangements, no effective monitoring and investigation was ensured by the Board/MOHW.

Inspection, Monitoring and Enforcement Functions

Inspection and enforcement functions formed the basis of efficient control over the pharmaceutical trading market. No inspection dashboard was available to ascertain the number of cases inspected, its outcome and the follow up action thereon. Little assurance was obtained on whether the current inspection strategy/workflow was adequately meeting the needs for the MOHW/Board to keep pharmaceutical trade in check. Weaknesses identified were:

Inadequate Monitoring and Control of Activities involving DD and Precursors

Under the Dangerous Drugs Act, the Board/MOHW were entrusted with key obligations to exercise vigilance and control over DD/precursors used to manufacture illicit drugs. However, same was done inadequately:

DD Licensing Requirements - The Board did not license any DD handlers as required under Section 8 of the Dangerous Drugs Act. The Board did not know the exact number of persons/premises handling DD who had to be licensed. Application procedures for licenses requiring the integrity vetting of applicants were not complied with. A person convicted under the Act was prohibited from obtaining a license for DD.

Mandatory inspection was also not carried out by the MOHW/Board to ensure that all DD operators and premises were inspected at least once every two years (Section 28 of the Dangerous Drugs Act).

Partial Compliance to the International Narcotics Control Board (INCB) Reporting Requirements - The MOHW reports to the INCB for monitoring of DD consumed, stocked, and seized in the territory as part of a global monitoring framework. However, the MOHW omitted to send returns for DD stocked in the Freeport as it did not enforce Section 16 of the Dangerous Drugs Act for the regulation of Freeport operators.

No Monitoring of Consumption Trends for DD - The MOHW did not monitor the consumption trends for DD/Precursors by analysing the returns submitted yearly to the INCB. A scrutiny of the returns showed that consumption patterns for both had more than doubled in two years. However, the MOHW authorised their imports without questioning the increase in consumption.

Pethidine consumption (in its anhydrous form) in 2019 was twice the quantity consumed in 2017 (10.27 kg in 2019 and 5.16 kg in 2017). Quantity of Morphine and Methadone consumed in 2019 was equal to two years' consumption in 2017 and 2018 combined. Regarding six Precursors, some 1.6 million litres were used in 2019 by local industries and usage was estimated to reach some two million in 2020.

Lack of Monitoring and Control of Parallel Imports of Pharmaceutical Products

The regulation of parallel imports of PP was not transparent. NAO could not ascertain if the Board was upholding a Supreme Court ruling on parallel imports which required the approval of trademark owners prior to any parallel import of PP. It was difficult to ascertain the existence of parallel import practices at the MOHW and the extent thereof as it did not have detection mechanism to identify and manage them.

Limited Quality Assurance for Medical Products

The MOHW did not have a Quality Management System, a testing programme in place for Quality Control (QC) testing of PP and access to a fully operational QC laboratory to independently undertake quality testing of PP. Quality control testing of pharmaceuticals was not done to ascertain compliance with quality norms set out in Section 24 of the Pharmacy Act. Budgeted funds were not utilised.

In 2014, four patients sued MOHW/Government for alleged negligence that impaired their visions after the administration of an intra-vitreous injection. Litigations involving Rs 40 million as compensation claims were still pending against Government in the Supreme Court.

Enforcement Action

To provide credible regulatory services, the MOHW/Board need to enforce the provisions of the law in a fair, firm and transparent/consistent manner. The Board/MOHW did not ensure an optimal enforcement to promote compliance with regulations that were applicable for licensed entities under the Pharmacy Act and the Dangerous Drugs Act.

A scrutiny of files relating to irregularities/malpractices involving DD showed limited application of the harsh offences as provided under Part III of the Dangerous Drugs Act which was even amended once to provide for harsher penalties and fines. Reasons thereof were not known.

13.3.5 Minimal Regulatory Controls for MP Imported for COVID-19 Pandemic

Imports of MPs amidst the Covid-19 pandemic were subject to minimal regulatory controls. Most of the MPs imported fell outside the ambit of the Pharmacy Act. All imports needed only administrative clearances from the MOHW. No licensing requirements applied to the suppliers of those items. Their place of sale was also not controlled. Also, imports of PP for the MOHW were dispensed from mandatory registration requirements.

13.3.6 Integrity Issues in Regulatory Matters

Pharmacy Professionals need to be law abiding and epitomise professional ethics. Most regulatory processes revolved around integrity, competency and ethical issues. However, the latter issues were handled by the MOHW/Board in a soft and inadequate manner. There were cases where integrity vetting was not done, conflicts of interest not disclosed and discretionary powers not structured:

- Little assurance was obtained as to the competency of Pharmacy Technicians (PT) working in over 450 pharmacies as they were not screened and regulated by the Board. Such compliance failure debars the Board from taking disciplinary action against them in case of irregularities.
- There were cases where PT employed by the MOHW indulged in private work without proper authorisation. The MOHW did not ascertain the extent of this ethical problem as it had never instructed its pharmacy personnel to disclose any interests in secondary employment.
- Regulatory controls functions may give rise to situations of conflicting interests. This situation is exacerbated with the discretionary powers conferred to MOHW personnel in giving clearances for imports of MP not regulated by laws. Moreover, as of December 2020, a Code of Ethics for Pharmacists had not yet been issued by the Pharmacy Council falling under the purview of MOHW.

Recommendation

Compliance failures generally represented failures of the regulatory instruments. These compliance failures ultimately erode public confidence in the ability of regulatory authorities and governance structures to further public health interests. There is a need for the MOHW to strike the right balance in its desire to protecting public health and resisting undue commercial influences. The Ministry must also strengthen its regulatory capacity to meet its regulatory mandate effectively.

Follow-up on Matters Raised in Audit Report 2018-19

A review of the matters raised in the Audit Report for the financial year 2018-19 revealed the following:

- ***The Setting up of Mid-way and Residential Care Homes dating prior to 1995 was still Pending as at November 2020***

As at end November 2020, the long-awaited project to set up either mid-way and residential care homes has not materialised. At the same time, there were still 356 patients in the chronic wards (representing 71 per cent of the total patients at the hospital and 92 per cent of the bed capacity in chronic wards). On 6 October 2020, the Consultant in Charge of the Brown Sequard Mental Health Care Centre apprised the Ministry that there were 109 patients who were stable. These patients needed only social care and could be discharged to live in the community and did not require daily medical and nursing care; and hence were eligible for Residential Care Home.

NAO was informed that recently, the number of stable patients has considerably reduced since many of them have been shifted to private residential care homes. Nevertheless, there were still new cases being admitted to the chronic wards.

- ***The Project to set up a Neuro-interventional Suite in Mauritius was still Pending as at November 2020 and consequently, Patients were still Sent Abroad for Treatment***

Since October 2016, the Ministry has decided to set up a Neuro-interventional Suite to undertake more complicated neurosurgeries locally instead of sending patients abroad. The Ministry 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 2020, the Indian firm had not yet submitted the design, together with the cost estimates and scope of works for the project. Meanwhile, the Ministry decided to upgrade the existing Angiography Machine at the Catheterisation Laboratory at Dr A.G. Jeetoo Hospital for simple aneurysm.

However, after various attempts, the Ministry finally decided to defer the setting up of the Neuro-interventional Suite or to upgrade the actual Angiography Machine, in view of other projects which have arisen due to COVID-19. Consequently patients were still being sent abroad for Digital Subtraction Angiography, coiling of aneurysm, embolisation and clipping.

14 - MINISTRY OF ARTS AND CULTURE

14.1 Non-compliance with Legal Requirements for Disbursement of Grants

During 2019-20, some Rs 232.6 million were disbursed as grants to 30 statutory bodies under the aegis of the Ministry of Arts and Cultural Heritage. However, the statutory bodies did not always comply with legal requirements under the Statutory Bodies (Accounts and Audit) Act in the following respects:

- Nine statutory bodies did not submit their performance agreements (including key performance indicators on the targeted output) prior to 15 June in respect of the next financial year.
- As of 30 September 2020, 12 statutory bodies did not submit their Annual Reports to NAO for the financial year 2018-19 and to which, some Rs 109 million were disbursed as grant. These Annual Reports were required to be submitted to NAO for audit purposes by 31 October 2019.

The Ministry informed NAO that the statutory bodies have been requested to comply with the provisions of the Act.

14.2 Compensation paid for a Cancelled Event

Some Rs 5.3 million were paid to Service Providers in connection with the show for the National Day Celebration 2020. The event was cancelled due to “force majeure”. Payments were made on the basis of “reasonable compensation mutually agreed” with the Service Providers and amounted to some Rs 2 million for the provision of lighting system. Payment for choreography services of some Rs 1 million represented some 77 per cent of the contract amount.

The Ministry informed NAO that:

- Payment was effected as a percentage of works completed as assessed by the Project Manager.
- The Choreographers had certified having incurred expenses for rehearsals of artists in terms of transport to and from site of celebrations.
- Payment for cultural items was based on assessment made by the Ministry.

14.3 Unserviceable Asset since Purchase

A digital cinema package projector purchased at some Rs 3.2 million was not operational since delivery in April 2019 due to a defective module. The module was replaced but the required motor for its proper functioning had not been delivered as at September 2020. The asset procured was not available for use 17 months after delivery. The environment where the projector was installed was not conducive for its proper functioning due to frequent breakdown of the air-conditioning system.

The Ministry informed NAO that the motor was installed on 30 November 2020 and procedures for the replacement of the faulty air-conditioner, which were initiated during 2019-20, were not funded. The air-conditioner will be replaced during 2020-21.

14.4 Non-compliance with repayment terms of Advance

In February 2016, an interest free advance of Rs 2 million was made to the Mauritius Society of Authors (MASA) for the upgrading of its computer system. The advance was to be refunded in annual instalments of Rs 500,000 as from June 2017. As of 30 June 2020, no refund was effected.

The Ministry informed NAO that:

- MASA has requested the writing off of the advance amount due to financial constraints.
- The Internal Control Unit has subsequently recommended that the reimbursement of the advance be rescheduled as from the next financial year.

14.5 Governance Issues- Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) A report on performance has not been submitted in respect of the Ministry of Arts and Cultural Heritage for financial years 2018-19 and 2019-20;
- b) Eight statutory bodies falling under the aegis of the Ministry of Arts and Cultural Heritage have not submitted their financial statements for audit as shown in Table 14-1; and
- c) Annual reports including audited Financial Statements and Audit Report of 20 statutory bodies have not yet been laid before the NA as shown in Table 14-2.

Table 14-1 Financial Statements not submitted to NAO for Audit

Statutory Body	Financial Year
Mauritius Museums Council	01.01.2016 to 30.06.2017, 2017-18 & 2018-19
Mauritius Tamil Cultural Centre Trust	2014, 2015, 01.01.2016 to 30.06.2017, 2017-18 & 2018-19
Professor Basdeo Bissoondoyal Trust Fund	04.04.2005 to 30.06.2006, 2006-07-2008-09, 01.07.2009 to 31.12.10, 2011-2015, 01.01.2016 to 30.06.2017, 2017-18 & 2018-19
Mauritius Society of Authors	01.01.2016 to 30.06.2017, 2017-18 & 2018-19
National Arts Gallery	2018-19
Nelson Mandela Centre for African Culture Trust Fund	2017-18, 2018-19
Mauritian Cultural Centre Trust	2004-05 to 2008-09, 01.07.2019 to 31.12.2010, 2011 to 2015, 01.01.2016 to 30.06.2017, 2017-18 & 2018-19
Mauritius Film Development Corporation	2018-19

Table 14-2 Annual Reports not laid before the National Assembly

Statutory Body	Period	Date/Year Certified
Bhojpuri Speaking Union	2017-18	18.02.2019
Chinese Speaking Union	2018-19	13.03.2020
Conservatoire de Musique François Mitterrand Trust Fund	2018-19	31.8.2020
Creole Speaking Union	2017-18	13.03.2020
Islamic Cultural Centre Trust Fund	2005-06 to 2007-08	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
	2017-18	03.06.2020
Le Morne Heritage Trust Fund	2004-05 to 2006-07	30.03.2010
Malcom de Chazal Trust Fund	2003-04 to 2008-09	04.07.2013
	01.07.2009-31.12.2010	14.10.2014
	2011	14.10.2014
Marathi Speaking Union	2017-18	17.10.2019
	2018-19	25.06.2020
Mauritius Council of Registered Librarians	2012	03.12.2014
	2013	02.07.2015
	01.01.2016-30.06.2017	06.09.2018
	2017-18	27.02.2019
Mauritian Cultural Centre Trust	2002-03	30.03.2005
	2003-04	22.01.2007
Mauritius Film Development Corporation	2015	28.08.2019
	01.01.2016-30.06.2017	01.09.2020
Mauritius Museums Council	2008 - 09	06.09.2010
	01.07.2009-31.12.2010	04.06.2012
	2011 & 2012	2014
	2013 & 2014	2019

Continued

Table 14-2 Annual Reports not laid before National Assembly(Continued)

Statutory Body	Period	Date/Year Certified
Mauritius Society of Authors	2013 to 2015	29.04.2019
Mauritius Tamil Cultural Centre Trust	2004-05	24.10.2012
Mauritius Telugu Cultural Centre Trust	2018-19	13.03.2020
National Art Gallery	2014 & 2015	2018
	01.01.2016-30.06.2017	14.05.2020
	2017-18	14.05.2020
National Heritage Fund	2007-08 & 2009	19.11.2012
	01.07.2009-31.12.2010	28.01.2013
	2011	17.02.2014
	2012	25.11.2019
	2013	21.08.2020
Nelson Mandela Centre for African Culture Trust Fund	2015	16.03.2020
	01.01.2016-30.06.2017	13.10.2020
Ramayana Centre	2017-18	13.03.2020
	2018-19	09.06.2020
Telugu Speaking Union	2015	19.02.2018
	01.01.2016-30.06.2017	19.02.2018

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the Annual Reports of the Nelson Mandela Centre for African Culture Trust Fund, Mauritius Telegu Cultural Centre Trust for financial year 2018-19 and Conservatoire de Musique Francois Mitterand Trust Fund have been submitted to the National Assembly for tabling on 15 December 2020, 04 February 2021 and 07 January 2021 respectively.

15 - MINISTRY OF SOCIAL SECURITY, NATIONAL SOLIDARITY AND ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

15.1 Social Security and National Solidarity Division

15.1.1 Construction of new Recreation Centre at Riambel Project – Considerable delay in Project Implementation

The contract for the construction of a new recreation centre at Riambel was awarded under the Margin of Preference Scheme to a private Contractor on 12 November 2015, for an amount of some Rs 202 million inclusive of a contingency sum of Rs 7 million. The start date of the contract was 3 June 2016 and the expected date of completion was on 26 August 2017. The project was monitored by Ministry of Public Infrastructure and Land Transport Contract Administration Team.

As of September 2020, payments to the Contractor amounted to some Rs 134 million after deduction of retention money of Rs 15.5 million, liquidated damages of Rs 17.6 million and Margin of Preference security amount of Rs 5.2 million.

Audit of the project revealed the following as of September 2020:

- (a) Delay in taking action to start the Project;
- (b) Delay in signing of Contract; and
- (c) Extension of Time and Delay in Completion.

Delay in taking action to start the Project

In March 2004, a portion of land to the extent of 5 A 20 P situated at Riambel was vested in the Social Security and National Solidarity Division (Division) of the Ministry for the construction of a recreation centre for the elderly and disabled. It was only on 12 November 2015, that is more than 11 years after, that the contract for such construction was awarded. As of September 2020, the construction of the centre was still not completed.

Delay in signing of Contract

The contract was signed on 10 August 2016, that is, some two months after the site was handed over on 3 June 2016, and payment of advance money of Rs 16.9 million to the Contractor on 13 June 2016, eight months after the issue of letter of award in November 2015.

Extension of Time and Delay in Completion

The Contractor was granted extension of time on four occasions bringing the initial completion date of 26 August 2017 to 19 February 2018. As at February 2018, only 65 per cent of works were completed.

Revised programmes of works were also submitted on three occasions with expected completion dates by end of November 2019, February 2020 and September 2020 respectively. However, the progress of work was 96 per cent as at 26 August 2020, and as per notes of Monitoring Committee held on 1 September 2020, the Contractor proposed to have partial handing over of the Residential blocks by the end of September 2020. Due to long delays, the maximum liquidated damages of Rs 17.6 million were claimed.

Conclusion

As of November 2020, the objective for the construction of the recreation centre for the elderly and disabled at Riambel has not yet been attained.

The Division informed NAO that:

- The project completion took considerable delay given that the Contractor was facing severe cash flow problems and internal management issues.
- As at February 2021, the building infrastructure has been completed to 100 per cent. Handing over of the Centre is pending given that the Contractor has not yet submitted all as-made drawings, test certificates and warranties as per contract.

15.1.2 Overpayment of Social Aid – Inadequate Control over Recovery of Overpayment of Social Aid

Arrears of Revenue in respect of overpayment of social aid stood at Rs 5 million as at 30 June 2020. Control measures over recovery of arrears were not adequate as detailed below:

- In 26 cases, where the overpaid amounts ranged from Rs 20,600 to Rs 324,000, and totalled Rs 1.2 million, no refunds were made during 2019-20.
- Monthly returns of overpayment listings were not regularly submitted by Local offices and no follow up action was taken for non-submission of returns. The outstanding amount of overpayments as at 30 June 2020 might therefore not be accurate.
- The overpayment module in the Social Aid system was not used for recording of manual refunds at Local offices. Thus, information for monitoring of overpayment in the system was not accurate.

The Division informed NAO that:

- Action is being taken for regular submission of monthly returns of overpayment listings by Social Security Offices.
- The overpayment module has been tested by SIL and will go live by end of February 2021.

15.1.3 Social Assistance Benefits – Lapses in Fund Management

During 2019-20, total payments of the social assistance benefits, comprising non-contributory pensions and social aid benefits amounted to some Rs 30,415 million.

The cash book and other records relating to the payments of pensions were scrutinized and the following were noted:

- (a) Discrepancy of Rs 23 million between the cash book and TAS; and
- (b) Absence of Memorandum of Understanding between the Division and the Mauritius Post Ltd (MPL).

Discrepancy of Rs 23 million between the cash book and TAS

There was a discrepancy of some Rs 23 million between the figure for total payments of non-contributory and social aid of some Rs 30,415 million recorded in cash book and that accounted for in the TAS of Rs 30,438 million.

Absence of Memorandum of Understanding between the Division and the MPL

The Mauritius Post Ltd on behalf of the Division effected payments of contributory and non-contributory pensions, and social aids to beneficiaries against a service fee of Rs 14 per beneficiary.

The Division had paid during 2019-20 service fees of some Rs 9.7 million to MPL. However, as of November 2020, no agreement has yet been signed on the modalities for the payments of pensions to beneficiaries as well as other terms and conditions with the MPL.

The Division informed NAO that:

- The normal practice is to reconcile total payment effected through bank with the Cash Book and not with Treasury Abstract.
- The payment of Contributory and Non-Contributory Pensions in Cash by Mauritius Post Ltd on behalf of the Ministry to beneficiaries against a transaction fee, stems from a Cabinet decision of 2 February 2007.

NAO's comments

- As spelt out at paragraph 10.2.13 of the Financial Management Manual, one of the main principles governing disbursements is that the records of Ministries/Departments should be reconciled with the central accounting records of the Treasury.
- The Cabinet decision represents authority to enter into an arrangement with the MPL for the payment of contributory and non-contributory pensions, and social aids to beneficiaries.

The purpose of a MOU is to define, amongst other things, the roles and responsibilities of the parties concerned.

15.1.4 Advance Accounts – Outstanding Amounts not Cleared

A scrutiny of the Advance ledgers revealed that as of September 2020, advance accounts totalling Rs 2.3 million were outstanding as shown in Table 15-1.

Table 15-1 Outstanding Amounts of Advance Accounts

Advance Account	Outstanding	
	Amount	Since
	Rs	
Car loans to 3 Advisers	237,799	Feb 2003
	101,335	Jul 2009
	487,500	Jan 2020
Losses Social Aid	660,252	Jun 2007
Repatriation Expenses	302,000	Mar 1991
Non-Warrant Overpayments	448,220	Oct 2001
	55,920	Jun 1996
Total	2,293,026	

Source: Advance Ledgers

The respective files of the advances were scrutinised and the following were noted:

Car loans to three Advisers

In 2006 and 2007, the cases of two Advisers were sent to the Attorney-General's Office (AGO) for the legal recovery of the outstanding amounts of Rs 101,000 and Rs 238,000 respectively. No follow up was made after more than six years since the last correspondences of the AGO in February 2013 and July 2014 respectively.

As per a signed letter dated 2 April 2019, the other Adviser was to reimburse the outstanding car loan of Rs 490,000 within one month from the termination of his contract of employment in January 2020.

Losses Social Aid

These losses involved initially three Officers of the Social Security Cadre. In November 2016, the Office of the Director of Public Prosecutions discontinued all criminal proceedings against two of them and the third one was being prosecuted before the Intermediate Court.

No other correspondence indicating where matter stands against the officer at the Intermediate Court for recovery of Rs 660,000 was available.

Repatriation expenses

The bond between the Division and the Mauritian citizen in financial distress abroad made mention, amongst others, that the latter will refund the repatriation expenses in one to four instalments.

In 20 cases, no actions were taken to recover the advance of Rs 302,000, out of which the amounts for eight cases were due for more than 20 years.

Non-warrant overpayments

The advance account was opened in respect of 146 fraudulent cheques totalling Rs 448,000 and irregularities of order books of Rs 56,000. No proper follow up was made to recover the overpayments.

The Division informed NAO that:

- *Car Loans* - A letter has been sent to Accountant-General on 27 November 2020 regarding first two Advisers and no answer has yet been received as at February 2021. The third Adviser has effected part payment and the outstanding capital balance as at 9 February 2021 amounted to Rs 184,700.
- *Losses Social Aid* - The matter has been fixed for trial on 1 April 2021 before the Intermediate Court against the third Social Security Officer.
- *Repatriation Expenses* - The persons to whom money was advanced in respect of repatriation expenses are not easily accessible.
- *Non-Warrant Overpayments* - The Commissioner of Police has been requested to inform this Office of the outcome of the Police Enquiry so as to enable any further action in the case of the 146 fraudulent cheques and for the irregularities of Order Books.

Follow up on Matters raised in the Audit Report 2018-19

15.1.5 Overpayment of Pensions – No improvement regarding Controls over Detection and Recovery of Overpayment of Pensions

At paragraph 14.1.1 of the Audit Report for the financial year 2018-19, I reported that overpayment of pensions continued to arise year in year out despite Ministry's effort to detect overpayments and monitor the recovery thereof.

A review of the payment of pensions during 2019-20 revealed that:

- (a) Overpayment of pensions increased from Rs 114 million at 30 June 2019 to Rs 118.7 million at 30 June 2020;
- (b) Recovery of overpayments was low;

- (c) Measures to reduce overpayments were partly effective; and
- (d) No action was taken for recovery of long outstanding overpayments which might become time barred.

Overpayment of pensions increased to Rs 118.7 million

As at 30 June 2020, the overpayment of pensions reached some Rs 118.7 million compared to Rs 114 million as of 30 June 2019. The overpaid amounts to different categories of beneficiaries are shown in Table 15-2.

Table 15-2 Overpaid Amounts to Categories of Beneficiaries

Category	Departure	Death	Remarried	Paid by Error	Others*	Total
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m
1 July 2019	50.9	25.1	13.5	11.4	13.1	114.0
New**	19.7	10.9	0.7	1.6	5.5	38.4
Refund	(15.7)	(7.6)	(1.5)	(1.1)	(5.8)	(31.7)
Adjustments	(0.9)	(0.2)	(0.1)	(0.4)	(0.4)	(2.0)
30 June 2020	54	28.2	12.6	11.5	12.4	118.7
% of Total Overpayment	45.5	23.8	10.7	9.7	10.3	
% Recoup/ Overpayment						21.1

Source: Return of Advance account

* Others included mainly of double payment, admitted to home, income support

**New - cases of overpayment detected during 2019-20 that arose prior to July 2019 and in 2019-20

An analysis of the total overpayments of Rs 118.7 million indicated that:

- Some Rs 35.4 million were outstanding since prior to 2015. Of the balance of Rs 83.3 million outstanding since 2015, Rs 38.4 million were for new cases of overpayment detected during 2019-20.
- 90 per cent of the total overpayments were due to overseas departure, death of beneficiaries, re-married cases and benefits paid by error.

Recovery of overpayments was low

Recovery of the overpayments was low as detailed hereunder:

- As at 30 June 2020, the overall recovery of overpayments was 21 per cent compared to 50 per cent targeted in the three years Strategic plan for 2019-20 to 2021-22 of the Ministry of Finance, Economic Planning and Development. Moreover, of the Rs 114 million due prior to 1 July 2019, only Rs 15.7 million were recovered in 2019-20.
- With regard to 404 cases of overpayment for a total amount of some Rs 25 million, no refunds were received since detection of such cases. Moreover, there was no evidence of any follow up actions to recover these outstanding overpayments.
- In July and August 2020, approval was sought from the Director, Internal Control, for the write off of some Rs 16.2 million due for 179 outstanding cases. As of November 2020, the approval was still being awaited.

No action taken for recovery of long outstanding overpayments which might become time barred

From a sample of cases of overpayments, it was found that as of November 2020, the Division has not yet taken any concrete action to recover the cases of overpayments of pensions as shown in Table 15-3.

Table15-3 Cases of Overpayments of Pensions

CF Number	Overpaid		Outstanding Amount Rs
	From	To	
W11000744	Oct 11	Jun 19	685,899
R50122524	May 97	Mar 15	562,551
W08001435	Aug 09	Nov 18	379,044
R50102728	Dec 08	Oct 16	1,165,214
W99000184	Jan 03	Nov 17	612,316
R00005207	Jul 05	Mar 16	225,242
W50033489	May 87	Jul 15	596,475
R19001345	Oct 08	Jun 19	562,849
R96199690	Feb 96	May 17	1,159,092
R00002218	May 00	Sep 17	212,195
R09000482	Feb 09	Mar 14	214,988

Source: Case files of Beneficiaries

On 25 June 2020, the Division sought the advice of the Attorney-General's Office (AGO) for the recovery of overpayment of pensions in respect of time barred cases. On 30 June 2020, the AGO advised that:

- The Division should identify the root cause of overpayments and to design a system which allows for the early detection of overpayments. This will enable action to be taken promptly or at least within a period of three years for recovery of the overpayments.
- The Division may also consider whether overpayments are due to deliberate action, negligence, or otherwise of officers dealing with pension matters and undertake necessary disciplinary measures against those officers.

NAO is of the view that the Division:

- Should stand guided by the AGO's advice.
- May consider the possibility of introducing compulsory submission of beneficiary's life certificate, widowhood certificate, proof of address and objection to departure.

Measures to reduce overpayment partly effective

Daily information in respect of death, re-married and departure of beneficiaries of pensions are obtained through the Info Highway Platform from the Civil Status Division and Passport Immigration Office (PIO).

From the information received, the following were noted:

- The number of new cases detected in 2019-20 and totalling Rs 38.4 million was still on the high side.
- For seven dead cases, the beneficiaries were overpaid for more than one year for a total amount of some Rs 5.3 million, which included Rs 3.7 million overpaid to two late beneficiaries for more than 27 years after their death.
- It was difficult to detect cases of beneficiaries entitled to Basic Widow Pension who re-married and stayed abroad.
- Information in respect of passengers below 60 years old deriving either Basic Invalid Pension or Basic Widow Pension and who have travelled and stayed six months or more abroad, was not obtained from the PIO.

The Division informed NAO that:

- Some cases of overpayments are irrecoverable as the contact detail of relatives of the 'dead' beneficiaries are not available.
- The overpayment of pensions as at 30 June 2020 is a cumulative figure for more than five years and also the increase can be explained by the rise in quantum of basic pension effective as from December 2019.

- 147 cases for a total amount of Rs 15,083,339 has been recommended for write-off by the Director, Internal control.
- It is considering implementing innovative measures to identify the root cause of overpayments, thereby for allowing early detection of overpayments.

15.1.6 Governance Issues- Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) a report on performance has not been submitted in respect of the Social Security and National Solidarity for financial year 2019-20;
- b) the Training and Employment of Disabled Persons Board operating under the aegis of the Ministry of Social Integration, Social Security and National Solidarity has not submitted its financial statements for financial years 2017-18 and 2018-19; and

- c) annual reports including audited Financial Statements and Audit Report of four statutory bodies have not yet been laid before the NA as shown in Table 15-4.

Table 15-4 Annual Reports not laid before the National Assembly

Statutory Bodies	Period	Date Certified
National Council for the Rehabilitation of Disabled Persons	01.07.2009-31.12.2010	18.11.2011
	2011	04.10.2012
	2013	16.10.2014
	2015	28.09.2016
National Solidarity Fund	2015	31.10.2016
	2017-18	14.06.2019
	2018-19	31.08.2020
Senior Citizens Council	2015	14.12.2016
	01.01.2016-30.06.2017	15.03.2018
	2017-18	12.04.2019
	2018-19	30.06.2020
Training and Employment of Disabled Persons Board	2013	11.04.2016
	2014	11.04.2016
	2015	26.05.2017
	01.01.2016-30.06.2017	23.05.2019

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that it undertakes to fulfill its statutory responsibilities and those pertaining to the statutory bodies falling under its aegis regarding the preparation of financial statements, their submission for audit and tabling before the National Assembly, with immediate effect.

15.2 Environment and Sustainable Development Division

15.2.1 Solid Waste and Beach Management Division – Operational Issues

Actual expenditure of the Solid Waste and Beach Management Division (SWBMD) for the financial year ended 30 June 2020 totalled Rs 683.3 million, compared to a budget of Rs 735.8 million. Details are given in Table 15-5.

Table 15-5 Solid Waste and Beach Management Division -Actual Expenditure vs Budget

Description	Initial Budget	Actual Expenditure
	Rs million	Rs million
Operation of Transfer Stations	230.0	229.8
Operation of Landfill Site at Mare Chicose	200.0	174.1
Other Structures (Closed cells Mare Chicose)	20.0	26.3
Cleaning of Public Beaches	135.5	132.5
Operation and Export of Interim Hazardous Waste Facility	32.0	25.4
Beach Authority	60.5	60.5
Basic salary	21.3	16.9
Other expenditures items	36.5	17.8
Total	735.8	683.3

Audit of the records of the Ministry revealed the following:

- (a) Significant Costs to Government for solid waste disposal;
- (b) Inefficient solid waste disposal process;
- (c) Critical deficiencies in the IT System for Weighbridges at Transfer Stations and Landfill;
- (d) Overclaim of Rs 10.9 million by Contractor at Mare Chicose Landfill;
- (e) Non availability of Contract Documents for Payments of Rs 574.2 million;
- (f) Cleaning of Public Beaches- No formal agreement with Beach Authority to submit monthly reports of contractors' performance;
- (g) Operation of Transfer Stations - Lack of control over payments; and
- (h) Operation of Mare Chicose Landfill- Lack of control over payments.

Significant Costs to Government for solid waste disposal

Government has spent significantly on the management of solid waste. During the last four financial years expenditure of the Solid Waste Management Division has varied between Rs 683 million and Rs 797 million, as shown below in Table 15-6, giving an annual average cost of Rs 738.3 million.

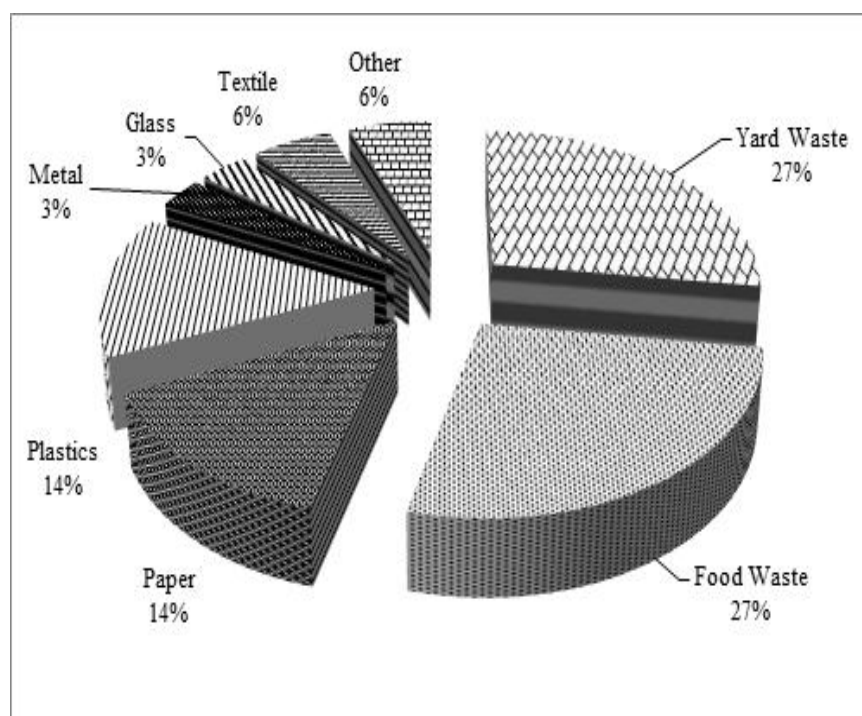
Table 15-6 Cost incurred by SWBMD Last Four Financial Years

Year	2016-17	2017-18	2018-19	2019-20
Amount (Rs million)	715.4	797.0	757.6	683.3

In addition, the Local Authorities altogether spend another Rs 990 million annually on waste collection services. Based on a total cost of Rs 1.7 billion per annum, and a population of 1.3 million, the cost of waste disposal per capita per annum amount to Rs 1,307 and Rs 3.12 per Kg.

The types of domestic waste generated in Mauritius are as shown in Figure 15-1.

Figure 15-1 Types of waste generated in Mauritius



Inefficient solid waste disposal process

Domestic wastes comprise mainly of organic wastes (54 per cent) and paper wastes (14 per cent). The annual cost to Government for solid waste disposal could be significantly reduced by segregation of solid wastes at source of generation thus facilitating their recycling by economic operators. The segregation and recycling process would divert maximum disposal of wastes from landfilling.

The Ministry does not appear to have an effective plan to transform the process of collections and disposal of solid waste.

The Ministry informed NAO that:

- A number of the actions in the 2011-2015 Strategy have been implemented. Due to lack of funding, the recommendation pertaining to Segregation at source could not be implemented.
- In 2017, the Ministry spearheaded a Consultancy Study funded by the Agence Française de Développement (AFD) on a new Solid Waste Management Strategy and Action Plan for Mauritius with focus on resource recovery and recycling. This initiative is geared towards the diversion of useful resources from the landfill, promote circular economy and decrease the current landfilling costs by substantially reducing quantities that will require disposal. The Consultancy study consists of two phases:
 - *Phase 1:* The preparation of the Strategy and Action Plan, including a baseline review, and an analysis of strategic options and recommendations. This has been completed and approved by Government on 31st July 2020; and
 - *Phase 2:* The feasibility study of a composting plant and a sorting unit started on 23rd November 2020 and is expected to be completed in March 2021.
- It is expected that with clear technical, financial and appropriate policies emanating from the phase 1 and 2 Reports, the implementation of source Segregation in pilot regions of the country will be initiated in the near future.

Critical deficiencies in the IT System for Weighbridges at Transfer Stations and Landfill

In 2012, the Ministry computerised the weighbridges (Libra system) at the landfill and the five Transfer Stations, which are all entirely operated and managed by private contractors on behalf of the Ministry, for the purpose of monitoring of wastes quantities of these disposal sites.

The role of Database Administrator is fulfilled by officers of the Central Information and System Division (CISD) of the Ministry of Information Technology, Communication and Innovation. Some officers of the Ministry and representatives of the private contractors operating the weighbridges have access to the system.

The Computerised system is critical as it generates reports to enable the Ministry to process significant payments that totalled some Rs 238.4 million for financial year 2019-20.

The following shortcomings in the Libra system were noted:

- The Libra system is not functioning at Poudre D'Or Transfer Station since December 2018, that is, for nearly two years.
- At Roche Bois Transfer Station the weights of waste carriers appearing on the Weighbridge Indicator were not automatically updated in the Libra system but had to be input manually.
- No officer at the Ministry is responsible to monitor the operation of the system.
- The last IT Security Audit was carried out in October 2013, when the system was implemented, that is more than seven years ago.
- No list of active and inactive users from the system was available.
- No incidence IT register was kept to record any complaints, system errors and failure, interventions etc.

The Ministry informed NAO that:

- The Ministry will seek the support of the Central Informatics Bureau, Central Information Systems Division, the IT Security Unit and the National Computer Board for the setting up of an IT Steering Committee.
- Pending the functioning of the Libra system at Poudre d'Or Transfer Station, manual daily record of weights of incoming and outgoing waste carriers were being kept at the Transfer Station.
- Manual input had to be done at Roche Bois Transfer Station due to a problem with the transmission cable from the weighbridge indicator to the Libra software. The problem was resolved on 28 October 2020.
- An incidence IT Register will henceforth be kept.

Overclaim of Rs 10.9 million by Contractor at Mare Chicose Landfill

Leachate generated from the solid waste at the Mare Chicose Landfill is carted away by the landfill contractor to Roche Bois pumping station of the Wastewater Management Authority on a regular basis.

In August 2019 and July 2020, two cases of overpayments were reported by two Enquiry Teams of the Ministry: Rs 6.6 million due to 578 fictitious trips and Rs 4.3 million due to dilution of normal leachate for the period January 2017 to June 2020.

- No details of the recovery were available.
- The irregularities was not reported to the Ministry of Finance and Economic Planning and Development though required by Financial procedures.

- No control mechanism has been put in place.
- In April 2019, the case was referred to the Police Department but no outcome was known as of January 2021.

The Ministry informed NAO that:

- The details of the recovery are now available.
- Since the incidents, the Consultant has deployed additional staff on site for the supervision of the works.
- The Ministry has also deployed additional Enforcement Officers for supervision and monitoring of operations at the landfill.
- The matter will be reported to the Ministry of Finance, Economic Planning and Development.
- An official correspondence will be issued to the Police to enquire on the outcome of the case.
- The Ministry is also taking measures to procure the Supply, Installation and Maintenance of CCTV cameras at strategic locations at the landfill so as to deter any irregular behavior of the parties present at the landfill (Contractor, Sub-Contractor and Users).

Non-availability of Contract Documents for Payments of Rs 574.2 million

During the financial year 2019-20, 13 contracts for services between the SWBMD and private contractors were in force. These were for the provision of services relating to operation of the landfill, operation of the five transfer stations and cleaning and other services for public beaches. Payments under these contracts totalled Rs 574.2 million for 2019-20.

However, the contract documents were not produced to NAO officers, except copies of a few pages showing the prices only.

The Ministry informed NAO that:

- It is averred that the contract documents were not available for audit purposes. It is only around mid-February 2021, that 11 out of the 13 documents, which were missing, have been found.
- It has been decided that, henceforth, all contract documents would be filed and kept in the custody of the Confidential Registry.

Cleaning of Public Beaches - No formal agreement with Beach Authority

During the financial year 2019-20 a total amount of Rs 132.5 million was paid to six contractors for beach cleaning, refuse collection, cleaning and security of toilet blocks on main public beaches of Mauritius.

Monthly claims were received from the Contractors by the Ministry. These claims were recommended for payment on the basis of monthly reports submitted by the Beach Authority.

There was no Memorandum of Understanding between the Ministry and the Beach Authority defining their roles and responsibilities in the management of these contracts, including submission of monthly reports on contractors' performance.

The Ministry informed NAO that Consultations were held with the Beach Authority to define the roles and responsibilities of each party in the cleaning of beaches. Consequently, the Beach Authority is responsible for the inspection of the beaches, including the toilet blocks. The services of the contractors for the cleaning of beaches are enlisted by the Ministry. The arrangement is working well. The drafting of a Memorandum of Understanding is being considered.

Operation of Transfer Stations - Lack of Control over Payments

A total amount of Rs 228.9 million was paid in financial year 2019-20 to four private contractors under five contracts for the operation and maintenance of the five transfer stations (Rs 87.9 million) and for the transportation of waste to Mare Chicose Landfill (Rs141 million).

Payment to the contractors for transportation is recommended by the Technical Section of SWBMD and is based on the lower of weights indicated in the claim of the Transfer Station contractor and weights submitted to the Ministry by the Landfill contractor.

The weights claimed for transportation by the contractors were not cross-checked independently by the Technical Section of SWBMD using the weighbridge software prior to payment. For instance, a total amount of Rs 49.3 million was paid to the contractor for transportation of waste from Poudre D'Or Transfer Station to Mare Chicose Landfill. However, no check was being carried out over the weights claimed by the contractor against manual record prior to processing of payment.

The Ministry informed NAO that when the payment application is processed and endorsed by the Technical staff, it includes endorsement of the whole process – crosschecking, verification, etc.

Operation of Mare Chicose Landfill - Lack of control over payments

The Contractor was paid Rs 211.4 million in 2019-20 for the operation of Mare Chicose Landfill that is a monthly average of some Rs 17.6 million. Some 60 per cent of this amount was based on the weights of two components namely “carting away of leachate” and “waste operation”. However, their quantities were not crosschecked against any weighing reports in the Libra system by the Technical Section of the SWBMD before effecting payment.

The Ministry informed NAO that the Libra records cannot be used ‘as is’. The records have to be examined as often construction materials, which is not accepted as waste, go on the weighbridge and their quantities have to be discounted. This exercise is done by the Consultant who acts on behalf of the Ministry. The work of the Consultant is in turn crosschecked by officers of the Technical Section prior to recommending payment each month.

15.2.2 Living Environment Unit - Resources not Utilised Optimally

The Living Environment Unit (LEU) is responsible for the upgrading, landscaping and embellishment of the country through:

- (a) Embellishment projects including the maintenance of the motorways M1 and M2;
- (b) Creation and maintenance of recreational and green spaces;
- (c) Uplifting works for Socio-cultural organisations and other works as recommended by the National Task Force set up in the context of National Festivals; and
- (d) Organisation of cleaning campaigns.

The LEU is headed by a Project Manager and is manned by 14 Inspectors and 557 manual workers amongst others. Expenditure in respect of the operations of the LEU is met under the item “Monitoring, Uplifting and Embellishment of the Environment” and amounted to some Rs 172.5 million for the year 2019-20, comprising mainly staff cost of some Rs 140 million.

Based on the number of staff posted in the different Sections of LEU, the types of activities and the average salary, NAO has estimated the cost per Section and per activity, as shown in Table 15-7 and 15-8

Table 15-7 Living Environment Unit - Apportionment of Staff Costs per Section

Section	Region	No. of Staff	Actual Annual Apportioned Costs Rs million
Bois Marchand	Northern	215	54.0
Bell Village	Northern	23	5.7
Mahebourg	Southern	83	20.9
Rose Hill	Central	149	37.5
Verdun	Eastern	87	21.9
Total		557	140.0

Table 15-8 Living Environment Unit- Apportionment of Staff Costs per Activity

	Office Workshops Store, Drivers	Socio & Religious	Motor- ways	Nursery	Public Places	Total workers
Number of staff	165	134	84	61	113	557
Allocated cost Rs million	41.4	33.8	21.1	15.3	28.4	140

Audit of the records of the Ministry revealed the following:

- (a) Absence of proper control mechanism;
- (b) High Overheads;
- (c) 50 per cent defective brush cutters; and
- (d) Manpower for maintenance and embellishment of Motorway not used optimally.

Absence of Proper Control Mechanism.

- NAO could not ascertain the number of site visits effected by Inspectors/Senior Inspectors.
- Also, output was not being recorded consistently. For example, no record of output was available for the Belle Village and Verdun Sections involving 110 staff and costing annual salaries of some Rs 27.7 million.

The Ministry informed NAO that

- the structure of the Living Environment Unit (LEU) allows for the accountability at all levels. There is a Project Management Unit at this Ministry headed by a Project Manager who is responsible to oversee the implementation of all works being undertaken by the LEU.
- The Ministry is considering the setting up of a transparent mechanism of control and devising an annual plan to ensure the efficient utilisation of the workforce and strengthen the control mechanism. Along the same line, Key Performance Indicators would be devised to help determine the strategic, financial, and operational achievements and set an analytical basis for the decision-making process.
- Consideration is being given to the implementation of a Cost and Budgetary Accounting System. However, this will require additional competencies and funding, subject to support being provided to this Ministry.

High Overheads

Some 165 employees, with annual salaries costing some Rs 41.4 million, are posted to the store and workshop of the five sub offices and as drivers. The overhead of the LEU may be on the high side.

The Ministry informed NAO that

- 139 employees are servicing 438 employees at the LEU.
- The flow of work of the LEU is dynamic as it is called to respond to various requests which are received on a daily basis.

50 percent defective brush cutters

Out of 49 brush cutters (handheld grass cutting machine) only 24 were in good running order.

The Ministry informed NAO that

- There are 45 general workers acting as brush cutters.
- This Ministry is considering the possibility of contracting out services for regular maintenance and entering into maintenance agreements with suppliers.

Manpower for maintenance and embellishment of Motorway not used optimally

Three sections (Northern, Central and South) manned by 84 workers and costing annual salaries of Rs 21.1 million were responsible for the cleaning and mowing of grass on the motorway. The output per worker varies between 44 m² and 200 m² per day. On average one brush cutter was provided to a team of five to eight general workers.

The sub offices of the LEU are responsible for general cleaning and mowing of grass on both sides of the motorway whilst the central part falls under the responsibility of the Road Development Authority (RDA). Given that the RDA contracts out the job to private firms, the Ministry should consider making optimum use of its labour force.

The Ministry informed NAO that

- As per sections 5 of the Road Development Authority (RDA) Act 1998, the RDA is responsible to maintain existing bridges, tunnels and associated works on motorways and main roads. However, on 20 May 2016 Government agreed to designate the Ministry as “being responsible for the planting and lopping of the trees, trimming of plants, and the general embellishment along motorways and the major road networks, as well as for the upkeep of the green areas along the roundabouts”.
- It will review the capacity building of the LEU so as to make optimum use of its workforce.

15.2.3 The National Environment Laboratory – Laboratory Equipment Exposed to High Risk of Damage due to Water Leakage

The National Laboratories Complex (NLC) located at Réduit is under the control of the Ministry. It is occupied by the National Environmental Laboratory (NEL) of the Ministry, the Forensic Science Laboratory (FSL), the Government Analyst Division (GAD) and the Laboratory of the Waste Management Authority.

Audit of the records of the Ministry has revealed the following:

- The top roof of the Complex is leaking since several years. The cost estimates for the waterproofing project was estimated at Rs 5 million in May 2019. In December 2020, bidding documents were still being prepared, that is twenty months after.
- During audit visits at the start of January 2021, it was observed that water was leaking profusely from the ceiling of several laboratories due to several cracks on the ceiling allowing water to overflow on the floor. Several equipment were covered by plastic and several buckets were placed on the floor.
- The Forensic Science Laboratory being at the top floor has equipment worth some Rs 150 million that are highly exposed to risks of being damaged. One equipment worth some Rs 1 million was damaged beyond repairs due to water leakage as per the engineer's report of April 2018. Laboratory activities were subject to stoppages and the slippery floor was not safe for staff.
- The floor of the Food Lab of the Government Analyst Division Laboratory is overflowed during raining days.
- Equipment worth some Rs 4.7 million and one computer were kept in and around the water leaking spots, thus, putting them at risks of being damaged. There is a serious risk of electrocution with electrical wires and connections on the floor.

The Ministry informed NAO that

- It recognises that valuable Government assets are being exposed to risks and the urgent need for same to be protected.
- The major constraints encountered by this Ministry to undertake the waterproofing works relate to:
 - insufficient funds;
 - the extended delays of the Ministry of National Infrastructure and Community Development to provide technical specifications for the works; and
 - the reluctance of the Forensic Science Laboratory as it was not feasible to relocate its activities and the risks posed to its equipment.

- A provision of funds of Rs 3.5 million has been made in financial year 2020-21. The Ministry of National Infrastructure and Community Development reviewed the specifications for civil, mechanical and electrical works by the end of 2020. The bidding exercise for waterproofing works will be launched in the second week of February 2021.

16 - MINISTRY OF AGRO-INDUSTRY AND FOOD SECURITY

16.1 Farm Projects at Melrose – Operations Delayed due to Lack of Proper Planning

Statistics show that the local cattle population has declined over the years, from 6,041 in 2014 to 3,508 in 2018. In 2016, the Ministry decided to set up a Heifer Farm with the objective of producing good quality adult heifers. The farm would be used to rear some 50 young female calves until they became pregnant and would be offered for sale at subsidised price to the farming community. However, before the start of the project, the objectives of the Heifer Farm were amended, and the farm was converted into a Cattle Reproduction Farm.

A review of the farm projects revealed the following shortcomings:

- (a) Heifer Farm:
 - (i) Construction of the farm was delayed.
 - (ii) Essential amenities were omitted in the construction contract.
 - (iii) A feasibility study was not carried out before construction of the farm.
- (b) Cattle Reproduction Farm:
 - (i) Additional amenities were not yet provided for.
 - (ii) Operations of the Cattle Reproduction Farm were delayed.

16.1.1 Heifer Farm

Delay in construction of the farm

The contract for the construction of the Heifer Farm was awarded to a Contractor on 3 July 2017 for the sum of Rs 14.5 million and was scheduled for completion on 17 December 2017. The construction was completed and handed over to the Ministry in November 2018, that is with a delay of 11 months.

The Ministry informed NAO that the delay was mainly due to bad weather conditions and to the topography of the land.

Essential amenities omitted in the construction contract

Works which were omitted in the contract included constructions of drains, septic tank and absorption pit which were essential amenities for the operation of the farm. These additional and variations works totalling Rs 4.3 million and representing some 30 per cent of contract value, had been undertaken subsequently. Had proper planning been made, these additional works would not have been omitted and the Ministry could have obtained a more competitive price at the bidding stage.

Feasibility study not carried out

A feasibility study was not carried out prior to the construction of the Heifer Farm. It was only after the construction that it came to light that the project would not be feasible and decision was taken by the Ministry to convert the Heifer Farm into a Cattle Reproduction Farm and it started its operation in December 2019.

16.1.2 Cattle Reproduction Farm

Additional Amenities not provided for

As of November 2020, additional amenities, such as waste disposal system, cooling tank, maternity pen and mating pen, required to meet the objectives of the Cattle Reproduction Farm, estimated at Rs 15 million, had not been provided for. Hence, the Cattle Reproduction Farm was operating without these essential amenities. This resulted in the following lapses in the operations of the Farm.

- The size of the Farm was not adequate to house 43 animals. The conditions in which these animals were kept were not appropriate in view of the stocking density. Pregnant heifers and milking cows were kept together.
- Milking could not be done from the lactating cows as the milk could not be transported in the absence of a cooling tank. Only a small quantity of milk was removed and sold to staff on site.
- Since the operation of the Farm in December 2019, six calves were born and in September 2020, it was reported that four calves got “*Septic arthritis*”. According to information obtained, the Heifer Farm was not meant to be a Cattle Reproduction Farm in the absence of the additional amenities.
- As at September 2020, the Engineering Division was still working on the specifications of the drainage system. In view of the weather conditions prevailing at the Farm, the situation was worsening day by day. During a site visit effected by NAO Officers on 11 November 2020, it was noted that the exercise yard was muddy as there was no proper drainage system. Muddy water had accumulated near the pens and remained stagnant which could lead to infection of cattle and staff.

The Ministry informed NAO that new amenities like maternity unit, milking unit, nursery unit, cooling tank and sales point are required. With the proposal to merge the Livestock Zone with the Heifer Farm, no new construction would be required. Specifications are currently being worked out for the internal drainage system and roads.

Operations of the Cattle Reproduction Farm delayed

Since the handing over of the Farm in November 2018 it could not operate due to unavailability of water and electricity supplies.

Delay in the connection of Cattle Reproduction Farm to Water Supply

The Ministry requested the Central Water Authority (CWA) to connect the Farm to water supply on 29 September 2016 and the site was finally connected in October 2019, with almost three years' delay. Total expenditure incurred by the Ministry for water supply amounted to Rs 2.6 million.

Connectivity to Electricity supply was wrongly planned

The Ministry requested the Central Electricity Board (CEB) to connect the Farm with electricity supply in September 2017. In May 2018, the Ministry gave instruction to CEB to erect a low voltage network at the entrance of the Farm. After completion of the work, the CEB noted that there was a need to replace the low voltage network by high voltage network and to relocate the transformer and the cubicle. Total cost incurred by the Ministry amounted to some Rs 1.1 million.

Merging of the infrastructures of Cattle Reproduction Farm and Livestock Zone

The Ministry decided, in October 2020, to merge the infrastructure of the Cattle Reproduction Farm with that of the Livestock Zone which was still under construction in order to meet the objectives of the Farm. Government approval has not yet been obtained for the merging of the infrastructures.

The Ministry informed NAO that although there has been delay in the connection to the water network, this did not have an impact on animal production given that the animals arrived on station in December 2019. The Ministry is guided by the recommendations made by the CEB to change from low to high voltage.

16.2 Turkey Quarantine Unit at Plaine Magnien left Idle since October 2019

The Turkey Quarantine Unit constructed at Plaine Magnien at a cost of Rs 11.4 million has not been optimally used. Three importations of 1,000 turkey poults were scheduled per year. However, only one importation of 500 poults was effected in 2018, and another one of 600 in 2019. The construction of the Turkey Quarantine Unit was completed in October 2018, and has been used only twice during the past two years.

A review of the Turkey Quarantine Unit project revealed the following:

- (a) The construction of the Quarantine Unit was not properly planned;
- (b) Water supply was not accessible to the Quarantine Unit;
- (c) The Turkey Quarantine Unit has remained idle since October 2019; and
- (d) Inappropriate location was noted by the Veterinary Officer of the Ministry.

16.2.1 Construction of quarantine unit not properly planned

Contract for the construction of a Turkey Quarantine Unit at Plaine Magnien was awarded on 12 February 2018 for the sum of Rs 11.4 million. Construction works started on 4 April 2018 and were scheduled for completion on 4 August 2018. The project was completed and handed over to the Ministry on 17 October 2018, that is with 2½ months' delay.

The construction of the Turkey Quarantine Unit was not properly planned. Officers of the District Council of Grand Port noted on 23 May 2018 that the building had been constructed without complying with the proper setback of 20 metres from the motorway. Further, the Road Development Authority (RDA) confirmed on 3 August 2018 that no application had been made by the Ministry regarding the construction of the Turkey Quarantine Unit. This was in contravention with the Planning Policy Guidance of the Authority. However, the latter exceptionally granted a setback of 15 metres from the motorway.

The Ministry informed NAO that prior to the start of the construction of the Turkey Quarantine Unit, the clearance of the RDA was not sought.

16.2.2 Water supply not accessible to the Quarantine Unit

In March 2018, before construction of the Quarantine Unit, the CWA informed that water supply would not be accessible to the site as the existing main pipe was some 500 metres away and water pressure was low. CWA advised the Ministry to acquire a plot of land near the existing main pipe at which a meter would be provided. According to the Ministry, the acquisition of land would be costly and the Ministry therefore opted for the supply of water to be made by filling water tanks.

This option led to problems. For example, in October 2018, payment for replenishment of one water tank was made, but delivery was effected after 10 days and in November 2018, the CWA refused to accept payment, claiming that they could not ascertain whether they would be able to deliver water, and hence, there was risk that water might not be replenished on time.

The Ministry informed NAO that the risk that water might not be replenished on time does not arise as there are two water tanks of 9 m³ each.

16.2.3 Turkey Quarantine Unit Remaining Idle

The Ministry was contemplating to convert the Turkey Quarantine Unit into a Pet Quarantine Unit. However, the Division of Veterinary Services (DVS) informed that the building was not suitable for the purposes of a Pet Quarantine Unit. Subsequently, the Ministry decided to hand over the Turkey Quarantine Unit to the Agronomy Division for the setting up of a National Seeds Gene Bank. However, on 31 July 2020, the latter informed that the building would not be used.

The DVS and the Agronomy Division took unduly long time to respond. As a result, the Turkey Quarantine Unit has remained idle since October 2019. Meanwhile, expenditure in respect of pest control, watchmanship services and utilities are still being incurred.

The Ministry informed NAO that consideration may be given to re-initiate the turkey project but this will depend on a number of factors, such as those linked with imports of live animals with the COVID-19 pandemic and outbreak of listed diseases. Otherwise, alternative use of the building may also be explored

16.2.4 Inappropriate location noted by Veterinary Officer

The Veterinary Officer of the Ministry effected site visits on 4 and 11 December 2018 before and after the importation of poults to ensure compliance with norms and made the following observations:

- The Quarantine Unit was constructed near the motorway and cultivations that could affect the health of poults due to pollution. These issues were not reported by the Veterinary Officer prior to construction of the Quarantine Unit.
- Dead poults were buried in the Quarantine compound.

The Ministry informed NAO that the turkey poults are kept inside the Quarantine Unit where temperature is strictly monitored and the poults are not exposed to outside conditions where pollution or pesticide drifts may be encountered.

16.3 Sheep Reproduction Farm at Salazie – Project Objectives Not Achieved

Following the increase in the demand for sheep meat and the need for good quality breeding stock to be made available to farmers, the Ministry decided in 2017 to rehabilitate and upgrade the existing Sheep Breeding farm which was closed in 2006. The Sheep Reproduction Farm came into operation on 26 September 2019.

The Ministry decided that at the start of operation of the Farm, up to 50 breeding sheep would be reared. Only 32 breeding sheep were acquired in September 2019. The target of the Ministry of having up to 200 heads and the first sheep being made available for sales in April 2020 was not met. As at November 2020, the sale of sheep had not yet been effected.

A review of the operational activities of the Sheep Reproduction Farm revealed the following shortcomings:

- (a) Quarantine Unit for imported sheep was not available;
- (b) Fodder plantation was not yet completed;
- (c) Maternity pen was still under construction; and
- (d) Wean males were not yet disposed of.

16.3.1 Quarantine Unit for imported sheep not available

The Sheep Reproduction Farm started operation in September 2019 with a total herd of 32 sheep, imported from South Africa, for the sum of Rs 900,000. A second batch of 50 animals was acquired from same supplier on 28 September 2020 for the sum of

Rs 1 million and the sheep were transferred directly to the Salazie Sheep Reproduction Farm without going through a quarantine period.

The Ministry informed NAO that the second batch was acquired locally and agreed that consideration may be given for the setting up of a Quarantine Unit.

16.3.2 Fodder plantation not yet completed

With the setting up of the Sheep Reproduction Farm, there was a need for fodder and a grazing area prior to the start of the project.

On 13 December 2018, the Ministry decided to carry out fodder plantation in-house and to have recourse to the Mauritius Cane Industry Authority (MCIA) for work requiring heavy machinery. In May 2019, MCIA submitted a quotation for the sum of Rs 780,000, and in August 2019, 11.25 arpents of land were bulldozed. Fodder had, however, not been planted on the whole area. As a result, creepers and wild plants invaded the site. Hence, it would take much time and would cost more for the Ministry to plant the remaining area with fodder.

On 13 November 2019, the service of the Maintenance Unit and Ground Services (MUGS) of the Ministry was requested for fodder plantation and application of fertilizer for an area of four arpents. However, there was no record at the Animal Production Division (APD) about the actual area that had been planted and fertilized by MUGS.

Not much improvement was noted over the period November 2019 to November 2020 in respect of fodder plantation and maintenance of the planted area. With the increasing number of sheep at the Farm, there is risk that fodder would not be readily available in the future.

The Ministry informed NAO that out of the 11.25 arpents about 5 arpents have been planted and are regularly harvested to supply the farm. The area under cultivation will be increased after the recruitment of additional general workers.

16.3.3 Maternity Pen still under construction

Construction of a maternity pen was omitted in the initial scope of works of the renovation plan of the then Sheep Breeding Farm in 2018. It was only in September 2020 that the APD requested for the construction of a maternity pen. In the absence of the pen and with the increasing number of ewes, there was risk that birth might not be handled properly. As at 26 November 2020, 12 ewes were pregnant, and yet the maternity pen was still under construction.

The Ministry informed NAO that due to budget constraints, the construction of the maternity pen was omitted from the original contract. As at January 2021, construction of the maternity pen was nearing completion.

16.3.4 Wean Males not yet disposed of

In August 2020, the APD informed the Ministry that there were three wean males at the Farm, and by October 2020, there would be nine wean males available for sale. As at November 2020, the nine wean males were still occupying useful space and consuming feed and fodder without being of use in the sheep reproduction programme.

The Ministry informed NAO that a price-fixing meeting was held in December 2020. Once the price schedule is finalised, sales will be organised.

16.4 Provision of Security Services to Stations/Compounds–Inadequate Monitoring

On 17 June 2019, the contracts for the provision of security services for three lots, comprising 42 sites of the Ministry, were awarded to Contractors A and B as shown in Table 16-1. The contract was for a period of one year, effective as from 15 July 2019, date of taking over of the sites.

Table 16-1 Contracts for Security Services

Lot No.	Stations/Compounds	No. of Sites	Contractor	Contract Amount Rs
1	Compounds of Agricultural Services	23	A	19,458,718
2	Compounds of National Parks and Conservation Service	9	A	7,369,571
3	Compounds of Forestry Services	10	B	1,599,420

The performance of the Contractors was not satisfactory and they did not always comply with the conditions of contract. Despite the presence of the security guards on sites, losses and thefts were reported at the stations/compounds. Absence of guards on sites, lateness and discrepancies in attendance books were also reported.

An examination of the contracts for the provision of security services revealed the following:

- (a) Lot No. 3 was awarded to Contractor B despite its poor performance in respect of the previous contract for the period April 2018 to May 2019;
- (b) Contract awarded to Contractor B was terminated due to non-compliance with terms and conditions of contract. The Ministry had to resort to payment of overtime for providing watchmanship for Lot No. 3;
- (c) Contractor A had not always complied with conditions of contract; and
- (d) Monitoring of security services at the level of the Ministry was inadequate.

16.4.1 Lot No. 3 was awarded to Contractor B despite its poor performance

Several adverse reports where the Contractor B had failed to fulfil its contractual obligations in respect of its previous contract were filed at the Ministry. Examples of such reports are:

- Out of 45 sites awarded on the previous contract, only 29 sites were taken over by the Contractor B.
- Meetings convened by the Ministry were not attended by the representative of the Contractor B on nine occasions over the period April 2018 to May 2019.
- There were 28 cases of thefts, attempt to thefts, robbery, losses, fire outbreaks and damage to property on various stations/compounds during the contract period.
- 21 cases of forgeries were reported to the Ministry.
- Irregular services, such as absence of security guards on almost all sites.

Despite the adverse reports on the performance of Contractor B, the Ministry awarded the contract for Lot No. 3 for financial year 2019-20 to the Contractor on the understanding that proper monitoring of its performance would be made.

16.4.2 Termination of contract awarded to Contractor B entailed payment of significant amount in overtime

Contractor B did not take over any of the 10 sites of the Forestry Services awarded for the period starting 15 July 2019. The Conservator of Forests made several requests to the Ministry to terminate the contract awarded to the Contractor as no watchmanship services were available since that date, that is 15 July 2019. On 22 September 2019, the Ministry had to terminate the contract, after giving one month's notice, on ground that the security company had failed to comply with the terms and conditions of the contract.

With the termination of contract, the Ministry had recourse to watchmanship services to be provided in-house at the Forestry Services against payment of overtime which totalled some Rs 11.3 million as of November 2020.

16.4.3 Instances where Contractor A did not comply with Conditions of Contract

According to the performance appraisal conducted by the Ministry in July 2020, it was reported that several security guards were above age. Moreover, some security guards did not always wear uniforms on sites.

With regard to the provision of security services at various Stations/Compounds, the following were also reported in the performance appraisal:

- Irregular services, such as absence of guards and lateness at various sites without replacement being done.

- There were discrepancies in attendance books. Time for arrivals and departures were inserted in advance. There were also cases of tampering of attendance register at some compounds.
- No frequent patrol was carried out during night shifts.
- There was frequent change in security guards without prior notice.
- Handing over procedures were not done between the day and night security guards. Often the day guard left the site before the arrival of the night guard or vice-versa, thus leaving the site unattended for short period of time.
- Almost all night checks were done before 20.00 hours, and checks were rarely done during the weekends by the Supervisors.

The Ministry informed NAO that Heads of Departments have been requested to closely monitor and report discrepancies to the Ministry. The Contract Management Team would sanction accordingly. Moreover, in the new bidding exercise, more penalties have been added for an enlarged number of shortcomings.

16.4.4 Inadequate Monitoring at Level of Ministry

As at November 2020, only one meeting was held on 24 September 2019 at the Ministry with the Contractor. There was no meeting to monitor the quality of services provided.

16.5 Mauritius Society of Animal Welfare – Non-submission of Annual Report since 2014

Following the coming into operation of the Animal Welfare Act on 30 October 2013, the first period of accounts for the Mauritius Society of Animal Welfare (MSAW) was deemed to be for the period 30 October 2013 to 31 December 2014. The Ministry disbursed recurrent grants totalling Rs 78.2 million to the MSAW over the period 30 October 2013 to 30 June 2020.

The MSAW has not submitted its Annual Reports, incorporating the financial statements for audit purposes since it came into operation on 30 October 2013, contrary to the Statutory Bodies (Accounts and Audit) Act which requires the chief executive officer to submit the annual report to the auditor, not later than four months after the end of every financial year.

The non-submission of financial statements is against the principles of good governance. The MSAW has therefore remained outside the scrutiny of the National Assembly, despite benefiting from recurrent grants from the Government.

The Ministry informed NAO that the MSAW has been requested to do needful as soon as possible.

Follow up on Matters raised in Audit Report 2018-19

16.6 New Slaughter House – Considerable Delay in Construction Resulting in Continuous Recourse to Sub-standard “Central Abattoir”

At paragraph 15.4 of the Audit Report for financial year 2018-19, I highlighted that 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). 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.

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 project was registered as a potential Built-Operate-Transfer (BOT) Project by the MoFEPD on 20 September 2019 and actions have already been initiated to structure the project and to launch the Request for Proposal through the Central Procurement Board.

16.6.1 Delay in submission of BOT Structuring Report

The Project Management Committee set up to structure the project with the assistance of the BOT Projects Unit had its first meeting held on 22 November 2019. At a second meeting held on 24 January 2020, it was decided that a team comprising officers of the Ministry and BOT Projects Unit would work on the BOT Structuring Report. However, in June 2020, it was reported that due to confinement there had been delay in submission of the report. It was expected to finalise same within one month.

As of October 2020, more than one year had lapsed since the project had been registered as a BOT, and the report had still not been finalised and submitted for validation to the BOT Projects Unit of the MoFEPD.

The Ministry informed NAO that the Project Management Committee set up to structure the project is in the process to finalise the BOT Structuring Report. The assistance of the BOT Projects Unit will be sought for validation of the report prior to launch the Request for Proposal through the Central Procurement Board.

16.7 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- (a) Five statutory bodies falling under the aegis of the Ministry of Agro-Industry and Food Security have not submitted their financial statements for audit as shown in Table 16-2; and
- (b) Annual reports including audited Financial Statements and Audit Report of nine statutory bodies have not yet been laid before the NA as shown in Table 16-3.

Table 16-2 Financial Statements not Submitted to NAO for Audit

Statutory Body	Financial Year/ Period
Small Farmers Welfare Fund	2017-18 & 2018-19
Sugar Cane Planters Trust	2007-08, 2008-09 & 01.07.2009-24.07.2010
Mauritius Society for Animal Welfare	30.10.13-31.12.14, 2015, 01.01.2016-30.06.2017, 2017-18 & 2018-19
Sir Seewoosagur Ramgoolam Botanical Garden Trust	2017-18 & 2018-19
Vallee D'Osterlog Endemic Garden Foundation	2017-18 & 2018-19

Table 16-3 Annual Reports not laid before the National Assembly

Statutory Body	Period	Date Certified
Agricultural Marketing Board	2018-19	24.07.2020
Farmers Service Corporation	2011	28.12.2012
	01.01.2012-18.03.2012	21.07.2014
Food and Agricultural Research and Extension Institute	14.02.2014-31.12.2014	08.11.2018
	2015	08.11.2018
	01.01.2016-30.06.2017	01.09.2020
Food and Agricultural Research Council	01.01.2013-13.02.2014	13.01.2017
Mauritius Sugar Authority	2006-07	03.12.2009
	2007-08	13.12.2011
	2008-09	13.12.2011
	01.07.2009-31.12.2010	29.03.2013
	2011	31.05.2013
	01.01.2012-18.03.2012	21.07.2014
Mauritius Sugar Terminal Corporation	01.01.2012-18.03.2012	02.09.2014
Sir Seewoosagur Ramgoolam Botanical Garden Trust	05.06.1999-30.06.2000	28.02.2014
	2000-01 to 2008-09	2014 to 2017
	01.07.2009 - 31.12.2010	17.01.2019
	2011 to 2014	2019
Sugar Cane Planters Trust	2006-07	20.10.2008
Vallée D'Osterlog Endemic Garden Foundation	2014	25.02.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of most of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the Annual Reports of the Agricultural Marketing Board and Vallée D'Osterlog Endemic Garden Foundation have been forwarded to the National Assembly on 18 December 2020 and 05 January 2021 respectively.

17 - MINISTRY OF INDUSTRY, COMMERCE AND CONSUMER PROTECTION

17.1 Commerce and Consumer Protection

17.1.1 Procurement of Electric Forklift and Security Services – Lapses in Procurement Management

A review of two procurements, namely electric forklift and security services for the Legal Metrology Services (LMS) revealed that:

- (a) No proper planning prior to procurement of the electric forklift; and
- (b) Bid evaluation not properly carried out for the provision of security services.

Supply, Testing and Commissioning of Electric Forklift – No Proper Planning

Tender for the procurement of an electric forklift was launched on 12 December 2019 through restricted bidding following an urgent request from the LMS, in replacement of the existing one which was defective. According to LMS, the equipment was needed for handling and movement of heavy weights at the workshop and in the verification room, amongst others. Contract was awarded to a supplier on 6 March 2020 for the sum of Rs 790,000.

As of 17 November 2020, although the electric forklift was an urgent request from LMS, same was still not operational more than five months after being commissioned on 6 June 2020. Reason was that the drivers did not possess the required service licences to operate same.

The Ministry needs to ensure that proper planning and monitoring are done while procuring assets to ensure same are operational within least possible delay.

The Ministry informed NAO that the forklift will be operational once the drivers obtain the required licences.

Provision of Security Services – Bid Evaluation not properly carried out

On 1 June 2020, request for Quotation was sought from 12 potential contractors for the provision of security services at the LMS. The contract was awarded to the selected bidder on 30 June 2020 for the sum of Rs 233,000.

Qualification Criteria not met

According to the bid documents, the bidder was required to submit copy of the licence from the Commissioner of Police to operate as “Private Security Service Provider (PSSP)”. At time of submission of bid on 15 June 2020, the selected bidder provided a PSSP which had already expired on 13 February 2020, and hence, was not valid. The bidder was nevertheless evaluated as being qualified and recommended for award by the Bid Evaluation Committee and ratified by the Departmental Bid Committee.

The Ministry produced a copy of the Contractor's current PSSP licence, which was obtained on 9 July 2020.

The Ministry informed NAO that:

- Henceforth proper planning will be done while procuring assets items and the Departmental Bid Committee/Bid Evaluation Committee have been instructed to comply with the provisions of bid document.
- The Departmental Bid Committee will ensure that all documents required be obtained prior to start of any evaluation in order for members of committees to take an informed decision and make appropriate recommendations.

18 - MINISTRY OF YOUTH AND SPORTS

18.1 Inadequate Control over Disbursements of Grants

An examination of records relating to grants disbursed to Mauritius Multisports Infrastructure Ltd (MMIL), Comite d'Organisation des 10^{èmes} Jeux des Iles de L'Océan Indien (COJI) and Mauritius Sports Council (MSC) revealed that Financial Instructions on "Administration of Governments Grants" were not being complied with, as detailed below.

(a) Grant to MMIL

The MMIL was incorporated in 2016 to promote Mauritius as a world class facility for professional sports, to be an anchor for future sports developments and for the organization of sports events. Some Rs 165 million have been disbursed as of 30 June 2020 to MMIL.

During the financial year 2019-20, some Rs 94.3 million was granted to MMIL as shown in Table 18-1.

Table 18-1 Grants to Mauritius Multisports Infrastructure Ltd

Details	Amount Disbursed(Rs)
Budgetary Provision	25,000,000
Reallocation	69,000,000
Additional transfer	265,500
Total	94,265,500

Grant over and above initial estimates

Over and above the budgeted provision for MMIL which amounted to Rs 25 million, additional funds were provided as follows:

- At the end of financial year 2019-2020, that is on 18 June 2020, the Ministry was apprised of a request for additional funding to meet MMIL's operational expenses of Rs 69 million pertaining to the current and previous financial years, namely 2019-20 and 2018-19 respectively; and
- An additional amount of Rs 265,500 which included Rs 250,500 for urgent acquisition of two goal posts in the context of an international match and Rs 15,000 for use of facilities and other expenses for two events, latter held on 27 September 2019 and 29 February 2020 respectively.

Additional grant from a Special Fund

According to the Ministry's records, a further grant of Rs 14 million was granted under a Special Fund to MMIL for the Football Academy.

The following shortcomings were noted:

- Grant Memorandum between MMIL and the Ministry was signed for a sum of Rs 15 million instead of the budgetary provision of Rs 25 million.
- In September 2019, MMIL submitted a first grant application and other documents namely: (i) a revised estimate of Rs 105.2 million; (ii) a progress report and (iii) a cash flow forecast for financial year 2019-20. These documents were, however, not signed by MMIL.
- The request for additional fund of Rs 69 million was not supported by a duly signed statement of expenses by MMIL.
- MMIL's audited financial statements and Annual Report for financial year 2018-19 were not submitted to the Ministry as of 30 June 2020.
- Duly signed agreement was not seen regarding a sum of Rs 14 million obtained by MMIL under the Special Fund.

The above control shortcomings would not allow for effective monitoring of grants/other fundings and for accountability thereof.

The Ministry informed NAO that:

- With regard to the 'incorrect' amount mentioned in the signed Grant Memorandum, the error may have been caused through oversight.
- On 15 January 2021, the MMIL was required to ensure that all documents submitted for disbursement of funds must henceforth be signed by a senior officer and that any revised estimates and cash flow statements should be approved by the board before submission to the Ministry.
- MMIL could not submit all the required documents as the expenses related to two financial years. On the basis of the list of expenses duly vetted and approved by the Ministry of Finance, Economic Planning and Development, the Ministry proceeded with virement within its votes for the amount of Rs 69 million.
- The Financial Statements for period ending 30 June 2019 were approved by the Board of the MMIL on 3 November 2020.
- The Rs14 million was granted to the MMIL for the running of the Football Academy from the Lotto Fund. In line with the standard procedure, the request was sent to Ministry of Finance, Economic Planning and Development (MoFEPD) by the Lotto Fund Committee. Upon approval, the MoFEPD, thereafter requested the Accountant-General to credit the approved sum in the Ministry's Deposit Account. After sending

a credit note to the Treasury, this Ministry then effected the transfer to the account of the MMIL.

(b) Grant to COJI

According to records at Ministry's level, COJI was reported to have obtained funding amounting to some Rs 320 million over the years. This included a disbursement by government of a sum of Rs 124 million in the financial year 2019-20.

At paragraph 17.6 of the Audit Report for the financial year 2018-19, control shortcomings over disbursements effected to COJI were reported.

These still prevailed in the financial year 2019-20.

Control over funding continued to be inadequate as:

- COJI's accounts for the financial year 31 December 2018 was not seen submitted to the Ministry.
- Memorandum of Understanding (MOU), with clear stipulation of the terms and conditions of the grants disbursed by Government, was not seen signed between the Ministry and the COJI.

The absence of accounts and MOU would not allow for the necessary control over disbursements and for their accountability thereof.

The Ministry informed NAO that:

- Rs 115 million from Lotto Fund and Rs 8 million from the Ministry were released to COJI;
- COJI's Accounts for 2018 were now available at the Ministry. They were inadvertently misplaced; and
- The Ministry will henceforth formalise the disbursement mechanism with committees and/organisations to be set under its aegis.

(c) Mauritius Sports Council

During the financial year 2019-20, Rs 75 million were disbursed to the Mauritius Sports Council (MSC), in terms of Grants – Rs 35 million and Other Fund – Rs 40 million.

Attention was drawn at paragraph 17.1.1 of the Annual Report for the financial year 2018-19 on non-compliance with Financial Instructions regarding disbursements of grants to the MSC namely non-submission of:

- Progress reports as stipulated in Grant Memorandum.
- Annual Report within the statutory deadline.

These were still noted for 2019-2020 as detailed below.

Late signing of Funding Agreement

Funding Agreement/Grant Memorandum provide the mechanism for identifying the output/outcome expected to result from an approved grant and the governance arrangement that will apply.

According to Financial Instructions, the above should be duly completed and signed in respect of grant to each recipient before disbursements of grants.

- The first grant was disbursed in July 2019. However, Grant Memorandum was signed more than two months after, that is, on 14 October 2019. The above rule was not therefore complied with.

Progress reports not in line with requirements

A Progress Report on delivery of outputs/services as stipulated in paragraph 5 of the Grant Memorandum was to be submitted to the Ministry in respect of each grant application as follows:

- Services to be delivered (output); and
- Service standards (Indicators)

However, the above stipulation as per paragraph 5 was not observed.

Progress Reports on delivery of output/services:

- Were not in line with the Financial Instruction on Grants;
- Were not consistent for different quarters of the financial year;
- Lacked relevant information such as purchase of rocksand, topsoil and fertilizers; and
- Were not certified by a Senior Officer of the MSC.

Evidence of checks at the level of the Ministry was also not seen to ensure monitoring of compliance with terms and conditions of Funding Agreement.

Sport For All Project – Additional grant under a Special Fund – Rs 40 million

According to Ministry's records an amount of Rs 40 million was disbursed under a Special Fund during the financial year 2019-20 in respect of Sports For All Project.

Control mechanism might not be effective as:

- Duly signed Agreement in that respect was not seen.
- The Progress Report was not certified by a Senior Officer of the MSC.

Assessment of grant eligibility at Ministry's level would require ascertainment of compliance by Grant recipient with

- Relevant legislation with respect to the preparation and submission of statutory accounts; and
- Previous grant terms and conditions, including achievement of stated objectives and delivery of expected outputs.

The Annual Report for the financial years 2017-18 and 2018-19 were not submitted by 31 October 2018 and 2019 respectively as per above requirement.

The Ministry informed NAO that:

- It would ensure that the Annual Grant Memorandum is duly signed before disbursements of approved grants.
- Only progress reports duly signed by a Senior Officer of the MSC will be accepted. The attention of the MSC has already been drawn accordingly.
- It will carry out further checks to ensure compliance with the terms and conditions of the Funding Agreement.
- As regards Grant Memorandum, the Ministry will ensure its timely signature.
- A copy of the Annual Report 2016-17 was submitted to the Ministry on 11 December 2020. In January 2021, same has already been transmitted to the National Assembly.

18.2 Inadequate Control over Cash Book

Rs 25.4 million were disbursed from a bank account of the Ministry in financial year 2019-20 to Football Clubs and Football Committees, Support to Team Sports and Award of Cash Prizes to athletes and coaches in recognition of their outstanding performance. Control over these disbursements was not adequate as detailed below:

- Disbursements were done through a bank account managed at the level of the Ministry. Correspondence between the Ministry and the bank regarding instruction for the opening and operating of the bank account and authorised signatories was not seen. Subsequently, on 30 November 2020, the bank confirmed the account was opened on 07 July 1977 in the name of the Ministry of Youth and Sports.
- A cash book on excel sheets was maintained which would not provide for the necessary segregation of duties and would not be conducive for control over disbursements and bank reconciliations.
- As of 30 June 2020, there was a bank balance of Rs 1,044,035 as per the bank reconciliation statements and outstanding cheques of Rs 949,833. The unused balance was not reported for inclusion in the accounts of the Treasury as at end of financial year 2019-20.

The Ministry informed NAO that:

- In early January 2021, an official correspondence was sent to the Bank with details of all signatories.
- The Internal Control Unit will be asked to do more frequent checks regarding the cash book in the future.

18.3 Security Services at Youth and Sports Infrastructures – Lapses in Procurement Management

A contract for Security Services for a sum of Rs 30.4 million exclusive of VAT was signed with a company on 04 June 2019 for an initial period of 12 months starting on 17 June 2019 and renewable thereafter for another 24 months upon satisfactory rating by the Ministry. Some Rs 11.6 million were paid by the Ministry in 2019-20 to the company for its services.

Audit revealed the following shortcomings:

- (a) Inadequate planning in procurement and shortcoming in evaluation of bids leading to delays in finalising award of contract for Security Services; and
- (b) Inadequate monitoring of services and compliance by Service Provider.

Delays in finalising Award

Tender for the procurement of security services was launched on 28 September 2018 near the end of the expiry of the previous contract, which was on 31 October 2018 with bids submission deadline of 01 November 2018.

The first evaluation of bids was challenged on 22 January 2019 by one of the unsuccessful bidders.

Following review by the Independent Review Panel, re-evaluation was carried out and the tender was finally awarded and Contract signed on 04 June 2019.

Inadequate planning and need for re-evaluation of bids therefore resulted in:

- Delays in finalising the award.
- Extension of the previous contract on a month to month basis.

Inadequate monitoring of services and compliance by Service Provider

As per the Scope of Services and Performance Specification:

- (a) A Survey Report of all sites was to be submitted within the first month of Contract or on such period as may be mutually agreed upon.
- (b) Security guards to be assigned by the Service Provider shall be aged between 20-55 years.

(c) Shall have clean morality certificate (Certificate of Character).

These were not complied with.

The above shortcomings would have a bearing on the quality and efficiency of security services provided.

The Ministry informed NAO that:

- The Company was requested to remedy the situation regarding the age of security guards, and as at date, no security guards is above 55 years old. Certificate of Character are submitted by the Company as and when issued by the Police; and
- The Ministry will ensure that more formal Performance Monitoring Meetings, over and above the ones held quarterly with the Service Provider will be held as and when the need arises to discuss routine monitoring and compliance issues. The Ministry has established a close line of communication with the Service Provider to ensure compliance with regard to service deliverables, Certificate of Character of Security Guards as well as their age.

18.4 Rent of Office Space – Excess Office Space entailing Additional Costs

Rent amounting to Rs 17.8 million was paid during financial year 2019-20 for office accommodation of an area of some 28,000 square feet following the Ministry's relocation in another building in 2016.

This represented rentals for office spaces at the 7th and 8th floors housing also a gymnasium, a conference room and two committee rooms, and since 2017 part of a mezzanine floor. The latter floor was to accommodate a lecture theatre as well as the officers of other funds/bodies initially planned to be accommodated on the 8th floor.

Additional costs may have been incurred by the Ministry due to:

- Office space per employee being more than legally prescribed.
- Non-optimum use of rented space.
- Non-availability of guidelines for monitoring purposes.

Occupancy rate not in line with legal prescription

Section 36 of Occupational Safety and Health Act 2005 (OSHA) states that '*the number of employees at any one time in any workroom shall not be such that the space allowed for each employee is less than 11 cubic metres*' which represents 3.67 square metres of floor space.

This standard occupancy rate of floor space per employee would act as a guide regarding effective use of floor space as well as to keep rental costs and other expenses such as electricity, security and maintenance at a reasonable level.

- Significant variations were noted in occupancy rate of floor space per employee which ranged from 6 to 20 square metres.
- These were in excess of the legal prescription of 3.67 square metres of floor space.

Unnecessary costs due to non-optimum use of rental space

The rented spaces also comprised of two committee rooms, one conference room and a lecture theatre of 50 persons capacity. The latter was mainly meant for events such as award of certificates/cash prizes, cheque remittances, meetings and press conferences.

According to Ministry's records, the lecture theatre was booked on average four times per month.

- Optimum use of rented space was thus not being made.

Underutilisation of rental space would entail unnecessary costs to government.

Absence of guidelines for monitoring purposes

Guidelines regarding space requirements in respect of different "grades" of officers were not available to monitor optimal occupation of office space to meet the additional objective of reduction in rental costs.

The Ministry informed NAO that:

- The occupancy rate of 3.67 square metres refers to working space but not office space. Office space should cater for furniture, filing cabinets, space for door opening, etc.
- The Lecture Room was being used on a frequent basis, thus cutting on the cost for rental of hotel conference rooms for the holding of major events and press conferences.
- Guidelines to be followed regarding office requirements and space for gymnasium were not available.
- Prior to launching of bids for the rental of office space, the Ministry is presently working out its detailed needs requirements and specifications.

18.5 Governance Issues- Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) A report on performance has not been submitted in respect of the Ministry of Youth Empowerment, Sports and Recreation for financial years 2018-19 and 2019-20;
- b) The Mauritius Sports Council falling under the aegis of Ministry of Youth Empowerment, Sports and Recreation has not submitted its financial statements for financial year 2018-19 for audit; and
- c) Annual reports including audited Financial Statements and Audit Report of two statutory bodies have not yet been laid before the NA as shown in Table 18-2.

Table 18-2 - Annual Reports not laid before the National Assembly

Statutory Bodies	Period	Date Certified
Mauritius Sports Council	01.01.2016-30.06.2017	13.03.2020
National Youth Council	2018-19	03.07.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of each of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

The Ministry informed NAO that the Annual Reports of Mauritius Sports Council and National Youth Council have been transmitted to the National Assembly on 25 January and 05 February 2021 respectively.

19 - MINISTRY OF SOCIAL INTEGRATION AND ECONOMIC EMPOWERMENT

Follow up on Matters raised in Audit Report 2018-19

19.1 Social Housing for Vulnerable Groups – No Improvement regarding Monitoring of Disbursement of Capital Grants

At paragraph 18.1 of the Audit Report for the financial year 2018-19, I reported, among others, that there was inadequate control over capital grants disbursed to the National Empowerment Foundation (NEF) for the implementation of social housing projects. The Ministry disbursed funds without due regard to requirements of NEF, particularly its capacity to implement schemes for the construction of social houses for beneficiaries on the Social Register of Mauritius (SRM). Targets for the construction of fully concrete houses for the past three financial years were not achieved as planned and also, funds were not optimally used.

During the 2019-20 audit, the following were still noted:

- (a) Of the planned 301 Fully Concrete Houses (FCH) and 133 Modular Housing units (MH), contracts were awarded for construction of 283 FCH and purchase of only 13 MH;
- (b) Shortcomings in the Social Housing Contracts; and
- (c) Proper monitoring was not done by the Ministry and funds disbursed to NEF were not optimally utilised/committed.

19.1.1 Award of Contracts for FCH and Purchase of NHDC Housing Units

According to NEF's Action Plans for the past four financial years, 2016-17 to 2019-20, provisions were made for the construction of a total of 301 FCH and purchase of 133 MH units from the National Housing Development Corporation (NHDC) for landowners and landless beneficiaries on the SRM respectively. Total funds disbursed to NEF during that period amounted to Rs 375 million.

Total contracts awarded by NEF as of 30 June 2020 amounted to some Rs 267.7 million for the construction of 283 FCH and purchase of 13 NHDC housing units as indicated in Table 19-1.

Table 19-1 Contracts awarded for Construction and Purchase of Housing Units

Action Plan	Provisions		Award of Contracts/ Purchase			
	FCH (Units)	MH (Units)	Date	Amount Rs m	FCH (Units)	MH (Units)
2016-17	126	-	Apr/Aug 17	109.5	126	
2017-18	85	-	25 Oct 18	17.8	19	
2018-19	40	40	11 Jan 19	43.1	50	
			12 Jun 19	23.9	24	
Sub-total	251	40		194.3	219	
2019-20	50	93	N/A	7.4		13
			Jan 20	23.7	24	
			May 20	42.3	40	
Total	301	133		267.7	283	13

A review of a Status Report of 30 September 2020 obtained from NEF revealed the following:

Fully Concrete Housing units

- Out of a total of 195 FCH due for completion in July 2020 (24 other FCH having been cancelled for various reasons), 161 FCH were completed. The status of the other 34 FCH was not known.
- Construction works for 24 FCH awarded in January 2020 had not yet started more than eight months after due to sites not yet handed over to the contractors.
- 89 of the 161 FCH completed, that is more than 50 per cent, were allocated to households not eligible for monthly subsistence allowance. It was stated that those beneficiaries were eligible under the previous Corrugated Cum Iron Sheet (CCIS) Scheme which was discontinued and replaced by the FCH Scheme.

The Ministry informed NAO that approval of the Ministry of Finance, Economic Planning and Development was sought and same obtained.

Modular Housing units

The target for purchase of 133 MH for landless eligible beneficiaries was also not achieved. As of September 2020, agreements for the purchase of only 13 MH units were signed with NHDC. Moreover, at that same date, no deed of sale between NHDC and NEF was yet finalised, and hence, no MH was handed over to NEF.

The Ministry informed NAO that negotiations for the purchase of a total of 98 housing units with the NHDC were underway.

19.1.2 Shortcomings in the Social Housing Contract

This new Housing Policy was implemented by NEF since 2016 in replacement of the CCIS Housing Scheme. Beneficiaries were required to sign a 'Social Housing Contract (Contract)' for same.

The present contract however does not cater for any legal action which can be initiated against defaulting beneficiaries. After consultation with the Attorney General's Office and the Ministry of Finance, Economic Planning and Development, a new format of the Contract was approved by the Division and issued to NEF for implementation on 9 July 2020.

As at end of September 2020, the revised Contract was not yet implemented and NEF was seeking legal advice on the amendments.

19.1.3 Proper Monitoring not done and Funds Disbursed to NEF not Utilised/Committed

Total funds disbursed to NEF for the implementation of Social Housing Project from financial year 2016-17 to 2019-20 amounted to Rs 375 million. The following were observed:

- Proper monitoring of funds disbursed was not done by the Ministry. As per progress reports on implementation of capital projects from NEF, some Rs 107.3 million were either uncommitted or in excess of requirements. The full amount provided in Budget 2019-20 was nevertheless disbursed to NEF by the Ministry in June 2020.
- Of the total value of contracts awarded amounting to some Rs 267.7 million as of 30 June 2020, NEF had incurred expenditure of only Rs 113 million, that is some 42 per cent.

The Ministry needs to closely monitor this Social Housing Project implemented by NEF and also ensure that funds disbursed to NEF in respect of capital projects are optimally used for the intended purpose. Disbursement of funds should be effected according to progress of works. Funds disbursed in excess of requirements should be offset against future disbursements to NEF.

The Ministry informed NAO that:

- NEF has awarded contracts for construction of 313 FCHs as of end January 2021.
- NEF had been instructed to submit quarterly progress reports on a regular basis, and three quarterly progress reports on capital projects were submitted for 2019-20.

- Delays in completion were mainly due to land issues, and the Foundation will henceforth, concurrently arrange for application of required permits while launching tenders. As of 21 January 2021, 16 of the 24 FCH are under construction. Henceforth, NEF will not proceed with the construction of modular housing units in view of very low response of beneficiaries for such type.
- As per deed of sale signed on 9 October 2020, 47 NHDC houses had been purchased by NEF.
- The social housing contract was finalised in consultation with the State Law Office and includes provision for legal action on 13 October 2020.
- Funds already disbursed to NEF in excess of requirements would be offset against future disbursement.

19.2 Empowerment Support Scheme – Weaknesses in Processing Monthly Subsistence Allowance still Prevailed

At paragraph 18.2 of the Audit Report for the financial year 2018-19, I reported, amongst others:

- (a) That a Monitoring and Evaluation Framework for the Empowerment Support Scheme (ESS) for assessment of beneficiaries registered on the SRM has not yet been established; and
- (b) On the need to address weaknesses in processing Monthly Subsistence Allowance (MSA) payable, namely manual computation of quantum of MSA payable for new beneficiaries in the database, wrong prescribed thresholds used in some cases, resulting in overpayment/underpayment of MSA.

A review of the ESS during the 2019-20 revealed that although the Framework was established, the re-certification of beneficiaries was not yet completed, and the shortcomings with regard to the MSA still prevailed; as detailed hereunder:

Monitoring and Evaluation – Re-certification of eligible beneficiaries on the SRM

The MSA Scheme was implemented since December 2016. Eligible beneficiaries on the SRM, having signed the Marshall Plan Social Contract (Contract) were paid a monthly subsistence allowance as an income support to cater for basic needs so as to move out of the poverty trap.

The Contract signed was for an initial period of 12 months renewable for another 12 months. However, all contracts were automatically renewed up to June 2020.

Following the appointment of a Consultant, some 10,000 households on the SRM were invited to apply for re-certification as from July 2020. As of September 2020, the exercise was not yet completed.

The Ministry informed NAO that:

- Recertification exercise has now been completed.
- Attention of the Social Security and National Solidarity Division was drawn to above discrepancies on 9 November 2020, and corrective action has already been taken by the latter.

Wrong Prescribed Thresholds Applied

At paragraph 18.2.1 of the Audit Report for the financial year 2018-19, it was mentioned that there were some cases where thresholds applied for new beneficiaries registered in the SRM were not as prescribed resulting in MSA being overpaid or underpaid. Audit of a sample of new cases of MSA paid during 2019-20 again revealed discrepancies. In some cases, no MSA was payable while in other cases, the MSA payable was either overstated or understated as listed at Table 19-2.

Table 19-2 Wrong Prescribed Thresholds Applied

SRM No	Details of Households	Threshold		PMT	MSA	
		Applied	Eligible		Paid	Should have Paid
		Rs	Rs	Rs	Rs	Rs
20054182	2 A & 1 C	8,160	6,800	6,821	1,339	Nil
20054391	1 A & 2 C	6,800	5,440	6,027	773	Nil
20054346	3 A (comprise 2 C aged 19 and 17 yrs old)	6,800	8,160	4,505	2,295	3,655
20054201	1 A and 4 C	9,520	6,800	6,070	3,450	730
20054182	2 A & 1 C	8,160	6,800	6,821	1,339	Nil
20054136	1 A and 4 C	8,160	6,800	4,441	3,719	2,359

Note: A – Adult, C – Child, PMT – Proxy Means Test, MSA – Monthly subsistence Allowance

Discrepancies noted with respect to Child/Adult cut-off age

Discrepancies were noted in determining an individual registered in the SRM either *as a child or an adult* for assessing which prescribed threshold to be applied while running the Proxy Means Test. In some cases an individual under 16 years was considered as a child while in others, as an adult, as shown in Table 19-3.

Table 19-3 Discrepancies with respect to Child/Adult Cut-off Age

SRM No	Prescribed Threshold/Composition		Age of C at Registered Date
	Applied	Should Have Been	
19052425	Rs 9,520/2A+3C	Rs 6,800/1A+3C	C of 15yrs 8mths considered as A
20054214	Rs 6,800/2A+1C	Rs 5,440/1A+2C	C of 15yrs 9mths considered as A
20054327	Rs 4,080/ 1A+1C	Rs 5,440//2A	C of 16yrs considered as C
20054158	Rs 8,160/ 2A+2C	Rs 9,520/3A+1C	C of 16yrs considered as C

Note: A – Adult, C - Child

The Ministry needs to ensure that the re-certification exercise be completed without further delay and that contracts signed by NEF and the beneficiaries are correct. It should also draw the attention of the Social Security and National Solidarity Division, the custodian of the SRM, on the discrepancies highlighted above.

The Ministry informed NAO that attention of the Social Security and National Solidarity Division will be drawn to those discrepancies for remedial action.

20 – MINISTRY OF OCEAN ECONOMY, MARINE RESOURCES, FISHERIES AND SHIPPING

20.1 Asset Management and Disrupted Service Delivery

Significant sum is being disbursed by the Ministry for the acquisition of non-financial assets, namely patrol boats and vessels. However, shortcomings were noted in the management of these assets and these had a negative effect on the delivery of core services by the Ministry, particularly

- (a) Control and surveillance activities were interrupted; and
- (b) Proper training could not be provided at the Mauritius Maritime Training Academy (MMTA) and the Fisheries Training and Extension Centre (FITEC).

Asset Management Issues

Acquisition of non-financial assets amounted to some Rs 120 million from financial years 2016-17 to 2019-20. Out of this amount, some Rs 59 million were spent on patrol and multipurpose support vessels.

Insufficient Records

Contrary to financial instructions, a central register for all the assets owned by the Ministry, including boats and vessels, was not maintained.

Also, the Government Asset Register was incomplete as only details of assets of the Head Office and the Shipping Division were uploaded as from October 2020.

Except for Trou aux Biches Fisheries Post, regular surveys of assets at fisheries posts were not carried out and the inventory sheets were not updated.

No Maintenance Plan and Insurance Cover

During financial year 2019-20, out of a budgeted amount of Rs 1.6 million for maintenance, only some Rs 266,000 were spent.

No maintenance plan was available for the patrol/speed boats. Also, no maintenance register was kept.

The patrol boats were not insured against any risk of damage, theft or accident.

Inadequate Control over Use of Boats

It was not known whether the trips effected by the boats were duly authorised as signatures of Controlling Officer and in some cases, the signatures of the officers effecting the travelling were missing in the log books of the patrol/speed boats.

The Ministry informed NAO that:

- Necessary corrective actions are being taken to be in line with Financial Management Manual and Treasury Circular.
- Inventories and asset registers of all Departments falling under the aegis of the Ministry are being updated. The Master Asset Register is expected to be completed in the first quarter of 2021.

Disruption in Service Delivery

The Fisheries Protection Service (FPS) is the enforcement arm of the Ministry for control over the fishing activities in-lagoon and off-lagoon. The FPS has 14 fisheries posts around the island. Each fisheries post is provided with patrol/speed boats. Out of the 20 patrol/speed boats available at these fisheries posts, only eight were operational. In November 2020, site visits were carried out at Pointe aux Sables, Grand Gaube, Poudre d'Or and Trou aux Biches fisheries posts.

- Except for Trou aux Biches, control and surveillance activities were not carried out, since several months, at the other three fisheries posts visited.

The patrol/speed boats were not operational.

- The Pointe aux Sables fisheries post was endowed with two patrol boats. An outboard motor, delivered to the fisheries post on 12 July 2019 was due for its first servicing since 30 June 2020. The second boat was an old fiberglass patrol boat which was not being used since August 2017 when its faulty engine was sent to the supplier for repairs.
- At Grand Gaube fisheries post, two boats were lying idle. A fiberglass patrol boat, was at its mooring place in the sea since 9 September 2020. In July 2017, the Ministry was informed that the operational engine of a speed boat was beyond repairs.
- The Poudre D'Or fisheries post was equipped with an outboard motor since 28 June 2019. The boat was not in use, as there were some defects in the accelerator since 8 September 2020.

Mauritius Maritime Training Academy

The MMTA is a sea training school. It provides training adapted to the needs of the Mauritius Maritime Industry and the region as per international standards.

The rescue boat Gemini was not being used for providing practical training to students because the engine was stolen on 16 November 2012.

A lifeboat with davits was acquired, in October 2014, for practical exercises of the Personal Surviving Techniques and the Proficiency Survival Craft and Rescue Boat courses in line with the International Convention on Standards of Training, Certification and Watch keeping Convention.

However, since 2017, the MMTA could not carry out practical sessions as the lifeboat had fallen into a derelict stage. Following an inspection, in June 2017, it was reported that the boat incurred major damages due to tampering and vandalism and lack of proper maintenance. The lifeboat was at the jetty in an abandoned state.

Fisheries Training and Extension Centre

The FITEC caters for the various training needs of the fishing industry and carries out research and experimental fishing for untapped resources.

The fisheries support vessel “Maustral” was not being used for providing practical training to fishermen due to damage. According to the log book of the vessel, the last trip effected was on 17 November 2014. It was lying dormant at Trou Fanfaron Fishing Port.

On 20 February 2020, the Shipping Division of the Ministry reported that the vessel did not have the hydraulic ram which operates the rudder. Representatives from FITEC reported that the hydraulic ram has either been lost, misplaced, or was not returned after assessment for repair from the repairer.

The Ministry informed NAO that tenders were launched in March 2020 for the procurement of the hydraulic ram which operates the rudder of boat ‘Maustral’. The spare parts were cleared from the Customs in January 2021. Necessary arrangements are being made to mount the ram of the boat.

The delay was mainly due to the COVID-19 pandemic and difficulties encountered to clear the equipment from Customs.

20.2 Lapses in the Administration and Use of Multi-Purpose Support Vessel

A multipurpose support vessel, Investigator II, was delivered to the Ministry in February 2020. From a review of the records relating to the vessel, the following shortcomings were noted:

- (a) There had been limited use of the vessel since its delivery;
- (b) There was no duly signed commissioning certificate; and
- (c) The insurance cover was procured through emergency procurement.

Limited Use of Vessel

The vessel was acquired for the sum of some AU\$ 2.2 million, equivalent to some Rs 55 million. The vessel would replace two old vessels which were in operation for 27 years. It was delivered in February 2020 and is to be used for research, surveys and training of fishermen and skippers.

An activity plan was drawn for the use of the vessel for the period March to December 2020. However, the activities were not carried out and the vessel had mostly remained docked during this period.

The log book confirmed that the vessel was used only between 18 and 31 August 2020 to carry out surveys at the grounding site of the vessel MV Wakashio, off the reef at Pointe d'Esny.

Absence of Commissioning Certificate

In November 2019, a first commissioning was carried out in the Manning River, Australia. The commissioning certificate was signed by the supplier only.

On 10 July 2020, a further exercise was carried out in Mauritius by a hired Marine Surveyor, in the presence of crew members and the staff of the Ministry. This exercise was to familiarise the crew with the operator's manual and to test the equipment. Following this exercise, an "attestation" was issued on 12 July 2020.

- As of November 2020, the commissioning certificate, duly signed by both the Supplier and the representative of the Ministry, was not available.
- The effective warranty period could not be determined. Also, the warranty clause was omitted from the contract/build list signed by the Government of Mauritius and the supplier.

The Ministry informed NAO that the signing of the commissioning certificate by the supplier and this Ministry will be effected when its representative is able to travel to Mauritius once borders are opened.

Emergency Procurement for Insurance Cover

The vessel reached Mauritius on 28 February 2020. For four days, it was berthed without an insurance coverage.

On 28 February 2020, the Ministry had to resort to emergency procurement for insuring the vessel for the period 3 March 2020 to 2 March 2021, and paid some Rs 1.4 million as premium.

On 24 February 2020, the Ministry requested for informal quotation from five insurance companies for insurance cover. Four days were granted to the insurance companies for the submission of bid. By the closing date, no response was received from the bidders.

Proper planning had not been made by the Ministry in order to avoid having recourse to emergency procurement.

The Ministry informed NAO that:

- Investigator II was mainly docked due to the COVID-19 pandemic and could not be used in spite of the activity plan that was drawn up. The vessel had to observe the initial start-up period before being fully operational.
- There was very limited time between the day the vessel arrived in Mauritius and the inauguration of same. The Ministry accordingly proceeded urgently for the procurement of the insurance cover and, an emergency procurement was resorted to.

Follow up on Matters Raised in Audit Report for Financial Year 2018-19

20.3 Mainstreaming Biodiversity into the Management of Coastal Zones in Mauritius - Project Still Not Implemented

At paragraph 19.1 of the Audit Report for financial year 2018-19, I mentioned that the Mainstreaming Biodiversity into the Management of Coastal Zones in Mauritius Project was delayed and the appropriate regulatory framework for mainstreaming biodiversity protection was not developed.

During financial year 2019-20, policies, guidelines and enforceable regulations were yet to be finalised. Training had to be imparted to stakeholders concerned to enable them to work on the environmental information system.

The objectives of the project were to mainstream:

- (a) The conservation and sustainable use of biodiversity and ecosystem services into the Coastal Zone Management (CZM); and
- (b) The operations and policies of the tourism and physical development sectors in the Republic of Mauritius through an integrated management approach based on the Environmental Sensitive Areas (ESA) inventory and assessment.

The project value is US\$ 21.8 million. It is financed by a Global Environment Facility Grant and Government. The contribution of Government for the whole project is some US\$ 9.4 million.

Out of Rs 98 million budgeted for financial years 2017-18 to 2019-20, only some Rs 6 million were spent.

As of November 2020, the following activities had yet to be finalised:

- (a) A national Integrated Coastal Zone Management (ICZM) plan;
- (b) The Wetlands Bill; and
- (c) The incorporation of ESA recommendations into policies, guidelines, safeguards and enforceable regulations for an effective Coastal Zone Management.
 - The server which was housed in a department under the Prime Minister's Office to host the environmental information system was not fully operational.
 - Data access, use and sharing protocols were under review.

The finalisation of the regulations and management systems to enforce the protection of the ESAs under the Coastal Zone Project should not be further delayed.

The Ministry informed NAO that:

- The final ICZM report has been submitted by the Consultants in December 2020. It is under finalisation at the level of the Ministry of Environment, Solid Waste Management and Climate Change.
- A final draft of the Wetlands Bill has been submitted in November 2019. The Consultant was due to draft the regulations and undertake some consultations works with stakeholders. However, the Consultant was not able to do so due to pandemic and ensuing travel restrictions.
- As for the environmental information system, all maps of the coastal and marine ESAs produced under the Project have been uploaded in the system. A workshop on ESAs and Coastal Atlas had already been held on 20 November 2020. Officers of the Ministry of Environment, Solid Waste Management and Climate Change and other concerned Ministries will be subsequently trained to work on the system.

20.4 Off Lagoon Fishing Scheme - Objectives Not Yet Achieved

At paragraph 19.2 of the Audit Report for financial year 2018-19, I drew attention to various shortcomings in the implementation of the Off Lagoon Fishing Scheme (Scheme), namely fund earmarked was not used and the delay in the delivery of boats.

As of November 2020, of the four beneficiaries of the financial assistance, only two had their vessels delivered and operational. No further grant was released during financial year 2019-20.

Furthermore, shortcomings were noted in the administration of the Scheme.

Ineffectiveness of the Scheme

The objective of the Scheme is to provide financial support to Registered Fishermen Cooperative Societies to enable them to acquire semi-industrial vessels as a tool to venture into the outer reef and fishing banks. Government will provide a grant of 50 per cent up to a maximum of Rs 4 million.

The implementing partner, a private bank, is providing financing at the level of 40 per cent of the cost of the vessel. Successful applicants will have to contribute 10 per cent towards the cost of the project.

- Out of the Rs 48 million earmarked for the past three years, only Rs 15.8 million were disbursed in 2017-18 to four beneficiaries. No grant was disbursed during financial years 2018-19 and 2019-20.
- Expression of Interest (EOI) inviting fishermen cooperative societies to submit applications was last made in January 2019. No fresh invitation was launched since.

The Ministry should consider if there is need to revisit the Scheme after consultation with all the stakeholders concerned.

Shortcomings in the Administration of the Scheme

Absence of Agreement

Upon the granting of the financial assistance to cooperative societies by the Ministry, no agreement was signed between the two parties. Only a letter of intent (LOI) was issued to the beneficiary. No mention was made in the LOI of an eventual signature of an agreement.

Conditions of LOI Not Respected

The beneficiary has six months as from the date of the LOI to start fishing operations, failing which the LOI will lapse. Grant was disbursed to two Fishermen cooperative societies during 2017-18. The construction of their vessels had not been completed during financial year 2019-20, and yet no action had been taken by the Ministry as follows:

- Grant of some Rs 3.5 million was disbursed to a Fishermen Cooperative Society during 2017-18. Upon the third extension of the LOI on 29 April 2019, the Cooperative Society was advised that, if it failed to start fishing activities within a period of six months, the LOI would not be renewed. However, nine months later in January 2020, the construction was not yet completed.
- Grant of some Rs 3.4 million was disbursed to another Fishermen Cooperative Society in 2017-18. The LOI was issued on 28 October 2016. No extension of the LOI was seen, implying that the LOI had already lapsed in April 2017.

Lien Not Drawn

A Memorandum of Understanding was signed between the Ministry and the implementing partner whereby the Ministry shall inscribe:

- (a) A first line lien on the vessel in favour of the implementing partner to the extent of its loan granted to the beneficiary society.
- (b) A second line lien in its favour on the vessel to the extent of the amount allocated as grant to the beneficiary society for a period of up to 10 years.

There was no evidence that a lien was inscribed on the two vessels delivered and operational.

The Ministry informed NAO that:

- During 2018-19, the criteria for the Scheme was reviewed and an EOI was launched in January 2019. LOI were issued to three selected beneficiaries in May 2019. However, funds could not be disbursed as two beneficiaries informed the Ministry that they were proposing to change their boat suppliers.
- The third beneficiary was unable to contribute the 10 per cent of the cost as per requirement of the Scheme.

- As the requests made by the beneficiaries were under consideration, the Ministry did not proceed with a new EOI for the year 2019-20. The Ministry also decided to address several shortcomings that were noted in the Scheme prior to launching fresh exercise.
- The Scheme is currently being reviewed in consultation with the State Law Office.

20.5 Electronic Reporting System Still Not Operational

At paragraph 19.3 of the Audit Report for financial year 2018-19, I drew attention to the following:

- (a) Inadequate control over catch reporting by Operators, and
- (b) Poor planning over the procurement of the Electronic Reporting System (ERS).

The Ministry is still relying on manual log books for reporting of catch by operators. The ERS was not put to use though it was delivered since June 2020.

A review of the records relating to catch reporting and procurement of the ERS revealed the following:

20.5.1 Inadequate Control over Catch Reporting

- In 2020, fishing log books were not received for three purse seiners and five longliners in respect of catch for the year 2019.
- The total catch for the year 2019 as per final catch statement for the fleet of purse seiners and longliners was 4,127 tons compared to 3,791 tons as per log books received. This difference was mainly due to missing log books. The catch of 4,127 tons has given rise to an additional financial contribution of €7,026 payable to the Ministry, as per the Fisheries Partnership Agreement.

20.5.2 ERS Not Yet Operational

As of November 2020, out of the contract value of € 130,104 for the ERS, an amount of € 117,000 was already paid to the supplier.

The contract for the ERS was awarded in February 2019. The application was delivered in June 2020. As of November 2020, the system was still not operational as sea trial had not yet started.

20.5.3 Delay in the Extension of the Contract to Longline Fisheries

It was only after the signature of the contract in April 2019, that the Ministry realised that the ERS should also be applied to longliners as there was an increase in the number of long liners operating in the Exclusive Economic Zone of Mauritius and their catches have increased significantly over the years.

The quotation to extend the ERS developments to longline fisheries was approved in February 2020. However, as of November 2020, the supplier was not yet apprised of the Ministry's decision.

The Ministry informed NAO that, following its request in October 2020, the missing log books for three purse seiners and five longliners were submitted. The provisional catch of 4,127 tons would be reviewed and a revised catch for 2019 is expected. The financial contribution with respect to the excess catch would be made.

20.6 The Way Forward for Fishermen Investment Trust and National Ocean Council Not Yet Finalised

At paragraph 19.5 of the Audit Report for financial year 2018-19, I recommended that with the resignation of the Chief Executive Officer and the Chairperson of the Fishermen Investment Trust (FIT) since 2014, the Ministry had to decide on the future operation of the FIT, after consultation with the stakeholders concerned.

Mention was also made at paragraph 19.6 of the Audit Report for financial year 2018-19, that as of 31 October 2019, the National Ocean Council (NOC) had not been properly structured and was therefore, not fully operational.

During financial year 2019-20, FIT was still in operation, and discussions for the structure of NOC were ongoing. Costs incurred for FIT and NOC were:

- From August 2014 to 30 June 2020, FIT disbursed some Rs 4 million to meet its staff costs.
- From December 2015 to 30 June 2020, some Rs 6 million had been paid to meet members' fees and allowances of NOC.

In respect of NOC, the Ministry informed NAO that in December 2020, it discussed the proposal for the development of a blue economy policy document that would guide the development of the sector with representatives of the Food and Agriculture Organisation (FAO).

The FAO is expected to submit a proposal on the structure to be set up at the level of the Ministry to drive the blue economy.

20.7 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction

in respect of the following three fiscal years. The report shall contain 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.

- The **Statutory Bodies (Accounts and Audit) Act** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The **Statutory Bodies (Accounts and Audit) Act** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development revealed that, as of 31 January 2021:

- a) A report on performance has not been submitted in respect of the Ministry of Blue Economy, Marine Resources, Fisheries and Shipping for financial years 2018-19 and 2019-20;
- b) Two statutory bodies falling under the aegis of the Ministry of Blue Economy, Marine Resources, Fisheries and Shipping have not submitted their financial statements for audit as shown in Table 20-1; and
- c) Annual reports including audited Financial Statements and Audit Report of two statutory bodies have not yet been laid before the NA as shown in Table 20-2.

Table 20-1 Financial Statements not submitted to NAO for audit

Statutory Body	Financial Year/Period
Fishermen Investment Trust	2014, 2015, 1 January 2016 to 30 June 2017, 2017-18 & 2018-19.
Mauritius Oceanography Institute	2017-18 & 2018-19

Table 20-2 Annual Reports not laid before the National Assembly

Statutory Body	Period	Date Certified
Fishermen Welfare Fund	2018-19	16.06.2020
Seafarers' Welfare Fund	2018-19	19.03.2020

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of each of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfil their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA.

21 – MINISTRY OF LABOUR, INDUSTRIAL RELATIONS, EMPLOYMENT AND TRAINING

21.1 Governance Issues - Non-compliance with Legislations

Provisions have been made in various legislations to impose a statutory responsibility on Accounting Officers for submission of reports on performance and on Boards of Statutory Bodies for submission and tabling of annual reports, with the objective of strengthening accountability and transparency in the public sector.

- The ***Finance and Audit Act*** requires every Department to submit to the Minister responsible for the subject of finance, not later than 31 October in every year, a report on its performance in respect of the previous fiscal year and on its strategic direction in respect of the following three fiscal years. The report shall contain 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.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the chief executive officer of every statutory body to submit to the auditor, not later than four months after the end of every financial year, the annual report of the statutory body, including its financial statements, in respect of that financial year.
- The ***Statutory Bodies (Accounts and Audit) Act*** requires the Board of every statutory body, to furnish to the Minister to whom responsibility for the statutory body concerned is assigned, the annual report of the body, including the audited financial statements and the audit report, not later than one month from date of receipt of the audit report.

The Act also states that the Minister shall at the earliest available opportunity lay a copy of the annual report and audited accounts of every statutory body before the Assembly.

A verification of the records of the National Assembly (NA) and those of the Ministry of Finance, Economic Planning and Development has revealed that, as of 31 January 2021:

- a) A report on performance has not been submitted in respect of the Ministry of Labour, Human Resource Development and Training for financial year 2019-20.
- b) Two statutory bodies falling under the aegis of the Ministry of Labour, Human Resource Development and Training have not submitted their financial statements for audit as shown in Table 21-1.
- c) The annual report including audited Financial Statements and Audit Report of the Manufacturing Sector Workers Welfare Fund for the financial year 2018-19, certified on 25 August 2020, has not yet been laid before the NA.

Table 21-1 Financial Statements not submitted to NAO for Audit

Statutory Body	Financial Year/ Period
Trade Union Trust Fund	2015, 01.01.2016 to 30.06.2017, 2017-18 & 2018-19
National Wage Consultative Council	01.09.2016 to 30.06.2017, 2017-18 & 2018-19

According to the Acts establishing the above-named statutory bodies, the Ministry has a representative on the Board of each of the bodies.

NAO is of the view that Ministries should, through their representatives on the Boards, exercise control over statutory bodies to ensure that they fulfill their statutory responsibilities regarding the preparation of financial statements, their submission for audit and tabling before the NA

The Ministry informed NAO that the Annual Report of the Manufacturing Sector Workers Welfare Fund has been submitted to the National Assembly on 16 February 2021.

22 – MINISTRY OF HOUSING AND LANDS

22.1 Administration of State Lands - Inadequate Controls

One of the objectives of the Ministry of Housing and Land Use Planning is to achieve effective management and use of State Lands. Audit of the records of the Ministry relating to administration and lease of State Lands revealed the following shortcomings:

- (a) A comprehensive register of all State Lands is not being maintained by the Ministry;
- (b) Conditions of lease were not respected by lessees and prompt corrective actions were not taken by the Ministry;
- (c) Change of purpose of lease that was not in the interest of Government; and
- (d) Contrary to the State Lands Act, more than one Campement sites were allocated to a lessee.

22.1.1 *A Comprehensive Register of All State Lands Not Maintained*

The Ministry has not yet developed a comprehensive register of all State Lands. An informal register in excel format is being kept for leased lands only. Details of State Lands available for lease were not maintained.

Applications for lease of State Lands should be accompanied with a precise location plan. Cases were noted where leases were cancelled since 2015 and the State Lands had not been leased again due to the absence of new applications for the sites retrieved. New applications for these sites will be received only when the availability of these State Lands are known by those interested in leasing State Lands.

The Ministry informed NAO that:

- The State Lands Register is being developed and will be a tool to achieve the objective of obtaining a register of State Lands. However, data needs to be compiled to obtain a complete register.
- Furthermore, LAVIMS 2.0 which will comprise a National Spatial Data Infrastructure and will be accessible to most Government Entities, will help in the compilation of such data.

22.1.2 *Industrial Lease - Change of Purpose Not In the Interest of the Government*

Industrial lease is normally granted to promote economic development. Applications for lease by promoters were in respect of hotel development and construction of bungalows for tourist related projects and were submitted to Government for approval with projections of high investment and significant job creations.

After Government's approval and reservation letters are issued, the promoters apply for a change in purpose to build bungalows which are to be commercialised under the "Régime de Co-propriété" or construction and sale of villas/apartments under the 'Vente en Etat

Futur Achèvement’ through a *‘Règlement de Co-propriété’*. As a result, these developments/constructions are no longer tourist related projects.

- Some of these requests for change in purpose were accepted by the Ministry without further Government’s approval; and
- These industrial leases were usually granted to companies and societies. With the change in purpose, this may be a disguised way for the shareholders and members to be owners of personal bungalows/villas/apartments/units.

The Ministry informed NAO that Government’s approval is only for the reservation of State Lands. The reservation is on the land and not on the project. The project can be changed upon obtaining favourable planning views.

No Contribution to Consolidated Fund Following Change in Purpose

Promoters for tourism related projects on State Lands are required to contribute to the Consolidated Fund as follows:

- (a) State Lands with sea frontage - Rs 1.5 million per arpent and proportionately for part of an arpent; and
- (b) State Lands situated in the inland site of the coastal road-Rs 750,000 per arpent and proportionately for part of an arpent.

However, promoters of projects for building of bungalows to be commercialised under the *“Régime de Co-propriété”* were not required to contribute to Consolidated Fund.

For a sample of five leases, the contributions foregone amounted to some Rs 50 million.

The Ministry informed NAO that contribution to Consolidated Fund forgone are recouped many folds as registration duties by the Government whenever bungalows together with leasehold rights are sold. Therefore, there is no loss in revenue to Government.

Advice of Ministry of Finance, Economic Planning and Development (MoFEPD) Not Followed.

Advice of MoFEPD was sought by the Ministry on whether sale of bungalows/villas/apartments/units on industrial lease could be effected. MOFEPD was not in favour for the following reasons:

- (a) As a basic principle, subdivision of State Lands is not allowed by lessees. Under the Invest Hotel Scheme, the bungalows/villas/apartments/units do not operate individually but instead the owners are forced to lease them back to be operated as a hotel;
- (b) Recovery of State Lands by Government before expiry of the lease will become quasi-impossible in the case of a site on which there would be many apartments, each owned by a different person; and

- (c) Payment of rental would be the responsibility of the syndic and may lead to complications if some units' owners do not pay their share of rental.

Contrary to the above advice, it was noted that the Ministry was approving the change in purpose of lease agreement from touristic projects to be commercialised under “*Régime de Co-propriété*” or construction and sale of villas/apartments under ‘*Vente en Etat Futur Achèvement*’ through a ‘*Règlement de Co-propriété*’.

NAO was informed that the determination of the types/purpose of leases to be granted is the prerogative of the Ministry of Housing and Land Use Planning.

22.1.3 Allocation of More Than One Campement Site to a Lessee

The State Lands Act provides that “*in the case of leases for campement sites, not more than one lease shall be held by a person, directly or indirectly at any time.*”

Two portions of land, being lot 129 A1 of extent 2,110.44 m² (0A50P) and lot 129 A2 of extent 2,279 m² 9 (0A54P) both of Pas Geometriques (PG) Riambel were being held by the same lessee.

The Ministry informed NAO that:

- Lot 129A1 of P.G Riambel refers to a campement site and Lot 129A2 refers to a use and occupation of State Land on a year to year basis as watchman's quarters and is not leased as a campement site.
- Regarding lot 129A1, Ministry has been informed that proxy of the lessee has passed away and a new proxy has been requested to submit documents to enable the Ministry to draw up the new sixty-year campement site lease.
- Regarding lot 129A2, State Law Office's views are being sought on the way forward on retrieval of the land.

Follow up on Matters Raised in Audit Report for Financial Year 2018-19

22.2 Land Acquisition - No Improvement in the Processing Time

For the past three financial years, I have reported on the absence of a defined timeframe for each stage of the acquisition process and extensive time being taken to finalise an acquisition of land. This culminates in excessive interest payment by the Ministry.

The Ministry continuously informed NAO that a major component of the State Land Register Software Solution (SLRS) would be “Land Acquisition”. This system would ensure better monitoring and would bring efficiency in the acquisition process.

However, the SLRS is not yet operational and the processing time has yet to be improved.

For financial year 2019-20, the Ministry had disbursed some Rs 843 million for acquisition of land, that is 68 per cent over the initial earmarked amount of Rs 500 million. Of the Rs 843 million, Rs 104 million were in respect of interest.

Under the Land Acquisition Act (LAA), any person whose land has been compulsorily acquired will be entitled to payment of compensation. The compensation payable and/or the reasonableness of the claim for compensation submitted by the former owners is assessed by the Valuation Department.

- *Time Taken for Assessment of Compensation.* Though no specific timeframe has been set for the Valuation Department to submit its assessment of compensation payable, a reasonable delay may be accepted as the process is complex. It was noted that:
 - The time taken from the date the Ministry informed the Valuation Department to submit assessment of compensation payable and the date Valuation Department replied varied between six to 31 months;
 - In several cases, the former owners were not agreeable to the amount of compensation assessed by the Valuation Department. The Ministry took 15 days to 12 months to refer the claims/representations made by the former owners to the Valuation Department for reassessment; and
 - The Valuation Department took one to 88 months to submit its views in respect of the representations made by the former owners.
- *Time Taken to Inform Former Owners of Compensation.* The Ministry took three to 16 months to inform former owners of the Valuation Department's assessment of the compensation payable.
- *Acceptance of Offer for Compensation.* 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 as to whether they are agreeable to the offer of compensation. The Ministry, however, considered replies received between three to 40 months.
- *Appointment of Notary.* The Ministry took two to 20 months to request the Attorney General's Office (AGO) to appoint a notary to draw the deed of acquittance upon finalisation of the acquisition or the deed of witness when former owners accept interim payment.
- *Board of Assessment (BOA).* There were cases where requests were made by former owners and approvals of the Ministry were obtained in 2018 and 2019, to refer cases to BOA. As of October 2020, 15 to 29 months had already lapsed and yet these cases had not been referred to BOA.

Interest is payable at legal rate as from date of transcription up to the date of appointment of Notary. As from 18 November 2017, interest at REPO rate is charged.

The time lag between transcription date and appointment of Notary varied between 37 to 120 months. The interest paid represented 23 to 80 per cent of the compensation amount.

The BOA, in awarding compensation, may allow interest at the legal rate, calculated from the date of transcription until the date of the award of the BOA. Delay in referring the cases to BOA would impact on the interest payable.

22.2.1 Non submission of Deeds

At paragraph 20.2.1 of the Audit Report for financial year 2018-19, I mentioned that *true* and *certified* copies of deeds of acquittance/to witness interim payment were not submitted by Notaries to the Ministry. The latter took corrective actions whereby the Notaries submitted the relevant deeds.

For financial year 2019-20, 53 deeds were not yet submitted. Some Rs 230 million had already been disbursed to the Notaries from the years 2008 to 2020.

The AGO, in May 2017, suggested that for cases where deeds are delayed/kept in abeyance, the Notary should inform the Ministry the particular reason of the delay. Reasons for not submitting the deeds were not available in the respective files.

The Ministry informed NAO that:

- The module for “Acquisition” on the State Land Register is partially in operation. Preliminary data/information are being recorded and the system is expected to be fully operational by early 2021.
- In many circumstances, the delay in the process is beyond the control of the Ministry or the Valuation Department. These delays occur on account of various factors and include inconsistency in the request formulation by the Ministry or organisation concerned, missing information and lengthy delays in obtaining required information from the applicant and searches on land ownership.
- An Acquisition Monitoring Committee under the Chairmanship of the Ministry and comprising representatives of Ministries/Departments and Authorities concerned has been set up to monitor, coordinate and oversee all requests for acquisition of private land. The Committee will ensure timely publication and service of notices, follow up with stakeholders concerned for the obtention of necessary clearances, expedite assessment of the compensation payable for land being occupied, as well as monitor the process of payment of compensation.

22.3 Arrears of Revenue – Lapses Still Noted in Accounting of Lease Rental and Debt Management

For the past three financial years, I have drawn attention to:

- (a) The misstatement of the arrears figure reported by the Ministry; and
- (b) The inefficient measures for recovery of debts.

For financial year 2019-20, debt recovery was still slow, follow up of cases with no formal agreement was inadequate and shortcomings were also noted in accounting for lease rental.

As of 30 June 2020, arrears of revenue in respect of rental of State Lands amounted to Rs 753 million. Details are shown in Table 22-1

Table 22-1-Arrears of Revenue as of 30 June 2020

Type of Lease	Arrears as of 30 June 2019 Rs m	Amount Collected Rs m	Written Off Rs m	Amount due in 2019-20 Rs m	Arrears as of 30 June 2020 Rs m
Campement Site Lease Rental	31	(19)	0	18	30
Campement Site Lease Premium	44	(7)	0	3	40
Other Land Leases	585	(69)	(182)	237	571
Ex-CHA	14	(2)	0	2	14
Sub Total	674	(97)	(182)	260	655
Interest	122	(15)	(49)	40	98
Total	796	(112)	(231)	300	753

Source: Returns of Arrears of Revenue

- During financial year 2019-20, Rs 231 million were written off. This amount consisted of:
 - Some Rs 228 million which related to leases at Les Salines and Balaclava. These sites did not have vehicular access allowing construction works to start. In February 2019, following the regulations made under the State Lands Act, no rent was to be claimed from these lessees; and
 - Government approved that a public company be exempted some Rs 3 million as rental being given that the lessee maintains both Dr. A. Ferrière and Sir William Newton underpasses at its own cost.
- Of the Rs 655 million due, excluding interest as at 30 June 2020, some Rs 487 million or 74 per cent, were due for more than one year.
- Included in the Rs 98 million of interest due, some Rs 71 million or 72 per cent, were in respect of “Other Land Leases”.

22.3.1 Slow Recovery of Debts

Measures and enforcement mechanism put in place at the Ministry have still been proved to be inadequate and ineffective. For financial year 2019-20, debt recovery was still slow. As of 30 June 2019, some Rs 796 million were due, of which Rs 231 million were

written-off and only Rs 112 million, that is about 20 per cent of the collectible amount were recovered during the financial year 2019-20.

The Ministry's role is limited to the issue of first and second reminders and repayment facilities.

22.3.2 Insufficient Follow Up on Leases with LOI

The Ministry has still not developed a clear policy in respect of accounting for cases where there is no formal agreement.

As from November 2018, cases of leases with letter of intent (LOI) were not being accounted for in the Revenue Module. For cases prior to November 2018, the State Informatics Ltd was requested to tag these cases with a notification so that they are not included in the list of debtors.

The Ministry informed NAO that the exercise to tag LOI cases with a notification in the system has not been possible in the first instance since no such provision had been made in the actual system. The new digital service provider has been requested to cater for same in the new system so that all LOI's be tagged with a notification.

22.3.3 Lapses in the Accounting for Lease Rentals

In respect of lease of State Lands with LOI only, the Ministry has not been consistent in accounting of revenue and arrears thereof.

- ***Rentals from LOI***

A scrutiny of some cases of lease with LOI revealed that the Ministry was still considering such cases as arrears. For three cases, some Rs 80 million were included in the arrears figure.

- ***No Agreement and Yet Accounted as Revenue/Arrears***

A sample of cases, where the lease agreement was not signed, was taken from the Land Information Unit (LIU) records. It was observed that the Ministry was collecting rentals for these cases while in some cases, the rentals were accounted as arrears.

- ***Leases Not Renewed***

Rentals in respect of leases which had expired but were not renewed and for which lessees had not opted for the 60 years' lease were accounted in the arrears figure. For two cases, some Rs 16 million and Rs 1 million respectively were accounted as such.

- ***Higher Rental Claimed***

Some leases had expired. The lease agreement had not yet been signed though the 60 years' leases were opted. These cases were accounted as arrears at a higher rate. For a sample of four cases, the arrears amounted to some Rs 39 million.

The Ministry informed NAO that the arrears of rental computed as of 30 June 2020 include both lessees who have signed and those who have not signed their lease agreement. In fact, in the absence of appropriate information, excluding those who are occupying State Lands, despite not having signed a lease agreement may not reflect a true picture of actual arrears pertaining to lease rental.

22.3.4 No Formal Process for Modification in the Revenue System

There is no formal/documented policy for changes made in the revenue system.

The Ministry informed NAO that actually, any amendment made to a lessee's data has to be examined by the Principal Finance and Operation Officer. However, still there may be some shortcomings in the system.

With the new software, different responsibilities will be assigned to officers at different level for proper internal control.

22.4 Land Administration, Valuation and Information Management System (LAVIMS) - Revamping Not Yet Implemented and Valuation Roll Not Yet Completed

The Ministry disbursed some US\$ 20 million, exclusive of maintenance costs, for the LAVIMS project. The LAVIMS consists of the three components, namely Deeds, Cadastre and Valuation. Except for the Deeds, the Cadastre and Valuation components were implemented by the Ministry.

Regarding the Cadastre Component, at paragraph 20.4 and 20.5 of the Audit Report for financial year 2018-19, I reported, amongst others, that:

- (a) The Ministry was in process of revamping the Cadastre component and a decision was not finalized; and
- (b) There was inadequate control over the issue of Parcel Identification Number (PIN) and this might result in loss of revenue to the Government.

As regards the Valuation component, at paragraph 4.7 of the Audit Report for financial year 2018-19, I reported, amongst others, that:

- (a) There was delay in the enhancement of valuation module;
- (b) There was delay in the production of Valuation Roll (VR) for the Municipal Council of Quatre Bornes; and
- (c) The Property Valuation Bill was not finalised.

A review of the status of the Cadastre and the Valuation components revealed the following:

22.4.1 Cadastre Component- Revamping Not Yet Implemented and Controls for Processing of PIN Not Improved

Due to ageing hardware and application software, sub-optimal use and high maintenance cost, the Ministry decided to revamp LAVIMS in 2018 to come up with LAVIMS 2.0.

- As of November 2020, the LAVIMS 2.0 project had not yet started;
- On 19 March 2019, the contract to develop a strategic plan for the revamping of the current LAVIMS was signed for some Rs 5.4 million (excluding VAT); and
- In October 2019, the Consultant recommended that the Ministry replaces the existing system by implementing a Blockchain Based System. The project was to be implemented in phases. The cost and duration were also estimated. However, for financial year ended 30 June 2020, funds were not made available for the project.

The Ministry informed NAO that financial clearance for a Project Manager is being sought. While for the LAVIMS 2.0 project, documents are being finalised for launching of the tender.

PIN - Internal Controls for Processing Not Yet Improved

Controls over the processing of PIN were still inadequate.

- There was no segregation of duties in the process from identification of the surveyed plot in the Digital Cadastral Database (DCDB) to raising of payment vouchers;
- Changes on the DCDB were still not validated by a higher officer; and
- The DCDB was accessible to all stakeholders.

For excision/subdivision and morcellement, PINs are generated for the whole plot of land. The PINs generated, irrespective of whether land transaction had been finalised or not, can be viewed by all stakeholders. Land transactions can still be effected on the PINs generated without any fee to the Ministry.

The Ministry informed NAO that:

- Actions will be taken with the forthcoming of LAVIMS 2.0.
- In the meantime, PIN documents are being checked on a sample basis by a higher Officer prior to their issue.

22.4.2 Valuation Component - Valuation Roll (VR) Not Yet Completed

During financial year 2019-20, a review of the progress made in the implementation of the valuation component revealed the following:

- (a) The valuation module enhancement was not yet completed;
- (b) The production of VR for the Municipal Council of Quatre Bornes was still in progress; and
- (c) The Property Valuation Bill was not yet finalised.

Valuation Module Enhancement Not Yet Completed

The valuation of properties was to be carried at the Valuation Department (VD) under LAVIMS through the VR. However, due to non fulfilment of the requirements and specifications of the VR under the previous contract, the project was closed in February 2019. Some US\$ 340,000 were retained from the total value of US\$ 2.9 million.

In order to address the above failure, VD decided to implement two projects, namely;

- LAVIMS-Performance Issues and Database Optimisation; and
- LAVIMS-Valuation Module Enhancement

The contracts for the above two projects were signed on 6 December 2019 for US\$ 836,625 and US\$ 80,697 respectively. As of 30 June 2020, some US\$ 251,000 (Rs 10 million) and US\$ 73,000 (Rs 2.8 million) were already paid to the Contractor.

- LAVIMS Performance Issues and Database Optimisation project was completed and signed off on 18 September 2020, or some six months after the scheduled date of completion.
- As at end of November 2020, the Valuation Module Enhancement was not yet completed. It was at the User Acceptance Testing stage. The expected completion date was 3 November 2020.

The VD explained that the property data provided under the previous contract on LAVIMS is already outdated and needs to be updated. As the current LAVIMS neither provides application which will enable the VD to carry out mass survey and mass valuation of properties for the production of an updated VR nor any application for updating the property data so as to keep the VR updated on LAVIMS, a new module with required specification for an enhanced version of current LAVIMS was procured.

The new module will enable the VD to produce and maintain VR with updated property data and meet the prerequisite of Government.

Delay in the Production of VR for the Municipal Council of Quatre Bornes

The production of VR on a pilot basis for the Municipal Council of Quatres Bornes was still in progress.

Property Valuation Bill Not Yet Finalised

The Bill had not yet been finalised as of November 2020. It is to provide a legal framework for property valuation and maintaining the valuation component with a view to promoting transparency and good governance.

The VD informed NAO that the Property Valuation Bill will be reviewed and updated in due course.

22.5 Valuation Lists - Updating Delays Resulting in Loss of Revenue to Government and Municipal Councils

At paragraph 4.7.2 of the Audit Report for financial year 2018-19, I reported that with the coming into operation of the Local Government Regulations 2017, the valuation lists, maintained by VD, had to be amended for the purpose of levying general rate by the five City/Municipal Councils.

In May 2019, approval was given for the performance of duties to clear the 17,358 outstanding rating cases for the five City/Municipal Councils. The outstanding cases were to be completed over a period of six months.

- As at November 2020, 9,186 cases were still outstanding;
- The VD had disbursed some Rs 7 million in terms of allowance and travelling to clear the outstanding cases; and
- Delay in assessment of properties represents loss of revenue to the City/Municipal Councils.

The Ministry informed NAO that:

- The valuation lists are constantly being updated following assessment made and this work is ongoing.
- As for the outstanding rating cases, VD cannot complete the work within the timeframe in view that relevant information is missing.
- The figure for November 2020 includes new cases which have been received after the rating overtime work had stopped.

22.6 State Land Register Software Solution – Not Yet Operational

At paragraph 20.6 of the Audit Report for financial year 2018-19, I highlighted that the State Land Register Solution (SLRS) was not operational due to delays in the implementation process. The expected completion date of the project was October 2019.

The SLRS is a vital tool which would enhance the processing and monitoring of State Lands.

- The contract for the delivery, installation and commissioning of the SLRS amounted to some Rs 7.8 million. As of November 2020, some Rs 3 million were already paid and the SLRS was still not operational. For some modules, data migration and training were not completed; and
- The objectives, that is, compilation of State Land data, production of an inventory of State Lands for better administration and management of State land had yet to be attained.

The Ministry informed NAO that once all amendment proposals would be addressed and data migration completed, the system would go live during financial year 2020-21 after a final User Acceptance Test.

22.7 State Land Leased to a Statutory Body - Lease Agreement Not Yet Renewed

As reported at paragraph 20.8 of the Audit Report for financial year 2018-19, a statutory body held an industrial lease at Pas Geometriques Union Ribet at Calodyne of an extent of some 4.1 Arpent (17,341m²). The lease was for an initial period starting 14 December 1995 and expiring 30 June 2015. Upon expiry of the lease, the terms and conditions of the lease were not reviewed by the Ministry.

As of November 2020, the Ministry had not yet renewed the lease agreement.

The policy of the MOFEPD is to charge market rental in respect of lease of State Lands to parastatal bodies and Government owned companies. In April 2019, the Valuation Department assessed the annual rental of the initial extent of land leased (17,341m²) at some Rs 1.4 million.

The lease was not renewed and the new rental was not charged by the Ministry.

The Ministry informed NAO that:

- The lease had not been renewed yet as there was an issue of subletting of the premises that was being sorted out and also an issue of encroachment.
- The Valuation Department has assessed the annual rental for a further period of ten years as follows:
 - New extent: 18,509.86 m² (inclusive of encroachment over access road)
 - Rental: Rs 1,631,000 per annum
- Fresh planning views have been sought regarding the developments/occupation and purpose of lease to be granted.

Upon favourable planning views, the case will be processed for the renewal of the lease for a period of ten years to be effective as from 1 July 2015 at a rental of Rs 1,631,000 per annum.

23 – MINISTRY OF CIVIL SERVICE AND ADMINISTRATIVE REFORMS

23.1 Lease of Office Space - Excess Office Space and Wrong Determination of Rent Payable

The Ministry signed a lease agreement with a private company in August 2014 for lease of office space of gross area of 5,574.5 square metres (m²) for five years effective from 1 October 2014, at a monthly rental of Rs 2.1 million. The price per square foot (ft²) of Rs 35 was inclusive of VAT, syndic fees and 29 parking slots. Officers of the Ministry were relocated to the new office as from May 2015.

Audit of the records of the Ministry has revealed the following:

(a) *Possible Overpayment of Rent*

The lessor had offered office space of gross floor area of 5,574 m² in December 2013. The Valuation Department reported a net usable area of 4,751 m² and considered the proposed rent of Rs 35 per ft², including all amenities, as fair and reasonable. However, the contract amount and payments were based on the gross floor area of 5,574 m² instead of the net floor usable area. There appears to be an overpayment of Rs 22.1 million for the period April 2015 to December 2020.

The Ministry informed NAO that

- Through oversight, the previous management of the Ministry effected payment of rent on gross area instead of net usable area, as recommended by the Valuation Department.
- The Ministry has written to the private company to request the latter to refund the amount of Rs 22.1 million to this Ministry or agree for the overpayment of Rs 22.1 million to be offset by equal instalment, to be agreed by both parties, against the monthly rental. The private company has replied that the question of refund or offsetting of rent does not arise as the Lease Agreement was signed between both parties on the basis of a gross floor area of 5,574.5 m² at the rate of Rs 35 per ft². The Ministry has sought legal advice on the way forward.

(b) *Excessive Rental*

Based on the number of officers of the Ministry posted at the Head Office, the annual rental cost per staff is Rs 112,000, which appears to be on the high side. For example, for the Office of the Treasury and the Ministry of Environment, Solid Waste Management and Climate Change (Headquarters), the annual rental cost per staff amounts to Rs 51,764 and Rs 61,630 respectively.

(c) *More than Required Space*

According to Section 36 of the Occupational Safety and Health Act (OSHA), the number of employees at any one time in any workroom shall not be such that the

space allowed for each employee is less than 11 cubic metres, that is, 3.7 m² of floor area.

In terms of OSHA, it is estimated that a floor area of at least 888 m² is required for 240 employees posted at the Ministry. In a nutshell, for the occupancy space of 4,773 m², the space occupied per staff of the Ministry is on average, five times the space required for each employee under OSHA.

The Ministry has informed NAO that

- Provision has been made for office space in respect of
 - one new PS, two new DPSs, one APS and 3 new Confidential Secretaries to be posted in this Ministry;
 - one Director, six Management Analysts, and two Confidential Secretaries for the operations of the Public Sector Business Transformation Bureau (PSBTB); and
 - The new eHR system which is in its conceptualisation stage is being manned by four officers and some more officers will be posted.
- The Ministry also operates two training units each to accommodate up to 25 and 45 participants and a full-fledged gymnasium.
- Due to travel restrictions and the status of the COVID-19 pandemic, the Ministry has therefore, on a temporary basis, re-assigned six staff of the Technical Assistance Programming Section to other Ministries/Departments.
- Following decision to wind up the HRMIS, a major part of the 16 officers have been re-assigned to other Ministries/Departments.

(d) Rental of Building- Acquisition/Construction option Not considered

The Ministry has already paid rental of some Rs 155 million over the period April 2015 and December 2020. Except for the option to rent, the Ministry has not considered the cost and benefit of other alternatives such as acquisition or construction of its own building.

The Ministry is embarking on a project for the construction of a building for the Civil Service College of an extent of some 4,700 m² with modern amenities at Le Réduit Triangle. It would be financed by the Government of India in the form of a grant of up to US\$ 4.74 million (some Rs 160 million). On this basis, if the Ministry invests in the construction of its own building, for a similar floor area, the payback would be some six years in lieu of permanent payment of rent.

(e) Rental on a month to month basis

The lease agreement between the private company and the Ministry expired on 30 September 2019 but has not yet been renewed. Since October 2017, rental of Rs 2,241,171, is being paid on a month to month basis.

The Ministry informed NAO that with regard to the renewal of the Lease Agreement, the Attorney-General's Office has advised the Ministry to include a clause in the Lease Agreement stipulating that the Valuation Department should be consulted on the increase in rent payable to the private company. The private company has been informed accordingly.

23.2 HRMIS Project - Nugatory Expenditure of Rs 422.4 million

At paragraph 21.2 of the Audit Report for the financial year 2018-19, it was reported that there were considerable delays in the implementation of the five modules of Human Resource Management Information System (HRMIS) and that none of the modules had been put to effective use although six years had elapsed since the project started.

As of 30 June 2020, some Rs 422.4 million had already been incurred on the project. At the start of September 2020, the project was still under implementation although none of its modules had been put to effective use. On 25 September 2020, Government decided to wind up the project.

On 14 February 2020, the Ministry informed NAO that:

- 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 HRMIS was to be rolled out on a modular approach instead of a full blown implementation. The Payroll and the Leave Management Module was expected to become operational by June 2020 across the Public Service whilst the remaining modules and interfacing with other legacy systems would be completed by the end of 2020.
- Government would be apprised on a regular basis to ensure commitment at the highest echelon.
- Notwithstanding the bold measures and close monitoring at all levels, the Ministry would reassess the situation by June 2020 to gauge the viability of the Project and would take bold decisions in order to ensure that public funds would be well managed.

During a review of the project in the course of the current audit, the following were noted:

- As of 30 June 2020, the cumulative project costs, including hardware and software costs, maintenance costs, and overtime charges had reached Rs 422.4 million and included payments totalling some Rs 38.2 million for the financial year 2019-20.
- The above cost does not include expenditure relating to staff specifically recruited for implementation of the HRMIS. According to records, the number of officers in the Human Resource (HR) Cadre increased from 283 in December 2013 to 383 in December 2014.

- The project was still under implementation at the start of September 2020.
 - Parallel run of the Module 2 (Payroll) for July 2020 was still ongoing; and
 - Module 1 (Core HR) and Module 3 (Self Service) had reached 50 percent completion.
- Module 4 (Learning Management) and Module 5 (Performance management System) could not at all be implemented.
- Payments of some Rs 5 million for Renewal of Oracle Technical Support were for one year till 21 May 2021. Management may consider claiming back Rs 3.3 million, representing charges for the period October 2020 to May 2021.

NAO is of the view that

- The total amount of Rs 422.4 million spent on the project has been a wastage of public money.
- The Ministry had completely underestimated the scope and complexity of the project.
- For a project of this magnitude, the Ministry should have adopted a more prudent approach.
- Implementation issues were due to a combination of factors, including the following:

(i) Inefficient 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 transfers to other Ministries/Departments or retirement.
- The Steering Committee has not been meeting on a consistent basis. For example, no meeting was held between March 2017 and March 2018, and between October 2019 and September 2020.

(ii) Lack of adequate oversight by Senior Management of other Ministries/Departments

- The responsibility for implementation of the project at Ministries/Departments level was often left to officers of the Finance and HR Cadres; and
- There was no properly set up IT Technical Committee/team for the project management at the level of Ministries and Departments.

(iii) Lack of Adequate Technical Support

- Lack of adequate technical support of the Central Informatics Bureau (CIB) and other Departments operating under the aegis of the Ministry of Information Technology, Communication and Innovation (MITCI).
- There was no regular 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”.

The Ministry informed NAO that

- An assessment was done by the MITCI and it was noted that the HRMIS project would require the injection of an additional amount of not less than Rs 235 million over a period of five years. This would have been over and above the implementation cost as stipulated in the contract with a private company.
- Given the present economic context, Government took the decision to wind up the present HRMIS project and come up with a more cost effective and flexible Human Resource Management System using the existing HR database of the HRMIS.
- The new system is being worked out in collaboration with the MITCI using open source software and the information in the present HR database under the HRMIS will be migrated to the new platform.
- Government will own the source code of the development solution which will be hosted at the Government Online Centre and the Info-Highway.
- The Payroll Module could not be integrated with Treasury Accounting System as User Acceptance Test was still being carried out and the Test was delayed due to COVID-19.
- The implementation of the new system would be more cost-effective compared to the cost of pursuing with the current HRMIS project.
- As per Government decision, the Ministry is negotiating with the private company for the termination of the HRMIS contract by mutual consent in view of the fact that it is a Government owned company. The negotiation is still ongoing.

23.3 Budget Management - Ministry's Budget Overstated by 46 Per Cent

Audit of the records of the Ministry has revealed that the Ministry's budget was overstated by some Rs 239 million (46 per cent) due to Salaries of out-posted staff.

I reported at paragraph 21.1 of the 2018-19 Audit Report 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 out-posted staff. Audit recommended that the cost of out-posted staff should instead be incurred and recognised by their respective Ministries/Departments for sound accountability.

For financial year 2019-20, the Ministry's expenditure totalled Rs 519.2 million including staff cost of Rs 392.7 million. The Ministry has disbursed some Rs 239 million for 465 staff of the Human Resource and Occupational Safety and Health cadres out-posted to other Ministries/Departments representing some 46 per cent of total expenditure.

The actual staff costs of the Ministry should have been to the tune of some Rs 153.7 million instead of Rs 392.7 million, thus an overstatement by some 157 percent. This is significant.

The Ministry informed NAO that

- A policy decision has been taken at the level of this Ministry for each Ministry and Department to make provision for the salaries and benefits payable to the officers of the HR Cadre posted thereto.
- The Ministry has written to the Ministry of Finance, Economic Planning and Development to request the latter to make necessary arrangements for the salaries of all officers of the HR Cadre who are outposted on a full-time basis to be earmarked in the Vote of the respective Ministries and Departments as from the next financial year.
- Ministries have been requested to make appropriate provisions in their respective Vote as from the next financial year.

PART IV

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 the National Assembly

NAO carries out the audit of the accounts of the following public entities besides Ministries and Government Departments, and the RRA.

- **114** Statutory Bodies
- **12** Local Authorities
- **24** Special Funds
- **6** State Owned Companies
- **29** Other Bodies including **6** Donor-funded Projects

As of 19 February 2021

- (a) 46 Statutory Bodies have not yet submitted a total of 145 financial statements to my Office for audit purposes.
- (b) 174 financial statements in respect of 74 Statutory Bodies had been certified by NAO but have not yet been laid before the National Assembly.
- (c) a total of 30 financial statements in respect of 13 Special Funds have not yet been submitted for audit purposes.
- (d) 21 financial statements in respect of five Special Funds were already certified by NAO but not yet laid before the National Assembly.
- (e) 15 other bodies have not yet submitted a total of 51 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 15 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, a list of the Statutory Bodies whose accounts are audited by the Director of Audit is given.

As of 19 February 2021:

- 46 Statutory Bodies have not yet submitted a total of 145 financial statements to my Office for audit purposes. Appendix IIA refers.
- 174 financial statements in respect of 74 Statutory Bodies had been certified but have not yet been laid before the National Assembly. Appendix IIB refers.

Of the 237 audited financial statements reported not laid before the National Assembly in the Audit Report 2018-19, 95 (40 per cent) have subsequently been laid, as shown in Table 24-1.

Table 24-1 Audited Financial Statements Reported not Laid before the National Assembly in the Audit Report 2018-19 laid Subsequently

Period of Financial Statements	No of Financial Statements including Audit Report Laid	Financial Statements Certified			
		After 2017-18	2017-18	Between 2016-17 and 2011	Prior 2011
2017-18	17	17	-	-	-
2016-17	12	8	4	-	-
Between 2015-16 and 2011	41	8	1	32	-
Prior 2011	25	-	1	12	12
Total	95	33	6	44	12

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 submission of the accounts of Local Authorities for audit, and the gazetting of the certified financial statements and the report of the Director of Audit 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.

As of 19 February 2021 all local authorities have submitted their financial statements for respective period and also all audited financial statements were published in the Government Gazette.

At Appendix III is a list of the Local Authorities audited by the Director of Audit.

241.3 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, listed in Appendix IV.

As of 19 February 2021:

- a total of 30 financial statements in respect of 13 Special Funds have not yet been submitted for audit purposes. Details are at Appendix IVA.
- 21 financial statements in respect of five 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 Project Accounts

The Director of Audit is responsible for the audit of six State Owned Companies and 29 Other Bodies including six donor-funded projects. The list of these Companies/Bodies/Project Accounts is given at Appendix V.

As of 19 February 2021, 15 of these organisations have not yet submitted a total of 51 financial statements to NAO for audit purposes. Appendix VA refers.

24.2 Pension Funds - 63 Public Sector Bodies record Deficits totalling Rs 26 billion

At paragraph 24.2 of my Audit Report for the financial year 2018-19, I pointed out that the financial statements of 60 public sector bodies submitted to the NAO showed that pension funds under their Defined Benefit Pension Plans were running deficits totalling some Rs 22.4 billion as at 30 June 2018.

A review of the financial statements of 63 public sector bodies for the financial year 2018-19 submitted to my Office revealed that the aggregate deficit under their pension funds amounted to some Rs 26 billion as at 30 June 2019. This figure was made up of Rs 20.5 billion and Rs 5.5 billion for 51 Statutory Bodies and 12 Local Authorities respectively.

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.

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 Bus Industry Employees Welfare Fund
- 6 Central Electricity Board
- 7 Central Water Authority
- 8 Chagossian Welfare Fund
- 9 Chinese-Speaking Union
- 10 Civil Service Family Protection Scheme Board
- 11 Competition Commission
- 12 Conservatoire de Musique François Mitterand Trust Fund
- 13 Construction Industry Development Board
- 14 Creole-Speaking Union
- 15 Early Childhood Care and Education Authority
- 16 Economic Development Board
- 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 Independent Police Complaint Commission
- 27 Information and Communication Technologies Authority
- 28 Islamic Cultural Centre Trust Fund
- 29 Land Drainage Authority
- 30 Law Reform Commission
- 31 Le Morne Heritage Trust Fund
- 32 Mahatma Gandhi Institute
- 33 Malcom De Chazal Trust Fund
- 34 Manufacturing Sector Workers Welfare Fund
- 35 Marathi-Speaking Union

Continued

List of Statutory Bodies audited by the Director of Audit

- 36 Mauritian Cultural Centre Trust
- 37 Mauritius Broadcasting Corporation
- 38 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)
- 39 Mauritius Council of Registered Librarians
- 40 Mauritius Examinations Syndicate
- 41 Mauritius Ex-Services Trust Fund
- 42 Mauritius Film Development Corporation
- 43 Mauritius Institute of Education
- 44 Mauritius Institute of Health
- 45 Mauritius Institute of Training and Development
(previously Industrial and Vocational Training Board – Ceased operation on 15/11/2009)
- 46 Mauritius Marathi Cultural Centre Trust
- 47 Mauritius Meat Authority
- 48 Mauritius Museums Council
- 49 Mauritius Oceanography Institute
- 50 Mauritius Qualifications Authority
- 51 Mauritius Renewable Energy Agency
- 52 Mauritius Research Council
- 53 Mauritius Revenue Authority
- 54 Mauritius Society for Animal Welfare
- 55 Mauritius Society of Authors
- 56 Mauritius Sports Council
- 57 Mauritius Standards Bureau
- 58 Mauritius Tamil Cultural Centre Trust
- 59 Mauritius Telugu Cultural Centre Trust
- 60 Mauritius Tourism Promotion Authority
- 61 Media Trust
- 62 National Adoption Council
- 63 National Art Gallery
- 64 National Children's Council
- 65 National Computer Board
- 66 National Cooperative College
- 67 National Council for the Rehabilitation of Disabled Persons

Continued

List of Statutory Bodies audited by the Director of Audit

68	National Heritage Fund
69	National Library
70	National Productivity and Competitiveness Council
71	National Solidarity Fund
72	National Transport Corporation
73	National Wage Consultative Council
74	National Women Entrepreneur Council
75	National Women's Council
76	National Youth Council
77	Nelson Mandela Centre for African Culture Trust Fund
78	Open University of Mauritius
79	Outer Islands Development Corporation
80	Private Secondary Education Authority
81	Professor Basdeo Bissoondoyal Trust Fund
82	Public Officers' Welfare Council
83	Rabindranath Tagore Institute
84	Rajiv Gandhi Science Centre Trust Fund
85	Ramayana Centre
86	Road Development Authority
87	Sanskrit Speaking Union
88	Seafarers' Welfare Fund
89	Senior Citizens Council
90	Sir Seewoosagur Ramgoolam Botanical Garden Trust
91	Sir Seewoosagur Ramgoolam Foundation
92	Small and Medium Enterprises Development Authority
93	Small Farmers Welfare Fund
94	St Antoine Planters Cooperative Trust
95	State Trading Corporation
96	Sugar Industry Labour Welfare Fund
97	Sugar Insurance Fund Board
98	Tamil-Speaking Union
99	Telugu-Speaking Union
100	Tertiary Education Commission
101	Tourism Authority
102	Tourism Employees Welfare Fund

Continued

List of Statutory Bodies audited by the Director of Audit

- 103 Town and Country Planning Board
- 104 Trade Union Trust Fund
- 105 Training and Employment of Disabled Persons Board
- 106 Trust Fund for Specialised Medical Care
- 107 Université des Mascareignes
- 108 University of Mauritius
- 109 University of Technology Mauritius
- 110 Urdu Speaking Union
- 111 Utility Regulatory Authority
- 112 Vallée D'Osterlog Endemic Garden Foundation
- 114 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.

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Body	No of Financial Statements	Period	Statutory Date Limit
1	Chagossian Welfare Fund	2	2018-19 2019-20	31.10.2019 31.10.2020
2	Creole Speaking Union	1	2019-20	31.10.2020
3	Early Childhood Care and Education Authority	2	2018-19 2019-20	31.10.2019 31.10.2020
4	Fashion and Design Institute	1	2019-20	31.10.2020
5	Fishermen Investment Trust	6	2014 2015 01.01.2016-30.06.2017 2017-18 2018-19 2019-20	30.04.2015 30.04.2016 31.10.2017 31.10.2018 31.10.2019 31.10.2020
6	Gambling Regulatory Authority	2	2018-19 2019-20	31.10.2019 31.10.2020
7	Hindi Speaking Union	1	2019-20	31.10.2020
8	Independent Police Complaints Commission	1	2019-20	31.10.2020
9	Land Drainage Authority	1	2019-20	31.10.2020
10	Malcom de Chazal Trust Fund	2	2018-19 2019-20	31.10.2019 31.10.2020
11	Marathi Speaking Union	1	2019-20	31.10.2020
12	Mauritian Cultural Centre Trust	15	2004-05 2005-06 2006-07 2007-08 2008-09 01.07.2009-31.12.2010	30.09.2005 30.09.2006 30.09.2007 30.09.2008 30.09.2009 31.03.2011

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Body	No of Financial Statements	Period	Statutory Date Limit
	Mauritian Cultural Centre Trust <i>(continued)</i>		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
			2019-20	31.10.2020
13	Mauritius Film Development Corporation	2	2018-19	31.10.2019
			2019-20	31.10.2020
14	Mauritius Museums Council	4	01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
15	Mauritius Oceanography Institute	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
16	Mauritius Research and Innovation Council	1	2019-20	31.10.2020
17	Mauritius Society for Animal Welfare	6	30.10.2013-31.12.2014	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
			2019-20	31.10.2020

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Body	No of Financial Statements	Period	Statutory Date Limit
18	Mauritius Society of Authors	4	01.01.2016-30.06.2017 2017-18 2018-19 2019-20	31.10.2017 31.10.2018 31.10.2019 31.10.2020
19	Mauritius Sports Council	2	2018-19 2019-20	31.10.2019 31.10.2020
20	Mauritius Tamil Cultural Centre Trust	6	2014 2015 01.01.2016-30.06.2017 2017-18 2018-19 2019-20	30.04.2015 30.04.2016 31.10.2017 31.10.2018 31.10.2019 31.10.2020
21	Media Trust	3	2017-18 2018-19 2019-20	31.10.2018 31.10.2019 31.10.2020
22	National Art Gallery	2	2018-19 2019-20	31.10.2019 31.10.2020
23	National Cooperative College	1	2019-20	31.10.2020
24	National Economic and Social Council	2	2014 01.01.2015-30.04.2015	30.04.2015 30.04.2016
25	National Heritage Fund	4	01.01.2016-30.06.2017 2017-18 2018-19 2019-20	31.10.2017 31.10.2018 31.10.2019 31.10.2020
26	National Transport Corporation	6	2014 2015 01.01.2016-30.06.2017	30.04.2015 30.04.2016 31.10.2017

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Body	No of Financial Statements	Period	Statutory Date Limit
	National Transport Corporation (<i>continued</i>)		2017-18 2018-19 2019-20	31.10.2018 31.10.2019 31.10.2020
27	National Wage Consultative Council	4	01.09.2016-30.06.2017 2017-18 2018-19 2019-20	31.10.2017 31.10.2018 31.10.2019 31.10.2020
28	National Women Entrepreneur Council	1	2019-20	31.10.2020
29	National Women's Council	2	08.03.2018-30.06.2019 2019-20	31.10.2019 31.10.2020
30	Nelson Mandela Centre for African Culture Trust Fund	3	2017-18 2018-19 2019-20	31.10.2018 31.10.2019 31.10.2020
31	Outer Islands Development Corporation	1	2019-20	31.10.2020
32	Professor Basdeo Bissoondoyal Trust Fund	14	04.04.2005-30.06.2006 2006-07 2007-08 2008-09 01.07.2009-31.12.2010 2011 2012 2013 2014 2015 01.01.2016-30.06.2017 2017-18 2018-19 2019-20	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 31.10.2020

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Body	No of Financial Statements	Period	Statutory Date Limit
33	Rajiv Gandhi Science Centre Trust Fund	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
34	Sanskrit Speaking Union	1	2019-20	31.10.2020
35	Sir Seewoosagur Ramgoolam Botanical Garden Trust	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
36	Sir Seewoosagur Ramgoolam Foundation	6	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
			2019-20	31.10.2020
37	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
38	Small Farmers Welfare Fund	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
39	Sugar Cane Planters Trust	3	2007-08	30.09.2008
			2008-09	30.09.2009
			01.07.2009-24.07.2010	31.03.2011
40	Tamil Speaking Union	1	2019-20	31.10.2020
41	Trade Union Trust Fund	5	2015	30.04.2016
			01.01.2016-30.06.2017	31.10.2017
			2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020

Continued

Statutory Bodies - Financial Statements not yet Submitted

SN	Statutory Body	No of Financial Statements	Period	Statutory Date Limit
42	Training and Employment of Disabled Persons Board	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
43	Université Des Mascareignes	2	2018-19	31.10.2019
			2019-20	31.10.2020
44	University of Technology Mauritius	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
45	Urdu Speaking Union	1	2019-20	31.10.2020
46	Vallée D'Osterlog Endemic Garden Foundation	3	2017-18	31.10.2018
			2018-19	31.10.2019
			2019-20	31.10.2020
Total		145		

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
1	Agricultural Marketing Board	1	2018-19	24.07.2020
2	Beach Authority	4	2014 2015 01.01.2016-30.06.2017 2018-19	26.10.2015 05.10.2016 06.07.2018 31.08.2020
3	Bhojpuri Speaking Union	1	2017-18	18.02.2019
4	Bus Industry Employees Welfare Fund	1	2018-19	10.07.2020
5	Central Water Authority	1	2017-18	12.06.2020
6	Chinese Speaking Union	1	2018-19	13.03.2020
7	Competition Commission	1	2018-19	26.08.2020
8	Conservatoire de Musique François Mitterand Trust Fund	1	2018-19	31.08.2020
9	Construction Industry Development Board	1	2018-19	23.07.2020
10	Creole-Speaking Union	1	2017-18	13.03.2020
11	Early Childhood Care and Education Authority	2	01.01.2016-30.06.2017 2017-18	30.05.2018 28.09.2020
12	Employees Welfare Fund	1	2017-18	28.09.2020
13	Farmers Service Corporation	2	2011 01.01.2012-18.03.2012	28.12.2012 21.07.2014
14	Fashion and Design Institute	1	2018-19	27.08.2020
15	Fishermen Welfare Fund	1	2018-19	16.06.2020
16	Food and Agricultural Research and Extension Institute	3	14.02.2014-31.12.2014 2015 01.01.2016-30.06.2017	08.11.2018 08.11.2018 01.09.2020
17	Food and Agricultural Research Council	1	01.01.2013-13.02.2014	13.01.2017

Continued

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
18	Independent Police Complaints Commission	1	09.04.2018-30.06.2019	27.08.2020
19	Industrial and Vocational Training Board	1	01.07.2009-15.11.2009	11.07.2014
20	Information and Communication Technologies Authority	4	2015 01.01.2016-30.06.2017 2017-18 2018-19	23.08.2019 17.10.2019 09.09.2020 24.09.2020
21	Islamic Cultural Centre Trust Fund	8	2005-06 2006-07 2007-08 2008-09 01.07.2009-31.12.2009 2010 01.01.2016-30.06.2017 2017-18	26.07.2011 26.07.2011 26.07.2011 07.02.2014 07.02.2014 07.02.2014 31.05.2018 03.06.2020
22	Le Morne Heritage Trust Fund	3	2004-05 2005-06 2006-07	30.03.2010 30.03.2010 30.03.2010
23	Malcom de Chazal Trust Fund	8	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 01.07.2009-31.12.2010 2011	04.07.2013 14.10.2014 14.10.2014 14.10.2014 14.10.2014 14.10.2014 14.10.2014 14.10.2014
24	Manufacturing Sector Workers Welfare Fund	1	2018-19	25.08.2020

Continued

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
25	Marathi Speaking Union	2	2017-18 2018-19	17.10.2019 25.06.2020
26	Mauritian Cultural Centre Trust	2	2002-03 2003-04	30.03.2005 22.01.2007
27	Mauritius Broadcasting Corporation	1	2015	22.05.2019
28	Mauritius Council of Registered Librarians	4	2012 2013 01.01.2016-30.06.2017 2017-18	03.12.2014 02.07.2015 06.09.2018 27.02.2019
29	Mauritius Examinations Syndicate	1	2018-19	31.08.2020
30	Mauritius Film Development Corporation	2	2015 01.01.2016-30.06.2017	28.08.2019 01.09.2020
31	Mauritius Institute of Education	1	2018-19	31.08.2020
32	Mauritius Institute of Training and Development	2	2017-18 2018-19	25.09.2020 21.10.2020
33	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
34	Mauritius Qualifications Authority	1	2017-18	27.08.2020
35	Mauritius Research Council	1	2018-19	21.08.2020

Continued

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
36	Mauritius Society of Authors	3	2013 2014 2015	29.04.2019 29.04.2019 29.04.2019
37	Mauritius Sports Council	1	01.01.2016-30.06.2017	13.03.2020
38	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
39	Mauritius Sugar Terminal Corporation	1	01.01.2012-18.03.2012	02.09.2014
40	Mauritius Tamil Cultural Centre Trust	1	2004-05	24.10.2012
41	Mauritius Telugu Cultural Centre Trust	1	2018-19	13.03.2020
42	Media Trust	1	2014	27.05.2020
43	National Art Gallery	4	2014 2015 01.01.2016-30.06.2017 2017-18	31.05.2018 31.05.2018 14.05.2020 14.05.2020
44	National Children's Council	9	2006-07 2007-08 2008-09 01.07.2009-31.12.2010 2011 2012 2013 2014 2015	28.01.2013 30.07.2013 13.02.2014 13.02.2014 12.05.2014 22.09.2014 07.10.2014 17.05.2016 12.04.2019

Continued

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
45	National Council for the Rehabilitation of Disabled Persons	4	01.07.2009-31.12.2010 2011 2013 2015	18.11.2011 04.10.2012 16.10.2014 28.09.2016
46	National Economic and Social Council	1	2013	17.03.2015
47	National Heritage Fund	6	2007-08 2008-09 01.07.2009-31.12.2010 2011 2012 2013	19.11.2012 19.11.2012 28.01.2013 17.02.2014 25.11.2019 21.08.2020
48	National Human Rights Commission	1	01.01.2016-06.09.2016	29.05.2019
49	National Solidarity Fund	3	2015 2017-18 2018-19	31.10.2016 14.06.2019 31.08.2020
50	National Transport Corporation	1	2013	18.11.2015
51	National Youth Council	1	2018-19	03.07.2020
52	Nelson Mandela Centre for African Culture Trust Fund	2	2015 01.01.2016-30.06.2017	16.03.2020 13.10.2020
53	Open University of Mauritius	1	2018-19	12.10.2020
54	Outer Islands Development Corporation	2	01.01.2016-30.06.2017 2017-18	03.07.2018 29.04.2019
55	Private Secondary Education Authority	1	2018-19	28.08.2020
56	Ramayana Centre	2	2017- 18 2018-19	13.03.2020 09.06.2020

Continued

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
57	Road Development Authority	1	2018-19	18.08.2020
58	Seafarers' Welfare Fund	1	2018-19	19.03.2020
59	Senior Citizens Council	4	2015	14.12.2016
			01.01.2016-30.06.2017	15.03.2018
			2017-18	12.04.2019
			2018-19	30.06.2020
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
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

Continued

**Statutory Bodies - Financial Statements Certified
but not yet laid before the National Assembly**

Sn	Statutory Body	No of Financial Statements	Period	Date Certified
62	Sugar Cane Planters Trust	1	2006-07	20.10.2008
63	Sugar Planters Mechanical Pool Corporation	1	01.01.2012-18.03.2012	28.07.2014
64	Telugu Speaking Union	2	2015 01.01.2016-30.06.2017	19.02.2018 19.02.2018
65	Tertiary Education Commission	1	2018-19	12.08.2020
66	Tourism Authority	1	2017-18	13.03.2020
67	Tourism Employees Welfare Fund	1	2018-19	31.08.2020
68	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
69	Trust Fund for Specialised Medical Care	1	2018-19	05.08.2020
70	University of Mauritius	1	2018-19	28.10.2020
71	University of Technology Mauritius	5	2011 2012 2013 2014 2015	29.04.2019 22.07.2019 07.10.2019 18.08.2020 30.10.2020
72	Utility Regulatory Authority	1	2018-19	28.09.2020
73	Vallée D'Osterlog Endemic Garden Foundation	1	2014	25.02.2020
74	Wastewater Management Authority	1	2018-19	29.10.2020
Total		174		

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 Cooperative Development Fund
 - 2 COVID-19 Project 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
 - 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 Fund	No of Financial Statements	Period
1	COVID-19 Projects Development Fund	1	28.04.2020-30.06.2020
2	Curatelle Fund	1	2019-20
3	National Arts Fund	1	2019-20
4	National Parks and Conversation Fund	1	2019-20
5	National Pensions Fund	2	2018-19 2019-20
6	National Recovery Fund	4	01.01.2016-30.06.2017 2017-18 2018-19 2019-20
7	National Resilience Fund	2	2018-19 2019-20
8	Non Government Organisation Trust Fund	2	2018-19 2019-20
9	President Fund For Creative Writing	2	2018-19 2019-20
10	Recovered Assets Fund	2	2018-19 2019-20
11	Smart City Scheme Social Fund	3	11.11.2017-30.06.2018 2018-19 2019-20
12	Special fund for the Welfare of the Elderly	3	2017-18 2018-19 2019-20

Continued

Special Funds - Financial Statements not yet Submitted

Sn	Special Fund	No of Financial Statements	Period
13	Students Relief Fund	6	2014 01.01.2015-30.06.2016 2016-17 2017-18 2018-19 2019-20
Total		30	

**Special Funds - Financial Statements Certified
but not yet Laid before the National Assembly**

Sn	Special Fund	No of Financial Statements	Period	Date Certified
1	National Habitat Fund	1	2014	14.12.2016
2	National Pensions Fund	5	2011 2012 2013 2014 01.01.2015-30.06.2016	05.02.2016 21.09.2016 09.04.2019 09.04.2019 27.08.2019
3	National Resilience Fund	1	01.01.2015-30.06.2016	16.03.2020
4	Non Government Organisation Trust Fund	2	2013 2016-17	29.10.2014 01.06.2018
5	Treasury Foreign Currency Management Fund	12	2006-07 2007-08 2008-09 01.07.2009-31.12.2010 2011 2012 2013 2014 01.01.2015-30.06.2016 2016-17 2017-18 2018-19	30.11.2007 10.03.2009 24.02.2010 10.10.2011 19.09.2012 30.08.2013 19.01.2015 20.08.2015 08.08.2017 06.03.2018 28.01.2019 29.06.2020
Total		21		

Appendix V

List of State Owned Companies, Other Bodies and Project Accounts audited by the Director of Audit

State Owned Companies

- 1 CEB (Green Energy) Company Ltd
- 2 CEB (Fibernet) Company Ltd
- 3 CEB (Facilities) Company Ltd
- 4 Financial Services Institute Company Ltd
- 5 National Empowerment Foundation
- 6 SME Mauritius Ltd

Other Bodies

- 1 Association of District Councils
- 2 Association of Urban Authorities
- 3 Biennial Update Report (BUR)
- 4 Discharged Persons Aid Committee
- 5 Financial Intelligence Unit
- 6 Global Fuel Economy Initiative
- 7 Independent Commission Against Corruption
- 8 Indian Ocean Rim Association for Regional Cooperation
- 9 Institute For Judicial and Legal Studies
- 10 Integrity Reporting Services Agency
- 11 Lottery Committee
- 12 Mental Health Care Accounts Committee
- 13 National Archives Research and Publication Fund
- 14 National Committee on Corporate Governance
- 15 National CSR Foundation
- 16 National Savings Fund
- 17 Parole Board
- 18 Postal Authority
- 19 Roman Catholic Diocese of Port Louis Religious Subsidy Act
- 20 Responsible Gambling and Capacity Building Fund

Continued

Other Bodies

- 21 SADC Trade Related Facility
- 22 Statutory Bodies Family Protection Fund
- 23 University of Mauritius Trust

International Donor Agencies – Project Accounts

- 1 Industrial Symbiosis Project
- 2 Middle Income Countries Technical Assistance Fund- Dam Development
- 3 Statistical Capacity Building Project – Funded by World Bank
- 4 St Louis Redevelopment Project financed by the AFDB
- 5 Transformation of Belle Mare into Climate – Smart Agriculture Village Project
- 6 UNFPA Improved Quality of Life of Population

Other Bodies - Financial Statements not yet Submitted

Sn	Other Body	No of Financial Statements	Period
1	Association of Urban Authorities	1	2019-20
2	Financial Intelligence Unit	2	2018-19 2019-20
3	Financial Services Institute Company Ltd	1	2019-20
4	Global Fuel Economy Initiative	3	2017-18 2018-19 2019-20
5	Institute For Judicial and Legal Studies	2	2018-19 2019-20
6	Mental Health Care Accounts Committee	17	2002-03 2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 01.07.2009-30.06.2010 2011 2012 2013 2014 01.01.2015-30.06.2016 2016-17 2017-18 2018-19 2019-20
7	Middle Income Countries Technical Assistant Fund- Dam Development	4	01.08.2014-31.12.2015 2016 2017 2018

Continued

Other Bodies - Financial Statements not yet Submitted

Sn	Other Body	No of Financial Statements	Period
8	National Archives Research and Publication Fund	10	01.07.2009-31.12.2010 2011 2012 2013 2014 01.01.2015-30.06.2016 2016-17 2017-18 2018-19 2019-20
9	National Empowerment Foundation	2	2018-19 2019-20
10	National Human Rights Commission	1	2019-20
11	National Savings Fund	2	2018-19 2019-20
12	Responsible Gambling and Capacity Building Fund	2	2018-19 2019-20
13	SME Mauritius	1	2019-20
14	Statutory Bodies Family Protection Fund	1	2019-20
15	University of Mauritius Trust	2	2018-19 2019-20
Total		51	

**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 2020, and the statement of financial performance, the statement of changes in net assets or equity, the statement of cash flows 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 2020, 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 Rs11.5 billion at Note 6 to the Accounts, which represents balance of loans to Statutory Bodies, Private Bodies, Other Bodies and Private Individuals as at 30 June 2020. Included in this figure is a sum of Rs 1.9 billion, representing amounts due as at 30 June 2020 but not yet paid as at that date.

- (ii) The Investment figure of Rs104.4 billion, as disclosed at Note 7 to the Accounts, which represents the fair value of investments in Quoted and Unquoted Shares, Equity Participation and Other Investments. The fair values of Unquoted Shares and Equity Participation were based on the Net Asset figures as per the latest audited financial statements of investees.

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 Responsibility 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 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 am also required to state whether the provisions of Part V of the Public Procurement Act regarding the bidding process have been complied with.

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

In a few instances, access to records and information has been denied on the ground that they were in the custody of relevant authorities for investigations. In one case, a Department invoked a confidentiality clause in a contract to limit access to records and information to NAO Officers.

Except for the above, I have obtained all information and explanations I have required for the purpose of my audit.

Based on my examination of the accounts and records of Ministries and Government Departments, except for the matters mentioned in my Report for the financial year 2019-20, nothing has come to my attention that causes me to believe that the financial management principles laid down at Section 16 of the Finance and Audit Act have, in all material respects, not been adhered to.

Public Procurement Act

In my opinion, except for the matters mentioned in my Report for the financial year 2019-20, the provisions of Part V of the Act have been complied with as far as it appears from my examination of the relevant records.



C. ROMOOAH
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
Port Louis

22 February 2021

STATEMENT A

Statement of Financial Position as at 30 June 2020

		30 June 2020	30 June 2019
			Restated
ASSETS	Notes	Rs	Rs
CURRENT ASSETS			
Cash and Cash Equivalents	4	29,496,903,293	5,628,533,747
Receivables from Non-Exchange Transactions	5	8,267,969,166	-
Loans and Advances	6	4,478,890,064	5,554,034,761
Investments	7	842,900,000	225,900,000
Inventories		2,119,751,417	1,531,094,628
Prepayments		37,249,834	56,648,404
		45,243,663,774	12,996,211,540
NON-CURRENT ASSETS			
Loans and Advances	6	11,228,031,716	11,087,797,685
Investments	7	103,507,717,104	103,887,432,463
Property, Plant and Equipment	8	511,432,121,600	508,965,936,792
Intangible Assets	9	828,376,327	1,040,640,240
IMF -SDR Deposits	10	3,937,250,300	3,488,408,559
IMF -Reserve Tranche Position	10	1,920,129,985	1,069,362,969
		632,853,627,032	629,539,578,708
Total Assets		678,097,290,806	642,535,790,248
LIABILITIES			
CURRENT LIABILITIES			
Payables	11	1,552,385,176	1,915,705,273
Deposits	12	1,742,997,392	1,370,806,896
Government Debt	13	84,211,090,025	34,809,894,935
Employee Benefits Obligation	14, 15	777,766,929	1,120,663,772
		88,284,239,522	39,217,070,876
NON-CURRENT LIABILITIES			
Payables	11	30,972,530	65,257,349
Deposits	12	706,104,933	840,038,790
Government Debt	13	255,598,958,169	247,228,973,975
IMF -SDR Allocations	10	5,374,973,219	4,762,232,816
Employee Benefits Obligation	14, 15	133,976,190,757	131,266,352,443
		395,687,199,608	384,162,855,373
Total Liabilities		483,971,439,130	423,379,926,249
Net Assets		194,125,851,676	219,155,863,999
NET ASSETS/EQUITY			
Consolidated Fund	16	61,289,567,666	29,626,400,023
Accumulated Surplus	16	119,793,758,244	187,304,023,827
Special Funds	16	13,042,525,766	2,225,440,149
		194,125,851,676	219,155,863,999


S.D. RAMDEEN
 Accountant-General

30 December 2020

STATEMENT AA

Statement of Financial Performance for the financial year 2019 - 2020
(Classification of Expenses by Function)

		Year Ended 30 June 2020	Year Ended 30 June 2019 Restated
	Notes	Rs	Rs
Revenue			
Revenue from Non-Exchange Transactions			
Taxation	17	89,191,875,369	95,507,506,654
Fines, Penalties and Forfeits		302,058,940	348,419,488
Grants and Aid	18	22,287,884,616	1,647,912,987
Other Transfers	19	2,003,654,218	2,181,497,311
		113,785,473,143	99,685,336,440
Revenue from Exchange Transactions			
Licences	20	2,595,302,145	2,792,785,748
Finance Income		254,218,261	311,966,910
Dividends and Withdrawals from Income of Quasi Corporations	21	2,708,898,424	1,323,991,453
Rent and Royalties		982,009,603	1,192,299,082
Sales of Goods and Services		1,665,964,600	1,907,177,064
Other Revenue	22	466,647,538	531,168,771
		8,673,040,571	8,059,389,028
Total Revenue		122,458,513,714	107,744,725,468
Expenses			
General Public Services		33,263,971,748	23,308,253,367
Public Order and Safety		10,401,971,490	9,720,011,472
Economic Affairs		18,026,996,068	7,645,998,912
Environmental Protection		3,185,282,404	1,213,917,048
Housing and Community Amenities		1,657,497,713	2,114,854,811
Health		11,918,734,176	11,002,903,200
Recreation, Culture and Religion		893,584,556	1,430,245,698
Education		15,560,750,490	15,675,430,252
Social Protection		42,831,465,167	35,182,109,147
Depreciation and Amortisation	8 & 9	4,781,812,645	3,111,770,690
Finance Costs	28	13,910,876,848	13,754,852,464
Total Expenses		156,432,943,305	124,160,347,061

STATEMENT AA

Statement of Financial Performance for the financial year 2019 - 2020
(Classification of Expenses by Function)

	Notes	Year Ended 30 June 2020 Rs	Year Ended 30 June 2019 Restated Rs
Other Gains/(Losses)			
Fair Value Loss on Investments		(7,072,400,328)	-
Gains on Disposal of Investments		-	548,342
Losses on Foreign Exchange Transactions		(3,068,237,187)	(23,630,074)
Deficit for the year		(44,115,067,106)	(16,438,703,325)

30 December 2020


S.D. RAMDEEN
 Accountant-General

STATEMENT AB

Statement of Financial Performance for the financial year 2019 - 2020
(Classification of Expenses by Nature)

	Notes	Year Ended 30 June 2020 Rs	Year Ended 30 June 2019 Restated Rs
Revenue			
Revenue from Non-Exchange Transactions			
Taxation	17	89,191,875,369	95,507,506,654
Fines, Penalties and Forfeits		302,058,940	348,419,488
Grants and Aid	18	22,287,884,616	1,647,912,987
Other Transfers	19	2,003,654,218	2,181,497,311
		113,785,473,143	99,685,336,440
Revenue from Exchange Transactions			
Licences	20	2,595,302,145	2,792,785,748
Finance Income		254,218,261	311,966,910
Dividends and Withdrawals from Income of Quasi Corporations	21	2,708,898,424	1,323,991,453
Rent and Royalties		982,009,603	1,192,299,082
Sales of Goods and Services		1,665,964,600	1,907,177,064
Other Revenue	22	466,647,538	531,168,771
		8,673,040,571	8,059,389,028
Total Revenue		122,458,513,714	107,744,725,468
Expenses			
Employee Costs	23	39,765,702,881	41,640,588,567
Subsidies		10,097,019,489	1,513,659,008
Grants	24	36,432,194,635	24,555,142,404
Social Benefits	25	34,211,022,537	24,243,941,908
Operating Expenses	26	11,155,158,330	9,747,746,465
Depreciation and Amortisation	8 & 9	4,781,812,645	3,111,770,690
Other Expenses	27	6,079,155,940	5,592,645,555
Finance Costs	28	13,910,876,848	13,754,852,464
Total Expenses		156,432,943,305	124,160,347,061

STATEMENT AB

Statement of Financial Performance for the financial year 2019 - 2020
(Classification of Expenses by Nature)

	Year Ended 30 June 2020	Year Ended 30 June 2019 Restated
Notes	Rs	Rs
Other Gains/(Losses)		
Fair Value Loss on Investments	(7,072,400,328)	-
Gains on Disposal of Investments	-	548,342
Losses on Foreign Exchange Transactions	(3,068,237,187)	(23,630,074)
Deficit for the year	(44,115,067,106)	(16,438,703,325)

30 December 2020

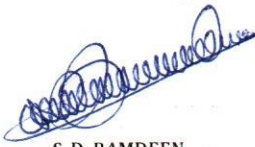

S.D. RAMDEEN
Accountant-General

STATEMENT AC

Statement of Changes in Net Assets or Equity for the financial year 2019 - 2020

	Consolidated Fund (Cash basis) Restated Rs	Accumulated Surplus Restated Rs	Special Funds Rs	Total Rs
Balance at 1 July 2018	27,772,340,857	114,766,703,120	4,344,719,452	146,883,763,429
Prior year adjustments				
- Recognition of Investments at cost	1,305,426,268	-	-	1,305,426,268
- Disposal of Investment	-	(51,000)	-	(51,000)
- Reversal of Depreciation/ Amortisation Charge on recognition of Asset Under Construction/ Development	-	616,422,106	-	616,422,106
- First-time recognition of Employee Benefit Liability	-	(129,648,133,831)	-	(129,648,133,831)
- Effect of accounting Government Debt at amortised cost	-	5,077,617,780	-	5,077,617,780
Balance at 1 July 2018, as restated	29,077,767,125	(9,187,441,825)	4,344,719,452	24,235,044,752
Changes in Accounting Policies				
- Fair valuation of Investments	-	72,100,807,035	-	72,100,807,035
- Recognition of Outer Island	-	58,779,582,000	-	58,779,582,000
- Adjustment relating to valuation of Roads and Bridges	-	76,838,578,818	-	76,838,578,818
- Reversal of accumulated depreciation on Roads and Bridges	-	3,752,756,730	-	3,752,756,730
Changes in net assets or equity for 2018-2019				
Net movement attributable to Consolidated Fund	548,632,898	(548,632,898)	-	-
Net gain on remeasurement of Employee Benefit Obligations	-	2,007,077,292	-	2,007,077,292
Net movement in Special Funds	-	-	(2,119,279,303)	(2,119,279,303)
Deficit for the year (Restated)	-	(16,438,703,325)	-	(16,438,703,325)
Restated Balance at 30 June 2019	29,626,400,023	187,304,023,827	2,225,440,149	219,155,863,999
Change in Accounting Policies				
- First-time recognition of Receivables from non-exchange transactions	-	8,267,969,166	-	8,267,969,166
Changes in net assets or equity for 2019-2020				
Net movement attributable to Consolidated Fund	31,663,167,643	(31,663,167,643)	-	-
Net movement in Special Funds	-	-	10,817,085,617	10,817,085,617
Deficit for the year	-	(44,115,067,106)	-	(44,115,067,106)
Balance at 30 June 2020	61,289,567,666	119,793,758,244	13,042,525,766	194,125,851,676

30 December 2020


 S. D. RAMDEEN
 Accountant-General

STATEMENT AD

Statement of Cash Flow for the financial year ended 2019 - 2020

	Year Ended 30 June 2020 Rs	Year Ended 30 June 2019 Rs
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxation	91,787,177,514	98,300,292,402
Sales of Goods and Services	1,666,329,376	1,907,441,761
Grants	21,683,290,332	1,647,912,987
Interest received	231,556,861	244,088,022
Fees, Fines and Penalties	302,058,940	339,143,255
Receipts of Special Funds	10,817,101,391	24,751,127,151
Other Receipts	17,699,214,542	14,614,607,832
Payments		
Employee Costs	(30,978,578,797)	(30,280,431,630)
Pension Costs	(7,686,455,041)	(7,583,906,506)
Supplies and Consumables	(11,895,754,318)	(9,940,961,695)
Interest paid	(13,371,193,483)	(12,265,665,071)
Grants, Contribution, Subsidies and Transfers	(74,259,621,778)	(55,425,909,147)
Payments by Special Funds	(12,100,015,774)	(25,159,795,273)
Other Payments	(15,229,387,742)	(13,351,568,089)
Net cash flows from operating activities	(21,334,277,977)	(12,203,624,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Non-Financial Assets	(6,957,898,669)	(7,916,172,496)
Proceeds from Sale of Non-Financial Assets	147,415	-
Purchase of New Investments and Other Securities	(17,598,911,938)	(8,674,246,670)
Proceeds from Sale of Investments and Other Securities	11,276,037,953	1,517,841,473
Dividend received	552,339,561	185,865,844
Advances and Loans to Statutory and Other Bodies	(777,444,568)	(2,818,848,277)
Proceeds from repayment of Advances and Loans to Statutory and Other Bodies	2,113,427,571	312,879,403
Income from Quasi Corporations and other Capital Revenues	2,152,003,043	1,138,200,946
Net cash flows from investing activities	(9,240,299,632)	(16,254,479,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Government Debt	131,543,584,814	90,371,401,590
Repayment/Redemption of Government Debt	(77,238,112,356)	(70,924,821,680)
Net cash flows from financing activities	54,305,472,458	19,446,579,910
Net increase/(decrease) in cash and cash equivalents	23,730,894,849	(9,011,523,868)
Cash and cash equivalents at beginning of year	5,628,533,747	14,551,829,955
Foreign-exchange Gains/(Losses) on cash	137,474,697	88,227,660
Cash and cash equivalents at end of year	29,496,903,293	5,628,533,747



S.D. RAMDEEN
Accountant-General

30 December 2020

STATEMENT AE

**Statement of Comparison of Budget Estimates and Actual Amounts for
the financial year 2019 - 2020
(Classification of Expenses by Function)**

	Original Estimates (a) Rs	Total Provisions* (b) Rs	Actual Amount (c) Rs	Difference (N2) Rs
REVENUE				
Taxation	104,676,000,000	104,676,000,000	91,787,177,514	12,888,822,486
Grants and Transfers	6,335,000,000	6,335,000,000	4,287,884,616	2,047,115,384
Proceeds from Borrowings	80,722,000,000	80,722,000,000	132,364,139,946	(51,642,139,946)
Capital Receipts	5,936,700,000	5,936,700,000	86,313,084	5,850,386,916
Other Receipts	10,134,000,000	10,134,000,000	7,797,910,075	2,336,089,925
Total Revenue	207,803,700,000	207,803,700,000	236,323,425,235	(28,519,725,235)
Financing from cash and cash equivalents	2,550,000,000	36,250,000,000	(10,775,591,945)	13,325,591,945
Financing from Bank of Mauritius (N4)	18,000,000,000	18,000,000,000	18,000,000,000	-
Total Financing	228,353,700,000	262,053,700,000	243,547,833,290	(15,194,133,290)
EXPENSES				
General Public Services	125,873,500,000	141,453,456,100	130,224,282,185	(4,350,782,185)
Public Order and Safety	12,485,700,000	12,336,978,508	11,430,869,346	1,054,830,654
Economic Affairs	13,384,000,000	23,880,808,392	21,312,876,569	(7,928,876,569)
Environmental Protection	2,508,000,000	4,364,524,000	3,876,552,167	(1,368,552,167)
Housing and Community Amenities	3,503,800,000	3,557,050,000	2,808,668,664	695,131,336
Health	13,100,000,000	14,300,000,000	13,783,339,343	(683,339,343)
Recreation, Culture and Religion	1,113,000,000	1,112,945,000	919,444,513	193,555,487
Education	17,123,000,000	17,118,647,000	16,308,411,890	814,588,110
Social Protection	38,562,700,000	43,667,700,000	42,883,388,613	(4,320,688,613)
Total Expenses	227,653,700,000	261,792,109,000	243,547,833,290	(15,894,133,290)
Contingencies (N3)	700,000,000	261,591,000	-	700,000,000
Total Expenses including Contingencies	228,353,700,000	262,053,700,000	243,547,833,290	(15,194,133,290)

* Refers to the total amount approved after Supplementary Appropriation & Virement.

Notes:

N1 'Total Provisions' is not applicable to Revenue.

N2 Column (a) - Column (c)

N3 The amount appropriated under 'Contingencies' has been reallocated to expenditure items under different votes of expenditure.

N4 This has been presented as per the Estimates 19/20. However, for the purpose of the Statement of Financial Performance (AA & AB), this has been accounted under "Grants and Aid".



S.D. RAMDEEN
Accountant-General

30 December 2020

STATEMENT AF

**Statement of Comparison of Budget Estimates and Actual Amounts for
the financial year 2019 - 2020
(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	114,810,000,000	114,810,000,000	99,585,087,589	15,224,912,411
Tax Receipts	104,676,000,000	104,676,000,000	91,787,177,514	12,888,822,486
Social Contributions	1,332,000,000	1,332,000,000	1,384,128,782	(52,128,782)
Other Revenue	8,802,000,000	8,802,000,000	6,413,781,293	2,388,218,707
Recurrent Expenditure	121,569,050,000	143,581,887,105	134,915,543,394	(13,346,493,394)
Compensation of Employees	32,674,342,000	32,618,148,096	30,978,578,797	1,695,763,203
Purchase of Goods and Services	11,876,586,000	13,942,222,333	11,977,500,528	(100,914,528)
Interest (Accrual basis)	13,795,000,000	13,796,000,000	13,365,218,193	429,781,807
Subsidies	1,641,000,000	12,624,889,400	10,097,019,489	(8,456,019,489)
Grants to Parastatal Bodies/Local Authorities/RRA	22,519,999,000	23,165,854,666	22,569,213,651	(49,214,651)
Social Benefits	34,724,910,000	42,875,028,000	41,904,505,673	(7,179,595,673)
Other Expense	3,837,213,000	4,388,975,110	4,023,507,063	(186,294,063)
Contingencies (N3)	500,000,000	170,769,500	-	500,000,000
Recurrent Balance	(6,759,050,000)	(28,771,887,105)	(35,330,455,805)	28,571,405,805
CAPITAL BUDGET				
Capital Revenue	6,925,000,000	6,925,000,000	4,287,884,616	2,637,115,384
External Grants	6,335,000,000	6,335,000,000	4,287,884,616	2,047,115,384
Transfer from Special Funds	590,000,000	590,000,000	-	590,000,000
Capital Expenditure	17,035,150,000	27,529,912,892	22,852,308,660	(5,817,158,660)
Acquisition of Non-Financial Assets	11,626,050,000	11,031,894,186	7,535,573,418	4,090,476,582
Grants to Parastatal Bodies/Local Authorities/RRA	2,691,300,000	2,483,897,206	1,894,287,695	797,012,305
Transfers to Special Funds	100,000,000	12,100,000,000	12,100,000,000	(12,000,000,000)
Other Transfers	2,417,800,000	1,823,300,000	1,322,447,547	1,095,352,453
Contingencies (N3)	200,000,000	90,821,500	-	200,000,000
Capital Balance	(10,110,150,000)	(20,604,912,892)	(18,564,424,044)	8,454,274,044
Budget Balance (Before Net Acquisition of Financial Assets)	(16,869,200,000)	(49,376,799,997)	(53,894,879,849)	37,025,679,849
Net Acquisition of Financial Assets	2,979,100,000	4,172,500,003	8,473,878,881	(5,494,778,881)
Domestic	2,838,600,000	3,228,600,003	7,672,285,768	(4,833,685,768)
Loan to Parastatal Bodies	774,100,000	1,134,300,000	731,078,568	43,021,432
Reimbursement of Loan by Parastatal Bodies	346,700,000	346,700,000	86,239,131	260,460,869
Equity Purchase/Participation	7,411,200,000	7,441,000,003	7,027,520,284	383,679,716
Equity Sale	5,000,000,000	5,000,000,000	73,953	4,999,926,047
Foreign	120,500,000	125,900,000	125,316,173	(4,816,173)
Equity Purchase/Participation	120,500,000	125,900,000	125,316,173	(4,816,173)
Net SDR Transactions	20,000,000	818,000,000	676,276,940	(656,276,940)
IMF Subscription	20,000,000	818,000,000	676,276,940	(656,276,940)
Adjustment for difference in cash and accrual interest	676,300,000	676,300,000	18,323,084	657,976,916

STATEMENT AF

**Statement of Comparison of Budget Estimates and Actual Amounts for
the financial year 2019 - 2020
(Classification of Expenses by Nature)**

	Original Estimates (a) Rs	Total Provisions* (N1) (b) Rs	Actual Amount (c) Rs	Difference (N2) Rs
GOVERNMENT BORROWING				
REQUIREMENTS	(19,172,000,000)	(52,873,000,000)	(62,350,435,646)	43,178,435,646
Domestic Financing	35,738,000,000	69,438,000,000	63,409,443,184	(27,671,443,184)
Net Government Securities	14,736,000,000	14,736,000,000	56,136,334,996	(41,400,334,996)
Issue of Government Securities	77,506,000,000	77,506,000,000	122,499,369,300	(44,993,369,300)
Amortisation of Government Securities	62,770,000,000	62,770,000,000	66,363,034,304	(3,593,034,304)
Financing from SIC Development Co. Ltd	452,000,000	452,000,000	48,700,133	403,299,867
Drawdown	452,000,000	452,000,000	48,700,133	403,299,867
Financing from cash and cash equivalents	2,550,000,000	36,250,000,000	(10,775,591,945)	13,325,591,945
Financing from Bank of Mauritius (N4)	18,000,000,000	18,000,000,000	18,000,000,000	-
Foreign Financing	(16,566,000,000)	(16,565,000,000)	(1,059,007,538)	(15,506,992,462)
Foreign Loans	(16,566,000,000)	(16,565,000,000)	(1,059,007,538)	(15,506,992,462)
Loan from Foreign Governments/ International Organisations	2,764,000,000	2,764,000,000	9,816,070,514	(7,052,070,514)
Amortisation of External Loans	19,330,000,000	19,329,000,000	10,875,078,052	8,454,921,948
	-	-	-	-

* Refers to the total amount approved after Supplementary Appropriation & Virement.

Notes:

N1 'Total Provisions' is not applicable to Revenue.

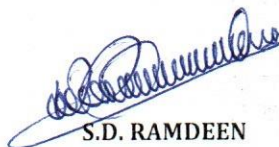
N2 Column (a) - Column (c)

N3 The amount appropriated under 'Contingencies' has been reallocated to expenditure items under different votes of expenditure.

N4 This has been presented as per the Estimates 19/20. However, for the purpose of the Statement of Financial Performance (AA & AB), this has been accounted under "Grants and Aid".

N5 Refer to Note 29 for explanation on variances.

30 December 2020


S.D. RAMDEEN
Accountant-General

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

The Republic of Mauritius is an island found in the East Coast of Madagascar. It got its independence on 12 March 1968. The country has a Westminster type of Parliamentary Government. The core vision of Mauritius in 2030 is:

- to place the country among the High-Income Countries of the world,
- to become a country where the society and the economy are inclusive, with a better sharing of prosperity, a narrower gap between the poor and rich and no families and children living in absolute poverty,
- and where the population across all strata enjoy a higher quality of life and a higher standard of living in a clean and safe environment.

Under the Finance and Audit Act, it is the responsibility of the Accountant-General to prepare the accounts of the Government within six months of the close of every fiscal year.

2. SUMMARY OF SIGNIFICANT 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 and 'carry-over of capital expenditure' where amount earmarked in a fiscal year is carried over to a period not exceeding 3 months in the following fiscal year.

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 2019 to 30 June 2020.

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 2022-2023 and onwards will have to be prepared in compliance with International Public Sector Accounting Standards (IPSAS).

For the financial year 2019-2020, the financial statements have been prepared in accordance with Section 19 (3A)(a) of the Finance & Audit Act 1973 as subsequently amended, i.e. as far as possible in compliance with IPSAS and present fairly the financial transactions and financial position of Government as at 30 June 2020.

NOTES TO THE ACCOUNTS

Accordingly, the elements of the financial statements have been accounted for as follows:

ELEMENTS	ACCOUNTING BASIS
<u>Revenue</u>	
Revenue from Non-Exchange Transactions	Partial Accrual
Revenue from Exchange Transactions	Cash
<u>Expenses</u>	
Employee Costs	Accrual
Subsidies	Cash
Grants	Partial Accrual
Social Benefits	Accrual
Operating Expenses	Accrual
Depreciation and Amortisation	Accrual
Other Expenses (excluding Other Transfer Payments)	Accrual
- Other Transfer Payments (except for Transfers to Regional/International Organisations)	Cash
Finance Costs	Accrual

ASSETS AND LIABILITIES	MEASUREMENT BASIS
<u>Assets</u>	
Receivables from Non-Exchange Transactions	At Cost
Loans and Advances	At Cost
Investments	
- Equity Investments	At Fair Value
- Other Investments	At Cost
Inventories	Lower of Cost and Replacement Cost
Property, Plant and Equipment (excluding Land, Roads, Bridges and Donated Assets)	At Cost
- Land	
• Acquired before 30 June 2018	At a value estimated by Government Valuation Department
• Acquired after 30 June 2018	At Cost
- Roads and Bridges	At a value estimated by the Road Development Authority
- Donated Assets	At Fair Value
Intangible Assets	At Cost
IMF -SDR Deposits	At Cost
IMF -Reserve Tranche Position	At Cost
Prepayments	At Cost

NOTES TO THE ACCOUNTS

ASSETS AND LIABILITIES	MEASUREMENT BASIS
Liabilities	
Payables	At Cost
Deposits	At Cost
Government Debt	At Amortised Cost
IMF -SDR Allocations	At Cost
Employee Benefits Obligation	
• Short-Term Employee Benefits	At Cost
• Post-Employment Benefits	At an amount estimated by an independent actuary

- (ii) The accounting policies have been applied consistently throughout the year. Where necessary and where it is practicable, comparative figures have been restated to conform to changes in presentation, or in accounting policies in the current 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 2019 to 30 June 2020.

2.4 Authorisation Date

The financial statements were authorised for issue on 30 December 2020 by Mr. S.D. Ramdeen, the Accountant-General.

2.5 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. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at reporting date.

NOTES TO THE ACCOUNTS

2.6 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, cash remitted to Ministries/Departments, cash balances with banks, both local and overseas, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value and cash held on behalf of Special Funds.

2.7 Financial Assets

(i) Receivables from Non-Exchange Transactions

Receivables from Non-Exchange Transactions comprise of receivables from taxation excluding corporate taxes. These are recognised when it is probable that the future economic benefits from the taxable event will flow to the Government and can be measured reliably. Receivables from taxation are accounted for on an accrual basis.

(ii) Loans and Advances

Loans and Advances are recognised at cost. Loans are the outstanding balances due by Statutory and Other Bodies and Advances are made under the authority of warrants issued under Section 6(1) of the Finance and Audit Act and are recoverable within specified periods.

(iii) Investments

These represent mainly 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.

Initial Recognition of Investments

On initial recognition, investments are measured at fair value.

Classification and Measurement Basis Of Investments

The table below shows the classification and measurement basis for the different categories of investments:

Category	Classification and Measurement Basis
Equity Investments (Quoted Investments, Unquoted Investments, Equity Participation)	Fair Value Through Surplus/Deficit
Other Investments (Fixed Deposits)	Cost

(a) Equity Investments Recognised at Fair Value Through Surplus Or Deficit

Investments classified as fair value through surplus or deficit are measured at fair value at the end of each financial year, with any gains or losses on remeasurements recognised in surplus or deficit. Any dividend earned on these investments is also recognised in surplus or deficit.

NOTES TO THE ACCOUNTS

(b) Other Investments Recognised at Cost

Other investments (fixed deposits) held by Government at banks/financial institutions have been reported at cost. The fair value of these investments approximate its carrying amount.

2.8 Inventories

Inventories comprise mainly of distributable items and consumables. Inventories are measured at lower of cost and current replacement cost. Donated inventories from non-exchange transactions for nil or nominal consideration are initially measured at its fair value at the date of receipt.

The cost has been determined using First In First Out Basis (FIFO).

Donated inventories have been recognised for the first time in the financial year 2019-2020.

2.9 Prepayments

Prepayments are recognised as assets when payment for goods or services has been made in advance of obtaining a right to access those goods or services.

2.10 Property, Plant and Equipment

Property, Plant and Equipment include the following:

- (a) Infrastructure, Plant and Equipment;
- (b) Land and Buildings; and
- (c) Assets under Construction.

Furniture, Fixtures and Fittings are currently being expensed.

(i) Infrastructure, Plant and Equipment

On initial recognition, Infrastructure, Plant and Equipment are stated at cost or deemed cost. Subsequently, they are stated at cost less accumulated depreciation. Infrastructure, Plant and Equipment represent the cost of the following:

a) Infrastructure Assets -

- Roads - classified roads/motorways (value estimated by Road Development Authority and less accumulated depreciation);
- Dams constructed as from 01 July 1990;
- Bridges (value estimated by Road Development Authority and less accumulated depreciation);
- 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.

b) 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.

NOTES TO THE ACCOUNTS

c) 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 and depreciated.

(ii) Land and Buildings

Land represent the estimated value of State Lands (main land) and Outer Islands. Land is recognised at the value estimated by the Government Valuation Department.

Buildings represent residential and non-residential buildings, whether purchased, constructed or upgraded as from 01 July 1969.

Buildings are initially recognised at cost and subsequently at cost less accumulated depreciation.

(iii) Assets under Construction

Assets in the course of construction are recognised at cost.

Depreciation of these assets commences when the assets are ready for their intended use.

(iv) Donated Assets

When an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value at the date of acquisition and subsequently depreciated over its remaining useful life.

(v) Depreciation

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.

(vi) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE ACCOUNTS

(vii) Derecognition

Property, plant and equipment and/or any significant part of an asset are derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognised.

2.11 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 and any impairment losses. Intangible assets acquired as from 01 July 2018 under recurrent expenditure items have been capitalised. Internally generated intangible assets are not capitalised and expenditure is reflected in surplus/deficit in the period in which the expenditure is incurred.

Intangible assets are amortised using the straight-line method over a period of 8 years. Full year amortisation is charged in the year of acquisition. Intangible assets which are still under development phase are recognised at cost and no amortisation is charged until the asset is available for use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset. Any surplus or deficit arising from the disposal is recognised in the statement of financial performance.

2.12 Transactions with International Monetary Fund

(i) IMF SDR Allocations and IMF 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.

IMF SDR Allocations and IMF SDR Deposits are translated at year-end exchange rates with any gains/loss arising on re-measurement recognised in the Statement of Financial Performance in the period in which they arise.

(ii) IMF 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.

Reserve Tranche transactions, i.e. subscriptions, purchases and sales, are initially translated at the exchange rate at the date of the transaction. At year-end, the SDR Reserve Tranche Position is translated using year-end exchange rates and any gains/loss recognised in the Statement of Performance as foreign exchange gains or losses.

NOTES TO THE ACCOUNTS

2.13 Financial Liabilities

(i) Payables

Payables are of a short-term nature and are recognised at cost as the effect of discounting is not considered material. Payables comprise the following:

- (a) 'Cost of Borrowings' consist of Accrued Interest on Re-opening of Government Bonds and Treasury Notes;
- (b) 'Accounts Payable' which are expenses incurred by the Government during the financial year but not yet paid as at year end;
- (c) 'Retention Money on Contracts' which 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; and
- (d) 'Carry-over of Capital Expenditure' which represents the balance of the provision earmarked for capital projects in the current financial year payable within 3 months of the close of the financial year as per Section 3A of the Finance and Audit Act. The amount recognised in the Statement of Financial Position represents that portion of the total provision carried-over in respect of which goods were received or works completed by end of the financial year.

(ii) Deposits

Deposits are money deposited with the Government under Section 8 of the Finance and Audit Act and are recognised at their carrying amount.

(iii) Government Debt

Initial Recognition and Measurement

Upon initial recognition, Government Debt is measured at its fair value.

For concessionary loans, the difference between the loan proceeds and the fair value on initial recognition is accounted as revenue from non-exchange transactions.

Subsequent Measurement

- Treasury Bills and Treasury Certificates

Treasury Bills and Certificates are measured at amortised cost which is equivalent to the amount payable at maturity to the holders of these instruments, due to the short term nature of these liabilities.

- Treasury Notes, Government of Mauritius Bonds, Inflation-Indexed Bonds, Other Long-Term Securities, Domestic Loans and External Loans

Subsequently, these instruments are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus/deficit. Amortised cost is calculated by taking into account any discount or premium on acquisition of these instruments.

NOTES TO THE ACCOUNTS

- Silver Retirement/Savings Bonds

These instruments are recognised at cost.

De-Recognition of Financial Liabilities

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, the financial liability is extinguished – i.e., when the obligation specified in the contract is discharged, waived, cancelled or expired.

2.14 Employee Benefits Obligation

(i) Short-Term Employee Benefits

Short-term employee benefits are benefits which are expected to be settled wholly before twelve months after the reporting period in which the employee renders the related service.

Short-term employee benefits are expensed in the period the employee renders the service and a liability is recognised in respect of amount not paid at the end of the financial year. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities

The short-term employee benefits consist of salaries, wages, salary compensation, overtime, travelling and transport, allowances, end of year bonus, social security contributions, passage benefits, and allowance in lieu of passage benefits.

Accumulated paid leave (bank of sick leave and vacation leave) are accrued in the period the employee renders the service and a liability is recognised in respect of amount not paid at the end of the financial year.

Passage benefits represents the estimated liability of the Government in respect of passage benefits accrued to public officers on permanent and pensionable establishment drawing a minimum monthly salary of Rs 25,525 or reckoning at least five years' service. Passage benefits are earned at the rate of 5% of the gross salaries annually. The carrying amount is re-measured each year and after taking into account amount paid and earned during the year.

(ii) Post-Employment Benefits

(a) Defined Contribution Plan

Defined contribution plans are post-employment benefit plans under which the Government pays fixed contributions into another entity, the State Insurance Company of Mauritius Limited (SICOM Ltd), for full time employees who joined the Public Sector from 1 January 2013 onwards. The Government has no further payment obligations once the contributions have been paid. These contributions are expensed in the period the employee renders the service and a liability is recognised in respect of amount not paid at the end of the financial year.

(b) Defined Benefit Plans

The Government operates two Defined Benefit Plans, one for employees who joined service prior to the year 2013 and one for Members of the Legislative Assembly.

NOTES TO THE ACCOUNTS

Both plans are unfunded. The calculation of defined benefit obligations is performed on a 3 yearly basis by a qualified actuary. Currently, Government appoints SICOM Ltd as its actuary. The cost of providing benefits is calculated using the projected unit method. The benefits are then discounted in order to determine the present value of the defined benefit obligation and the current service cost.

Remeasurement, comprising actuarial gains and losses is reflected immediately in the net assets/equity.

Current service cost, past service cost and gain or loss on settlement, net interest on the defined benefit liability is recognised in surplus or deficit.

(c) National Savings Fund

These contributions are expensed in the period the employee renders the service and a liability is recognised in respect of amount not paid at the end of the financial year.

2.15 Revenue from Non-Exchange Transactions

(i) Taxation

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. These are recognised on a cash basis.

(ii) Transfers

(a) Fines, Penalties and Forfeits

Fines, Penalties and Forfeits are recognised on a cash basis.

(b) Grants and Aid

Grants and Aid consist of Grants from Foreign Governments and Domestic and International Organisations.

These grants are recognised on an accrual basis.

(c) Other Transfers

Other transfers include:

- Transfers of surplus cash balances from statutory bodies and special funds and any contributions made by a party to Government. These are recognised on a cash basis.
- Goods in-kind
Goods in-kind are measured at fair value as at the date of acquisition and recognised on obtaining control of the asset if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Government and can be measured reliably.

NOTES TO THE ACCOUNTS

- **Concessionary Loans**

For concessionary loans, the difference between loan proceeds and the fair value of the loan on initial recognition is recognised as revenue.

- **Debt Forgiveness**

Debts written off by Development Partners/Donor Agencies are recognised as revenue when the debt no longer meets the definition of a liability.

2.16 Revenue from Exchange Transactions

Revenue from exchange transactions consist of Licenses, Finance Income, Dividends and Withdrawals from Income of Quasi Corporations, Rent & Royalties, Sales of Goods and Services, and Other Revenue. These revenues are recognised on a cash basis.

2.17 Expenses

(i) **Grants and Subsidies**

Subsidies and grants to Local Authorities, Extra Budgetary Units, Rodrigues Regional Assembly and other General Government units are recognised when payments are made.

Grants/contributions to International/Regional Organisations are recognised in the period to which they relate to.

(ii) **Social Benefits**

Social benefits are recognised in the period to which they relate to.

(iii) **Operating Expenses**

These are recognised in the period when goods are received or services are rendered.

(iv) **Other Expenses**

Other expenses, except for transfer payments, are recognised in the period when goods are received or services are rendered.

All transfer payments, except those made to regional/international organisations, are recognised on a cash basis. Transfers made to regional/international organisations are recognised in the period when goods are received or services are rendered.

(v) **Finance Costs**

Finance costs on financial liabilities measured at amortised cost are recognised in surplus or deficit using the effective interest rate method.

NOTES TO THE ACCOUNTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements includes the use of accounting estimates and management assumptions and judgement. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant include, but are not limited to: selection of useful lives and the depreciation/amortization method for Property Plant and Equipment/Intangible Assets, estimating the fair value of certain categories of Property Plant and Equipment and Investments, actuarial measurement of post-employment benefits obligation, assumptions used in calculating the fair value of Government Debt for which there is no observable market price and Financial Risk. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

4. CASH AND CASH EQUIVALENTS

The total cash and cash equivalents are made up as follows:

	30 June 2020	30 June 2019
	Rs	Rs
Cash and Bank balances	27,290,921,022	4,310,228,261
Remittances	2,205,982,271	1,318,305,486
Total	29,496,903,293	5,628,533,747
Comprising of:		
Local currency balances	26,892,079,674	4,919,797,103
Foreign currency balances - at local banks	2,571,239,957	673,931,624
Foreign currency balances - at external banks	33,583,662	34,805,020

As at 30 June 2020, there is no significant cash and cash equivalent balances that are not available for use. Cash and cash equivalents include an amount of Rs 12,749,000,662 for Special Funds.

Non-cash transactions

A total amount of Rs 1,425,149,418 comprising of borrowings and grants was paid by the funding agencies directly to the contractor in respect of works for the Government which have been accounted accordingly.

NOTES TO THE ACCOUNTS

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	30 June 2020
	Rs
Income Tax - Individual	3,110,537,762
Value Added Tax	4,272,440,296
Customs and Excise	20,561,823
Betting and Gaming	198,257,379
PAYE	611,826,367
TDS	12,164,816
Others	42,180,723
Total	8,267,969,166
- Within one year	8,267,969,166
- After one year	-
Total	8,267,969,166

Receivables from taxation have been recognised for the first time in the financial statements for the financial year 2019-2020. Due to impracticability issue, no restatements have been made with respect to the financial year 2018-2019. Therefore, the comparative information is not comparable to the information presented for the financial year 2019-2020.

The difference between the two figures presented in Statement A – Statement of Financial Position and Statement N – Statement of Arrears of Revenue is due to the different basis applied in computing the figures by the Mauritius Revenue Authority.

6. LOANS AND ADVANCES

	30 June 2020		30 June 2019	
	Current	Non-Current	Current	Non-Current
	Rs	Rs	Rs	Rs
Loans	2,570,355,296	8,905,619,885	1,985,146,164	8,631,112,742
Advances	1,908,534,768	2,322,411,831	3,568,888,597	2,456,684,943
Total	4,478,890,064	11,228,031,716	5,554,034,761	11,087,797,685

NOTES TO THE ACCOUNTS

(i) Loans

Loans amounting to Rs 11,475,975,181 (2019: Rs 10,616,258,906) represents the outstanding balance of loans made by Government to Statutory and Other Bodies, details of which are given in Statement M.

(ii) Advances

	30 June 2020	30 June 2019
	Rs	Rs
Government Officers (include Motor Cars & Motor Cycles Advances)	2,087,170,562	2,242,027,973
Parastatals/Local Government/Corporate Bodies	2,038,153,298	3,683,448,061
Ministries/Departments	105,622,739	100,097,506
Total	4,230,946,599	6,025,573,540

7. INVESTMENTS

Details of investments are shown below:

	30 June 2020	30 June 2019 (Restated)
	Rs	Rs
Equity Investments	103,435,922,104	103,194,237,463
Other Investments	914,695,000	919,095,000
Total	104,350,617,104	104,113,332,463
- Within one year	842,900,000	225,900,000
- After one year	103,507,717,104	103,887,432,463
Total	104,350,617,104	104,113,332,463

Refer to Note 30 for details on the prior year adjustments.

(i) Equity Investments

Fair Value of Equity Investments

The Government uses the following hierarchy for determining and measuring the fair value of investments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Other techniques for which all inputs are observable and have a significant effect on the recorded fair value, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE ACCOUNTS

The level of fair value measurement used for each category of investment is shown in the table below:

Category	Level	Basis
Quoted investments	Level 1	Based on market prices of shares on the Stock Exchange of Mauritius as at the end of the financial year, except for Air Mauritius Limited, where the last available quote was on 22 April 2020.
Unquoted investments	Level 3	Based on the Net Asset figure from the latest audited financial statements of investees except for Investment Support Programme and National Property Fund Ltd which are based on latest available Management Accounts.
Equity participation	Level 3	Based on the Net Asset figure from the latest audited financial statements of investees

The table below shows an analysis of equity investments mandatorily measured at fair value through surplus or deficit by the level of hierarchy:

	Level 1	Level 3	Total Carrying Amount	Total Fair Value
30 June 2020	Rs	Rs	Rs	Rs
Quoted investments	628,414,326	-	628,414,326	628,414,326
Unquoted investments	-	56,413,818,787	56,413,818,787	56,413,818,787
Equity participation	-	46,393,688,991	46,393,688,991	46,393,688,991
Total	628,414,326	102,807,507,778	103,435,922,104	103,435,922,104
30 June 2019				
Quoted investments	911,544,397	-	911,544,397	911,544,397
Unquoted investments	-	55,889,004,075	55,889,004,075	55,889,004,075
Equity participation	-	46,393,688,991	46,393,688,991	46,393,688,991
Total	911,544,397	102,282,693,066	103,194,237,463	103,194,237,463

There have been no transfers between Level 1 and 3 during the current year.

(ii) Other Investments

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.

NOTES TO THE ACCOUNTS

8. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure, Plant and Equipment			Land and Buildings		Asset under Construction (AUC)		Total
	Infrastructure Assets	Transport Equipment	Other Machinery & Equipment	Land	Buildings			
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
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
Reclassification adjustment ¹	(1,268,809,148)	-	(368,302,666)	-	(805,104,560)	2,442,216,374	-	-
At 30 June 2018 (Restated)	34,020,446,676	9,380,661,178	7,621,270,317	306,684,091,654	27,008,556,185	2,442,216,374	387,157,242,384	
Additions	1,569,238,183	581,893,226	1,003,055,661	895,325,198	642,714,181	3,121,049,821	7,813,276,270	
Transfer from AUC	1,004,963,921	-	470,351,605	-	212,353,055	(1,687,668,581)	-	
Adjustment ²	76,829,096,465	-	-	58,779,582,000	-	-	135,608,678,465	
At 30 June 2019 (Restated)	113,423,745,245	9,962,554,404	9,094,677,583	366,358,998,852	27,863,623,421	3,875,597,614	530,579,197,119	
Additions	1,638,022,110	502,343,422	907,359,412	852,815,275	734,437,062	2,403,299,247	7,038,276,528	
Transfer from AUC	814,547,317	-	30,997,355	-	1,126,389,915	(1,971,934,587)	-	
Disposal	-	-	(11,931,020)	-	-	-	(11,931,020)	
At 30 June 2020	115,876,314,672	10,464,897,826	10,021,103,330	367,211,814,127	29,724,450,398	4,306,962,274	537,605,542,627	

NOTES TO THE ACCOUNTS

	Infrastructure, Plant and Equipment			Land and Buildings		Asset under Construction (AUC)		Total
	Infrastructure Assets	Transport Equipment	Other Machinery & Equipment	Land	Buildings			
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
DEPRECIATION								
At 30 June 2018	8,494,913,707	3,657,584,454	4,437,164,208	-	6,323,298,095	-	-	22,912,960,464
Adjustment ¹	(372,760,678)	-	(56,466,792)	-	(21,674,490)	-	-	(450,901,960)
At 30 June 2018 (Restated)	8,122,153,029	3,657,584,454	4,380,697,416	-	6,301,623,605	-	-	22,462,058,504
Charge for the year	826,256,030	601,754,659	919,054,689	-	557,272,469	-	-	2,904,337,847
Adjustment ²	(3,753,136,024)	-	-	-	-	-	-	(3,753,136,024)
At 30 June 2019 (Restated)	5,195,273,035	4,259,339,113	5,299,752,105	-	6,858,896,074	-	-	21,613,260,327
Charge for the year	2,358,446,686	628,161,499	990,639,380	-	594,489,008	-	-	4,571,736,573
Disposal	-	-	(11,575,873)	-	-	-	-	(11,575,873)
At 30 June 2020	7,553,719,721	4,887,500,612	6,278,815,612	-	7,453,385,082	-	-	26,173,421,027
NET BOOK VALUE								
At 30 June 2019 (Restated)	108,228,472,210	5,703,215,291	3,794,925,478	366,358,998,852	21,004,727,347	3,875,597,614	508,965,936,792	
At 30 June 2020	108,322,594,951	5,577,397,214	3,742,287,718	367,211,814,127	22,271,065,316	4,306,962,274	511,432,121,600	

1. Relates to the recognition of AUC. Refer to Note 30 (ii)(I) on prior year adjustments.

2. Refer to Note 30 (ii) (II), 30 (ii) (III) and 30 (iii) on prior year adjustments.

Donated assets amounting to Rs 3,476,565 have been recognised for the first time in the financial year 2019-2020.

As at 30 June 2020, contractual commitments for the acquisition of Property, Plant, and Equipment amounted to Rs 123,753,806.

NOTES TO THE ACCOUNTS

9. INTANGIBLE ASSETS

	Licenses & Software	Asset under Development	Total
	Rs	Rs	Rs
COST			
At 30 June 2018	2,701,572,155	-	2,701,572,155
Reclassification Adjustments	(327,117,891)	327,117,891	-
At 30 June 2018 (Restated)	2,374,454,264	327,117,891	2,701,572,155
Additions	96,114,989	63,995,561	160,110,550
At 30 June 2019 (Restated)	2,470,569,253	391,113,452	2,861,682,705
Additions	202,410,492	163,104,475	365,514,967
Reclassification Adjustments	61,500,605	(61,500,605)	-
Impairment	-	(367,702,808)	(367,702,808)
At 30 June 2020	2,734,480,350	125,014,514	2,859,494,864
AMORTISATION			
At 30 June 2018	1,778,750,474	-	1,778,750,474
Reclassification Adjustments	(165,520,146)	-	(165,520,146)
At 30 June 2018 (Restated)	1,613,230,328	-	1,613,230,328
Charge for the year	207,812,137	-	207,812,137
At 30 June 2019 (Restated)	1,821,042,465	-	1,821,042,465
Charge for the year	210,076,072	-	210,076,072
At 30 June 2020	2,031,118,537	-	2,031,118,537
NET BOOK VALUE			
At 30 June 2019 (Restated)	649,526,788	391,113,452	1,040,640,240
At 30 June 2020	703,361,813	125,014,514	828,376,327

As at 30 June 2020, contractual commitments for the acquisition of intangible assets amounted to Rs 27,804,797.

HRMIS, a project which was under the development phase, has been impaired fully as at 30 June 2020 as the Government decided to windup the project.

Refer to Note 30(iv) for details on the prior year adjustments.

NOTES TO THE ACCOUNTS

10. TRANSACTIONS WITH INTERNATIONAL FINANCIAL ORGANISATIONS

(i) International Monetary Fund (IMF)

a) SDR Allocations and SDR Deposits

The rupee equivalent of the deposit of SDR 70,911,549 by the IMF to the Republic of Mauritius, i.e. Rs 3,937,250,300 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 5,374,973,219 as at 30 June 2020 is shown as liability and is also included in the Statement J - Statement of Public Sector Debt.

b) Reserve Tranche Position

As at 30 June 2020, the Reserve Tranche Position of the Republic of Mauritius with IMF stood at SDR 34,582,356, whilst the Quota amounted to SDR 142,200,000.

The rupee equivalent of the Reserve Tranche Position, i.e. Rs 1,920,129,985 is being shown as an asset in the Statement of Financial Position.

The movement in the Reserve Tranche is as follows:

	30 June 2020	30 June 2019
	Rs	Rs
Balance as at 1 July	1,069,362,969	1,031,052,667
Exchange Differences	174,490,076	13,535,654
Consolidated Fund adjustment	676,276,940	24,774,648
Balance as at 30 June	<u>1,920,129,985</u>	<u>1,069,362,969</u>

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 2020 stood at Rs 5,906,600,000.

(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 2020 stood at Rs 9,196,738.

NOTES TO THE ACCOUNTS

11. PAYABLES

	30 June 2020	30 June 2019 (Restated)
	Rs	Rs
Cost of Borrowings	5,677,000	34,864,000
Accounts Payable	625,711,380	1,134,789,397
Retention Money on Contracts	446,487,156	327,257,282
Carry-over of Capital Expenditure	505,482,170	484,051,943
Total	1,583,357,706	1,980,962,622
- Within one year	1,552,385,176	1,915,705,273
- After one year	30,972,530	65,257,349
Total	1,583,357,706	1,980,962,622

Cost of Borrowings is made up of accrued interest on re-opening of Government Bonds and Treasury Notes. Details are as follows:

	30 June 2020	30 June 2019 (Restated)
	Rs	Rs
Government Bonds	-	20,604,000
Treasury Notes	5,677,000	14,260,000
Total	5,677,000	34,864,000

Refer to Note 30 for details on the prior year adjustments.

12. DEPOSITS

	30 June 2020	30 June 2019
	Rs	Rs
Grants and Donations	42,035,487	35,274,411
Other Deposits	2,407,066,838	2,175,571,275
Total	2,449,102,325	2,210,845,686
- Within one year	1,742,997,392	1,370,806,896
- After one year	706,104,933	840,038,790
Total	2,449,102,325	2,210,845,686

NOTES TO THE ACCOUNTS

13. GOVERNMENT DEBT

- a) Government Debt consists of outstanding balances of:
- (i) Government of Mauritius (GOM) Treasury Bills, GOM Treasury Notes and Treasury Certificates issued by the Government for the financing of Government's borrowing requirement;
 - (ii) GOM Securities issued by the Government for mopping up of excess liquidity;
 - (iii) GOM Bonds and other long-term Securities issued by the Government;
 - (iv) Silver Savings Bonds (SSB) and Silver Retirement Bonds (SRB); and
 - (v) Loans from domestic and foreign sources.

- b) Details of the total debt of the Government are provided in Statement J - Statement of Public Sector Debt.

	Domestic Debt	External Loans	Total
	Rs	Rs	Rs
Balance at 1 July 2018	221,962,001,394	39,552,350,073	261,514,351,467
Reclassification of Interest Payable	4,744,085,148	186,521,490	4,930,606,638
Adjustment w.r.t. Recognition of Debt at amortised cost	(373,944,033)	(4,703,673,747)	(5,077,617,780)
Balance at 1 July 2018 (Restated)	226,332,142,509	35,035,197,816	261,367,340,325
Cash Flows:			
- Issue/ Receipt	90,279,467,200	91,934,390	90,371,401,590
- Redeemed/ Repayment	(66,857,621,499)	(4,067,200,181)	(70,924,821,680)
Non-Cash Movement:			
- Exchange Difference	-	144,259,752	144,259,752
- Loan Written Off	-	(399,903,912)	(399,903,912)
- Other Changes ¹	478,815,299	1,001,777,536	1,480,592,835
Balance at 30 June 2019	250,232,803,509	31,806,065,401	282,038,868,910
Cash Flows:			
- Issue/ Receipt	122,499,369,300	9,044,215,514	131,543,584,814
- Redeemed/ Repayment	(66,363,034,305)	(10,875,078,051)	(77,238,112,356)
Non-Cash Movement:			
- Capitalised Interest On Conversion From SRB To SSB	6,969,390	-	6,969,390
- Direct Payments	48,700,133	771,855,000	820,555,133
- Exchange Difference	3,625,318	3,686,935,395	3,690,560,713
- Other Changes ¹	129,529,616	(1,181,908,026)	(1,052,378,410)
Balance at 30 June 2020	306,557,962,961	33,252,085,233	339,810,048,194

1. Other changes pertain to interest accruals, non-exchange revenue and interest expense.

NOTES TO THE ACCOUNTS

	30 June 2020	30 June 2019 (Restated)
	Rs	Rs
- Within one year	84,211,090,025	34,809,894,935
- After one year	255,598,958,169	247,228,973,975
Total	339,810,048,194	282,038,868,910

14. EMPLOYEE BENEFITS OBLIGATION

	30 June 2020	30 June 2019 (Restated)
	Rs	Rs
Liability in respect of Defined Benefit Plans (Refer to Note 15)	116,791,541,957	116,791,541,957
Accrued Sick Leave	6,552,736,137	5,441,788,675
Accrued Vacation Leave	8,365,603,582	7,587,165,085
Passage Benefits	3,044,076,010	2,566,520,498
Total	134,753,957,686	132,387,016,215
- Within one year	777,766,929	1,120,663,772
- After one year	133,976,190,757	131,266,352,443
Total	134,753,957,686	132,387,016,215

Refer to Note 30 for details on the prior year adjustments.

15. DEFINED BENEFIT PLAN

Amounts Recognised in Statement Of Financial Position at End of Year:

	30 June 2020	30 June 2019 (Restated)
	Rs	Rs
Defined Benefit Obligation	116,791,541,957	116,791,541,957
Fair Value of Plan Assets	-	-
Liability Recognised in Statement of Financial Position at End of Year	116,791,541,957	116,791,541,957

NOTES TO THE ACCOUNTS

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs

Amounts Recognised in Statement of Financial Performance:

Charge to Surplus/Deficit	6,546,841,482	8,044,511,362
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Amounts Recognised in Statement of Net Assets/Equity:**Remeasurement**

Net Assets/Equity	-	(2,007,077,292)
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The plan is a defined benefit arrangement for the employees and it is unfunded.

Weighted average duration of the defined benefit obligation : 14 years

(Calculated as a % change in PV of liabilities for a 1% change in discount rate)

The plan is exposed to actuarial risks such as : longevity risk, salary increase risk and pension increase risk.

The cost of providing the benefits is determined using the Projected Unit Method. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Year Ended 30 June 2020	Year Ended 30 June 2019
Discount rate	6.50%	6.50%
Future salary increases	4.00%	4.00%
Future pension increases	3.00%	3.00%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables rated down by 2 years	
Retirement age	65 years	

The discount rate is determined by reference to market yields on bonds for the year ended 30 June 2019.

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 13,144 M (increase by Rs 16,299 M) if all other assumptions were held unchanged.
- If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs 6,272 M (decrease by Rs 5,359 M) if all assumptions were held unchanged.
- If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 3,498 M (decrease by Rs 3,485 M) if all assumptions were held unchanged.

NOTES TO THE ACCOUNTS

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

16. 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) Accumulated Surplus; and
- c) Special Funds.

The value of Net Assets/Equity of the Government as at 30 June 2020 amounted to Rs. 194,125,851,676. The movement in the Net Assets/ Equity is provided in Statement AC – Statement of Changes in Net Assets or Equity.

As at 30 June 2019, the Net Assets/Equity also included Reserve (Assets) amounting to Rs 299,025,312,236 which represented the value of non-purchased State Lands. This amount has been reclassified to Accumulated Surplus and the comparatives restated accordingly (refer to note 30(vii)).

(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.

(b) Accumulated Surplus

This represents the accumulated surplus 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.

(c) Special Funds

These are the monies deposited with the Accountant-General by the various funds set up under the Finance and Audit Act.

NOTES TO THE ACCOUNTS

17. TAXATION

	Year Ended 30 June 2020	Year Ended 30 June 2019
	Rs	Rs
Taxes on Income and Profits	26,816,731,058	26,717,112,114
Taxes on Property	5,062,389,081	6,161,252,248
Taxes on Goods and Services	54,567,219,747	59,638,755,638
Taxes on International Trade and Transactions	1,216,330,414	1,379,403,070
Other Taxes	1,529,205,069	1,610,983,584
Total	89,191,875,369	95,507,506,654

18. GRANTS AND AID

	Year Ended 30 June 2020	Year Ended 30 June 2019
	Rs	Rs
Grants from Foreign Governments	4,140,311,600	1,576,164,111
Grants from International Organisations	147,573,016	71,748,876
Grant from Bank of Mauritius	18,000,000,000	-
Total	22,287,884,616	1,647,912,987

19. OTHER TRANSFERS

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Transfer of Surplus Cash Balances from Statutory Bodies and Special Funds	371,570,000	1,754,847,115
Contribution in respect of Tourism Development Projects on State Lands	5,622,064	23,671,725
Concessionary Loans	1,614,279,383	3,074,559
Goods in-kind	12,182,771	-
Debt Forgiveness	-	399,903,912
Total	2,003,654,218	2,181,497,311

NOTES TO THE ACCOUNTS

20. LICENCES

	Year Ended 30 June 2020	Year Ended 30 June 2019
	Rs	Rs
Road Motor Vehicle Licences	1,587,055,505	1,604,366,349
Company and other Licences	1,008,246,640	1,188,419,399
Total	2,595,302,145	2,792,785,748

21. DIVIDENDS AND WITHDRAWALS FROM INCOME OF QUASI CORPORATIONS

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Dividend from Quoted and Unquoted Investments	556,895,381	185,865,859
Withdrawals from Income of Quasi Corporations	2,152,003,043	1,138,125,594
Total	2,708,898,424	1,323,991,453

22. OTHER REVENUE

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Civil Service Family Protection Scheme	316,503,108	325,877,554
Miscellaneous Revenue	150,144,430	205,291,217
Total	466,647,538	531,168,771

23. EMPLOYEE COSTS

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Wages, Salaries, Compensations and Allowances	25,774,109,630	25,088,503,667
Contributions to Defined Contribution Plan, Family Protection Scheme and National Savings Fund	855,601,703	866,872,823
Amount Recognised in respect of Defined Benefit Plans (Note 15)	6,546,841,482	8,044,511,362
Other Employee Benefits	6,589,150,066	7,640,700,715
Total	39,765,702,881	41,640,588,567

NOTES TO THE ACCOUNTS

Other employee benefits include cash in lieu of vacation leave, cash in lieu of sick leave, passage benefits, cash in lieu of passage benefits, gratuity, travelling and transport, staff welfare amongst others.

24. GRANTS

	Year Ended 30 June 2020	Year Ended 30 June 2019
	Rs	Rs
Donations and Contributions	10,374,311,303	356,961,450
Capital Grants	3,863,303,217	2,467,709,292
Current Grants	22,194,580,115	21,730,471,662
Total	36,432,194,635	24,555,142,404

25. SOCIAL BENEFITS

	Year Ended 30 June 2020	Year Ended 30 June 2019
	Rs	Rs
Social Assistance	754,317,796	788,599,649
Pension (Retirement, Widow, Invalid and Others)	30,235,599,667	22,680,971,054
Other Social Benefits	3,221,105,074	774,371,205
Total	34,211,022,537	24,243,941,908

26. OPERATING EXPENSES

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Cost of Utilities	758,539,446	799,565,985
Fuel and Oil	248,416,759	307,785,201
Rental Expense	1,064,956,072	1,027,182,730
Office Expenses	137,862,236	123,137,213
Maintenance	1,288,326,819	1,155,989,929
Cleaning Services	782,958,743	907,518,813
Medical Supplies, Drugs and Scientific Equipment	3,425,333,129	1,986,067,524
Travelling and Mission Expenses	53,347,843	288,251,690
Other Expenses	3,395,417,283	3,152,247,380
Total	11,155,158,330	9,747,746,465

NOTES TO THE ACCOUNTS

27. OTHER EXPENSES

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Transfers	3,852,318,537	3,434,326,259
Insurance	11,009,981	6,963,543
Compensation arising out of Government Liability	9,290,187	10,896,589
Refund/Payment of taxes icw projects and schemes financed by Development Partners or under Special Programmes	106,025,547	65,850,633
Others	2,100,511,688	2,074,608,531
Total	6,079,155,940	5,592,645,555

28. FINANCE COSTS

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Interest expense on domestic debt	12,750,899,378	12,057,513,338
Interest expense on external debt	1,135,679,096	1,693,846,510
Management charges	24,298,374	3,492,616
Total	13,910,876,848	13,754,852,464

29. COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The approved budget is in respect of revenue estimates and Government expenditure, both recurrent and capital, appropriated by votes for the financial year 2019 - 2020. The original estimates of expenditure amounting to Rs 123,700M were passed by the National Assembly on 25 July 2019 and a supplementary estimates amounting to Rs 33,700M was approved on 12 June 2020.

The Statements of Comparison of Budget Estimates and Actual Amounts - Statement AE and Statement AF are prepared on the same basis as the budget.

(i) Explanation between Original and Total Provisions (Final Budget)

The amounts presented under 'Total Provisions' in Statements of Comparison of Budget Estimates and Actual Amounts - Statement AE and Statement AF differed from the original estimates as there was a supplementary estimates approved in relation to COVID- 19 and also funds were transferred or re-allocated in accordance with the Virement Rules.

NOTES TO THE ACCOUNTS

(ii) Explanation of material differences between Original Estimates and Actual Amount

The table hereunder provides the explanation for material variances:

Budget line item	Variance Amount Rs	Variance percentage	Explanation
Recurrent Revenue	15,224,912,411	13%	The lower recurrent revenue was mainly due to the impact of COVID-19 on the economy.
Recurrent Expenditure	(13,346,493,394)	(11%)	The increase in recurrent expenditure was due to increase in the rate of basic pensions with effect from December 2019 and implementation of the wage assistance scheme and self-employed assistance scheme following the outbreak of COVID-19 pandemic.
Capital Expenditure	(5,817,158,660)	(34%)	The excess is explained by the transfer of Rs 10.0 billion to the National Resilience Fund and Rs 2.0 billion to the National Environment Fund for which funds were appropriated through the Supplementary Appropriation (2019-20) Act of 2020. However, this was partly offset by lower expenditure on capital projects arising from delays in implementation due to the lockdown/confinement period.

30. PRIOR YEAR ADJUSTMENTS

Prior year adjustments have been made to the carrying amount of items presented in the Statement of Financial Position and Statement of Changes in Net Assets/Equity. These changes have also resulted in the restatement of certain amounts presented in the Statement of Financial Performance (Statements AA and AB).

(i) Investments

Previously, investments were recognised at cost. These are now measured at fair value as described in note 2.7 and details of which are provided in Statement F.

NOTES TO THE ACCOUNTS**(ii) Property, Plant and Equipment**

During the financial year 2019-2020, there have been the following changes in accounting policy:

I. Assets under Construction

During the financial year 2019-2020, PPE has been restated with respect to Assets under Construction. Assets under Construction have been identified and classified separately under Property, Plant and Equipment (PPE). The costs incurred in relation to the assets under construction were previously being capitalised and depreciated over the life of the asset depending on the class of the PPE. As from the current year, there has been a change in accounting treatment for assets under construction. Depreciation charged in previous years in respect of these assets have been adjusted accordingly. The new accounting policy has been applied retrospectively.

II. Roads and Bridges

Roads and bridges were previously recognised based on a historical cost basis. During the year under review, a valuation exercise was carried out to have a more reliable estimate of the cost of roads and bridges. These estimates have been computed based on the type of the roads and their respective cost per kilometre. This has been accounted for retrospectively by restating the cost and accumulated depreciation by Rs 76,838,578,818 and Rs 3,752,756,730 respectively

III. Outer Islands

Outer Islands amounting to Rs58,779,582,000 have been recognised for the first time based on a value estimated by the Government Valuation Department. This has been accounted for retrospectively and the comparative figures restated accordingly.

(iii) Adjustments to PPE and Payables

Retention money of Rs 9,482,353 was overstated in the financial year 30 June 2019. Relevant adjustments were made to restate the comparatives. The accumulated depreciation was also restated by Rs 379,294.

(iv) Recognition of Assets under Development as Intangible Assets

Prior to the financial year 2019-2020, intangible assets under development phase were being capitalised and amortised over a period of 8 years. As from the current financial year, such assets under development phase are classified separately as 'Asset under Development' and no amortisation is charged until they are available for use. The change in accounting policy has been applied retrospectively.

(v) Government Debt at Amortised Cost

During the financial year under review, accounting for Government Debt has been changed from cost to amortised cost using the effective interest rate as described in note 2.13. This has been accounted for retrospectively and the comparative figures have been restated.

NOTES TO THE ACCOUNTS

(vi) Recognition of Employee Benefits Obligation

Government pension liabilities and other employee benefits such as passage benefits, sick leave and vacation leave have been recognised for the first time in the financial statements for the year 2019-2020. In this respect, the prior year figures have been restated retrospectively.

(vii) Reserve Assets

The value relating to the initial recognition of non-purchased State Lands were previously presented as Reserve (Assets) in the Statement of Financial Position.

This has now been classified under Accumulated Surplus which provides a fairer presentation. Prior year comparative figures have been restated accordingly.

The new accounting policies provide a fairer presentation and more relevant information in accordance with international best practice.

The effects of the above changes are illustrated below:

	30 June 2019	(Decrease)/ Increase	30 June 2019 (Restated)
	Rs	Rs	Rs
Statement of Financial Performance (Classification of Expenses by Nature) (extract)			
Revenue			
Revenue from Non-Exchange Transactions			
Other Transfers	1,778,518,840	402,978,471	2,181,497,311
Expenses			
Employee Costs	37,889,985,879	3,750,602,688	41,640,588,567
Finance Costs	12,651,150,742	1,103,701,722	13,754,852,464
Depreciation and Amortisation	3,245,011,848	(133,241,158)	3,111,770,690

NOTES TO THE ACCOUNTS

Statement of Financial Position (extract)	30 June 2019 (Adjusted) Rs	(Decrease)/ Increase Rs	30 June 2019 (Restated) Rs	30 June 2018 Rs	(Decrease)/ Increase Rs	1 July 2018 (Restated) Rs
ASSETS						
Investments	32,012,525,428	72,100,807,035	104,113,332,463	23,410,851,727	1,305,375,268	24,716,226,995
Property, Plant and Equipment	369,520,149,620	139,445,787,172	508,965,936,792	364,244,281,920	450,901,960	364,695,183,880
Intangible Assets	991,751,058	48,889,182	1,040,640,240	922,821,681	165,520,146	1,088,341,827
LIABILITIES						
Payables	2,301,734,782	(320,772,160)	1,980,962,622	6,484,476,199	(4,930,606,638)	1,553,869,561
Government Debt	280,626,951,940	1,411,916,970	282,038,868,910	261,514,351,467	(147,011,142)	261,367,340,325
Employee Benefits Obligation	129,648,133,831	2,738,882,384	132,387,016,215	-	129,648,133,831	129,648,133,831
NET ASSETS/EQUITY						
Consolidated Fund	29,626,371,023	29,000	29,626,400,023	27,772,340,857	1,305,426,268	29,077,767,125
Accumulated Surplus/ (Deficit)	(20,461,403,368)	207,765,427,195	187,304,023,827	(184,258,609,116)	175,071,167,291	(9,187,441,825)
Reserve (Assets)	-	-	-	299,025,312,236	(299,025,312,236)	-

NOTES TO THE ACCOUNTS

31. RECONCILIATION: DEFICIT WITH BUDGETARY RESULT

	Year Ended 30 June 2020	Year Ended 30 June 2019 (Restated)
	Rs	Rs
Budget Balance as presented in the Statement of Comparison of Budget Estimates and Actual Amounts (Statement AF)	(53,894,879,849)	(15,761,898,441)
Prepayments	(1,427,051)	1,057,236
Accruals	363,885,362	(89,917,883)
Inventories	588,656,790	225,801,900
Depreciation and Amortisation	(4,781,812,645)	(3,111,770,690)
Net Movement in Investments	(7,072,400,328)	45,748,327
Losses on Foreign Exchange Transactions	(3,068,237,187)	(23,630,074)
Subscriptions to international organisations	(125,316,173)	(46,786,849)
Financing from Bank of Mauritius	18,000,000,000	-
Capitalisation of Dividend	4,555,820	14
Net Movement in Loan to Statutory and Other Bodies	22,702,244	27,391,300
Government Debt written-off	-	399,903,912
Net Movement in Non-Financial Assets	6,993,566,370	7,741,984,762
Carry-over of capital Expenditure	129,661,912	-
Net Movement in Employee Benefits	(2,366,941,472)	(4,745,959,676)
Interest and other adjustments in respect to Government Debt	1,092,919,101	(1,100,627,163)
Deficit as presented in the Statement of Financial Performance (Statements AA & AB)	(44,115,067,106)	(16,438,703,325)

NOTES TO THE ACCOUNTS

32. RECONCILIATION: DEFICIT WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 30 June 2020	Year Ended 30 June 2019
	Rs	(Restated) Rs
Deficit as presented in the Statement of Financial Performance (Statements AA & AB)	(44,115,067,106)	(16,438,703,325)
(a) (Gains)/Losses Adjustments		
Gains on Disposal of Investments	-	(548,342)
Losses on Foreign Exchange Transactions	3,068,237,187	23,630,074
	3,068,237,187	23,081,732
(b) Non-Cash Adjustments		
Donations	(616,777,056)	-
Net Movement in Loan to Statutory and Other Bodies	(22,702,244)	(27,391,300)
Capitalisation of Dividend	(4,555,820)	(14)
Government Debt Written Off	-	(399,903,912)
Written Off of Advances/Placement/VAT & TDS	1,500	6,000
Net Movement in Investments	7,072,400,328	(45,199,985)
Direct Payment by Funding Agency	45,235,500	-
Interest Accrued	18,323,084	385,485,671
Depreciation and Amortisation	4,781,812,645	3,111,770,690
Net Movement on Non-Financial Assets	367,910,539	-
Net Movement in Employee Benefits	2,366,941,472	4,745,959,676
Interest and other Adjustments in respect of Government Debt	(1,092,919,101)	1,100,627,163
	12,915,670,847	8,871,353,989
(c) Working Capital Movement		
Increase/(Decrease) in Deposits	238,256,639	(721,373,576)
(Increase) in Advances	(186,196,999)	(644,995,765)
Increase/(Decrease) in Special Funds	10,817,085,617	(2,119,279,303)
Decrease/(Increase) in Prepayments	1,427,051	(1,057,236)
(Decrease)/Increase in Accruals	(789,398,026)	377,142,821
(Increase)/Decrease in Inventories	(579,950,583)	(225,801,900)
	9,501,223,699	(3,335,364,959)
(d) Classification Adjustments		
Dividends and Withdrawals from Income of Quasi Corporations	(2,704,342,604)	(1,323,991,438)
	(2,704,342,604)	(1,323,991,438)
Net Cash flows from Operating Activities	(21,334,277,977)	(12,203,624,001)

NOTES TO THE ACCOUNTS

33. RECONCILIATION: BUDGETARY RESULT WITH NET CASH FLOW

	Operating Activities Rs	Investing Activities Rs	Financing Activities Rs	Total Rs
Budget Balance as presented in the Statement of Comparison of Budget Estimates and Actual Amounts (Statement AF)	(46,359,306,431)	(7,535,573,418)	-	(53,894,879,849)
(a) Basis Differences				
Carry-over of Capital Expenditure	(295,850,751)	396,784,457	-	100,933,706
Interest Accrued	18,323,084	-	-	18,323,084
Advances (increase)/decrease	(186,195,499)	1,980,822,440	-	1,794,626,941
Deposits increase	238,256,639	-	-	238,256,639
Investments and Other Securities (increase)	-	(6,322,873,985)	-	(6,322,873,985)
Loans to Statutory and Other Bodies (increase)	-	(644,839,437)	-	(644,839,437)
Net movement in Non-Financial Assets	(177,573,074)	177,573,074	-	-
Dividends and Withdrawals from Income of Quasi Corporations	(2,704,342,604)	2,704,342,604	-	-
Donations	(604,594,285)	-	-	(604,594,285)
Subscriptions to International Organisations	(125,316,173)	-	-	(125,316,173)
Borrowings (Increase)	-	-	54,305,472,458	54,305,472,458
Financing from Bank of Mauritius	18,000,000,000	-	-	18,000,000,000
Direct Payment by Funding Agency	45,235,500	3,464,633	-	48,700,133
(b) Entity Differences				
Special Funds (net)	10,817,085,617	-	-	10,817,085,617
Actual Amount as presented in the Statement of Cash Flow (Statement AD)	(21,334,277,977)	(9,240,299,632)	54,305,472,458	23,730,894,849

NOTES TO THE ACCOUNTS

34. 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:

(i) 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 63.3% 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.

Interest Rate Sensitivity Analysis

The Government is exposed to interest rate risk as interest rates in relation to inflation-indexed bonds (assuming changes in interest and inflation rate are correlated) and variable interest rate external debts may change. The table below details the sensitivity analysis to a 10 basis points increase and decrease in the interest rate:

	Year Ended 30 June 2020	
	Rs million	Rs million
Government Debt:		
<u>Inflation-Indexed Bonds:</u>		
Impact on surplus/deficit	+10 bp	-10 bp
	+10	-10
<u>External Debts:</u>		
Impact on surplus/deficit	+10 bp	-10 bp
	+23	-23

Based on the above table, it can be noted that an increase/decrease of 10 basis points in interest rates would result in an increase/decrease in the interest payments by about Rs 33 million for the year 2019-2020.

(ii) 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 12.5% at 30 June 2020 (Based on nominal value). 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.

NOTES TO THE ACCOUNTS

Foreign Currency Sensitivity Analysis

The table below details the sensitivity analysis regarding the impact of a 10 % increase or decrease in exchange rates:

	Year Ended 30 June 2020	
	Interest Cost	Capital Repayments
	Rs million	Rs million
Impact of an appreciation of MUR by 10%	-72	-1,088
Impact of a depreciation of MUR by 10%	+72	+1,088

As per the above table, a depreciation of 10% in MUR against all foreign currencies in which external debt has been contracted would increase interest payments and capital repayments for FY 2019-2020 by approximately Rs 72 million and Rs 1,088 million respectively.

(iii) 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.

(iv) 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 2020 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.

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