MINISTRY OF SOCIAL SECURITY, NATIONAL SOLIDARITY AND SENIOR CITIZENS WELFARE & REFORM INSTITUTIONS

15.1 Construction of an Industrial Kitchen and Dining Room - Project Value - Rs 11 million

A Recreation Centre has been set up at Pointes aux Sables for the welfare of the elderly and disabled. This building included a kitchen and dining room which over the past years have been found to be of inadequate size. Consequently, the decision to construct a larger dining room and an appropriate kitchen was initiated during 2001-02. The project consisted of the several components as shown in Table 54

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Estimated Contract Costs (incl. VAT) Rs</th>
<th>Actual Amount Paid Rs</th>
<th>Date contract awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancy Fees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Design and Supervision of construction of building</td>
<td>213,113</td>
<td>209,561</td>
<td>January 2003</td>
</tr>
<tr>
<td>(ii) Supervision of other components.</td>
<td>256,450</td>
<td>252,526</td>
<td></td>
</tr>
<tr>
<td>Construction of Building</td>
<td>4,998,000</td>
<td>4,566,595</td>
<td>14 January 2004</td>
</tr>
<tr>
<td>Mechanical &amp; Electrical Works</td>
<td>3,072,903</td>
<td>2,919,258</td>
<td>3 May 2005</td>
</tr>
<tr>
<td>Kitchen Equipment</td>
<td>1,891,467</td>
<td>1,578,394</td>
<td>3 March 2006</td>
</tr>
<tr>
<td>Furniture</td>
<td>618,355</td>
<td>478,187</td>
<td>14 December 2005</td>
</tr>
<tr>
<td>Total</td>
<td>11,050,288</td>
<td>10,004,521</td>
<td></td>
</tr>
</tbody>
</table>

Ø The scope of work for the consultancy contract did not include the supervision of the Mechanical and Electrical Works (M&E), the supply, installation of kitchen equipment and the procurement of furniture. A total amount of Rs 252,526 was paid to the Consultant without any contract agreement.

Ø Undue delays were noted in the tendering process. The Consultant took more than six weeks to submit a Tender Evaluation Report (TER). The Ministry took some four weeks to submit the TER to the Central Tender Board (CTB). A delay of almost three months was noted for the award of the construction contract due to lack of funds.

Ø Delays were also noted in the implementation stage. Practical completion date of the construction contract was scheduled on 13 August 2004 but practical handing over was
made on 30 October 2005. There was no evidence whether this extra time allocated to the Contractor by the Consultant was approved by the Ministry. The award of the three subcontracts namely M & E, kitchen equipment and furniture took more than one year after the award of the main contract. The M & E contract was awarded on 3 May 2005; the furniture contract on 14 December 2005 and the kitchen equipment on 3 March 2006. The delay was due to inappropriate tender documents and procedures.

- As of 30 June 2006, only the contract for supply of furniture has been completed. The M & E contract was not yet completed; not all the kitchen equipment has been delivered.

- The Consultant recommended to pay 10 per cent on the M & E contract price to the construction company for attendance and profit; however, there was no provision in the contract. As of 30 June 2006, total amount of Rs 92,357 was paid to the main Contractor.

- As per contractual agreement, the main Contractor should reimburse the Ministry for power consumed on site during the construction period from January 2005 to October 2005. This issue was not considered by the Consultant and the Ministry, when processing the claims. As of 30 June 2006, the amount due had not yet been determined and the Ministry had not yet made any claim for refund. As of 30 June 2006, an amount of Rs 658,401 was claimed by the Central Electricity Board (CEB) for electricity consumed for the period August 2003 to April 2005 by the Centre. I am informed that the CEB claim has been revised downwards and the Contractor would be asked to refund power cost.

- In June 2005, the Consultant invoiced the Ministry for additional consultancy services based on a flat fee of 4.903 per cent on the value of the three subcontracts over and above the approved contract cost. The total amount payable was Rs 258,152. Planning for cost implication was inadequate as the fees for the Consultant have increased from Rs 212,113 to Rs 469,563 (an increase of 120 per cent). In the absence of competitive bidding for the increase in cost, my Office was unable to ascertain whether this was the most economic alternative.

- The delay to award the sub-contracts increased the cost. The estimated cost of the three contracts was then Rs 3 million but the actual contract cost amounted Rs 4.8 million.

- The Ministry did not ensure that claims were certified by the engineer before effecting payments. This was against financial regulations.

**Recommendations**

- There is a need for a better planning and contract monitoring at management level to avoid unnecessary delays. This would enable projects to be completed within reasonable time at minimum cost.

- Management should adhere to financial regulations and recommendations from the CTB.

- As reliance is placed on the competence of Consultants and Contractors, this does not reduce the responsibilities of the Ministry to monitor the project so as to ensure adherence to contractual obligations.
➢ Management should ensure that any change in the contract sum is justified and approved before payment. In case of doubt, expert advice from the Ministry of Public Infrastructure may be requested before final payment is effected.

➢ Management must ensure that undue delays do not occur at the expense of the Government and avoid further hardship to the potential service users.

Ministry’s Reply

I was informed that the electricity bill has been revised to Rs 304,454.

The project was delayed due to lack of financial resources.

15.2 Detoxification Centre

The rehabilitation of an old building in the premises of the Rehabilitation Youth Centre/Correctional Youth Centre at Beau Bassin into a Detoxification Centre started in 2001. The Detoxification Centre is also an important component in the United Nations Office on Drugs and Crime (UNODC) Programme for Drug Demand Reduction (MAR G56) signed in September 2003 between the Government and the UNODC.

Phase I of the Project consisted of renovation of roof and frame works were completed in April 2002 at a cost of Rs 3.8 million. Phase II involved plumbing, electrical and partitioning works were completed in June 2005 at a cost of Rs 4.5 million. Medical equipment amounting to Rs 1.2 million funded by the UNODC was already procured by 30 June 2005 and has remained unutilised. As of 30 June 2006, an amount of Rs 14.45 million has already been disbursed under the project.

The building was inaugurated in June 2005 although the staffing structure and the modus operandi were not determined. From the period July 2005 to June 2006, several meetings were held and attended by representatives of the Ministry of Social Security and the Ministry of Health & Quality of Life for the drafting of a comprehensive work plan for the Detoxification Centre. No final decision had been arrived at. In a meeting held on the 29 June 2006, it was stated that Government had decided to open the Centre and a Technical Committee should be set up to make recommendations on the operation of the Centre.

Site visit was effected by my Office on 25 May 2006. The building was unoccupied and was littered with pigeon’s droppings. Sanitary wares, flush doors and fittings were stolen during a larceny reported in November 2005. The value of this larceny had not yet been quantified.

For the year ending 30 June 2006 an additional sum of Rs 287,000 was paid for security services, electricity, and water and telephone bills for this unoccupied building from the capital budget.

➢ Assets worth Rs 14 million have remained idle for an unreasonable period of time.
No value for money has been obtained for payment of security and utilities expenses amounting to Rs 287,000.

Ministry’s Reply

The Detoxification Centre is operational since 27 September 2006.

15.3 Social Aid

Funds disbursed in respect of Social Aid have constantly increased over the years. The total amount spent over the last five years is shown in Table 55

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Rs)</th>
<th>Annual Increase (%)</th>
<th>Cumulative increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>182,213,930</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>207,623,120</td>
<td>13.94</td>
<td>13.94</td>
</tr>
<tr>
<td>2003-04</td>
<td>227,024,891</td>
<td>9.34</td>
<td>24.59</td>
</tr>
<tr>
<td>2004-05</td>
<td>253,883,007</td>
<td>11.83</td>
<td>39.33</td>
</tr>
<tr>
<td>2005-06</td>
<td>278,488,534</td>
<td>9.69</td>
<td>52.84</td>
</tr>
</tbody>
</table>

Payments of Social Aid are normally effected either by cash that is, through Payclerks at the pay centres or through Post Office that is, by Immediate Payment (IP) Vouchers for non-regular cases.

The services of Social Aid are disseminated through a network of regional social security offices. There are 66 local offices and 200 pay centres scattered around the island.

All applications, processing and approval for social aids are made at local offices. The whole process is computerised but many applications were done manually at the local offices.

15.4 Computerised System

There was a difference between the total amount paid for the period under review as per the Ministry’s computerised system and that of the Accountant General (AG) accounting system. As per the AG, total amount paid was Rs 278 million but as per Ministry’s computerised system, this amounted to Rs 221 million, hence, a difference of Rs 57 million. The reasons for the difference were:
 Certain payments especially in cases of Immediate Payments were not recorded in the computerised system

 Entries in respect of IP’s were not immediately input into the computerised system or not input at all.

 For certain cases, processing and approval for payments were done manually at local offices and were not processed in the main computerised system. Control over these payments might be weak. There might be a risk of overpayment.

 For audit purposes, it was not possible to have details of all payments made by the different paysites as the computerised system did not capture all transactions.

 **15.5 Alleged Cases of Irregularities.**

 In November 2005, the Internal Control Unit of the Ministry, reported cases of irregularities and negligent behaviour at one of the Social Security Offices. The irregular practices included the following:

 - Payment of allowances to fire victims and examination fees amounting to some Rs 74,000 for which no application and files were seen.

 - Several files, in which social aid cases were processed, were missing

 - Payments of various allowances of some Rs 44,000 to a beneficiary without proper justification.

 A further enquiry made by the Management revealed additional cases of fraudulent practices at two Social Security Offices. Two Social Security officers were interdicted as from December 2005 and these cases were referred to the Commissioner of Police. As of September 2006, the Police enquiry was not yet completed.

 Control over payments of social aid was weak as follows: -

 - There was a lack of segregation of duties at the local offices. Officers were involved in both recording and custody. This resulted in abuses.

 - The rotation of staff which the Ministry undertook was inadequate. The two officers were posted at the Centre since June 2001 and December 2000.

 - Cases of social aid were not always processed on the normal computerised system. Some were done manually.

 - There was no proper registry for maintaining files in local centres. Our Officers did not get access to some files as they were not available at the local office.
Non-compliance with government financial regulations.

- As of September 2006, the total amount involved had not yet been determined by the Ministry.

- The case of alleged irregularity has not yet been reported to the Financial Secretary, the Permanent Secretary of Civil Service Affairs, the Director of Audit and the Accountant General.

- No advance account has yet been opened in the name of the defaulting officers.

Remedial actions taken by Management to improve control

In January 2006 Management decided to implement the short, medium and long term measures for the improvement of the control mechanism for payments of Social-Aid.

Consequently, a circular was issued to all Technical Officers, listing all the procedures that should be strictly complied with.

A committee was set up in February 2006 to monitor whether the control mechanism put in place was being properly implemented. However, as of September 2006, only three meetings were held, the last one being in March 2006.

The number of staff in the unit was increased from two to four in 2006 to monitor 66 local offices.

Staff of the Ministry did not comply with the control mechanism set up by Management. The returns of site visits effected by the Supervisors were not made available at the Ministry.

Ministry’s Reply

An advanced account of Rs 660,252 will be opened.

The Management Audit Bureau is conducting a study on how to improve control mechanism at the Social Aid Division.