The Leader of the Opposition (Dr. N. Ramgoolam) (By Private Notice) asked the Deputy Prime Minister, Minister of Finance & Economic Development whether, in regard to the fraud and irregularities detected between April 2002 and March 2003 at the Mauritius Duty Free Paradise Co. Ltd, he will –

(a) for the benefit of the House, ascertain the nature and extent of the discrepancies in stocks of whisky, wine, champagne and other products, and
(b) state –

(i) the findings and conclusions of the inquiry carried out by the Customs Department, and
(ii) the fines imposed by the Customs Department for such fraud and irregularities, and

(c) ascertain the measures, if any, taken against the General Manager and any other person/s who may be responsible for such fraud and irregularities.

The Deputy Prime Minister: Sir, as I had indicated in reply to PQ B/71, the Customs Department had requested Mauritius Duty Free Paradise Co. Ltd to commission two independent firms – one to carry out a physical stocking and the other to effect the stock reconciliation, based on the manual records for the period 27 March 2002 to end of March 2003, for the first year of operation of the company. Both exercises were completed and the report submitted on 23 September 2003.

Following the report, deficiencies were found in some items of stock. The duties and taxes on those goods were originally calculated by KPMG at Rs3,826,851.

After examining the report, Customs found that an abnormally high proportion of surpluses was netted off against deficiencies in the stocks. Customs requested another report showing the figures before netting off. KPMG submitted a second report on 21 November 2003. The amount of duties and taxes recomputed amounted to Rs14,873,907.
Subsequently, MDFP made a formal request for a netting off exercise. A joint exercise was carried out by the Customs Department and MDFP. It was found that duties and taxes amounted to Rs8,835,904.

The Customs Department has further scrutinised the report and found deficiencies on fashion goods, gifts sets, liquors, luxury goods, perfumery, technology items and tobacco in respect of certain brands, marks and labels. However, it also found surpluses in the same categories of goods in respect of different brands, marks and labels.

After readjusting for duties and VAT, it was found that short payment of duties and taxes on the missing goods amounted to Rs13,861,188. As regards the surpluses, the CIF value of the goods is Rs13,076,211.

The Customs Department has notified MDFP of its findings and has proposed that the case be dealt with by way of compounding under the Customs Act. The company has indicated that it is not agreeable to the proposal for compounding but has offered to pay Rs8,835,904, representing the original amount of duties and taxes as computed by KPMG on the deficient goods.

According to the company, one of the main factors accounting for the deficiencies and surpluses has been the lack of sound procedures as regards movement of stocks, coupled with the unreliability of the computer system it had initially installed.

I am informed that the company has set up a new IT system, designed by the State Informatics Limited, as from January this year. Full commissioning of the system has been completed last month.

As regards part (c) of the question, I am informed that the company is investigating further into the matter to identify responsibilities for shortcomings in its management. I can assure the House that appropriate measures will be taken in the light of the findings of its investigations.

I am also given to understand that the company has launched tenders for the installation of a video camera surveillance system. This will reinforce control and supervision over all movement of persons and goods at the MDFP.
The Customs Department on its part is putting in place new procedures for customs control at MDFP. These will be fully implemented and applicable as from 01 July this year.

**Dr. Ramgoolam:** Mr Deputy Speaker, Sir, I heard the Deputy Prime Minister say that there were two reports: one on 23 September 2003 and the other one on 21 November 2003. Can he explain why is it then that the Comptroller of Customs wrote to the General Manager, informing him of a Customs Offence Report that has been opened in May 2004? Can we know why this discrepancy in the time lag?

**The Deputy Prime Minister:** As I have said, there was another report by KPMG that was submitted on 21 November 2003. The reason for the second report is that the Customs were not agreeable to the way the netting off exercise was carried out. Therefore, there was a joint stock-taking that was carried out between MDFP and Customs Department, and they came to a figure of Rs8,835,904 as far as duties and taxes are concerned. However, the Customs Department took additional time, in order to study further the report that was submitted by KPMG. That is why they came up, eventually, with a claim amounting to Rs13,861,188 in respect of short payment of taxes and duties. So, the time taken is for Customs to have looked very carefully at each and every detail of the report.

**Dr. Ramgoolam:** I am mentioning this, because it looks like a long time – six months – so as to decide upon this letter. Can the Deputy Prime Minister confirm that there is no evidence whatsoever that the missing goods have been sold to passengers?

**The Deputy Prime Minister:** Mr Deputy Speaker, Sir, I cannot say at this juncture because it seems that that the major problem arose out of the unreliability of the computer system.

*(Interruptions)*

**The Deputy Speaker:** Order!

**The Deputy Prime Minister:** I am saying this because even in the letter that was addressed to the MDFP, the Customs Department has stated that due to the unreliability of the IT system, the stocktaking was subsequently assigned to independent auditing firms
and so on and so forth. That was, in fact, the main reason, but as I have stated there is an inquiry which is still ongoing because the report has been received by the MDFP and as soon as we are in the presence of the final report then whatever action that is required to be taken will be taken.

**Dr. Ramgoolam:** The letter which the Comptroller of Customs sent to the General Manager said quite clearly - and, in fact, he put in bold letters: "that goods were illegally dealt with or under-declared and that there is neither any evidence that the missing goods have been sold to passengers or exported nor your company is able to satisfactorily account for the surpluses". So, that means that the decision has been taken and there is no evidence. Why would the Comptroller of Customs write this letter otherwise?

**The Deputy Prime Minister:** Mr Deputy Speaker, Sir, I do not agree. In the letter it is said that following information received, goods were illegally dealt with and/or under-declared. This is where the dispute lies because according to the Mauritius Duty Free Paradise there have been sales, but unfortunately because of the unreliability of the IT system, they have not been able, in fact, to give the proper explanations. This is being looked at and, in fact, the claim that has been made by the Customs is being disputed. So, let us see what comes out from the dispute and then we will be in a better position to know exactly what has happened.

**Mr Duval:** The Deputy Prime Minister seems to be taking the part of the Mauritius Duty Free Paradise saying that it is a problem of IT whereas Customs has been very clear in saying that they have received reports at the Customs Department, anonymous or whatever. Maybe the hon. Deputy Prime Minister can tell the House who reported the case to the Customs Department? And the fact that it was reported as an illegal transaction, a fraud, prompted Customs to have an investigation. Therefore, it seems to me, Mr Deputy Speaker, Sir, that it is not a case of IT going wild and more like a case of fraud being reported surreptitiously or otherwise to the Customs Department generating a Customs investigation.

**The Deputy Prime Minister:** No, I am not taking sides of anybody. What I am stating are facts, Mr Deputy Speaker, Sir; and I can further state to this House that even the Customs at one time upon disagreement, found out that the way the VAT was calculated was not the right one. In fact, when it concerns so many items, one
will realise that the exercise is quite cumbersome, but they are looking at all the details concerning the report.

**Mr Dulloo:** The hon. Minister just said that there is an inquiry which is ongoing, allegedly to identify shortcomings. May I ask him who is conducting the inquiry and what are the terms of reference and the assignment given for that body conducting the inquiry?

**The Deputy Prime Minister:** I am informed that the Board has received reports and they are looking very closely at them.

**Mr Dulloo:** There is a case, Mr Deputy Speaker, Sir, where we are being informed that there has been fraud concerning stocks illegally dealt with and under declared articles. There is the General Manager involved and many other political appointees we've had recently there. Are they conducting an inquiry upon themselves as to whether they have committed fraud or not?

**The Deputy Prime Minister:** This is rubbish, Mr Deputy Speaker, Sir! I have just stated that precisely the allegation that goods were illegally dealt with and/or under-declared is disputed. Therefore, on the part of the MDFP there is an inquiry which is going on, further it has already been communicated to the Customs that they are not agreeable with this assessment. At this stage, one has to wait and see, probably in the light of explanations given by the MDFP, what will be the stand taken by Customs.

**Mr Dulloo:** The hon. Minister informed us that the MDFP has said that there was a failure in the IT system and he has been repeating this *ad nauseam* to the House that this could account for what has happened. May I ask him whether an inquiry is being conducted on the whole computer system, whether it has not been deliberately tampered with, fiddled with, in order to give the results that we are obtaining right now.

**The Deputy Prime Minister:** I did not say that the only reason was because of the unreliability of the IT system. I said that there was a lack of sound procedures also as regards the movement of stock. As far as the tampering of the IT system is concerned, I have not been informed that such is the case. But of course if the hon. Member has evidence to the effect that people have tampered with the IT system, I would be glad to pass it on to those people who are inquiring into the matter.
Mr Duval: There are obviously reports - which Mr Cunningham appears to have received - that have been made to Customs reporting any illegalities. Have these been passed on to the Police for investigation and has Government insisted that Customs passes on any information it has to Police for a criminal investigation and, if not, why not?

The Deputy Prime Minister: I do not know which report the hon. Member is referring to. I have not been provided with that kind of report.

Mr Duval: If I may quote from a letter which I can table from the Comptroller of Customs dated 03 May 2004. He says: following information received that goods were illegally dealt with or/and underdeclared at Customs...". And it is surprising that the hon. Minister of Finance does not have any information about that and he says that it is now up to hon. Dulloo to make a declaration to the Police when the report already exists with the Customs Department.

The Deputy Prime Minister: I have not seen any report as yet, Sir, concerning the one that has been mentioned by the hon. Member.

Mr Duval: Will the Minister agree to arrange for a meeting with Mr Cunningham and obtain from him - following the letter to be tabled - whatever information there is and arrange for the Police to start immediately an inquiry according to the letter of the Comptroller of Customs?

The Deputy Prime Minister: Sir, I have stated that there is an inquiry which is ongoing, and in the light of its findings, whatever measures will have to be taken, will be taken.

Mr Dulloo: Mr Deputy Speaker, Sir, we are not happy with this cover-up that is going on. This is very serious because we have the general...

(Interjections)

May I ask the hon. Minister why the General Manager and the various political appointees enjoying paradise there are not being suspended while this inquiry is on?

The Deputy Prime Minister: Mr Deputy Speaker, Sir, I am not here to please the hon. Member; I am here because I am
accountable to the House. And I can say that there is no political appointee whatsoever in relation to this case.

Mr Dulloo: There have been appointments in the wake of the by-election in Rivière du Rempart. May I ask the hon. Minister whether there have been indications to the effect that offences have been committed under the Customs Act, the Excise Act and the VAT Act? And why is it that the Police Fiscal Unit is not involved and why is it that the whole matter is not referred to the various Commissioners of Taxes, including the VAT Commissioner to inquire on this particular matter?

The Deputy Prime Minister: I do not know what the hon. Member is referring to.

(Interruptions)

Dr. Boolell: Will the Deputy Prime Minister state who is the General Manager of the Mauritius Duty Free Paradise?

The Deputy Prime Minister: One Mr George Piew is the Manager of the Duty Free Paradise.

Dr. Boolell: Would the Deputy Prime Minister state whether Mr George Piew owes his allegiance to the MMM and is a member of the party?

The Deputy Prime Minister: These are just flimsy statements, Mr Deputy Speaker, Sir.

Dr. Boolell: Will the Deputy Prime Minister state whether it is under the managerialship of Mr Piew that there have been shortcomings when an inventory exercise was conducted: 4,460 bottles of 100 cl of Johnnie Whisky, 33 bottles of red label Johnnie Whisky, 24 bottles of Chat Magnol Bourg Red, 55 cartouches de Malboro, 91 cartouches de Malboro, 47 cartouches of Rothmans, 107 boîtes de chocolat Lindt Gold Milk Hazelnuts and even poupées barbies were found missing.

(Interruptions)

The Deputy Prime Minister: Mr Deputy Speaker, Sir, I am not aware about this allegation. However, Mr Deputy Speaker, Sir, I can say that, for example, in 1999, stock taken over from Mauritius
Paradise Company by World Duty Free was undervalued by more than Rs70 m. And I am aware also that...

**Mr Dulloo:** On a point of order. Mr Deputy Speaker, Sir, the question is addressed to this Government for the period of 2002/03 when the Prime Minister was Minister of Finance in charge of this area. My point of order is whether this is relevant to the question.

**The Deputy Speaker:** Hon. Dulloo, the Chair has no control over the answers. So, the Minister is replying to the question.

**The Deputy Prime Minister:** Let me say to this House what I am aware of. The former Chairman, Mr Dinassing...

*( Interruptions)*

**The Deputy Speaker:** Order!

**Mr Dulloo:** This is an abuse of the time of the House.

**The Deputy Prime Minister:** ...he stands charge for a criminal offence in respect of that undervaluation...

*( Interruptions)*

And also, Mr Deputy Speaker, Sir, he stands charge of misappropriating goods stored in a container inside the airport compound. And I am also informed that he is also charged for misappropriating a *souvenir trophée*, that is, *tête de cheval en cristal* which the company received as a gift.

**Dr. David:** Mr Deputy Speaker, Sir, even *poupées barbies* have been stolen there! Can the Minister of Finance tell us who is the Finance Manager and whether that post was advertised?

**The Deputy Prime Minister:** I am not aware, I cannot say.

**Dr. Boolell:** We are talking of massive fraud and irregularities. Can I ask the Deputy Prime Minister why is it that the General Chairman has not been suspended while the inquiry is ongoing?

**The Deputy Prime Minister:** Mr Deputy Speaker, Sir, first of all, I am not aware of anyone by the status of General Chairman. But I do not see any reason why the Chairman also should be sanctioned.
**Dr. David:** Can I know from the Minister of Finance whether the General Manager is a member of the *comité central* of a political party?

**The Deputy Prime Minister:** I am not aware of this, Mr Deputy Speaker, Sir.

**Mr Dulloo:** Mr Deputy Speaker, Sir, recently there has been a lot of sale on black market of red label whisky and many other such type of goods that have allegedly disappeared. May I ask the hon. Minister whether there is any inquiry being made to trace out whether it was the same goods that have disappeared from the Mauritius Duty Free Paradise that have been on sale massively on the black market? At the same time, may I ask him whether he is aware that those goods that have disappeared are very popular among travellers whereas those goods that have found their place now in the stock of the Duty Free Paradise are those goods that are not being frequently asked for by travellers?

**The Deputy Prime Minister:** The hon. Member is making flimsy statements in the House. There is no evidence whatsoever of what he has stated.

**Mr Duval:** May I ask the hon. Deputy Prime Minister how he will ever get any evidence if there is no independent outside inquiry into what happened there? We are talking about goods, duty paid of Rs56 m., fines of three times maybe that value. We are talking about a huge amount of money. I am sure you will agree that it could be that there is a deliberate attempt at messing around with the figures, at selling goods that are there and restocking, etc. that could have happened. It is a genuine possibility. Will he agree that there is no way at all that Government and the taxpayer will find out what has happened to this company belonging to the taxpayer unless an independent inquiry is carried out by the Police or by another independent organism?

**The Deputy Prime Minister:** Mr Deputy Speaker, Sir, I have stated that the Customs has investigated in this case. We rely and we trust, of course, the Customs and we will be acting accordingly.

**Mr Duval:** Mr Deputy Speaker, Sir, the Deputy Prime Minister knows very well that Customs is going to compound this figure and that the company will just pay the fine. It is going for compounding. Therefore, it will not go to any court of law.
(Interruptions)

Here they are talking about compounding. So, if they are compounding, it will not go into any court of law. What the Opposition is asking for is for a proper inquiry and there are criminal charges where there is need to be criminal charges, Sir.

**The Deputy Prime Minister:** There is a dispute. I have just stated that the Duty Free Paradise is not accepting the claim that has been made by the Customs. Therefore, the matter is still ongoing.

**Dr. Chady:** I would like to ask the Deputy Prime Minister who requested the assignment of the firm KPMG and for what reason the firm was assigned the task of stocktaking, etc.

**The Deputy Prime Minister:** The services of KPMG were retained obviously by the Mauritius Duty Free Paradise Co. Ltd. to carry out an independent exercise for determination of the book values.

**Dr. Chady:** From what I understand, it is the Customs Department and Mr Cunningham who asked for an inquiry because he found...

(Interruptions)

Exactly! So, it was the Customs Department which found irregularities and asked for an assignment of the independent firm. Is not that true?

**The Deputy Prime Minister:** Mr Deputy Speaker, Sir, the two firms have been appointed: firstly Ernst and Young to look at the physical stocktaking and the other one is KPMG. So far, Customs has no dispute about the exercise that has been carried out by KPMG. It is just a question that they are looking at the detailed report to put their claim to the Duty Free Paradise Co. Ltd.

**Dr. Ramgoolam:** Mr Deputy Speaker, Sir, there has been a shortfall of over Rs28 m if you add the sum. There has been a letter from Mr Cunningham, which says that there have been goods, which have been illegally dealt with, and that there is no evidence that these goods have been sold to passengers. What we are asking the Deputy Prime Minister and Minister of Finance is to have an independent
inquiry into the causes, not this audit exercise which is saying that this surplus is there or this stock is there. What we want to know is who is behind this massive fraud and what is being done for the inquiry. If you ask the same people to inquire, then you are never going to get any result.

The Deputy Prime Minister: First of all, there is a dispute about the offence itself. In a letter from the Customs, the offence mentioned of "illegally dealt with and/or undeclared goods".

The second thing is, the amount of duties and taxes that have been computed, comes to Rs8,835,904 as per a joint exercise that was carried out by Customs and MDFP. But, subsequently, the Customs had a closer look at the report and came with a claim of Rs13,861,188. Now, that sum also is being disputed. So, we will have to wait.

(Interruptions)

The Deputy Speaker: I am allowing two more minutes. Put your question, please.

Dr. Ramgoolam: Firstly, the hon. Deputy Prime Minister said that he is not taking sides, but he is quoting, over and over, the sum of Rs8 m. when the Customs mentioned Rs14,584,000.

(Interruptions)

I do not want him to misquote. Secondly, does he not agree that there has been a shortfall of over Rs28 m.?

(Interruptions)

It is not just a question of paying fines, but the guilty should be punished and, here, it seems that people are protected once again. People from the MMM are being protected!

(Interruptions)

Shielded from inquiry! Is the hon. Deputy Prime Minister and Minister of Finance satisfied with the situation?
The Deputy Prime Minister: The hon. Leader of the Opposition is wrong again when he says that the duties amount to Rs14 m. and so on and that the shortfall is Rs26 m.

(Interruptions)

He just mentioned Rs26 m. It is not! It is not, because I am informed by the Customs that the claim is to the amount of Rs13,861,188. Mr Deputy Speaker, Sir, even that sum is being disputed by the company.

Dr. Ramgoolam: The figure which I am mentioning is duty to be paid, that is why I am saying Rs28m. I am adding the figures together and that is why it comes to that amount. I just want to remind the Deputy Prime Minister.

The Deputy Prime Minister: I maintain what I have just said, Mr Deputy Speaker, Sir.