22.1 New Outpatient Department – Victoria Hospital

22.1.1 Background

Victoria Hospital and Princess Margaret Orthopaedic Centre (PMOC) were described as the most important hospital centers in Mauritius. The efficient management of these hospital centers was greatly handicapped by the actual set up which comprised a multitude of single or two-storeyed buildings scattered over an extent of eight acres of land.

In September 1994, the Ministry of Health (MOH) started the preparation of plans for the construction of a New Outpatient Department (OPD) at Victoria Hospital of an area of 6,000 m² at a projected cost of Rs 50 million.

An architectural competition was launched in September 1995 with a view to having the best designs. The winner was appointed Consulting Architect (CA) in 1996 for the project of an estimated cost of Rs 127 million for an area of some 12,000 m².

The CA discussed the major requirements directly with MOH and brought major modifications to the design without informing the Ministry of Public Infrastructure (MPI).

In June 1999, the MOH requested the CA for the project cost to be curtailed to Rs 175 million. The Central Tender Board’s (CTB) approval was obtained in November 1999.

In 2002, a main Contractor was awarded the contract for construction works for some Rs 161.3 million, with due completion date in January 2004.

Between August 2002 and March 2004, the MOH made requests for further major modifications to accommodate the new Neurosurgery and Spinal Unit on first and second floors in lieu of administrative block, the sorted OPD on the ground floor, and the Operating Theatre on the second floor. The extended date of completion was August 2005 and the Practical Completion Certificate was issued in October 2005. The Defects Liability period ended in October 2006.

In his Cost Report of 2005, the Consultant Quantity Surveyor mentioned the following claims from the Contractor:

- Loss and Expense claim of some Rs 44 million;
- Cost of running the site beyond the practical completion date for some Rs 25 million; and
- Increase in cost of materials and labour of some Rs 6 million.

The main Contractor determined the contract in March 2006 for reasons of non-payment of Certificates Nos 30 & 31 dated 2005.
The expenditure as of June 2007 totalled Rs 163.9 million and included Rs 14.9 million for Consultancy fees, Rs 9.3 million for additional works.

The draft Final Accounts as of July 2007 showed that the final cost of the project was around Rs 174 million.

In September 2007, the CTB approved additional payments of some Rs 4 million to all the Consultants. The construction has still not been completed.

22.1.2 Role of the Project Manager (PM)

In late 1997, the MPI had already prepared tender documents for the provision of Project Management Consultancy services and intimated that the absence of a PM could hamper the implementation of the project and result in poor planning and monitoring.

The PM was hence appointed in 2001.

22.1.3 Responsibilities of the Consulting Architect

In 2002, the PM highlighted that only three plans concerning site and basement had been stamped for construction and issued to the Contractor. The plans were not sufficiently detailed. New issue of drawings in that same period still had inconsistencies.

22.1.4 The Role and Responsibilities of the MOH.

During the period 2002 to 2004, the MOH brought many changes to the project. The CA recommended that the Contractor should be granted extension of time as follows:

- On ground of increase in scope of works – 5.5 months;
- Due to core drilling and water proofing - one month;
- On ground of major hindrance to sequentially linked activities – one month; and
- Extension of time granted over and above previous assessment – 7.5 months.

In May 1999, the Central Tender Board (CTB) commented negatively on such a completely open situation.

In April 2005, the Contractor submitted a claim for ‘Cost of Extended Stay and Disruption Cost’ in the amount of Rs 24 million for running the site beyond the original practical completion date from January 2004 to March 2005.

The CA issued Certificate Nos 30 and 31 in 2005 in the sums of some Rs 5.2 million excluding VAT, which were not considered by the Ministry of Finance (MOF).
22.1.5 Main Contractor

In March 2004, the Contractor informed the CA that most of the structural works were delayed due to non-availability of details, thereby causing delays in construction works.

In early 2006, the Consultant QS made a final assessment on the several claims from the Contractor. The amount assessed totalled Rs 26 million, as compared to the Contractor’s claim of Rs 57 million.

The Contractor submitted a claim for ‘Interest and Financial Charges’ during June 2006 in the sum of Rs 9 million, excluding VAT, for delays in the release of the retention money due to him.

22.1.6 Responsibilities of the Mechanical and Electrical (M&E) Consultant

In 2004, the M&E Consultant was reported for not providing a list of omissions and additions to the M&E works due to the fact that his claim for extra fees was rejected.

In 2005, the PM informed that there was major disruption in M&E works due to non-payment to sub-Contractor by the main Contractor, thereby causing almost three weeks delay.

In 2006, the main Contractor had not paid the sub-Contractors for Certificate No 29 for some Rs 4.15 million. The Performance Bond of the sub-Contractors was not in line with the main contract documents.

In 2007, the M&E sub-Contractor served a notice to the MPI, the Contractor and the Consultant M&E Engineer, claiming for Loss and Expense incurred totalling Rs 50.7 million.

22.1.7 The Role of the MPI – Principal Agent & Technical Adviser

In early 1998, the MPI expressed serious concerns that they were not aware of the meetings held between the CA and the MOH.

In 1999, the MPI considered it essential that the foreign partner of the CA should also vet the drawings. It also commented that after award of the contract, the CA discussed directly with the MOH and brought major modifications to the design, without informing the MPI.

In 2006, the Liquidated and Ascertained Damages calculated by the Consultant Quantity Surveyor for the period August 2005 to October 2005 were Rs 3.2 million.

22.1.8 Observations on the Draft Final Accounts submitted in July 2007

The original ‘PC & Provisional sums’ in the contract signed in 2002 were in the sum of Rs 62 million, whereas in the draft final accounts the re-measurement amount stood at some Rs 40 million.
22.1.9 Variations/ Additions

The variations/ additions totalled Rs 7.3 million. The draft Final Accounts gave a listing of some 269 items.

22.1.10 Additional Works to make the New OPD operational.

Tenders were launched for additional works in February 2007 after the Contractor determined his contract in March 2006. Only two Contractors submitted bids and after a technical evaluation by a Technical Committee, the lowest bid in the sum of some Rs 12 million was retained. A contract agreement was signed with an agreed scheduled completion date of August 2007 –that is, three months after the starting date of May 2007. At time of audit, September 2007, the Contractor had already completed all works.

Conclusion

- The Client did not pay heed to the advice of MPI on the issue of Certificates Nos 30 & 31 and maintained their non-payment of same to the Contractor who after having served a notice, determined the contract as per the relevant clause of the contract.

- MOH brought in so many changes at each stage of the project even after the inception stage when the project was supposed to be ‘already frozen’. In fact, the project had been changed so drastically on numerous times that no longer looked like the original one.

- The CTB commented negatively on the project.

- A Master Plan had never been prepared for the whole Victoria Hospital and PMOC prior to developing the OPD project.

- Both the M&E Consultant and the nominated Sub-contractor did not fulfill their role and did not assume their full responsibility as per their contractual obligations. The Professional indemnity of the Consultant involved should be brought in to compensate the Client.

22.2 New Psychiatric Hospital

In 1999, the Ministry restarted the project for the construction of a New Psychiatric Hospital after the proclamation of a new Mental Health Care Act. Consultants were appointed for Architectural, Quantity Surveying, Civil & Structural Engineering and Mechanical & Electrical services.

A contract for construction works was awarded in July 2002 for the sum of more than Rs 233 million exclusive of VAT, but inclusive of Prime Costs and Provisional Sums. The project was to be completed in January 2004. However, the practical handing over was done in June 2005, that is more than 15 months after the contractual date.
Expenditure on the project as of September 2007 totalled more than Rs 228 million including consultancy fees.

In August 2005, only two months after operating the new hospital, the female high security ward was damaged by fire. A contract for reinstatement works of some Rs 3 million was awarded to a Contractor in May 2007.

The final handing over, due in June 2006, was still not done.

The Final Accounts which were received in June 2006 showed expenditure of more than Rs 245 million on the project. The figure excluded a sum of Rs 112 million in respect of claims for ‘Loss & Expense’ not yet assessed.

At September 2007, the following were not completed:

- all outstanding works and defects by the main Contractor
- assessments of the final accounts by the Consulting Quantity Surveyor and the approval by the Ministry of Public Infrastructure, Land and Transport (MPI)
- approval of the variations of some Rs 12.6 million by the Ministry of Finance and Economic Development (MOF) and the Central Tender Board (CTB)
- final handing over of the project
- assessment by the Consultants of the main Contractor’s claims of Rs 112 million for Loss & Expense.

### 22.2.1 Shortcomings on the part of the Mechanical and Electrical Consultant

In February 2000, the contract of consultancy services for mechanical and electrical (M&E) works was awarded to a Consultant. The latter had, however, failed in his responsibilities in the following:

- submission of tender documents for M&E works four months after the due date,
- issue of instructions to the main Contractor as requested by the Consulting Architect, with much delay,
- late approval of shop drawings for the sub-Contractors,
- absences at coordination meetings.

On several occasions, the Consultant was reminded by the MPI to show more diligence in the discharge of his duties. Provision for penalty was not included in the Consultant’s contract. The determination of his contract was not enforced in order not to further delay the project.
22.2.2 *Extension of time allowed to the main Contractor*

The MPI had approved extension of time, as recommended by the Consultants, for more than 500 calendar days to the main Contractor. This included more than 400 for delays in construction works, late appointment of mechanical and electrical sub-Contractors and late issues of approvals/instructions by the M&E Consultant.

The advice of the Attorney General’s Office has been sought for any legal action against the Consultant. No reply has yet been received.

22.2.3 *Additional works and variations*

According to the final accounts, the additional works/variations of more than Rs 12.6 million were certified by the Consultants. They represented some 10.8 per cent of the actual contract value excluding provisional and contingency sums.

Not all written instructions/approvals for additional works as instructed by the MPI, were seen.

22.2.4 *Delay in the settlement of the main Contractor’s claim*

Valuation Certificate No 34 for an original amount of more than Rs 15 million was revised to Rs 9 million. Settlement was finally made after one year due to queries not attended promptly by the Consultants.

22.2.5 *Claims for Loss & Expense – Rs 112 million- submitted by the main Contractor*

Prior to August 2005, the main Contractor had submitted claims for Loss & Expense of some Rs 112 million. Similar claims from the sub-Contractors appointed on the project could also be expected in the near future. These would be submitted after approval of the final accounts.

As of September 2007, the Consultants had not yet assessed the claims.

22.2.6 *Outstanding works not made good*

A long list of outstanding works drawn at practical handing over of the project was still outstanding after the expiry of the defect liability period. Some examples were: stand-by generator, electrical works, fire alarm, lifts and distribution boards.

As of September 2007, the Consultants had not certified that all outstanding works were made good.
22.2.7 Absence of smoke detectors in isolation rooms

In August 2005, the female high security ward was damaged by fire. The ward remained unused for more than 24 months. No provision was made for smoke detectors in isolation rooms in all blocks.

22.2.8 Testing and commissioning certificates

Equipment were tested and commissioned with delay exceeding one year in some cases. Certificates of testing and commissioning for mechanical and electrical works worth more than Rs 40 million, were not submitted by the Consultants.

22.2.9 Status Report of the new hospital as of September 2007

Two years after handing over date, the following were still not operational:

- the incinerator equipment received in March 2006,
- the new telephone system for some two years from the date of award of contract,
- the refrigerated mortuary cabinet delivered in January 2006,
- the cold rooms in the catering unit.

Conclusion

- The actual cost of the project, of more than Rs 245 million according to the final accounts, had exceeded the actual contract value of construction works by more than Rs 12.6 million.
- The claim for Loss & Expense totalling Rs 112 million submitted by the main Contractor was not yet assessed by the Consultants.
- The practical handing over was done 16 months after the contractual date. The final handing over which should have been done in June 2006, is now overdue.
- Outstanding works reported after the practical handing over date, were not made good.
- The commissioning certificates were not yet submitted by the Consultants.
- Absence of smoke detectors in isolation rooms had resulted in consequential damages by fire to the female high security ward. Renovation works were now costing some Rs 3 million to the Ministry.
- A positive cold room for the catering unit was purchased in excess to requirement.
22.3 New Souillac Hospital

At paragraph 16.1 of the 2005-06 Audit Report I commented at length on the New Souillac Hospital. The project has been reviewed and the following observed:

In 1999, the Ministry of Health & Quality of Life (MOH) took over the project of a new district hospital at Souillac from the National Trust Fund for Community Health (NTFCH).

A contract for construction works was awarded in May 2001.

In July 2001, construction works started on site, to be completed in January 2003.

The Practical Certificate of Completion was in April 2005, i.e more than two years after the contractual date.

In September 2006 the Construction Manager (CM) had already issued the Certificate of making good defects, implying that the Contractor had completed all outstanding works. However, as of September 2007, additional works, not in the original contract, such as laminar flow air conditioning system and scialytic lamps in the operating theatres, were not completed.

The CM was expected to submit the final accounts within 90 days from the Practical Completion date, April 2005. The signed final accounts were finally submitted in April 2007. The Contractor disagreed with the CM on ten items totalling Rs 124.6 million. The figure included an amount of Rs 105.8 million representing claims for Loss & Expense not assessed by the CM.

The signed final accounts showed the following differences:

<table>
<thead>
<tr>
<th>Accounts (Rs m)</th>
<th>Contract (Rs m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Block A</td>
<td></td>
</tr>
<tr>
<td>1. Block A</td>
<td></td>
</tr>
<tr>
<td>Sub-structure/Other works</td>
<td>12.8</td>
</tr>
<tr>
<td>2. Block B</td>
<td>6.4</td>
</tr>
<tr>
<td>3. Block C</td>
<td>11.0</td>
</tr>
<tr>
<td>4. PC &amp; Provisional sums</td>
<td>62.6</td>
</tr>
<tr>
<td>5. Variations</td>
<td>23.2</td>
</tr>
</tbody>
</table>

The differences between the final accounts figures and the contracted amounts confirmed the major changes and additions brought to the project.

In July 2006, the Contractor served a notice ‘Plaint with Summons’ on the Government and the MPI claiming the sum of Rs 9.5 million for payments withheld by the Ministry of Finance in respect of Valuation certificate dated May 2005. No payment had yet been effected as of September 2007.

In December 2005, the CM had moved for arbitration in respect of fees of some Rs 18 million for additional services rendered, supervision and redesigns. He had also declined to
entertain a claim of more than Rs 86.5 million from the Contractor in respect of Disruptions and Charges and to imposing penalty in respect of liquidated damages for undue delays.

The arbitration case of the CM was still ongoing and several hearings were held.

No action was seen for the following:

- Any legal action by the MOH against the Consulting Architect for flaws in the drawings.
- The Practical Completion date being April 2005, claims for liquidated and ascertained damages were not made by the CM. The Contractor was granted some 120 days extension of time in May 2004, thereby bringing the completion date to July 2004.

As of September 2007, the status report of the hospital was as follows:

- Only basic medical care facilities, similar to a dispensary, were offered at the Accident & Emergency units.
- Both male and female wards were providing elementary services due to the absence of a full-fledged operating theatre.
- All complicated cases for maternity, childbirth and others were sent to Nehru Hospital.
- Radiology services were offered only during the hours 9 a.m to 4 p.m on weekdays and from 9 a.m to noon on Saturdays. All cases beyond these hours were sent to Nehru Hospital.
- The second floor meant for administration was not fully occupied. The administrative staff were using five consultation rooms as offices.

Conclusion

As a result of the on-going arbitration case, the hospital project cannot be fully completed and used for the intended purpose. Compensation in terms of loss of use and extra payments to the parties involved could be significant.

22.4 Upgrading of Dr A.G. Jeetoo Hospital

In 2001, the project for the upgrading of Dr A.G. Jeetoo Hospital project was initiated at an estimated cost of some Rs 654 million.

The project contained two main components:

- Upgrading of hospital – demolition of obsolete buildings, renovation of existing buildings, construction of new facilities and external development – landscaping, parking and walkways.
- Setting up of the Project Implementation Unit.
In 2002, a loan agreement was signed with the African Development Bank (ADB) for an estimated amount of some Rs 743 million.

In 2003, a sub-soil investigation was completed at a cost of some Rs 450,000. Tenders for Consultancy services for civil works were launched in the same year, however, all bids received were incomplete. Subsequently, tenders were re-launched in 2004. The bids received were evaluated and recommendations submitted to the Central Tender Board (CTB) which gave its approval. The award of the contract scheduled to be made during the same year, was delayed due to successive representations from one of the retained bidders. In the meantime, the bids lapsed.

In 2005, it was decided to set up a Project Design and Supervision Team – to replace the Project Implementation Unit- headed by the Ministry of Public Infrastructure (MPI).

In February 2006, the MOH informed the MPI that Government had decided to carry out a fresh exercise for Consultancy services for civil works.

In November 2006, the MOH invited Consulting firms to indicate their interests in providing the Pre-contract Consultancy services. The closing date for submission of applications was fixed for January 2007.

In March 2007, The CTB approved the recommendation of the Evaluation Committee to pre-qualify six consultancy firms.

In May 2007, the six pre-qualified firms were invited to submit their Technical and Financial Proposals. Two of them did not submit their proposals.

Out of the four proposals received and examined by the Evaluation Committee, two proposals were considered to be non-responsive. The final report of the Technical Proposal was sent to the CTB in September 2007.

After some five years since the loan agreement was signed, construction works have not yet started.

### 22.5 Brown Sequard Mental Health Care Centre

#### 22.5.1 Purchase of Linen items in excess of requirements

Expenditure of some Rs 1.6 million were not judiciously incurred for the purchase of pillows and aprons for the hospital.

Purchases of 8,000 and 5,020 units of pillows and aprons respectively were made by the Ministry for the financial year 2005-06. The annual consumption of these items ranged from 200 to 600 for pillows and 300 to 800 for aprons.

As of September 2007, 6,845 and 4,715 units of pillows and aprons totalling some Rs 1.5 million were held in stock at the hospital and the Central Supplies Division (CSD).
The actual trend of consumption showed that the present stock would last for more than eight years.