



Government of St. Lucia

OFFICE OF THE DIRECTOR OF AUDIT

COMPLIANCE AUDIT REPORT

DISASTER VULNERABILITY REDUCTION PROJECT (DVRP)

- PROCUREMENT

FEBRUARY 2018

The Saint Lucia Constitution Order No. 12 of 1978 and the Audit Act establishes the role, mandate and responsibilities of the Director of Audit.

The Office of the Director of Audit conducts its audits under the authority of the Revised Laws of Saint Lucia Ch. 15:19. (Audit Act)

This audit was an independent, objective, and systematic assessment of how well the Inland Revenue Department managed its collection activities for direct taxes namely Personal, Corporate, Withholding and Property taxes.

The Office of the Director of Audit has prepared this report for presentation to the Parliament of Saint Lucia.



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OUR MISSION

The Office of the Director of Audit exists to assist Parliament in holding the Government to account for its management of the country's finances and Public Service. We do this by monitoring and reporting on whether monies appropriated by Parliament were applied as appropriated; whether expenditure conforms to the authority that governs it; and on the efficiency, economy, and effectiveness of Government's operations.

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Executive Summary

The Office of the Director of Audit undertook a compliance audit on Procurement activities of the Disaster Vulnerability Reduction Project (DVRP). The audit was conducted as part of the Caribbean Regional Organization of Supreme Audit Institutions (CAROSAI) Cooperative Procurement Audit Programme. This report therefore, seeks to present findings supported by relevant recommendations coming out of the procurement audit of the DVRP.

One of the fundamental responsibilities of a government is to ensure that all state funds are utilized efficiently and effectively in the interest of the country and its development. As such, there must be relevant and appropriate research, planning, monitoring and control procedures carried out when undertaking such a project.

Our audit covered the three stages of procurement i.e. pre-tendering, tendering and post contract award. This required assessments and verification of compliance to procurement rules and best practices. Although the post contract award stage reflected adequate compliance we however noted some weaknesses with the maintenance of the contract register and the lack of monthly progress reports from some contractors. Tests revealed deficiencies at the pre-tendering and tendering stages of procurement for the Project. These included abandoned planned activities due to poor initial needs assessments, lack of evidence of the required specifications needed for some procurement activities, and weaknesses in internal controls over the tendering process, which made it susceptible to conflict of interests and breaches of confidentiality.

In order to improve the efficiency and transparency of the procurement process, we recommend the following:

- Procurement planning should have clear and specific requirements relating to the works, goods and services procured. These requirements should clearly indicate procurement needs and must be supported by a relevant feasibility assessment.

- All officers involved in the pre-tendering and tendering stages of procurement should be required to disclose any instance of possible conflict of interest and sign confidentiality and impartiality forms – evidence of these should be kept on file.
- The Project Coordination Unit of the Department of Economic Development, Transport and Civil Aviation should maintain all relevant financial, specification and other planning documents on file. This should be made available to Audit for examination upon request.
- The PCU should ensure that contractors submit monthly progress reports prior to payments and these reports should be properly filed.
- A contract register should be maintained in accordance with the requirements of the Revised Laws of Saint Lucia Cap 15.01 “Procurement and Stores Regulations”.

Background Information

The Climate Investment Fund's (CIF) Pilot Program for Climate Resilience (PPCR) to implement appropriate climate change adaptation activities prepared a strategic document the 'Strategic Program for Climate Resilience (SPCR)'.

As part of this strategic program, the Government of Saint Lucia (GOSL) and the World Bank (WB) - through the International Development Association (IDA) initialized the Disaster Vulnerability Reduction Project (DVRP). The Project's aim is to reduce the country's vulnerability to natural hazards and the adverse impacts of climate change.

The Project Coordination Unit (PCU) under the Department of Economic Development, Transport and Civil Aviation is responsible for the administration of the overall planning, coordination, supervision, environmental and social safeguards, evaluation, reporting and communication of the activities. However, individual activities under the project are implemented by various Government Departments (example Department of Infrastructure, Ports and Energy) and other Quasi Government agencies (example Saint Lucia Development Bank and the Water and Sewerage Authority). The PCU is required to collaborate with various beneficiary line ministries and agencies who provide relevant technical support including the preparation and review of technical terms of references, provision of technical specifications for consultancies and goods to be purchased, and other required technical inputs.

In order to facilitate the effective execution of its tasks the PCU is required to coordinate closely with the Sustainable Development and Environment Division (SDED), which serves as technical advisory unit for the project.

Funding under this project is as follows:

Component/Category	Initial Allocations (US\$ millions)	IDA Financing	IDA CRW Financing	CIF Financing Grant	CIF Financing Loan	Implementing Agency
Component A: Risk Reduction and Adaptation Measures	49.0	19.7	14.2	5.1	10.0	Department of Economic Development
Component B: Technical Assistance for Improved Assessment and Application of Disaster and Climate Risk Information in Decision making	10.0	3.3	1.2	5.5	0.0	Department of Economic Development
Component C: Climate Adaptation Financing Facility	5.0	0.0	0.0	0.0	5.0	St. Lucia Development Bank (SLDB)
Component D: Contingent Emergency Response	1.0	1.0	0.0	0.0	0.0	Department of Economic Development
Component E: Project Management and Implementation Support	3.0	0.0	1.6	1.4	0.0	Department of Economic Development
Total	68.0	24.0	17.0	12.0	15.0	

Audit Mandate

The Director of Audit is the official Auditor of the operations of the Government of Saint Lucia and is mandated by the Saint Lucia Constitution Order of 1978, Audit Act No. 26 of 1988 and Revised Laws of Saint Lucia, 2005, Finance (Administration) Act.

Section II B.3 of the Financing Agreement for DVRP, between Saint Lucia and the International Development Association states that the recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. As such, the Office of the Director of Audit is the appointed Auditor of the DVRP as per the auditing arrangements contained in the Operational Manual of the DVRP.

AUDIT OBJECTIVE

The objective of the audit was to determine whether the procurement activities under the Disaster Vulnerability Reduction Project (DVRP) were in compliance with applicable agreements, laws and regulations.

SUBJECT MATTER and SCOPE

The subject matter of this audit is procurement under the Disaster Vulnerability Reduction Project (Department of Economic Development, Transport and Civil Aviation) for the financial years 2014-2017.

The scope of the audit included all the elements of procurement relating to roles, responsibilities, accountabilities, authorities, policies, procedures and monitoring mechanisms. The coverage included the procurement of goods, works, non-consulting services and consulting services during the period from April 1, 2014 to March 31, 2017. Requirements of the following stages of the procurement process were examined.

- *Pre-tendering*: to assess whether there was sufficient work done by the various agencies to justify the works or the need for services or goods to be procured.
- *Tendering*: to assess the processes involved in the invitation to tender, evaluation of bids and awarding of contract.
- *Post-award*: to assess contract administration, including overseeing actual project works, receipt of goods, quality checks after finalization and delivery, documentation of amendments to contracts, and payments.

Our audit procedures entailed the examination of documents, site visits, interviews with key senior management and personnel, and a review of compliance with relevant laws, agreements, policies and guidelines.

The fieldwork included reviewing, assessing and testing the processes and procedures in place with respect to our sample of procurement activities.

Audit Criteria

The following were the audit criteria used to assess compliance with procurement rules:

- Procurement planning should have clear and specific requirements relating to the works, goods and services, which accurately describe the actual needs intended to be satisfied and give a correct and complete description of the goods, services or works required.

No.41 (1) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015

- Procurement planning should have a detailed assessment of the viability and suitability of the project for implementation.

No.98 (2) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015

- The specific requirements for procurement shall include the technical requirements of the procuring entity with respect to the goods, works or services being procured.

No.41 (2) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015

- Procurement planning should include wide consultation with all stakeholders and potential users on project needs and options.

No.98 (4) (a) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015

- Specifications should avoid references to brand names, catalogue numbers, or similar classifications.

Section 19.14 of the GOSL Guidelines for Procurement dated Nov.6 2014

- Officers involved in the pre tendering and tendering process should not disclose any information relating to public procurement procedures and tenders, where the disclosure would —

- (a) Amount to a contravention of an enactment;
- (b) Obstruct law enforcement;
- (c) Prejudice the legitimate commercial interests of the parties;
- (d) Inhibit fair competition in public procurement; or
- (e) in anyway be contrary to public interest.

No113 (2) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015

Audit Criteria cont.

- A firm participating in a procurement process shall not have a conflict of interest.
Section 1.6 -1.7 of the WB Guidelines – Procurement of Goods, Works and Non-Consulting Services
- Where a conflict of interest is unavoidable by public officials, disclosure must be made to maintain transparency in public procurement process.
Section 5.2 of the GOSL Guidelines for Procurement dated Nov.6 2014
- Members of the Central Public Procurement Board shall take an oath of affirmation and disclose any instance of possible conflict of interest to the Chairman.
No.20 and 21 of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015
- Members of the Evaluation Committee should sign Confidentiality and Impartiality Forms.
Step 12 of the Procedural Steps Goods and Works section of the Operations Manual
- Tenders should be evaluated according to the criteria and methodology set out in the tendering documents.
No73 (7) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015
- Management should properly approve variations.
Ch. 15.01 of Saint Lucia Finance Administration Act - Procurement and Stores Regulations, Section 24.1 and 2
- There should be certification of technical quality of work prior to payment.
Ch. 15.01 of Saint Lucia Finance Administration Act- Procurement and Stores Regulations, Section 23

Based on the latest Procurement Plan of the DVRP dated March 7, 2017 there were a total of 10 active items with an estimated cost of US\$15,373,539, these 10 items formed the expected population.

The sampling population was the total number of procurement activities completed from the inception of the DVRP and those up to the tender evaluation stage of procurement. A sample of three activities with an estimated value of US\$7,916,010 was selected for examination.

A risk assessment was performed and applicable criteria were established from the following sources:

- *The Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015*
- *The GOSL Guidelines for Procurement dated Nov.6 2014*
- *WB Guidelines – Procurement of Goods, Works and Non-Consulting Services*
- *Ch. 15.01 of Saint Lucia Finance Administration Act - Procurement and Stores Regulations,*
- *The Operations Manual for the DVRP*

These criteria were used to assess the procurement process.

Audit procedures were formulated for testing the level of compliance to the criteria cited from the respective laws, rules and regulations.

Inadequate needs assessment

Public procurement requires that the procuring entity prepares clear and specific requirements relating to the goods, works or services being procured. As part of the pre-tendering stage of procurement, a needs assessment is therefore necessary to adequately conceptualize the project and its intended objectives and guide the related decisions of the activity.

The initial DVRP implementation plan did not include the construction of a Polyclinic in the Dennery area but rather the rebuilding of the Dennery Hospital. However, we saw no evidence that needs assessments were conducted for either of these two options. Further, we did not see evidence that assessments of conflicting needs or potential negative consequences were undertaken for either activity.

The decision to build the Dennery Polyclinic resulted from the abandonment of plans to rebuild the Dennery Hospital. This scenario highlighted several shortfalls in the planning phases of the Dennery Hospital including architectural designs lacking the necessary electrical and mechanical engineering designs, and inadequate geotechnical investigations and surveys. Additionally, poor interrelations with key stakeholders of the project, lack of sufficient consultations, instructions and documentation hampered achieving delivery schedules. This resulted in government abandoning the rebuilding of the Dennery Hospital and starting the procurement process for the Dennery Polyclinic resulting in wasted time, money and manpower.

Recommendation

It is imperative that procurement planning has clear and specific requirements relating to the works, goods and services procured. These requirements should clearly indicate procurement needs and must be supported by a relevant feasibility assessment inclusive of

the suitability of works, goods or services as required by the Public Procurement and Asset Disposal Act No. 41.

Documents not presented for examination

At the time of the audit, we were unable to determine if the pre-planning process for the construction of the Dennery Polyclinic included proper specifications for all required works particularly those lacking in the previous plan for the Dennery Hospital.

Despite the fact that the procurement process was in its tendering stage we were not provided with the relevant project files for this activity, in order to perform our examination.

Therefore, we were unable to conclude whether there was adequate planning of the definition of requirements or specifications for the construction of the Dennery Polyclinic. We were also unable to determine whether the requirements for public procurement as laid out in the Public Procurement and Asset Disposal Act (specifically Part II) was adhered to.

Recommendation

We recommend that the Project Coordination Unit maintain all relevant financial, specification and other planning documents on file. This should be made available to Audit for examination upon request in compliance with Ch. 15.01 of the Finance (Administrative) Act - Financial Regulations No. 5 (f) and (g).

A Contract Register was not properly maintained

The Revised Laws of Saint Lucia Chapter 15.01 - Procurement and Stores Regulations 25 (2) requires that the details of any variations made, progress payments, final payments, payment of retention money, deductions for penalties and release of any security or bond deposited with respect to the contract should be contained in the Register.

We noted that all the required information pertaining to the contracts were not entered into the Contract Register.

The voluntary omission of information from the contract register is a contravention of the regulations by the accounting officer. A register which is not well maintained to reflect current and relevant information does not add value to the operations of the department. It

limits the ability of the coordinating unit to provide timely, reliable and accurate information efficiently.

Recommendation

We recommend that every effort be made by the accounting officer to adhere to the requirements of the regulations and to bring the register to an acceptable level of maintenance.

Monthly progress reports not seen

We found that although reporting requirements of contracts within our sample stipulated that contractors submit technical evaluation, inception, final and monthly progress reports, we did not see evidence of monthly progress reports being submitted.

Thus, there was no evidence to show that contractors fulfilled their reporting requirements as stated in their contracts.

Recommendation

The PCU should ensure that all reporting requirements are fulfilling prior to payments to contractors and reports should be properly documented.

Risk of conflict of interests and breach of confidentiality

Formal safeguards against conflicts of interest or breaches of confidentiality for all officers involved in procurement were not seen. Only members of the Tenders Board and evaluating committees were required to sign confidentiality and impartiality forms. This conforms to the requirements of the Public Procurement and Asset Disposal Act and the PCU's Operations Manual.

Further analysis of key personnel from bidding firms did not reveal any government officers involved in the same procurement, and bidding firms declared no conflict of interests according to Section 1.6 – 1.7 of the WB Guidelines – Procurement of Goods, Works and Non-Consulting Services.

However, there is an absence of adequate safeguards and confidentiality agreements for all other officers involved in the procurement process as the process is not limited to only

members of the Tenders Board and evaluating committees. Because of the nature of the activities carried out under the DVRP, officers from the implementing agencies and PCU staff are also involved in the process. Thus, a risk still exists of persons receiving benefits for leaking confidential information or conflicts of interests going undetected.

Recommendation

As a result, we recommend all officers involved in the pre-tendering and tendering stages of procurement be required to take an oath or affirmation, disclose any instance of possible conflict of interest and sign confidentiality and impartiality forms – evidence of these should be kept on file. This initiative would ensure that not only Board and Committee members, but all officers involved in the procurement process would be in compliance with best practice as set out in No. 20, 21 and 113 (2) of the Public Procurement and Asset Disposal Act of St. Lucia No.19 of 2015.

Conclusion

We found overall that the Disaster Vulnerability Reduction Project managed by Project Coordination Unit of the Ministry of Economic Planning, Transport and Civil Aviation was compliant in all material respects with most of procurement requirements at the tendering and post award stages of procurement. However, deficiencies highlighted at the pre-tendering stages reveals that the Project was not in compliance with some of the applicable procurement procedures as outlined in the Laws and Regulations and that the system of internal controls at that stage needs to be strengthened