11.1 Security Services

The contract for security services for the period July 2007 to June 2009 was awarded on 27 June 2007 for an amount of Rs 14.3 million.

At paragraph 20.5.3 of the 2007-08 Audit Report, I drew attention to the fact that various requirements as spelt out in the tender document and the letter of award of contract had not been complied with.

The following additional observations were made:

- The performance of the Contractor had not been satisfactory. There were frequent absences of the Contractor’s guards on the various compounds of the Ministry. A total amount of Rs 1,343,591 was deducted from payments made to the Contractor on account of absences.

  Frequent losses were also reported. During the period July 2007 to 30 June 2009, losses amounting to some Rs 360,880 had been deducted from payments made to the Contractor.

  In addition to regular absences of security guards which often left sites unguarded, Officers in charge of various compounds had complained that monitoring by Contractor’s supervisors was almost non-existent, especially outside normal working hours, weekends and Public holidays.

  In view of the above, the Ministry’s various compounds were exposed to high risk of thefts and vandalism. The Ministry might not have obtained value for money.

- Absences and losses incurred were deducted from the claims submitted periodically by the Contractor. However, an amount of Rs 216,109 could not be deducted from the final amount payable to the Contractor as the amount payable was lower than the aggregate amount of losses and absences.

  In September 2009, the Ministry requested the bank to retain the amount of Rs 216,109 from the security deposit. The Bank informed that the request could not be entertained since the performance bond had already expired on 31 August 2009.

- Conditions of contract had not been observed, having regard to the insurance cover. The Contractor was to take out an insurance for the period 1 July 2007 to 30 June 2009 to cover:
  - all assets found on the station/compound
  - his liabilities with regard to industrial accident and civil liabilities to any person employed by him on the site
  - liability with regards to risk and civil liability resulting from an act or omission attributed to him.
Only a professional indemnity insurance was taken where the limit was Rs 2 million at any one occurrence and Rs 24 million in the aggregate. The value of the total assets on the compound was estimated at some Rs 330 million.

A copy of the insurance cover was submitted only on 25 July 2008, that is more than one year after the award of contract. It covered the period 1 March 2008 to 28 February 2009. Insurance cover for period 1 March to 30 June 2009 was not seen.

The contract expired on 30 June 2009.

**Recommendation**

The Ministry should ensure that it obtains value for money and all clauses of the contract be strictly adhered to by the Contractor.

**Ministry’s Reply**

The Ministry will ensure that in future, the appropriate number of security guards are made available by the security companies so as to avoid recurrence of exposure to high risk.

### 11.2 Freight Rebate Scheme

The Freight Rebate Scheme (FRS) was introduced in 1991 to boost up the export of some selected agricultural products to specified markets. Under this scheme, part of the freight paid by exporters was to be refunded to them. The scheme was revised more than once to take on board new products, new export destinations, new rates and bases for refund.

Management of the FRS had been entrusted to the Agricultural Marketing Board (AMB) since June 2001. Funds disbursed under the scheme from July 2001 to June 2009 by the Ministry to the AMB totalled more than Rs 60 million.

However, the objectives originally set for the scheme had not been met. In December 2009, Government decided to phase out the FRS and to meet payments of claims up to Rs 2 million under the Food Security Fund.

**Observations**

According to the records of the AMB, claims from beneficiaries of the FRS for a total amount of some Rs 5 million were still outstanding as of end of February 2010. No fund had been earmarked for that purpose.

**Ministry’s Reply**

Regarding the outstanding claims of some Rs 5 million, additional funds have been requested from the Ministry of Finance and Economic Development and a reply is being awaited.