10.1 Consultancy Fees for Design of Projects

At paragraph 14.2.1 of the 2004-05 Audit Report, mention was made of increasing number of projects being designed without taking into account budgetary constraints. Consultancy fees were paid for preparation of design.

As of 30 June 2005, 356 projects with project values of Rs 1.2 billion already designed on which consultancy fees of Rs 12.5 million were paid, were not yet awarded. The projects were not awarded on the grounds that some did not fall in the priority list of the NDU while others were awaiting instructions, though scope of works and estimates were already prepared.

I recommended that before designing any further project, the NDU should consider its financing and the present requirements.

However, there has been no improvement since projects were being continuously designed but not implemented, without taking into account the financial capability, the resources to handle them as well as the capability of implementation.

As of 30 June 2006, 614 projects for a sum of Rs 2.1 billion, already designed, were not yet awarded. Consultancy fees for design amounting to Rs 20.6 million have been paid on these projects.

Design of project necessitates payment of consultancy fees. It is to be noted that the consultancy fee has increased from four per cent to seven and a half per cent since December 2004. On expiry of the contract in December 2006, the fee might again increase in case of re-appointment of the Consultant.

Furthermore, with lapse of time, projects that were previously designed may not suit the present needs and may require new design, thus resulting in payment of additional consultancy fees.

Instead of having projects designed first and then going forward in order of priorities, it is recommended that the NDU must first set project priorities for the forthcoming financial year, taking into account the expected financial impact. Design and cost estimates preparation must then be based on these priorities.
Ministry’s Reply

A new approach is now being adopted. There will be proper planning with regard to projects to be implemented. It is only when a decision has been taken to embark on a project that procedures will be followed to arrange for the design of the project, seek relevant clearances. This will avoid a situation where there will be no unnecessary waste of resources for designing a project and later on not proceeding with a project. Steps are being taken to cut down expense in terms of consultancy fee by arranging for our Technical Unit to handle certain projects.

10.2 Poor Performance of Contractors

In several cases, projects have not been completed within time schedule. The main reasons for the delay were inadequate resources deployed on site by Contractors, modification of original design and adverse climatic conditions.

The NDU even had to terminate some contracts due to poor progress of works. The consequences are two-fold. After termination of contracts, some projects were re-awarded and with time, contract prices increased automatically. In other cases, works were still outstanding and were awaiting re-award long after termination of previous contract. The contract for market fair at Rose-Hill has been terminated twice and the remaining works have still not been re-awarded.

A few examples of such projects are given below:

Projects with delays

- The contract for the upgrading of football grounds at L’Esperance, La Rosa, Camp Fouquereaux and Midlands was awarded for the sum of Rs 14,556,142.

- The commencement and completion dates for the upgrading of L’Esperance Football ground were scheduled for 10 March 2003 and 20 October 2003 respectively. As of August 2006, the project has not yet been completed and was delayed by two and a half years.

- The contract for landscaping and embellishment works at Chebel sports complex was awarded on 17 June 2004 for Rs 5,056,774. The project was scheduled for completion in November 2004. As of August 2006, after more than two years since the commencement of the project, only about 50 per cent of the project have been completed.

- The contract for construction of Kindergarden at Villebague was awarded for the sum of Rs 2,393,236 on 3 June 2004 and was due for completion on 4 April 2005. As of August 2006, that is over 15 months, works were still not completed.
The contract for the upgrading of football ground and construction of cloakroom at Bois Chéri was awarded on 13 September 2004 for the sum of Rs 10,144,322 with scheduled completion date of 20 June 2005.

As of 15 August 2006, the upgrading of football ground was already 12 months behind schedule.

The contract for landscaping works at Providence was awarded for the sum of Rs 24,835,312 on 13 December 2004. The works were to be completed in October 2005.

As of August 2006, works were still in progress.

Construction of Community Centres

The contract for the construction of 13 community centres around the Island was awarded on 3 March 2004 for the sum of Rs 162,550,740.

Works at these sites were completed with delays ranging from 4 to 14 months and at one particular site at Nouvelle Decouverte, works, due for completion in September 2005, were not yet completed as of August 2006.

Projects waiting re-award of contracts or re-awarded at higher price after termination of contracts.

Upgrading of football ground at Wooton, cloakroom at Dubreuil, fencing of football ground, cloakroom, kiosk and boulodrome at Robinson, Curepipe.

The contract was awarded on 1 June 2004 for Rs 9,947,500. The contractual commencement and completion dates were 12 July 2004 and 23 January 2005 respectively.

The contract was terminated in April 2005, because the Contractor failed to complete the works due to inadequate resources deployed on site. The remaining works were valued at Rs 2.4 million. As of August 2006, only the contract for uncompleted works at football ground Wooton, which was estimated at Rs 550,000, has been re-awarded for the sum Rs 976,770. Contracts for remaining works on the other sites have still not been re-awarded, as of October 2006.

Drains at Canot

The project which was awarded on 18 November 2002 for Rs 2,273,552 was terminated on 18 September 2003 because of poor workmanship and insufficient resources to complete the works. Moreover, during that period, the Contractor was simultaneously awarded various projects for construction of drains and fencing of football grounds around the Island.

The contract was re-awarded for Rs 7,652,435 in April 2004 with some additional works. The contractual completion date was 31 December 2004. An amount of Rs 6,385,372 has been paid to the Contractor as of December 2005. The road re-instatement works, estimated
at Rs 2.6 million and not included in the above contract were still outstanding as of August 2006.

- **New Market Fair at Plaisance, Rose Hill**

The project has, since its inception, been awarded to three Contractors at different points in time and has still not been completed.

The contract was originally awarded on 19 September 2002, for the sum of Rs 40,003,201 and completion was scheduled for 30 September 2003. In November 2004, the contract was terminated because of the Contractor’s inability to complete the works.

The contracts for the completion works were split into building works and site works and were awarded for respective sums of Rs 29,997,771 and Rs 10,298,833 to two different Contractors in February 2005 and December 2004.

The site works were completed in December 2005. Contract for building works had to be terminated because of poor progress of works. An amount of Rs 11.9 million was certified for payment as of May 2006. The contract has to be re-awarded again and because of time factor, the contract price might increase.

**Conclusion**

As shown above, the poor performance of Contractors has had a high incidence on the completion of the projects and the costs of projects. The contracts had to be terminated resulting in increase in the project cost upon re-award. The increased cost was normally borne by the NDU after claiming the performance bond of the defaulting Contractor.

The following measures are being recommended.

- The performance bond which is a security for proper performance is normally set at 10 per cent of the contract value. Most of the time, the performance bond is not adequate to cover the cost of the remaining works.
  - The NDU should consider increasing the rate.

- The NDU should include in the contract a clause whereby the defaulting Contractor should make good any increase in contract value of uncompleted works on re-award.

- When awarding new contracts it is essential to ascertain current workload of the Contractor. Contractors are normally categorised by grades with a ceiling of the maximum value of contracts for which they can tender. If several contracts are awarded to a Contractor, though each one below the maximum limit, the Contractor may face the problem of inadequate resources deployed on site if he undertakes too many projects simultaneously.

  The NDU might raise the issue of inadequate resources of Contractors with the Construction Industry Development Board (body responsible for registration of Contractors). The grading of Contractors depends on resources available such as
manpower, equipment and finance. If a Contractor is unable to perform under a particular grade, this may necessitate a review of the grade allocated to the Contractor.

- In case of default, the NDU can also recommend for deregistration of the Contractor.
- The NDU should be strict in the granting of extension of time.
- Liquidated damages are claimed when a Contractor fails to complete projects within time. The NDU should consider increasing the rate where appropriate.

**Ministry’s Reply**

There are instances where contracts have not been completed during the contract. Delays are due to adverse weather conditions, slow work progress due to improper planning by Contractor with inadequate resources mobilised in order to finish according to calendar schedule. In view of specificity of NDU, in the course of implementation of a project, there may be change of design or provision for additional work which may lead to delay. In case of extensive delay, taking into account the unsatisfactory performance of the Contractor, measures are taken to terminate the contract.

In the new Public Procurement Legislation that will be presented to Parliament shortly, it is proposed to provide:

- For the increase of the percentage of the performance bond to cover the cost of remaining work in case of a non-performing Contractor.
- That a defaulting Contractor needs to bear any increase in cost of uncompleted work on re-award of work when the contract of a defaulting Contractor is annulled.
- For the seizure of the bond of a Contractor and to provide for disqualifying a Contractor who has defaulted on any contract.

As from now on, special care will be taken during examination and evaluation of Tender proposals to short-list firms habilitated to cope with infrastructure projects.

**10.3 Buildings Infrastructures not in Use**

At the conception stage of projects, consideration should be given primarily to the needs of users along with cost of project and the associated maintenance costs. User needs should then be prioritised taking into account the financial impact and urgent needs.

I have already drawn the attention of the NDU on the increasing number of projects designed but not retained on ground of projects not being a priority.

In the case of construction of cloakrooms at football grounds throughout the Island as described below, some of them were not being utilised since two years after construction.
It would appear that no request for the construction of the cloakrooms was made by the Local Authorities nor were they a priority of users’ needs. Nevertheless, the decision for the construction of cloakrooms at football ground throughout the Island was taken and the contract was awarded for the sum of Rs 16.6 million in February 2003. Works were completed in June-July 2004. The cloakrooms were constructed at 12 different locations. They were handed over to the Local Authorities in 2005.

A site visit was carried out on 11 and 14 August 2006. Cloakrooms at Cite St Louis, Creve Coeur, Piton, Roche Noire, L’Esperance, Chebel and Notre Dame were still not being utilised after two years of completion. The following were also observed during the site visits:

- Window panes were broken
- Plumbing works and water pipes were tampered
- Electricity was still not supplied on some of these sites.
- The yards were invaded by weeds
- The tiles were soiled with birds and insects wastes
- Paintings have already faded out.

These projects have cost Government some Rs 16 million. Additional funds might be needed to carry out necessary repairs before the cloakrooms become operational.

It is again emphasised that a survey of requirements should be made and priorities considered before embarking on new projects.

Projects implementation must be coordinated with appropriate Local Authorities to ensure that after completion they serve the intended purposes.

10.4 Variation Works

Variations works include alteration or modification of the design, quality and/or quantity of works. Variation up to a certain limit is acceptable. If significant, the variations may have an impact such as an increase in cost and additional claims from Contractors, increase in consultancy cost, granting of extension of time with cost; these would in turn result in delay in completion of projects.

Variations were noted in several projects at the NDU. The reasons were

- The nature of the work had been loosely defined
- No proper survey was carried out where the projects were to be implemented.
- Changes in design to meet present needs.

A few examples of projects with variation works are shown below:
Construction of Market Fair at Pamplemousses

The contract for the construction of a new Market Fair at Pamplemousses was awarded for the sum of Rs 21,200,900 on 6 November 2002. The project was practically completed in March 2005. The defects liability period ended in March 2006.

During the construction, additional works for the sum of Rs 12,381,783 were approved representing more than 58 per cent of the original contract value.

The additional works included:

- Construction of 324 covered stalls for a total cost of Rs 10,109,754.
- Construction of concrete pavement in lieu of asphalted concrete resulted in an increase in cost of some Rs 800,000.
- Masonry wall, fencing works and parking space for the cost of Rs 627,633. Bus shelters and fixing of traffic signs involved a sum of some Rs 290,000.

Reconstruction of Football Ground at Camp Chapelon, Pailles.

The works order for the reconstruction of football ground at Camp Chapelon, Pailles was issued under the Annual Road Contract for the sum of Rs 3,792,930 on 26 October 2004. As of 30 June 2006, total payments amounted to Rs 6,223,066.

The works were initially supervised by the NDU and subsequently by the Consultant.

Additional works amounting to some Rs 2.4 million were undertaken representing 64 per cent of the initial works order.

Additional Works

- Changes in Design. After issue of the works order, the block wall was re-designed and it rose from the original height of 80 cm to three metres above the ground level.

Unreinforced block wall with thickness of 150 mm was originally provided but, subsequently, 200 mm thick reinforced block wall was laid.

As a result of the change in design, the cost for the construction of block wall rose from Rs 150,000 to Rs 1,140,038. Similarly, the cost of excavations works increased from Rs 531,660 to Rs 1,041,841.

- As the project was carried out under the Annual Road Contract, several works were performed for which tendered rates were not available. Hence, the Contractor had to quote rates during the construction stage. Examples are the construction of 200 mm thick block wall, the supply and laying of topsoil for grassing as well as the supply and plantation of grass and wall finishes with tyrolean.
In case rates were not available under Annual Road Contract, a Contractor would normally quote at the current market rates which, with time, would tend to be higher than those stated under the Annual Road Contract.

**Ministry’s Reply**

Variation in relation to block wall height was necessary on account of land topography sloping from motorway to the other side of the site.

The “Forces Vives” of the locality had made a request to extend the pitch and it was anticipated that additional works would be involved at later stage. In view of the pressure building up, the work order for the re-instatement of the football ground had to be issued without delay.

**Construction of Drains at Barlow.**

The works order for the construction of drains at Barlow was issued under Annual Road Contract for the sum of Rs 3,740,583 on 24 December 2004. The works were substantially completed on 19 December 2005.

As of 30 June 2006, total payments amounted to Rs 5,320,062.

Additional works to the tune of Rs 1,579,479 were undertaken representing 42 per cent of the initial works order.

The additional works were as follows:

- The length of the drain was increased by 40 metres together with an increase in depth. This resulted in an increase in volume of the masonry drains from the original quantities of 180 to 561 cubic metres. The additional cost amounted to Rs 1,238,250.

- 273 metres of guardrails were supplied and fixed at a cost of Rs 434,070 instead of concrete bollards originally provided for the sum of Rs 23,940.

- Additional reinforcements for a total cost of Rs 59,570 were used.

The above variations occurred on grounds of inadequate conception and poor design resulting from poor assessment of users’ requirements.

For instance,

- In the case of football ground at Camp Chapelon, the final height of the block wall was four times the initial height. Hence, the original design was not properly carried out.

- In the case of Market Fair at Pamplemousses, after the award of contract, it was decided to construct covered stalls and to use concrete instead of asphalted pavements in order to meet users’ requirements. Therefore, there was inadequate survey of users’ needs when designing the project.
Again, inadequate design was obvious for the construction of drain at Barlow. After the award of contract, the depth of the drain was increased due to the existing topography of land and also the length required an extension.

**Ministry’s Reply**

In the original design, provision was made for the drain to start upstream at the junction of the main road with the sugar cane track, connecting to an existing unlined canal. However, during construction, it was found that after heavy rainfall, frequent flooding of the existing unlined canal occurred, the storm water drain was not being channelled properly into the new drain resulting in flooding of nearby premises. It was necessary to extend the drain by some 40 metres.

The increase in excavation in respect of the extended section and soft ground condition led to an increase in masonry work for the drain.

**Conclusion**

The constructions of football ground at Camp Chapelon and drain at Barlow were done under the Annual Road Contract for which works orders were issued. Under the Annual Road Contract, the Central Tender Board (CTB) only approved the initial tendered rates. No minimum or maximum values were set for work orders issued. As such, an initial value of a works order might be increased to any extent and this happened in respect of works at Camp Chapelon and Barlow.

In a normal tendering procedure, the CTB’s approval is sought for variations exceeding 20 per cent of initial contract value. I am of the view that this policy should be extended to works orders under the Annual Road Contract, as after issue of work order for a particular project, works cannot be added indefinitely. It is therefore recommended that a limit be set for any increase in value of a works order. In case of new works for which rates were not quoted under the Annual Road Contract, CTB’s approval should be sought.

The nature of works to be allocated under an Annual Road Contract should also be clearly defined. For instance, the construction of a football ground under a road contract, in my opinion, was not appropriate.

The additional works shown above could have been foreseen if a proper survey was carried out at design stage.

Before conception of a project, all the relevant factors must be considered such as financial impact, users’ needs and priorities. If additional works are excessive, they will have an impact on financing of projects, at the same time to the detriment of other prioritised projects.

At the NDU, funds are not earmarked project wise. As such, financing of variation works does not seem to be a constraint. If funds were earmarked based on contract values, variation works would most likely be contained within reasonable limits. It is recommended that funds be earmarked project wise.
Environment Unit

10.5 Income

The Environment Protection Act 2002 requires specific establishments to pay an environment protection fee in accordance with the Fifth Schedule of the Act. It concerns the hotels, boarding houses of more than four bedrooms and enterprises engaged in stone crushing or in the manufacture or processing of aggregates, concrete blocks, pre cast units, corals or basalt sand.

The objective of the environment protection fee is to raise fund for the promotion of local environment initiatives aimed at preventing and reducing pollution.

Any manager who fails to pay the fee shall commit an offence and shall, on conviction, be liable to a fine not exceeding Rs 100,000 and to imprisonment for a term not exceeding five years.

The Ministry collected Rs 143,344,913 as environment protection fees during the financial year 2005-06 as shown below:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs</td>
<td></td>
</tr>
<tr>
<td>112</td>
<td>Hotels</td>
<td>128,540,746</td>
</tr>
<tr>
<td>22</td>
<td>Stone crushers</td>
<td>13,861,994</td>
</tr>
<tr>
<td>170</td>
<td>Boarding houses</td>
<td>942,173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143,344,913</strong></td>
<td></td>
</tr>
</tbody>
</table>

As of 30 June 2006, 304 establishments were registered with the Ministry. The records registering the establishments were not complete and did not contain the details of all the establishments that had to pay the environment protection fee. A number of hotels and boarding houses, registered with the Tourism Authority were operating but have not been paying the environment protection fee.

The following observations were made:

- The income was not subject to any verification work either by staff of the Ministry or the internal controllers, to ascertain the accuracy and completeness of the fee income. Our findings revealed that during the financial year 2004-05, companies could have underpaid up to an amount of Rs 5.2 million as the environment protection fee;

- The Ministry made a request to all the Local Authorities for submission of returns relating to development permits issued to hotels, boarding houses and stone crushing plants. Only three of them responded favourably.
10.6 Environment Impact Assessment (EIA)

The Environment Protection Act 2002 stipulates that “any person being a proponent who commences, proceeds with, carries out, executes or conducts, or causes to commence, proceed with, carry out, execute or conduct an undertaking shall have an EIA licence, permit or approval in accordance with Section 15 sub Section 2. The proponent applying for an EIA Licence in relation to his undertaking shall submit to the Director, an Environment Impact Assessment. The applications are examined by a Committee comprising of seven members and a chairman examine the applications for an EIA licence.

During the financial year 2005-06, the Committee held 21 EIA meetings and approved 56 applications and rejected 10 others. During the same period, the Ministry received 147 applications for Preliminary Environment Report (PER). The same Committee approved 86 applications, rejected 10 of them and the remaining 51 applications were still being considered.

The Ministry bears the whole cost to examine and process the applications of EIA and PER. The costs comprise of publishing the notices in newspapers and many other costs related to the processing of the applications. It is estimated that the Ministry must have incurred some Rs 5 million in terms of expenses relating to EIA and PER.

The Act makes provision for the taking of fees and levy of charges. However, the Ministry does not charge any fee when an application is deposited.

10.7 Telephone bills - Rs 2,631,539

The Ministry and the Department of Environment made use of 52 cellular phones and 153 fixed lines.

Cellular phones were issued to staff that include Office Superintendent, Office Supervisor, Chief Finance Officer, Purchasing officer and also officers from the Police of Environment.

The Ministry issued prepaid cards to 33 cellular phones users and 19 of them were still using fixed lines.

A number of fixed telephone lines were not being used and consequently, the Ministry paid Rs 52,719 as rental during the financial year.

Although the Ministry has made considerable effort to reduce and rationalise expenditure under this item, yet, it was again noted that the telephone bills were high in a number of cases.
10.8 Overtime – Rs 5,256,832

The overtime payments during the previous four financial years are given in Table 49.

Table 49 Overtime for four past years

<table>
<thead>
<tr>
<th>Financial years</th>
<th>Ministry of Environment (Rs)</th>
<th>Department of Environment (Rs)</th>
<th>Capital Vote Item (Rs)</th>
<th>Total (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>657,950</td>
<td>125,184</td>
<td>2,432,313</td>
<td>3,215,447</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,526,349</td>
<td>430,564</td>
<td>5,782,365</td>
<td>7,739,278</td>
</tr>
<tr>
<td>2004-05</td>
<td>1,597,891</td>
<td>430,670</td>
<td>7,785,392</td>
<td>9,813,953</td>
</tr>
<tr>
<td>2005-06</td>
<td>1,058,207</td>
<td>272,489</td>
<td>3,926,136</td>
<td>5,256,832</td>
</tr>
</tbody>
</table>

A total amount of Rs 5,256,832 was paid as overtime during the financial year and represented a significant reduction in the overtime payments from the previous financial year.

An amount of Rs 1,800,000 was provided in the recurrent estimates and Rs 3,926,136 from the Capital Vote Item – ‘Environment Management, Protection and Conservation’, to pay overtime to the manual workers, minor grades and inspectorate staff of the Living Environment Unit.

An examination of a sample of claims for the twelve months from July 2005 to June 2006 revealed that overtime was performed throughout the twelve months of the financial year by inspectors, confidential secretary, office attendants, drivers and manual workers and those of minor grades such as, general workers, handymen, carpenters, and painters of the Living Environment Unit. The average monthly overtime ranged from 15 to 72 per cent of the salary pay of those who performed overtime.

The duration for performing overtime was determined by senior officers who were themselves being paid overtime to supervise the said works.

The hours of work of a number of office attendants were from 7 am to 8 pm. The drivers also had to perform overtime to convey staff who were doing overtime and also waiting for attendants for cleaning and closing the offices.

Overtime was performed during the cleaning campaign in the fight against ‘Chikungunya’ infection around the island.