

20. IMPLEMENTATION PLAN – DIRECTOR OF AUDIT (DOA) REPORT

20.1. CUSTOMS

Issues	DOA Comments	Management Comments as reported by NAO	MRA's Proposed Action Plan	Timeframe for implementation of proposed action Plan
Arrears of Revenue - Long Outstanding Debts	The Statement of Arrears of Revenue as of 30 June 2018 showed total arrears of some Rs 710.9 million, consisting of duties, taxes, penalties and interests outstanding in respect of imported goods that have already been delivered, and cases where Customs Offence Reports (CORs) have been raised due to breach of Customs legislations. As per Debtors' Age Analysis, some Rs 242.2 million (34 per cent) of the total arrears of revenue figure, as shown in Table 3-13, were outstanding for long period of time, ranging from 6 to 19 years. Had all avenues for the recovery of debts been explored on a timely basis, such long outstanding debts would not have arisen.	Customs has already taken necessary steps to ensure timely recovery of arrears, namely: recovery powers, as in the VAT Act; setting up of a Debt Review Committee (DRC) in 2017; and setting up of a Debt Monitoring Unit in 2010	Central monitoring being done by Debt Monitoring Unit; Regular updates are requested from Regulatory Bodies (Police, ARC, etc.); Customs regularly liaises with the Court Managers for Court judgments; With respect to cases at LSD, returns are submitted periodically.	On-going
Arrears of Revenue - Pending Review	Appropriate action had not been taken in due time. Hence, this has resulted in the total arrears of revenue figure as of 30 June 2018 being overstated by some Rs 69.2 million.	Action has been initiated with regards to the 39 cases as follows: 37 cases for Rs 68,108,175 have been approved for write off by the MRA's Board, one case for Rs 307,844 has been kept in abeyance and one case for Rs 869,849 will be referred to DRC	37 cases for Rs 68,108,175 will be reflected in the forthcoming Statement of Arrears of Revenue One case for Rs 307,844 is under investigation by Customs One case for Rs 869,849 has been referred to Internal Audit by DRC for due diligence prior to write off	June 2019 June 2019 June 2019

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Status of Debts	Imported Yacht - Rs 23,950,239. The imported yacht was placed under Customs surveillance since February 2012 and has remained idle in the Port area for more than six years. Decision has to be taken in respect of all cases that have been classified by LSD for "No Further Action". There is an urgent need to follow up the case of imported yacht with the AGO to reinstate both companies and to apply a "Saisie Conservatoire" on the yacht, as advised by the latter. Undue delay would result in significant loss of revenue	Several meetings were held with the AGO for re-instatement of the said Companies since 2016. Last meeting was held on 16 January 2019 where the AGO requested additional information from Customs and provided a draft motion for the restoration of the Companies at the Registrar of Companies. All documents/ information have already been sent to the AGO on 16 February 2019.	Re-instatement of company in progress at SLO. Waiting for feedback from AGO and several correspondences sent to AGO requesting updates	On-going
	Company A - Rs 955,330	In May 2018, the 72 motorcycles were disposed of by Auction Sales at a very low total selling price of Rs 413,897 (Rs 5,748 per unit). However, the penalties and interests of Rs 955,330 were still included in the total arrears of revenue figure as of 30 June 2018.	Remaining balance to be written off	June 2019
	Company B - Rs 159,040,121	Follow up should be made with the Receiver Manager for the recovery of the amount due by Company B.	Receiver Manager informed the MRA that the receivership was still in progress and no distribution of funds has been made. MRA Customs has already put in place a process to follow-up with the Receiver Manager to recover amount due.	On-going

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Scanning	A maximum number of parcels/packages has to be scanned on a daily basis with a view to preventing illicit drugs and other prohibited products from entering the country.	The scanner used by Customs at MPL is a big deterrent and discourages potential fraudsters and smugglers from concealing drugs/narcotics in parcels/packages. It was decided to increase the number of scanning of parcels/packages up to 75 per cent by the end of 2019. The location where the parcels/packages are stored is under camera surveillance and kept under lock by MPL. There is minimum risk of tampering of these parcels/packages.	All parcels (including for EMS) are being scanned (100%) while small packets (registered & ordinary packets) are being scanned on risk management basis. Other methods of checking imported stuffs such as sniffing by dogs exist and scanner is old and cannot be over utilised	On-going
Patrol Boats	Customs should make maximum use of the two patrol boats so as to enhance control in the Port and surrounding areas. This would act as a deterrent for illegal transactions and prevent drug trafficking from taking place.	The skippers were on stand-by and were ready for immediate deployment. They can also be urgently called for urgent patrols even if they are off duty. Customs has already put in place a patrol plan to maximise the use of the skippers and the patrol boats, including Saturdays and Sundays. A Memorandum of Understanding is being drafted for joint harbour patrol by Customs, the National Coast Guard and the Mauritius Port Authority.	Customs uses patrol boats for the main purpose of surveillance based on risks and available information and for the purpose of information gathering. A Memorandum of Understanding for joint harbour patrol by Customs, the National Coast Guard and the Mauritius Port Authority is being finalized for presentation to the MRA Board prior to its signature by all parties concerned in second half of 2019.	In progress

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Drones	Customs needs to come up with a policy to make effective use of the two drones for aerial surveillance of the Port and surrounding areas. They should be used for the surveillance of inaccessible and hazardous areas and hence, be an effective tool for Customs to prevent illicit products from entering the country.	Surveillance operations are done by CANS as and when required, based on risk profile and targeting. Using the drones routinely with predetermined routes will only hamper the surveillance exercise and make it predictable to the smugglers/traffickers. It is also true that these drones have their limitations based on their specifications and cannot be used when there is bad weather. However, alternative means like CCTV surveillance were used by CANS when the drones are not usable.	Surveillance operations are done by Customs as and when required based on risk profiling and targeting; Whenever drones were not usable due to bad weather, alternative means like CCTV surveillance were used by Customs; Customs has devised a "usage policy" to maximize the usage of drones to complement existing surveillance and intelligence tools; The specifications of the drones were limited based on unavailability of the product on the local market; The specifications for acquisition of new drones will cater for better battery capacity and better manoeuvrability in adverse weather conditions.	On-going

20.2. OTHER TAXES

Issues	DOA Comments	Management Comments as reported by NAO	MRA's Proposed Action Plan	Timeframe for implementation of proposed action Plan
Non-Collectible Debts	<p>Non-Collectible debts of some Rs 16 billion, which were pending under Objection and ARC, represented some 238 per cent of collectible debts of Rs 6.7 billion. These were not accounted for in the Annual Report of the AG.</p> <p>In terms of amount of taxes under dispute, some 67 per cent (Rs 11,883,463,422) were in respect of cases referred to the ARC. Some of these cases dated as far back as the year 1999.</p>		<p>Disputed amounts pending under objection and ARC are disclosed to NAO and AG on half yearly basis. As a general practice, Tax Authorities do not include tax claims still under dispute into tax arrears. For accrual accounting under IPSAS consideration is being given to the practice of including in Government Accounts a percentage of disputed amounts.</p> <p>MRA is assisting in reducing the same mainly through (i) holding of pre-hearing negotiations with taxpayers and (ii) settling of cases through the two incentives schemes, namely, Alternative Tax Dispute Resolution Panel (ATDR) and the Expeditious Dispute Resolutions Tax Scheme (EDRTS)</p>	<p>Consideration is being given to providing figures of non-collectible debt to Accountant General as from this year</p> <p>ATDR scheme is on-going whereas EDRTS valid up to 2020</p>
Collectible Debts	<p>Of the total debts of Rs 6.72 billion as of 30 June 2018, 90 per cent were in respect of Income Tax (Individuals and Companies & Body Corporates) and VAT debtors.</p>	<p>Out of the three cases where the amount owed was more than Rs 200 million each, two cases for a total amount of Rs 527 million have been settled in October 2018. The other case is a drug trafficker who is in prison and has no property.</p> <p>As regards small debts of less than Rs 100, a mass write off has already been done in August 2018.</p>	<p>Drug trafficker cases take longer time to settle than normal cases since further and indepth investigations need to be conducted before reaching a decision</p> <p>Mass write off of amount less than Rs 100 is an ongoing exercise.</p>	<p>On-going</p> <p>On-going. The MRA has write off around 9,220 cases for Rs 18,026,740.22 in February 2019</p>

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Enforcement and Recovery of Arrears	<p>Out of the outstanding debts of Rs 7.4 billion as of 30 June 2017, 11.8 % had been collected during 2017-18.</p> <p>Only a small percentage had been collected from old debts.</p> <p>An analysis showed that there were more than 660 cases involving some Rs 44 million, where the taxpayer had passed away but still listed as a debtor at the MRA</p>	<p>Total arrears collected amounted to Rs 2.6 billion. However, the report to AG is only in respect of collection of arrears at start of the year. Collections made on current debts (assessments raised and paid during any of the two half year periods) are not accounted in those reports and therefore does not correctly show the total arrears collected during the year.</p> <p>When a taxpayer dies, it does not necessarily mean that the debt is irrecoverable and should be written off. It may happen that the taxpayer has property and the heirs of the taxpayer would be responsible to pay the debt. However, particular attention will be given to these cases and appropriate actions taken accordingly.</p>	<p>Total arrears collected amounted to Rs 2.6 billion, out of which Rs 1.8bn related to post arrears and Rs 0.8bn to current collections, i.e, collections out of assessments raised during the year. As debt become old, they are difficult to collect. This is why MRA is coming up with a new strategy to liquidate debts as early as possible. The new MRA Strategy revolves around the following:</p> <ul style="list-style-type: none"> (i) automation of Debt Recovery process for timely monitoring of debt; (ii) seeking assistance of the officers from the Call Centre team to assist in the chasing of debt by making daily call to debtors; (iii) SAP Debt Collection module currently under development (iv) continuously monitoring the debt and writing off old debts. 	July 2020

Implementation plan

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Enforcement Tools	Although Prior Notice Conainte were issued in 10 cases, no Conainte was issued. Further, no Prosecution was undertaken during 2017-18. The outcome following enforcement action was not readily available.		<p>No Conainte was issued mainly because of the following two reasons (i) humanitarian ground since taxpayer resides in the property and has no other assets (ii) LAVIMS / PIN Issue, to be able to sell any property a PIN should be attached to it otherwise it would be difficult to proceed for the sale</p> <p>As regards Prosecution, same is being envisaged by the MRA although prosecution does not yield positive results</p> <p>Automation of Debt Recovery Actions/Process in under implementation</p>	<p>On-going</p> <p>On-going</p> <p>Dec-2019</p>