19.1 General

At paragraph 13.2 of the 2005-06 Audit Report, I drew the attention of the Ministry to several shortcomings on the award and management of Cleansing Contracts - Cleaning and Maintenance of Beaches. The following improvements were noted during the period under review.

19.1.1 Award of Contracts

To improve the quality of services and to allow for more competition in the sector thus ensuring savings on expenditure, the Ministry of Local Government (MLOG) took the following measures:

- regroup the beaches and contract out the main ones to scavenging contractors having at least two years experience while those of lesser importance (secondary beaches) to contractors registered with MOLG.

- split the cleansing contract into three separate contracts namely main beaches, secondary beaches and toilets.

19.1.2 Contract monitoring

Several measures were taken by MOLG to improve contract monitoring, *inter alia*:

- increase of penalties for the different shortcomings.

- extension of validity period of performance bond.

- inspections of beaches during weekends.

- review of the number and timing of visits of Enforcement Officers.
19.2 Solid Waste Management Contracts - Scavenging Services

19.2.1 Background

MOLG is responsible for the scavenging services of 74 housing estates spread over the six Local Authorities (LAs’), five coastal villages, six traffic centres, and the motorways. These works were contracted out by MOLG and the amount disbursed to the Contractors for the past ten years, up to June 2008 totalled Rs 625 million. Scavenging Contracts were awarded to three Contractors from October 2004 to September 2007. These contracts, however, provided that MOLG reserved the right to handover these works to the LAs’ during the implementation of the contract. No handing over was done during that contract period.

In February 2007, MOLG decided to hand over the scavenging works to the LAs’ and the Field Services Unit (FSU), a Unit of MOLG, upon expiry of the contracts in September 2007. A cost comparison exercise was carried out in April 2007 between figures submitted by LAs’ and contract prices for the period October 2004 to September 2007. However, the handing over was not based on this exercise. Scavenging works for 39 housing estates were handed over to the LAs’ while the cleaning and maintenance of motorways were handed over to FSU as from October 2007. In March 2008, contracts for the sum of Rs 305 million were awarded for a three year period to March 2011 for the remaining 35 housing estates, five coastal villages and all traffic centres by MOLG.

19.2.2 Contracts for the Period October 2004 to March 2011

Payments to Contractors amounted to Rs 412 million for the period 01 October 2004 to 30 June 2008.

19.2.3 Extension of Contracts

The contracts for scavenging services were extended from October 2007 to February 2008 upon the expiry of the contracts. The same Contractors were entrusted with these works on the same terms and conditions during the extension period. As a result of the delay in the award of new contracts, an amount of Rs 43 million representing some 13 per cent of the original contract amount was paid to the same Contractors over a period of five months, without resorting to competitive bidding. Amount paid totalled Rs 34.5 million and Rs 8.5 million for the period October 2007 to January 2008 and for the month of February 2008 respectively.

19.2.4 Delays in Tendering Procedures and Award of New Contract

The Tender documents were submitted to CTB for approval in July 2007 instead of March 2007 as originally proposed in the milestones, that is four months later. New contracts were awarded in February 2008 instead of October 2007.
19.2.5 No Approval for Extension of Contract

In September 2007, the Central Tender Board’s (CTB) approval was obtained for extension of existing contracts up to 31 January 2008. The request for a further extension of one month from the Central Procurement Board (CPB) was not approved on the ground that the “tender documents did not provide for extension of contracts period after expiry” and the CPB advised that “Private Contractors be hired in line with the provisions of the Public Procurement Act (PPA) pending the approval of recommendations made by MOLG”. However, MOLG resorted to the procurement emergency clause, that is, Section 21 subsection (3) (b) of the PPA Act of 2006 to extend the contract for the month of February 2008 as advised by the Public Procurement Office.

19.2.6 Handing Over of Sites to LAs’ and FSU

The Solid Waste Management Division (SWMD) of MOLG is responsible for the management of contracts relating to collection and disposal of wastes through existing waste facilities and the design of hazardous waste storage facility. The FSU carries out landscaping works, minor construction projects like toilet blocks, kiosks, and bridges for MOLG and other Ministries. In January 2007, certain policy decisions were to be taken with regards to “whether cleaning of motorways will be effected by the FSU” and “whether cleaning of traffic centres, housing estates, and coastal villages will be handed to LAs’ and who will prepare tender documents”. The basis, criteria and the time frame for handing over as well as the economic benefits to be derived were not defined. The capacity of the LAs’ to take over the works was not assessed nor was the follow up after handing over set out.

19.2.7 Handing over of Cleaning Works for Housing Estates, Coastal Villages, Traffic Centres to LAs’

In January 2007, a list of the different lots of scavenging works to be handed over was drawn by MOLG. All LAs’ concerned were requested to submit a cost estimate for providing scavenging services for lots falling under their jurisdiction. In April 2007 a cost comparison exercise was carried out by MOLG in connection with the handing over of the scavenging services. Thereafter a list of the different lots that would be handed over to LAs’ and those to be contracted out by MOLG was drawn. It was also decided that funds normally spent by MOLG for these contracts would be given to the respective LAs’.

However, in November 2007, tenders were invited by the CTB for four lots of housing estates, all coastal villages and traffic centres. Lots that were to be handed over to LAs’, were included in the Tender bids. The cost estimates as well as lots that were to be contracted out and handed over are shown in Table 19-1.
<table>
<thead>
<tr>
<th>Contract</th>
<th>Cost MOLG</th>
<th>Cost LA after amortisation of vehicles</th>
<th>Shortfall</th>
<th>MOLG decision after cost comparison in April 2007</th>
<th>Actual decision by MOLG in November 2007</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H/ Estates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M/Flacq DC Lot 5</td>
<td>5.5</td>
<td>12.9</td>
<td>7.4</td>
<td>To c/out by MOLG</td>
<td>H/over Council to H/ over to LA even price higher by Rs 7.4 m</td>
<td></td>
</tr>
<tr>
<td>GPSDC Lot 6</td>
<td>8.5</td>
<td>17.5</td>
<td>9.0</td>
<td>To c/out by MOLG</td>
<td>H/over Council to H/over to LA even price higher by Rs 9 m. Revised estimate sent was not used.</td>
<td></td>
</tr>
<tr>
<td><strong>PRDC Lot 4</strong></td>
<td>5.8</td>
<td>1.3</td>
<td>4.5</td>
<td>To h/over to Council C/out by MOLG</td>
<td>C/ out by MOLG even LA price lower by Rs 4.5 m</td>
<td></td>
</tr>
<tr>
<td><strong>Six Traffic Centres</strong></td>
<td>8.5</td>
<td>6.5</td>
<td>2.0</td>
<td>To h/over 5 lots and C/out one by MOLG</td>
<td>All six C/out by MOLG even LA price lower by Rs 2 m. In two lots, certain costs not included</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22.9</td>
</tr>
</tbody>
</table>

**c/out – Contracted Out h/over – Handed Over DC – District Council

GPSDC – Grand Port Savanne District Council
PRDC – Pamplemousses – Riviere du Rempart District Council

The following were observed:

- There was no consistency in estimating the cost of works by the different LA’s. A standard cost component to be used by all the LAs’ was not defined. In certain cases, the initial cost of acquiring vehicles was included in LA’s estimates instead of the yearly economic cost/benefits to be derived from these assets. In some cases, the estimates submitted by LAs’ were not complete and certain cost components were missing. Thus, the basis of comparison was not the same.
Cost estimates used by MOLG to compare cost estimates submitted by LAs’ for scavenging works to be performed for period March 2008 to March 2011, were based on contract prices of October 2004 to September 2007. In view of changing economic situations, the cost estimates used were not appropriate. This was not the proper yardstick to be used for cost comparison.

Some housing estates, which were to be handed over to LAs’, were contracted out by MOLG while those that were to be contracted out by MOLG, have been handed over to LAs’.

Lots falling under the purview of Moka Flacq District Council (Lot 5) and Grand Port Savanne District Council (Lot 6) were to be contracted out by MOLG. However, they were handed over to the Councils. In the case of Lot 5, estimates of the LA were Rs 12.9 million as compared to MOLG of Rs 5.5 million. This lot was to be contracted out by MOLG and the LA would have to do the supervisory work only. Although, the estimated price of LA was higher by Rs 7.4 million, yet it was handed over to the Council.

In Lot 6, LA estimates showed an amount of Rs 17.5 million whereas MOLG showed an amount of Rs 8.5 million. The housing estates were handed over to the LA although the price of LA was higher by Rs 9 million.

In the case of Lot 4 of the Pamplemousses/ Riviere du Rempart District Council, the cost estimate of LA was Rs 1.3 million and that of MOLG was Rs 5.8 million. However, during the tender exercise of MOLG, it was included as lot to be contracted out, although the price of the LA was lower than MOLG’s estimate by Rs 4.5 million.

It was initially agreed to handover five traffic centres to LAs’ when costs were compared in April 2007. In four cases, it was more economical to handover. However, none were handed over but were contracted out. The estimated prices submitted by LAs’ were Rs 2 million less those of MOLG.

Based on the comparison between estimates submitted by LA’s and the cost of MOLG’s, there was a shortfall of about Rs 23 million. However, due to the above mentioned shortcomings, the exact total amount of shortfall could not be determined.

19.2.8 Handing over of the Cleaning of Motorways to FSU

Contractors were informed in September 2007 of non-renewal of contracts for the cleaning of motorways. A handing over exercise was therefore effected to FSU. The following were noted:

The scope of works to be performed by FSU for cleaning of the motorways was not defined. It was agreed that FSU would do the same job as previously done by the Contractors.

The work was handed over to FSU as from 1 October 2007 in order to save money. A cost comparison exercise was however, not performed before the decision was taken to hand over. Hence, the amount of savings was not known.
In September 2007, the FSU suggested that the labour force required, would comprise 11 Inspectors and 54 Cleaners. This was almost twice the number of workers previously deployed by the Contractors. The number of workers was then reduced to four Inspectors and 30 Cleaners. However as per list of employees submitted by FSU in August 2008, there were four Inspectors and 43 Cleaners. Furthermore, an emergency squad of five people was set up to cart away bodies of dead animals. Hence, MOLG was deploying some 21 workers (78 per cent) more than those provided by the Contractors. Proposals for filling of 50 vacancies of General Workers, in connection with the cleaning the motorways were made in the year 2006-07. It was later decided to fill the vacancies as from October 2008.

In July 2007, the FSU made a request for the purchase of two tipper lorries costing Rs 2.5 million as they would be entrusted with the additional work of cleaning the motorways as from October 2007. In January 2008, FSU made another request for the purchase of two non-tipper lorries to convey materials and workers as the lorries being used by the FSU were old with high maintenance cost. Only the non-tipper vehicles were so far acquired at a cost of Rs 1.8 million in June 2008.

The Inspectors of the FSU were responsible to supervise the cleaning of the Motorways. However, no written reports of the Inspectors were seen on the satisfactory performance for the period October 2007 to June 2008. Previously, an amount of Rs 724,649 was being disbursed monthly for this work. However, when this work was being performed in-house the costs were spread in various vote items. The costs including monthly salary, overtime, pension’s implications, tools and materials, fuel, acquisition cost of vehicles to transport materials and staff were not computed for monitoring purposes.

**Conclusion**

Scavenging works of housing estates, five coastal villages, six traffic centres and motorways were being contracted out by MOLG and amount disbursed to the Contractors for the past ten years up to June 2008, totalled Rs 625 million. Contracts for scavenging services expired in September 2007. However, there was delay of four months in the tendering procedures. Thus, contracts were awarded in February 2008 instead of September 2007. Due to the delay in the award of new contracts, an amount of Rs 43 million representing some 13 per cent of the original contract amount was paid to the same Contractors over a period of five months, without resorting to competitive bidding.

No clear-cut procedure and basis for handing over of the scavenging works to LAs’ and FSU were seen. The criteria, timeframe, economic benefits to be derived, follow up after handing over were not defined. The capacity of the LAs’ to perform the scavenging works in house was not assessed. Although cost estimates for LAs’ were prepared and compared, decision for handing over or launching of new contracts by MOLG was not based on the cost comparison exercise in each case. Decision to hand over the works of cleaning of motorways by FSU was done without computing the savings that would accrue to MOLG.

Some sites that were to be handed over to LAs’ were contracted out while others that were to be contracted out were in fact handed over to LAs’. Based on the estimates submitted by LA’s and cost comparison with MOLG’s figures, a shortfall amounting to some Rs 23 million was noted but the exact amount could not be determined.
FSU has been entrusted with the work of cleaning and maintenance of motorways. A proper scope of works was not defined. The amounts spent to execute these works were not computed. No written report from the Inspectors was seen as to whether the work performed by FSU was satisfactory. Although additional staff was being recruited and vehicles were being purchased, it was not known whether it would be a beneficial investment.

Ministry’s Reply

Approval for Extension of Contracts

A request was made to the Central Tender Board to extend the contracts ending in September and November 2007 respectively till the end of January 2008 to avoid social problems such as laying off of workers on the eve of the New Year. Regular provision of scavenging services could not be disrupted at any rate in view of serious health hazards it posed. The hiring of Private Contractors which would have cost the Ministry more in the wake of rise in labour an fuel cost would not be practical.

Handing over of Sites to LA’s

Decisions to handover cleaning of Traffic Centres, Housing Estates and Coastal Villages to Local Authorities were taken in meeting chaired by the Accounting Officer. Such services form part of the statutory obligations of Local Authorities. At the expiry of the contracts, such services were handed to Local Authorities that were providing in house services and those that had the capacity to take over. The cost estimates provided by LAs’ were only indicative. The Ministry decided to give grant to the Local Authorities concerned, the amount that were being paid for the provision of such services by the Ministry.

Handing over of cleaning of Motorways to the Field Services Unit (FSU)

The scope of works for the cleaning of motorways previously performed by private Contractors was handed over to the FSU during meetings. In addition to work performed by Contractors, they had been assigned responsibilities such as cleaning of drains, embellishment etc.

The fifty vacancies of general workers would be filled to replace those proceeding on retirement and is not meant for motorways only.

Inspectors of FSU submit progress reports to the Chief Inspector as from October 2008. A more optimum use of resources is being made through redeployment of the staff. Monthly salaries, pensions would have normally been paid, only costs relating to overtime, tools and materials and fuel are additional costs which are much lower than fees paid to private contractors. The vehicles are also used for other sites as well.
19.3 Solid Waste Management Contracts - Cleaning and Maintenance of Public Beaches

19.3.1 Background

MOLG had been managing the contracts for the cleaning and maintenance services on public beaches and has disbursed some Rs 501 million for the past seven years. The Beach Authority which is responsible for the provision of these services, has so far delegated the management of public beaches to MOLG because it is not well structured and staffed to handle such contracts.

In September 2007, the island was divided into 13 lots comprising of 106 beaches - 11 main, 47 secondary (beaches of lesser importance) and 48 minor ones, and 39 toilets. With a view to improve the services and ensure savings on expenditure, MOLG decided to contract out the four lots of main beaches to scavenging Contractors having at least two years' experience and the remaining five lots of secondary beaches and four lots of toilets to Contractors registered with the MOLG. It was also decided that the cleaning of minor beaches would be serviced in-house by the Field Services Unit (FSU) of the MOLG.

19.3.2 Payments to Contractors

During the period November 2004 to June 2008, contracts were awarded to six Contractors. Payments totalling Rs 234 million were made for the cleaning and maintenance of public beaches as shown in Table 19-2.
Table 19-2  Payments to Contractors

<table>
<thead>
<tr>
<th>Contract</th>
<th>Date of award</th>
<th>No of lots tendered</th>
<th>No of lots awarded</th>
<th>Contractor</th>
<th>Payments Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2007</td>
<td>29.10.04</td>
<td>8</td>
<td>6</td>
<td>A</td>
<td>101,933,106</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>B</td>
<td>36,837,066</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>C</td>
<td>27,528,326</td>
</tr>
<tr>
<td>2006-2007</td>
<td>23.11.06</td>
<td>18</td>
<td>1</td>
<td>B</td>
<td>2,905,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>C</td>
<td>3,836,980</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>D</td>
<td>26,905,531</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td>E</td>
<td>19,109,703</td>
</tr>
<tr>
<td>2008-2011</td>
<td>08.04.08</td>
<td>13</td>
<td>1</td>
<td>B</td>
<td>3,392,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>C</td>
<td>2,447,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>D</td>
<td>7,423,375</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>F</td>
<td>1,575,858</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>33</strong></td>
<td></td>
<td></td>
<td><strong>233,895,445</strong></td>
</tr>
</tbody>
</table>


Award of contracts

In October 2004, MOLG awarded contracts for eight lots of beaches to three Contractors A, B and C for a duration of three years from 15 November 2004 to 14 November 2007. In October 2006, the contract of Contractor A for six lots was not renewed for the third year due to poor performance. The six lots were split into 18 lots and in November 2006, contracts were awarded to Contractors B, C, D and E for one year. In September 2007, the 18 lots were reclassified into 13 lots - four lots of main beaches, five lots of secondary beaches and four lots of 39 toilets. In April 2008, new contracts for seven out of the 13 lots were awarded to Contractors B, C, D and F for three years. However, the contracts for the outstanding two lots of secondary beaches and four lots of toilets were not yet awarded as at end August 2008.

Extension of Contracts

The three-year contract for two out of the eight lots which were awarded in October 2004, expired on 14 November 2007. The one-year contracts for the 18 lots awarded in November 2006, expired on 30 November 2007. These contracts were extended for a period of two months to the same Contractors on the same terms and conditions up to 31 January 2008. The
contracts were further extended up to 15 April 2008 until the award of new contracts or the handing over to FSU. The contracts in respect of the two lots of secondary beaches and 23 toilets out of the four lots of 39 toilets, were extended to the existing Contractors B, D and E for more than nine months as of 31 August 2008 as fresh tenders were launched but were not yet awarded.

As a result of the delay in the award of new contracts, an amount of Rs 24 million as per Table 19-3, representing some 26 per cent of the original contract sum, was paid to the same Contractors over a period of four to seven months as of 30 June 2008, without resorting to competitive bidding.

<table>
<thead>
<tr>
<th>Table 19-3 Payments to Contractors during Extension Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractor</strong></td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>D</td>
</tr>
<tr>
<td>E</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

In the case of Contractor B, an amount of Rs 1 million was paid during the extension period 16 April to 30 June 2008 for the cleaning of four secondary beaches and three toilets. Payments were calculated on a pro-rata basis as per prices quoted in the Bills of Quantities for a lot of seven beaches - two main, four secondary and one minor, and five toilets. The cost estimate for the servicing of the four secondary beaches and three toilets was not worked out so that as it was not possible to ascertain whether the price charged was fair and reasonable.

Approval of Extension of Contracts by Central Tender Board (CTB) and Central Procurement Board (CPB)

MOLG extended the existing contracts 2004-2007 and 2006-2007 of the four Contractors up to 31 January 2008 with the approval of the CTB. As from 1 February 2008, MOLG resorted to emergency procurement as provided under Section 21 of the Public Procurement Act (PPA) 2006 for the extension of contracts until award of new contracts. The extension was
not approved by the CPB on the ground that “the tender documents did not provide for extension of contracts after expiry”, and MOLG was “advised to hire services of private Contractors in line with the provisions of the PPA pending evaluation of the bids and putting in place of new contracts”. However, MOLG extended the Contracts of the existing Contractors on a month-to-month basis following the advice from the Public Procurement Office (PPO).

Penalties and Termination of Contract

In November 2006, Contractor E was awarded the contract for the cleaning, maintenance and watchmanship of nine lots of 39 toilets for a period of six months renewable for another final period of six months only, subject to satisfactory performance on the first six-month period. The Contract provides that “the Client may terminate the contract for any lot, where the total number of penalties incurred exceeds five during a period of one month”.

During the period December 2006 to June 2008, there were 636 penalties for which a sum of Rs 1.6 million was deducted from payments to the Contractor. The first six-month contract period which expired on 31 May 2007, was renewed for another period of six months although the performance of the Contractor was not satisfactory. The contract was extended in April 2008 and the Contractor was still providing services on 23 toilets as of 31 August 2008. The termination Clause was applied on none of the nine lots although the monthly total number of penalties exceeded five on several lots and ranged from 6 to 31 during the period under review.

19.3.4 Contracts for the Period April 2008 to April 2011 (2008-2011)

Three separate tenders for a duration of three years April 2008 to April 2011 were launched on 5 December 2007 for 13 lots – four lots of main beaches, five lots of secondary beaches and four lots of 27 toilets.

Delay in Tendering Procedures.

In January 2007, a tentative schedule for tender preparation was prepared so as to award the contracts in September 2007. Tender preparation was however delayed and the tender documents were approved seven months after the scheduled date.

Bid Evaluation.

The evaluation of the tenders by the Bid Evaluation Committee (BEC) set up by the CPB was not carried out in a consistent way.

- The BEC recommended that all the four lots of main beaches be awarded to the lowest bidders on the basis that “the average calculated price for the four lots based on the lowest tenders was within 10 per cent of MOLG estimate and was considered fair and reasonable”. However, when the comparison was done on a lotwise basis, the lowest bid for one lot exceeded MOLG’s estimate by some 60 per cent.
The BEC compared the lowest tendered sums of the five lots of secondary beaches with MOLG’s cost estimates on a lotwise basis. The offers in respect of two lots were not recommended as the prices quoted were found to be excessive that is 91 and 60 per cent higher than MOLG’s estimates. The bid for one lot awarded was lower than MOLG’s estimate by 36 per cent.

All the bids of one Contractor for the four lots of toilets were rejected by the BEC although the prices quoted were lower than the MOLG’s estimates by 32 to 52 per cent. The BEC noted that “the low value quoted by the tenderer may result in a poor quality of the services on site resulting in an overall sub-standard performance”. Nevertheless, with respect to secondary beaches, one lot was awarded to the lowest bidder although the price quoted was lower by 36 per cent of the MOLG’s estimate.

Award of Contract and Re-tendering

Contracts were awarded in April 2008, that is nearly seven months after the scheduled date. In the case of the four lots of toilets and two lots of secondary beaches, the contracts were not yet awarded as of 31 August 2008. CPB decided in September 2008 that fresh tenders be launched.

19.3.5 Contract Monitoring

Monitoring of Works by Contractors and Supervision of Works by MOLG

The Contract 2008-2011 made no provision for Contractors to submit a progress report of the work carried out with detailed reason of any deviation from the approved program along with the invoices contrary to the Contract 2004-2007. The Contractors had only to submit a statement at the end of every month that the works have been carried out as per requirements. However, these statements were not seen. Contractors were not responding to the instruction sheets issued by MOLG on shortcomings noted during inspection by Enforcement Officers.

Supervision of Beaches by Beach Authority.

The supervision of Contractors’ works contractually fell under the responsibility of the Enforcement Unit of the MOLG. Officers of the Beach Authority also carried out inspection on “proclaimed” beaches. Various shortcomings were reported to MOLG. The enforcement duties performed by the Authority were however not communicated to MOLG. Hence, there might be duplication of work by both parties resulting in a waste of resources.
19.3.6 In-House Contracts.

Handing Over of Minor Beaches to FSU

On 15 April 2008, the cleaning of 49 minor beaches and 12 toilets were handed over to the FSU. A cost comparison exercise was not carried out before these sites were handed over. Hence, the possible savings made were not computed.

The scope of works to be performed by FSU was not defined. A work plan detailing the work to be performed together with its available resources i.e labour force, vehicles, equipment and tools was also not prepared.

Cost Control

The labour force deployed by the FSU in September 2008 for the cleaning of beaches and toilets comprised three Assistant Inspectors, three Leading Hands and 89 cleaners (Refuse Collectors, General Workers and Assistant Tradesmen). The expenditure incurred by MOLG for carrying out the works in house was not computed and analysed for control purposes.

Conclusion

In October 2004 and November 2006, MOLG awarded contracts for a duration of three years and one year respectively. As a result of the delay in the award of new contracts, an amount of Rs 24 million representing some 26 per cent of the original contract amount was paid to the same Contractors over a period of four to seven months as of 30 June 2008, without resorting to competitive bidding.

MOLG resorted to emergency procurement for extension of contracts as from 1 February 2008 following the advice of the PPO. The extension was not approved by the CPB. Three Contractors were still providing services as of 31 August 2008.

The tender preparation and bid exercise for the new contract for the period April 2008 to April 2011 were delayed so that the contracts were awarded in April 2008 that is seven months after the scheduled date. The evaluation of bids was not carried out in a consistent way. Hence, the reasonableness of the prices quoted could not be ascertained.

The contract of one Contractor was renewed and extended after expiry of the existing contract although his performance was not satisfactory. The termination Clause was so far not applied.

The Beach Authority was performing enforcement duties. Hence, there might be duplication of work by both parties resulting in a waste of resources.

A cost comparison exercise was not carried out before the handing over of 49 beaches and 12 toilets to FSU so that the possible savings were not known. A work plan was also not prepared.
Ministry’s Reply.

Extension of Contracts

With a view to avoiding social problems by laying off of workers on the eve of the New Year, the approval of the CTB was obtained in September 2007 for an extension of the existing contracts till 31 January 2008. The hiring of the private Contractors could not be envisaged as regular provision of scavenging services could not be disrupted at any rate in view of serious health hazards that it posed. With the increase in labour and fuel cost, the price of new contract would have been higher than the existing contract prices.

The prices for the seven beaches and five toilets were quoted on a lotwise basis. Hence it was difficult to assess the exact cost that could be attributed to each beach and toilet.

Delay in Tendering Procedures and Bid Evaluation

It was expected that new tenders would be awarded by end January 2008. However, with the proclamation of the new PPA on 17 January 2008, approval of the Board for award of new contracts was obtained in March/April 2008. All bids were evaluated by CPB and the Ministry only implemented the decisions taken by the Board for award of contracts.

Penalties and Termination of Contract

The termination of the contract was not considered because the nature of the shortcomings did not warrant termination and deductions were made for the shortcomings. A new tender exercise was ongoing and new contracts were expected to be awarded.

Monitoring of Works by Contractors and Supervision of Works

An independent assessment of the services provided was made by the Enforcement/Technical Unit prior to certification for payment. Reports from Contractors could not be relied upon in view of their subjectivity. All complaints referred to the Ministry by the Beach Authority were considered and meetings were held with both the Authority and the Contractors.

In-House Contract

No additional labour has been recruited. Scope of works of previous Contractors was explained and handed over to FSU during meetings. The existing labour force and vehicles were being used for cleaning of beaches. Additional costs involved only overtime, tools, repair and fuel and these were lower than the fees usually paid to private Contractors.