

RODRIGUES REGIONAL ASSEMBLY



**THIRD REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE**

*For Financial Year
2007/2008*

**SECOND RODRIGUES REGIONAL ASSEMBLY
FIRST SESSION**

13 September, 2010

**REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE**

*for financial year
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REPORT – PUBLIC ACCOUNTS COMMITTEE

SECOND RODRIGUES REGIONAL ASSEMBLY

MISSION STATEMENT

INTRODUCTION

The Committee on Public Accounts is constituted by the Regional Assembly for examination of accounts showing the appropriation of sums granted by Parliament for expenditure of the Rodrigues Regional Assembly, the annual Finance Accounts of the Rodrigues Regional Assembly, and such other accounts laid before Parliament as the Committee may deem fit. This is the third report of the Public Accounts Committee of the Second Rodrigues Regional Assembly and covers matters raised by the Director of Audit in his report on the Regional Assembly for the period of 1st July 2007 to 30 June 2008 and on observations made during various site visits effected by the Committee. The Public Accounts Committee derives its powers under Standing Order 63 of the Standing Orders and Rules of the Rodrigues Regional Assembly which is being reproduced in toto:-

- (1) *There shall be a committee to be known as the Public Accounts Committee to consist of a Chairperson to be appointed by the Chairperson and not more than four other members to be elected by the Assembly.*
- (2) *The Committee shall examine the audited accounts showing the appropriation of the sums granted by the Assembly to meet the public expenditure and other accounts laid before the Assembly together with the Director of Audit's thereon.*
- (3) *The Committee may, in the exercise of the duties mentioned above, send for persons and records, to take evidence, and to report from time to time.*
- (4) *Where the chairperson is unable to be present at any meeting, the Committee shall elect a chairperson for the day only.*
- (5) *In discharging its duties under this Order, while examining accounts showing the appropriation of funds granted by the*

Assembly and such other accounts which the Assembly had referred to it, the Committee shall satisfy itself:-

- (a) that the monies shown in the accounts as having been disbursed were legally available for, and applicable to, the services purpose to which they have been applied or charged;*
- (b) that the expenditure conformed to the Authority which governed it;*
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under appropriate rules; and*
- (d) that cases involving negative expenditure and financial irregularities wherever they have occurred in the financial year under study, having regard to the financial report and the estimates as approved by the Assembly, are subjected to scrutiny.*

2. The Committee has in its two last reports elaborated on its role and duties as mandated by the Standing Orders and Rules of the Regional Assembly. However, it deems it fit to continuously remind Officers and Heads of Departments of the repetitions of the different aspects under consideration by the Audit Office. The Committee has also elaborated guidelines which may be used as a tool to minimize mismanagement, financial irregularities and nugatory expenditures. In spite of all these recommendations, it appears that problems are tackled in a piecemeal basis and in a haphazard manner.

Nevertheless, the Committee in its strive to combat the malpractices will recapitulate briefly on the general comments, recommendations and guidelines elaborated in its last report. Basically, the following guidelines were made:-

- Proper handing over to be made during administrative changes;
- Liquidated damages to be claimed whenever contractual works are completed beyond authorized time frame to avoid wastage of time and thereby shifting the burden on contractors to justify wherever delays occurred;

- Priority to be given for the setting up of a Monitoring Committee at the level of each Commission for the efficient control of budgets;
- Compliance with good financial management principles and the legal requirements of the Public Procurement Act, to be strictly adhered to.

The Committee has taken note with concern that in several cases, previous valuable recommendations of both the Public Accounts Committee and the Audit Office have not been taken into consideration and weaknesses by the different Departments which have been pointed out still prevail.

3. Working of the Committee

The Committee wish to point out that it has taken the leeway last year in its last report by touching all those cases that has been audited and repeated in the report of 2007/2008 in as much as in most cases the issues keep recurring year in and year out. This has been done to avoid overlapping wherever it has been noted by the Committee. As such this report will tackle issues not dealt with previously.

4. The present Public Accounts Committee for the current session was appointed on 13 February 2007 and is made up as follows:

- Mr. Nicolson LISETTE - Member of the RRA (Chairman)
- Mrs. M. D.L. Chan MEUNIER - Deputy Chairperson of the RRA (Member)
- Mr. Desire Laval GUILLAUME- Member of the RRA(Member)
- Mrs. Jacqueline PROSPER - Member of the RRA(Member)
- Mr. Jean Daniel SPEVILLE - Member of the RRA(Member)

The Secretary of the Committee is the Clerk of the Regional Assembly.

5. The Committee has, since the issuing of its reports for financial year 2005/2006, 2006/2007 met 10 times in the Committee Room in the

Assembly House with regards to the Report of the Director of Audit for the year ended 30th June 2008.

One session was devoted to site visit and these included:

- (i) Camp du Roi Reverse Osmosis Brackish Water Purification Plant;
- (ii) Baie Topaze Reverse Osmosis Brackish Water Purification Plant;
- (iii) Songes Desalination plant.

6. The Committee had two (2) working sessions and hearing with Departmental Heads and Officers of their respective Commissions on the following dates and as follows:

- 08 June, 2010 - Officers from the Finance section from Central Administration.
- 08 June, 2010 - Departmental Head, Commission for Public Infrastructure and others.

7. **CHIEF COMMISSIONER'S OFFICE**

Consideration of the Director of Audit's Report on matters under the responsibility of the Chief Commissioner

Annual Financial Statement – Rodrigues Regional Assembly for the year ended 30 June, 2008

Statement of Assets and Liabilities

In its Report of 2006/2007, the Public Accounts Committee queried the Officers of the Chief Commissioner's Office and the Chief Finance Officer. The following issues were raised during the hearing process with the officers from the Chief Commissioner's Office:

- *Arrears on State Land leases;*
- *Assistance to fishermen;*
- *Arrears in Revenue collection;*
- *Petrol Allowance to Commissioners;*

- *Overtime to Finance and Transport sections;*
- *Water Resources- Purchase of pumps at Mourouk pumping station*
 - *Construction of new pipelines*
 - *Construction of reservoirs*

For the present report, the following issues were raised during the hearing process with the officers from Finance section at the Central Administration:-

- Arrears in Revenue collection;
- Arrears on State Land leases;
- Management of finance and procedures.

(1.0) ARREARS IN REVENUE COLLECTION

In the Audit Report it was reported that revenue from licences, receipt from public utilities, receipts from public services and rental of Government property showed a shortfall of Rs 7,001,607 in collection against the budgeted amount of Rs 24,639,970.

- (1.1) As such the Committee wished to know the reasons behind such a shortfall. The Officers explained that this shortfall could be accounted in view of the projected increase in Registration fees for registration of vehicles whose policy was not brought about. The Committee agreed that this is a policy decision, however this amounts only to around Rs 4 millions.

Taking this difference into account, the Committee informed the Officers that there is still a shortfall of Rs 3 million. The Committee noted that, although there was no proposal for any increase in trade licences, the projected value for trade licences has doubled. On further question put the Committee queried as to why the approved estimates for Trade Licence has been revised whereby it has increase from Rs 2 m to Rs 4 m although there was no policy to increase the licence fee. The officers were not in a position to provide an answer.

- (1.2) On the same line, the Committee also requested information as to whether, during the preparation of the budget proposal, revenue collection is overestimated. The officers stated that no

overestimation of revenue collection is made during the preparation of the budget. They were however not able to explain the proposed increase in the amount of licence fees.

- (1.3) On the issue of transfer of fund to a Deposit Account for future payment in relation to two Water Desalination Projects, the Committee queried as to whether payment has already been effected. The Committee was informed that payment has already been effected and only an amount of around Rs 300,000 remains and this amount will be used for the two projects.

Moreover, as regards the transfer of fund, the Committee queried as to how and why the Finance Section has accounted for this amount as expenses, although already committed for the financial year 2006/2007, when closing the accounts whereas in fact it was transferred to another account. The Committee queried as to whether this is a good financial management practice as per the Financial Management Manual. The Officers agreed that, as per practice, this is not correct however they explained that since the two projects have already been initiated it was deemed fit to transfer the money to another account as the end of the financial year was nearing.

Following the answer given by the Officers, the Committee questioned whether there was any covering approval with the Ministry of Finance as regards the transfer of money. The Officers admitted that there was no covering approval for such transfer.

- (1.3.1) Coming back to the use of the transferred sum, the Committee wished to know how the account is being managed by the Finance Section. The Officers explained that all items are listed under a specific code and which is computerized. The Officers supported their explanation with examples.

On the same line, the Committee wanted to know, and was skeptical, as to how the Finance Section accounts for such transaction whereby a sum was earmarked for a particular project for a particular financial year and that sum of money not used, was transferred to a deposit account to be used for a subsequent financial year. The Committee found it odd how the balancing process is being performed. The officers explained that due to the exceptional circumstances

whereby the financial year was nearing, the most suitable solution was the transfer of the money.

Thereafter, the Committee wished to know what would be the best financial practice in such a situation. The Officers explained that in such cases the proper financial practice would have been to let the money lapse and apply for funds for next financial year. Nevertheless, they agreed that this would have represented a shortfall for the capital budget for Rodrigues.

Recommendation

The Committee considers that financial transactions is of utmost importance in any department and any matter related to same should be dealt with in a transparent manner. The transfer of fund to a deposit account and budgeted same as expenses amount to a lack of transparency and should be avoided unless the necessary approval is obtained from the relevant authority.

- (1.4) The Committee cited the following comments from the Audit Reports on the issue of Statement of Assets and Liabilities:-

“In such an accounting framework all the resources available at the end of fiscal year and all commitments as at that date are not reflected”.

The Committee is of the view that this comment reflects a state of non-transparency. The Committee cited the examples of fixed assets purchased which are not included, and pension liabilities and passage benefits payable as at 30 June 2008 which are not stated.

The Officers informed the Committee that monies regarding pensions and passage benefits are received in Rodrigues from Central Government where they are accounted for and this is the reason why they are not reflected in the budget of the Rodrigues Regional Assembly.

- (1.5) On the issue of revenue of the Rodrigues Consolidated Fund for the year ended 30 June 2008 amounting to Rs 938 millions whilst expenditure totaled to Rs 940 millions, resulting in a deficit of around Rs 2.1 million, the Officers, on question put, explained that in view of the savings of around Rs 2 million made for financial year 2007/2008 and when money was disbursed by

Central Government only the sum of Rs 938 million was credited thereby giving the Central Administration the leeway to overspend in that margin. The Officer further explained that this could not be considered as deficit as such since the Central Administration already had the balance of Rs 2 million.

(2.0) STATELAND ARREARS

With regards to Arrears in Revenue which shows an increase of around 37 percent from financial year 2006–2007 to 2007–2008, the Committee wished to know whether the main component of arrears due, is still land leases, most specifically industrial leases, and whether the Revenue Monitoring Committee is functioning efficiently. The Committee was informed that the system for revenue collection with the State Informatics Ltd (SIL) has already been launched and is functioning. Consequently, all claims that are being processed through the system and all debts which are deemed irrecoverable will be written off. And as a matter of fact a sum of Rs 1.4 million is being written off.

With regards to the above, the Committee requested for a summary and an update of arrears together with the amount collected in respect of land lease. The following information was tabled:-

Leases	Amount due as at 30 June 2010 (Rs)	Amount collected as at 30 June 2010 (Rs)
Agricultural	106,930.15	367,623.33
Commercial	1,488,436.83	4,514,411.31
Industrial	13,548,207.59	24,319,057.18
Residential	6,110,017.11	19,448,060.00
Total	21,253,591.68	48,649,151.82

8. OFFICE OF THE COMMISSIONER FOR PUBLIC INFRASTRUCTURE

The followings issues were raised during the hearing process with the Officers from the Commissioner for Public Infrastructure:

- (i) NHDC Housing Scheme
- (ii) Self –Help Low Cost Housing Scheme

(1.0) NHDC HOUSING SCHEME

In March 2004, a contract for the construction of 65 individual housing units was launched for the victims whose houses were completely damaged during cyclone Kalunde.

- (1.1) As regards the NHDC Housing Scheme, following the site visit effected in 2007, it was noted that some houses were still not occupied although same were already handed over. Consequently, the Committee queried as to whether all the houses are occupied by beneficiaries. The Departmental Head stated that all the houses have been allocated except in one case at Cascade Jean Louis where the beneficiary has returned the keys.
- (1.2) On further question put, the Committee took note that some beneficiaries are regular with their payment and in some cases there are arrears. The Committee questioned as to what is being done by the Commission for the recouping of the debts and whether any legal action is being envisaged. The Officer replied that in view of the social impact that this may cause the Commission has requested a social survey to be carried out before resorting to any legal action.

Furthermore, the Committee queried as to why after four years some of the houses are still unoccupied although already allocated. The Departmental Head agreed that this problem may exist and the Commission has requested that a survey be carried out with a view to situate the problem. Additionally, the Executive Council has recently decided to vest the management of all these houses to the Rodrigues Housing and Property Development Company.

- (1.3) On further question put, the Committee requested the officers to submit the amount of money due and the amount collected from bad debts. The Committee took note of the following:

Amounts of arrears collected as at 30 June 2009-Rs 74,430
Amounts still due as at 30 June 2009 -Rs 174,710

- (1.4) On the issue of deed of sale, on question put, the officers stated that some deeds have not yet been finalized since some beneficiaries are still awaiting their divorce outcomes. All these deeds are with the notary for finalization. Additionally, irrespective as to whether the deed of sale has yet to be finalized, all beneficiaries are bound to pay their monthly installments in view of the agreement reached between the latter and the Commission.

(2.0) SELF -HELP LOW COST HOUSING SCHEME

This project was initiated, following an Executive Council decision, in September 2006 with the initial construction of 100 low cost housing units for the vulnerable groups. The scheme was on a self-help basis whereby the beneficiaries would be provided with the construction materials. But the units should be constructed under strict specifications and under the supervision of the Commission.

- (2.1) On this issue, the Committee referred to the site visit effected last year where it was noted that, out of the houses visited, 3 housing units have not yet started with the construction work. On this basis the Committee wished to know where matter stands with regards to these housing units and whether they have already been provided with materials. Additionally, the Committee queried as to the whether any housing unit has been fully completed so far as this matter was already raised in its last report. The Officers agreed that in these cases parts of the materials have already been delivered and are still in their possession. The officers also confirmed that only none-perishable materials were first delivered. Furthermore, as per information provided by the Commission, the Committee took note that no housing has as such been fully completed.

STATUS	ZONE I	ZONE II	ZONE III	ZONE IV	ZONE V	ZONE VI	TOTAL
Not yet started				1	2		3
Lintel level		1		1	2	1	5
Beam level	3	5	1	1	7	1	18
Slab level	1		1	1	1		4
Plastering level	14	13	12	16	59	19	133
TOTAL	18	19	14	20	71	21	163

- (2.2) On further question put, the officers stated that due to financial constraints some of the beneficiaries were not able to proceed with the construction of the houses.

However, the Committee reminded the officers that this scheme was started on the basis that, as per the criteria laid, those beneficiaries should be in a position to finance the labour work. The Committee is of the view that this tantamount to wastage of resources since these materials were delivered as far back 2006 and as at to date, in some cases works have not yet started.

- (2.3) On question put, the officers confirmed that there is monitoring as regards loss of materials and materials are delivered at the completion of different stages of construction work.

- (2.4) The Committee wished to know in cases where there were delay in delivery in materials and thereby resulting in spoiling of materials, whether the Commission will take the responsibility of re-distributing materials in such cases. The Departmental Head agreed that in a sense of fairness the Commission should re-distribute materials in such cases and as such a policy decision can be envisaged at the level of the Executive Council. On the basis of the answer provided by the Officers, the Committee took note that since its report of last year where mention was made on this issue, no action/initiative has yet been taken.

- (2.5) In view of lapse of time gone since the inception of the scheme, on question put, the Departmental Head stated that the matter has been taken up at the level of the Commission which will take the necessary measures to have at least the bulk of those houses completed by the end of this year. The Departmental Head agreed

that this scheme in essence is well viewed but its implementation is difficult due to the specific social factors in Rodrigues.

- (2.6) On the issue of supervision of distribution of materials, the Committee noted that as per the recommendation of the last Committee report same has not yet been resolved. The officers stated that there is supervision of distribution of materials. They further stated that the problem in Rodrigues is the lack of back-up to monitor and help beneficiaries in the completion of this scheme.
- (2.7) On the issue of non-delivery of 11,250 units of blocks 4” although the full amount was already paid to the contractor, on question put, the officers stated that needful has already been done at the level of the Commission. As such the amount due was set off during payment effected to the said company for some other charges. A copy of the letter addressed to the contractor and a copy of other charges where the deduction has already been made were laid at the Committee.

Recommendations

The Committee endorses the appropriate remedial action taken for the recoup of the amount owed.

- (2.8) With regards to the openings to be provided to beneficiaries, on question put, the Committee noted that 124 beneficiaries out of 163 have already been delivered with their openings. Moreover, the Committee took note that the time frame for supply of these openings has already lapse and in that context, as stated by the Departmental Head, most probably an extension will be sought but on the same terms and conditions. As regards payment for the openings these are made upon batches of openings delivered. A status of the openings already delivered to beneficiaries was made available to the Committee.

9. CONCLUSION

The Committee views that recommendations raised both by the Audit Office and the Public Accounts Committee in previous reports are not being given due consideration. The non-implementation of these valuable suggestions impedes on the efficiency and effectiveness of the use of funds appropriated by the Rodrigues Regional Assembly.

The setting up of a proper control mechanism at the level of each Commission will help in reducing discrepancies and ensure better financial management. We expect the Commissions especially the Accounting Officers to fully ensure the follow-up of projects and take appropriate actions timely and where necessary.

The Committee wishes to express its thanks to the Audit Office, the Officers of the different Commissions and the staff of the Rodrigues Regional Assembly for their assistance. The Committee is grateful to all of them.

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Mr. Nicolson LISETTE
(Chairman)

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Mrs. M. Désirée L.C MEUNIER

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Mr. Désiré Laval GUILLAUME

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Mrs. Jacqueline PROSPER

.....

Mr. Jean Daniel SPEVILLE