24.1 Construction of a ‘Multi-purpose Complex for Women at Phoenix’ (now known as the National Women Entrepreneur Development Centre) - Rs 43.8 million

24.1.1 Introduction

The complex of approximately 2,580 sq metres, with an estimated cost of Rs 29.9 million in 2002, was to be constructed on a plot of land of extent 1 A 59 at Phoenix comprising the following six units:

- An Early Childhood Development Resource Centre
- A Documentation Centre
- A Women Resource Centre/Training unit
- A Medical Clinic
- A Village Artisanal for Women Entrepreneurs, and
- A Market Centre

The Centre was to provide integrated services for the development and empowerment of women of neighbouring localities.

Appointment of Consultants for Project Design and Supervision

Four Consultants in the following fields namely, Architectural, Civil & Structural, Quantity Surveying and Mechanical & Electrical were appointed to design and supervise the project.

Appointment of the Contractor for Construction Works

The contract for construction works, with duration of 12 months, was awarded on 13 June 2003 for the sum of Rs 38,890,000. The site was handed over to the Contractor on 26 June 2003 and the completion date was scheduled for 10 July 2004.

Appointment of Contractor for Partitioning Works at the building

A separate contract was awarded in March 2008 for ‘New Partitioning Works’ for the fixed sum of Rs 3,098,172. The cost of works estimated by the Ministry of Public Infrastructure (MPI) in June 2007, was some Rs 2.4 million and the completion date was scheduled for 7 June 2008.
24.1.2 Consultancy Services

The Consultants appointed were to be responsible for the design of the building, preparation of tender documents, evaluation of tenders received, contract administration and supervision, certification of payments, issue of completion certificates and preparation of the final account. The coordination of the project was to devolve on the consulting Architect.

Observations

Contract Documents

The signed contract documents in respect of both the ‘Architectural’ and the ‘Mechanical & Electrical’ consultancy services were not available for audit despite the client being verbally informed by the MPI that these were available.

Non-compliance with Clauses of Contract

The Consultants did not comply with certain clauses and ‘Terms of Reference’ of their contract. One Consultant produced only one of the four types of insurance covers required from him and two of them did not produce insurance covers for the extended duration of their contract.

Instructions for Variations and Additional Works

Variations and additional works under the construction contract amounted to some Rs 2.5 million. Instead of emanating as instructions from the Consulting Architect, they were in the form of quotations submitted by the Contractor which were approved by the Consultants and the MPI.

Ministry’s Reply

The Ministry will ensure that in future, formal instructions are given to the Contractors for additional works.

Commissioning of Mechanical & Electrical (M&E) Works

The M&E Consultant was required to certify all M&E works worth Rs 7,840,000 and submit appropriate testing and commissioning certificates and the warranty certificates at the completion of the project, together with complete set of as-made drawings and specification for electrical works. As of April 2010, that is more than three years after the final handing over, these were not yet submitted. The ‘Goods Lift’ installed in the building, apparently used only once, has remained dormant. In June 2008, the Consultant stated that he was putting an end to his involvement on the project as it was taking too much time.
Non-safeguarding of the interests of Government

The Consultants failed in their duty to ensure that the Contractor submits renewed ‘Performance Bond’ and the ‘Contractor’s All Risks Insurance’ policy in line with the successive extensions of the practical completion date. Failure to do so has caused prejudice to the Client, since the Performance Bond could not be forfeited despite the Contractor’s failing to complete outstanding works by the end of the maintenance period.

Ministry’s Reply

We have been informed that the MPI would put up a monitoring mechanism so that such situations do not recur in future.

Additional cost due to failure on the part of the Civil & Structural Consultant to issue appropriate instruction

The Civil & Structural Consultant did not make appropriate changes to the design specifications as requested by the client, following the advice of the Waste Water Management Authority (WWMA) in January 2003 to the effect that the floor level of the building be raised above road level to enable connection with the main sewer system. In April 2005, the WWMA refused to grant connection to the main sewer since its recommendation had not been taken into account and there was a risk of waste water overflowing in the premises during heavy rains. This had entailed an additional expenditure of Rs 457,419 to provide alternative arrangements, such as the temporary installation of a new septic tank, lifting station and absorption pit on the site to enable the building to be operational.

Ministry’s Reply

The M&E Consultant has stated that the letter sent by the WWMA in January 2003 was addressed to the MPI and that the latter did not communicate it to the main Consultant for necessary action.

Failure to enforce the liquidated damages clause

The contractual completion date was 10 July 2004, which date was revised several times. Liquidated damages (Rs 8,000 per calendar day) for number of days of lateness were not deducted from Payment Certificates no 6, 7, 9, 10 and 13 as and when the contract continued beyond the completion date pending the approval of the extension of time.

Ministry’s Reply

The MPI stated that it relies on the decision of the Consultant. However, it has undertaken that for future contracts, a Project Manager would closely monitor the work of the Consultants.
24.1.3 Contract for Construction Works

The contract for construction works was for the duration of 12 months but took nearly four years to be practically completed and another three years to be finally completed. Even after the final handing over in November 2009, several items in the contract still remained to be attended to. With the extended completion date of the main contract, the lump sum contract of the Civil and Structural Consultant initially fixed for Rs 265,000 had increased fourfold to Rs 1,093,880. Total expenditure on the project finally reached some Rs 43.8 million.

Observations

Release of Retention Money

As per the Final Account certified by the Consultants, it was noted that the full retention money (10 per cent) amounting to Rs 3,457,384 was released, despite the fact that the mechanical and electrical works were still not completed and commissioned. The amount of Rs 160,000 not paid to the Contractor was in respect of works not carried out and is in no way equivalent to the retention money which is meant to be released at the rate of 5 per cent at Practical Completion date and the remaining 5 per cent only after all outstanding works have been completed.

Performance Bond - Renewal and Forfeiture

The Performance Bond was submitted more than 10 months after the date of award of the contract. With the contractual completion date being extended to 16 January 2007 its validity was extended only to 1 April 2007 instead of 16 January 2008. At the expiry of the maintenance period (January 2008) the Contractor had still not made good the outstanding works and defects and the project dragged on for more than 22 months beyond that date. Since the Performance Bond was no longer valid, the ‘Forfeiture of the Performance Bond’ clause could not be enforced.

The Contractor’s All Risks Insurance Policy

This policy covered construction period up to 20 December 2005 and maintenance period of up to 20 December 2006 only. The period 21 December 2006 to 23 January 2009 was not covered.

Ministry’s Reply

The MPI has undertaken to set up a mechanism to monitor the implementation of construction projects, so that such situation does not recur in future.
The Performance of Contractor

The performance of the Contractor was reported as being poor, substandard, and constantly lagging behind schedule to the extent that in 2004 the Consulting Architects even recommended that the contract be terminated. There was a total lack of organisation in the execution of the works on site, which they attributed to the Contractor not having the right and adequate personnel with experience. The main reason advanced by the Ministry was that by terminating the contract, the operation of the Centre would have been further delayed thus depriving support services to their clients. It was noted that, even by not terminating the contract, the works which were due to be completed in July 2004 dragged on to November 2009 when the final handing over was done with several defects not yet made good.

Justification not seen for several extensions of time allowed to the Contractor

The practical completion date of 10 July 2004 was revised to 16 January 2007, which means an extension of time of 920 days. For 320 days from 29 October 2004 to 12 September 2005, no approval was seen. Of the 600 days (around 20 months) approved, a total of 396 days have been allowed for completion of all outstanding works, for which detailed justification was not available.

Ministry’s Reply

The MPI has informed that for future contracts, a Project Manager would monitor the work of Consultants.

Works not carried out

Several works such as waterproofing (Rs 484,575), telephone installation (Rs 20,000), UPS, Data Switch and IT cabling (Rs 80,000), and M&E items (Rs 60,000) which formed part of the contract agreement were either not done or not done according to contract specifications, hence, not certified. Nevertheless, the full amount of retention money has been released and this has indirectly relieved the contractor from his responsibilities to complete the works.

Breakdown of the Automatic Water Pump

Three years after the building has been operational, the Fire Fighting equipment was still not in a state of readiness to operate in case of a fire breakout. The automatic water pump supposed to service it broke down during the maintenance period. The Contractor, though requested to repair the pump and submit a claim for additional works failed to comply.

Ministry’s Reply

To repair the automatic water pump, the Ministry sought the services of the ESD, which stated that it could not be done because the M&E works had not been commissioned.
**Undue delay to make good the snags**

Practical handing over was done on 23 January 2007, and a list of outstanding items/defects (snags) to be completed within the defects liability period was drawn up. Some of these items had to be completed within two weeks as per the client’s request. At the expiry of the maintenance period (January 2008) the snags were still not attended to and the Consulting Architect reported that many works had developed faults and defects. The Contractor was again requested to take remedial action and was granted a further delay of 15 days, failing which another Contractor would be appointed to complete the works and the cost deducted from the main Contractor’s final payment. The Final handing over was done in November 2009 with several defects still outstanding. It was only on 24 May 2010 that the Ministry requested the MPI to carry out a survey of outstanding works and to assign same to a District Contractor.

**24.1.4 Contract for New Partitioning Works**

**Liquidated Damages charged**

The practical handing over of the works was done on 3 September 2008 that is 88 days beyond the contractual completion date of 7 June 2008. Liquidated Damages in respect of 44 days only were seen deducted from the contractor’s Payment Certificate No 3 of 3 October 2008. No further approval of extension of time was seen.

**24.1.5 Failed Responsibilities**

**Inadequate Planning**

The client did not carry out adequate planning and assessment of its requirements before embarking on the construction works. The scope of works not properly defined at the design stage led to variation works costing some Rs 2.5 million (6 per cent of original cost). This was mainly due to the client requesting several changes along the way.

Change in the design during implementation stage to meet client’s need. The change to the specifications of the Home Economics Resource Centre requested by the client in August and December 2004 (almost 18 months after the award of the contract) has resulted in an additional expenditure of Rs 612,564.

Omission of the Medical Clinic area during preliminary design. One of the objectives of the Ministry was to set up a Medical Clinic Unit but at the preliminary design stage the client requested to omit this unit. However, in July 2005 (12 months after the start of works) the client again requested to include the clinic, thus entailing additional cost of Rs 159,699. Despite all this, the Medical Clinic project has been abandoned and the area is now being used as office for the Family Support Bureau, which was previously located in Floreal.
Frequent flooding of the construction site and the building during heavy rainfall

A detailed topographical survey and location plan, to verify the suitability of the land vested, was not done before embarking on the project. During the construction stage, it was reported several times that the site was flooded during heavy rainfall/cyclonic days. Despite additional works carried out to address the problem, the flooding of the building recurred with some furniture damaged by water and grills carried away. After the building was flooded, the Ministry of Public Utilities (MPU) in July 2008 carried out a site survey and made certain proposals based on appropriate calculations. Despite several correspondences exchanged between the client Ministry, the Ministry of Public Utilities, the Municipality of Vacoas-Phoenix and the National Development Unit regarding the remedial actions to be taken, after two years now, no agreement has been reached as to the scope of the works and the executing agency. Meanwhile the building is exposed to floods and the latest report of floods dated back to March 2010.

A detailed topographical survey, would probably have ruled out the construction of the building on the site.

Asset Management

The Centre was operational since 8 March 2007 and it received some Rs 1 million worth of furniture and equipment as donation in addition to those assets purchased from the Ministry’s funds. No master inventory of assets has yet been drawn up to ensure proper maintenance and safeguard of same. The completeness of the individual inventory list made available for Audit could not be ascertained in the absence of information such as date received, description of item, make and serial number of equipment.

Ministry’s Reply

Proper inventory will be kept for assets purchased and those received on donation.

24.1.6 Changes to the Primary Objectives of the Project

The primary objectives of the project as enunciated by the Ministry when the project was conceived were changed along the way. During a site visit carried out by Audit in June 2010, it was noted that areas earmarked for the Medical Clinic Unit and the Documentation Centre, two of the six units originally designed to comprise the Centre, were being used for other purposes and the third unit, the Early Childhood Development Resource Centre was said to have been operational only for a short time before being transferred to the Creativity Centre at Floreal. The fourth unit, that is the Market Centre, which is meant to attract the public, was not visible from the outside and was therefore far from being a sales outlet.
24. 2  Construction of Women Centres

24.2.1 Project Objectives

The Ministry is setting up Women Centres to be the focal points through which it will implement its policies and programmes for the empowerment of women. In order to reach a maximum number of women throughout the island, 14 centres have been set up over the years. These centres were to provide various training courses, recreational activities, information, educational and communication programmes to some 1500 women in the neighbouring localities. In addition, these services would bring about a new boost up with the creation of several women associations/clubs.

24.2.2 Construction of Women Centre at Notre Dame - Rs 6.3 million

Introduction

In 2002, the Ministry proposed to construct an ‘Integrated Family Counselling Service Centre’ at Notre Dame with an estimated cost Rs 43 million. Four consultants in the following fields namely, Architectural, Quantity Surveying, Mechanical & Electrical and Structural & Civil Engineering, were appointed to design and supervise the works. Design of the building was submitted in October 2003. Two years later in October 2005, the Ministry gave its approval to go ahead with the construction works. However, two months later in December 2005 the Ministry reviewed its decision to construct ‘Integrated Family Counselling Service Centres’ due to the high costs involved and proposed instead to construct a Women Centre, based on the design of existing women centres. The contracts of the already appointed consultants were thus terminated in March 2006. Payments totalling some Rs 1.68 million were made to these consultants.

Contract for the Construction Works

The contract for the construction works was awarded in October 2007 for the sum of Rs 6,335,731 and was to be supervised by the Ministry of Public Infrastructure (MPI). Works started in December 2007 and were due to be completed in six months’ time that is by June 2008. Following four extensions of time allowed, the expected completion date was revised to 10 January 2009. The Contractor’s performance was poor and the project was still not completed by that date. The contract was terminated on 18 June 2009 that is 18 months after the start of works. Poor project monitoring by the MPI was also responsible to some extent for this situation, which had led to delays in execution of works by the Contractor. Moreover, after the termination of the first contract in June 2009, though a Scope of Outstanding Works was prepared one month later, it took the MPI some five months to appoint another Contractor to complete the project. The Practical Handing Over of the building was done on 15 March 2010 and at mid June 2010, it was not yet furnished except for a few chairs received and thus was hardly operational. The cost of Furniture and Equipment required to make the Centre operational was estimated at some Rs 500,000.
Observations

Payments to Consultants

Expenditure totalling Rs 1.68 million, with no added value to the project, was incurred in respect of payments to consultants, whose contracts were terminated following the change in the Ministry’s policy to construct a Women Centre instead of an Integrated Family Counselling Service Centre.

Project Implementation and Performance of the Contractor

The contract was for a period of six months and the expected completion date was 3 June 2008. Right from the start it was reported that the works were below standard and constantly behind schedule. The Contractor’s attention was drawn to several other shortcomings such as non-submission of estimates of works, and not bringing additional resources to catch up with the delay. In June 2008, the Contractor even left site without completing the works, because of financial problems. On 26 August 2008, he agreed to remobilise on site and resume work only after he was granted 14 days’ extension of time. The expected completion date was revised four times to: 4 July 2008, 11 November 2008, 29 December 2008 and finally to 10 January 2009. The Contractor was repeatedly requested to speed up works but the works were still not completed by the due date. The contract was thus terminated on 18 June 2009 as per the terms and conditions of the contract. Despite the delays and the shortcomings observed the MPI claimed that the works were monitored closely.

Supervision and Extension of Time Allowed

The Contractor was granted extension of time totalling 159 days, of which 122 days requested were due to delay caused by

- the Ministry in taking appropriate decisions, and
- the MPI in issuing instructions, conveying approval for important issues, and also certifying claims and effecting payments to the Contractor.

Validity of Performance Bond/Termination of Contract

The Contractor submitted a Performance Bond on 15 November 2007 for Rs 633,573 and expiring on 12 May 2009. Despite the successive revisions to the completion date, the Project Manager did not follow up closely to ensure timely renewal of the Bond. The Contractor was however called upon to do so in April 2009 when the bond was nearing expiry date, to which he did not comply. It was only on 18 June 2009, five weeks after the expiry of the bond, when the bond was no longer enforceable that the contract was terminated.
The Contractor's All Risks Insurance Policy

The policy covered construction period up to 12 July 2008. However, the Contractor did not extend the cover when the completion date was revised to 10 January 2009 though he was requested to do so in July 2008.

Ministry’s Reply

The MPI has informed that the contractor did not comply despite being requested to extend the validity of both the Performance Bond and the insurance policy and that a monitoring mechanism would henceforth be set up to avoid future recurrence.

Delay in effecting payments to the Contractor

Payments were not made within the delay prescribed in the contract ‘Schedule of Payments’. The Contractor left the site of work on 27 June 2008 without completing the project, due to late payment of claims no. 1 and 2 by the Ministry. He remobilised only after he was compensated with extension of time.

Contract for the Completion of Outstanding Works

The Delay in the Award of the Contract. Five months after the termination of the contract, a District Contractor was appointed on 16 November 2009 to complete the outstanding construction works. The expected completion date was 31 January 2010. The Energy Services Division (ESD) was entrusted with the remaining electrical works.

Ministry’s Reply

According to MPI, it was some 11 weeks after the termination of the contract that the Architect Section handed over the works to the Engineering Section, which in turn spent only two and a half months to carry out survey, prepare cost estimates and seek client’s approval.

Status of Works at Expected Completion Date and Payments. As of 5 February 2010 only 30 per cent of the contract works were completed. Since there was no extension of time, the Contractor was liable to liquidated damages. The Practical Handing Over was done on 15 March 2010 and the final payment was not yet worked out taking into account the liquidated damages due.

Ministry’s Reply

According to the MPI payment to the District Contractor has not been made due to test certificate for tarmac not yet submitted by him and that liquidated damages would be applied before effecting payment.
Time Span for the Realisation of the Project and Making the Centre Operational

From the proposal to build a Women Centre at Notre Dame and its realisation it has taken eight whole years and yet the Centre was hardly operational. A list of Furniture and Equipment required to make the Centre operational has been drawn up by the Ministry, and the estimated cost totalled some Rs 500,000. The Practical Handing Over of the building was done on 15 March 2010 and at mid June 2010 it was not yet furnished except for a few chairs received at the Centre.

Ministry’s Reply

The inauguration of the building scheduled for 9 April 2010, was postponed to a later date due to the dissolution of the National Assembly.

Recommendations

➢ To avoid wasteful expenditure, proper planning needs to be done before embarking into any capital project

➢ To ensure that projects are implemented as per the conditions of the contract and that they are completed within time, proper monitoring and supervision of projects by the MPI or Consultants are essential

➢ It is the responsibility of the Project Manager to ensure that the Performance Bond and the Contractor’s All Risks Insurance policy are renewed whenever the contract completion date is extended

➢ The building must be made operational to enable the Ministry to implement its programmes without further delay