



Government of Saint Lucia

Office of the Director of Audit

# **Compliance Audit on Direct Purchases**

Office of the Prime Minister  
and  
Ministry of Finance, Economic Affairs  
and National Security

DECEMBER 2021



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 Cap. 15.19. (Audit Act)

This audit was an independent, objective, and systematic assessment of Direct Purchases.

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.*

## WHY THE AUDIT WAS CONDUCTED

The Office of the Director of Audit observed a number of goods and services were procured using direct purchases instead of the competitive bidding process of tenders and wanted to assess the systems in place for awarding them.

## AUDIT OBJECTIVES

- To determine the system in place for direct purchases and whether the contracts issued were in compliance with the policies, rules, regulations and best practice.
- To conduct an analysis of the number and value of contracts issued using the direct award method of procurement and determine whether there was documentation supporting the rationale for this procurement method.

## AUDIT TOPIC

**Compliance Audit on Direct Purchases.**

## AUDIT SCOPE

The audit covered the period April 1, 2010 to January 31, 2021.

## METHODOLOGY

Our methodology included:

- Interviews with senior managers from selected government agencies;
- Examination and analysis of direct purchases from correspondence sent to the Office of the Director of Audit;
- Comparison of direct purchases amounts with Central Tenders Board Awards and budgeted totals; and
- Selection of a sample of contracts for verification of amounts and justification for direct purchases.

## KEY DATA

- Direct purchases are approved either by the Minister of Finance or the Director of Finance on advice of the Minister of Finance.
- Legal authority for approval is the Revised Laws of Saint Lucia, Cap 15.01 Procurement and Stores Regulations.
- 1641 direct purchase approved worth \$1.2 billion from April 1, 2010 to January 31, 2021.

## MAIN FINDINGS

- Inadequate procedures in place for direct purchases.
- Value of direct purchase exceeded the value of tenders by \$610.8 million and 544 contracts.
- Direct purchases valued at \$256.4 million were not on the Ministry of Finance listing.
- Significant amounts approved as variations exceeding 30% of original approved amount.

## CONCLUSIONS AND RECOMMENDATIONS

**We concluded that whereas the Government of Saint Lucia has the authority to use direct purchase, this needs to be weighed against a more competitive process to allow for better quality and price thereby ensuring that public funds are spent effectively.**

- ❖ The Office of the Prime Minister and Director of Finance should monitor the number and value of direct purchases to ensure that direct purchase is only used in emergency situations, in situations where the procurement is time sensitive and urgent or only a single supplier is available. Otherwise competitive bidding should be utilized to reduce the risk of discrimination/unfairness, fraud and embezzlement, loss of public funds through misallocation or higher expenses and lower quality of goods, services and works.
- ❖ The Office of the Prime Minister and Director of Finance should review the procedures in place for direct purchases and make amendments to ensure there is greater transparency, value for money and accountability in the process. Particularly, thresholds should be implemented on the value of contracts issued to any one individual or firm through direct purchasing method and the names of persons awarded contracts should be published.
- ❖ All documents used in the direct procurement process should be properly filed by the Office of the Prime Minister and the Ministry of Finance, and should be presented when requested for auditing purposes.



### INDIVIDUALS

Majority of the contracts awarded were below \$1M with 1475 contracts issued.



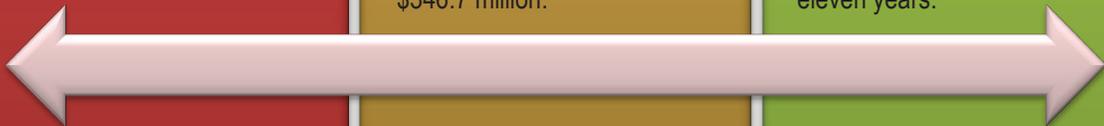
### MINISTRIES

Most direct awards were approved for the Department of Infrastructure valued at \$346.7 million.



### CATEGORY

68% of direct awards of \$861 million were for works with 738 approvals out of 1,641 for the eleven years.



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## ***Acknowledgement***

The Office of the Director of Audit (ODA) acknowledges the kind assistance, support and cooperation of the management and staff of the Department of Finance and Office of the Prime Minister who assisted in this performance audit.

The Director of Audit extends sincere appreciation to the audit team who contributed towards this audit.

The Government of Saint Lucia spends millions of public funds in procuring goods, works and services through either the competitive process of tendering or direct procurement which is a non-competitive process. Competition is a key principle of public sector procurement as it promotes fair and equitable access to government contracts and provides better opportunity for government to obtain value for money. Conversely, the direct procurement method sets aside the established rules which ensure competition among suppliers. Although it is an acceptable procurement method, it should only be used in limited circumstances.

Given the significant funds spent by government annually using the direct procurement method, and the risks associated with the limited tendering process, the Office of the Director of Audit reviewed direct purchases for the eleven-year period April 2010 to January 2021 including the controls in place for approving of contracts via this procurement method.

We noted for the eleven-year period, that the direct procurement method was utilized more often than the competitive method of procurement methods for goods, works, and services. A total of **1641** contracts valued at **\$1.2 billion** was issued via direct purchases compared to **1097** contracts valued at **\$646.2 million** issued via competitive bidding by the Central Tenders Board (CTB). Direct purchases exceeded CTB awards by **\$610.8 million**.

The highest value of direct purchases/award was issued in the year **2019/2020** at **\$302 million** which represents **24%** of total direct purchase/award. This was followed by **\$256 million** in **2020/2021**, **\$146.8 million** in **2011/2012** and **\$126.4 million** in **2018/2019**.

Our analysis revealed **five (5)** contractors receiving contracts totaling above **\$50 million** each for the eleven-year period. The top three contractors received the following:

- **Three (3)** contracts valued of **\$197.8 million**;
- **Fifteen (15)** contracts valued at **\$107.4 million**; and
- **Eight (8)** contracts valued at **\$63.3 million**.

The Ministries/Departments who procured the most goods, works and services using the direct procurement method were:

1. Department of Infrastructure, Ports and Energy - **\$346.7 million**
2. Department of Economic Development, Transport and Civil Aviation - **\$215.9 million**
3. Department of Finance, Economic Affairs, Planning and Social Security - **\$141.1 million**

Direct purchases were issued mainly for the procurement of works for nine out of the eleven-year period with amounts ranging from **27.9 million** to **242.4 million**. The highest value of **works** per year was in **2019/2020** for **\$242.4 million**, followed by **2020/2021** with **\$222.8 million**.

Best practices require that the direct procurement method be used in exceptional circumstances, that a threshold be set and that there be justification for the approval of direct purchases. The examination of the internal controls revealed significant weaknesses and the need to strengthen internal policies and practices for direct purchases.

We identify the following weaknesses:

- Inadequate procedures in place for direct purchases – no threshold for direct purchase and award of direct purchase are not made public.
- Record/listing of direct purchases/award approved is not maintained by the Office of the Prime Minister.
- Information maintained by the Ministry of Finance is not accurate and complete – direct purchases valued at **\$256.4 million** was not on the listing maintained by the Ministry.
- **77%** of approval of direct purchase was signed for/on behalf of the Director of Finance.

Additionally, information required to verify whether approval of direct purchases were in accordance with the laws, regulations, policies and procedures of the Government of Saint Lucia were not provided.

The recommendations made in this Report will assist the Government of Saint Lucia in strengthening the system in place for direct purchases.

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**Yvonne James (Ms.)**  
**DIRECTOR OF AUDIT**

### **BACKGROUND**

The Revised Laws of Saint Lucia Procurement and Stores Regulations of 2008 and the Government of Saint Lucia Procurement Guidelines November 2014 provide guidance on the procurement policies and procedures of the Government of Saint Lucia.

The Revised Laws of Saint Lucia Procurement and Stores Regulations states that the Minister may issue directions for the procurement of goods and services by tender or by direct purchase. The Director of Finance may issue instructions with respect to the conditions under which goods may be procured by tender or by direct purchase. The Director of Finance may issue written guidelines as may be necessary for the procurement of goods from local and overseas sources.

The Procurement Guidelines of 2014 informs about the general procedures for public procurement of goods and services. It applies to procurement of goods and services finance wholly by funds from the Consolidated Funds of the Government of St. Lucia and for procurement of goods and services funded wholly or in part by other funding agencies unless otherwise stated. The Procurement Guidelines identifies the procurement methods as:

1. Work Orders
2. Direct Purchase
3. Shopping
4. Open Competitive Bidding
5. Restricted Competitive Bidding

### **Direct Purchase**

This method allows for a contract to be authorized by the Minister for Finance, when an application is made by the respective ministry. Contracts by direct purchase should be exceptional, only applicable in cases of extreme urgency. For the purpose of these Guidelines, the Government of Saint Lucia defines the following terms:

- (i) Exceptional means unusual, extra-ordinary, unique, peculiar.
- (ii) Extreme urgency means pressing, important, requiring immediate attention, essential critical.

Ideally suited for the following circumstances:

- (a) Where only one supplier exists;
- (b) The nature of the procurement does not attract competitive bids (relatively small order from large suppliers); and
- (c) An emergency situation which does not permit the procuring entity to go through the tendering process.

## Direct Purchase Process

The process for direct purchase begins when a ministry or department sends a request to the Office of the Prime Minister. If the direct purchase is approved, the Office of the Prime Minister would inform the Director of Finance who is responsible for informing the relevant ministry/department, the Accountant General, the Office of the Budget and the Director of Audit of the approval. Ministries/departments are informed by letter of the non-approval of any direct purchase. **See flowchart in appendix I**

## AUDIT OBJECTIVE AND SCOPE

The objectives of this audit were:

- To determine the system in place for direct purchase and whether the contracts issued were in compliance with the policies, rules, regulations and best practice.
- To conduct an analysis of the number and value of contracts issued using the direct purchase method of procurement and determine whether there was documentation supporting the rationale for this procurement method.

This audit covered the eleven-year period April 1, 2010 to January 31, 2021 and was guided by the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institution (INTOSAI).

## AUDIT CRITERIA

The following documents were used to aid auditors in conducting the audit:

- Revised Laws of Saint Lucia Chapter 15:01, Finance (Administration) Act;
- Revised Laws of Saint Lucia Chapter 15:01, Procurement and Store Regulations;
- Revised Laws of Saint Lucia Chapter 15:19, Audit Act No.26 of 1988;
- Government of Saint Lucia Procurement Guidelines, November 2014;
- Cabinet Conclusions;
- Approved Estimates 2010/2011 to 2020/21 and Supplementary provisions;
- Relevant Finance, Treasury and Public Service Circulars; and
- Related Audit Programme.

## METHODOLOGY

The audit approach involved:

- Review of laws and regulations.
- Review of government procurement policies and procedures.
- Interviewing of ministry's key staff to document the process for direct purchases.
- Examination of documents pertaining to direct purchase.

- Conducting analysis of-
  - the total direct purchases for the period;
  - the direct purchases as per Ministry, Category and Individuals;
  - direct purchase amounts against budgeted totals and actual expenditure; and
  - direct purchase amounts with Central Tenders Board Awards Totals.
- Examining a sample of five (5) direct purchase/awards per financial year.

Letters of approval of direct purchases are submitted to the Office of Director of Audit by the Director of Finance. We compiled a listing of all direct purchases for the period April 2010 to January 2021 from the correspondence received from the Director of Finance. An analysis of direct purchases from the listing compiled was conducted to determine:

- Total number of direct purchases awarded;
- Total value of direct purchases;
- Direct purchases issued by individual/company;
- Direct purchases by Ministry/Department; and
- Direct purchases by category.

### DIRECT PURCHASE BY NUMBER AND VALUE

- **Total Value for Direct Purchases for the period April 2010 to January 2021 is more than \$1.2B with 1641 contracts issued**

The analysis conducted of direct purchases for the period April 2010 to January 2021 shows **1641<sup>1</sup>** contracts being issued with the total value exceeding **\$1.2 billion**. The pie chart below shows the number of contracts issued per fiscal year.

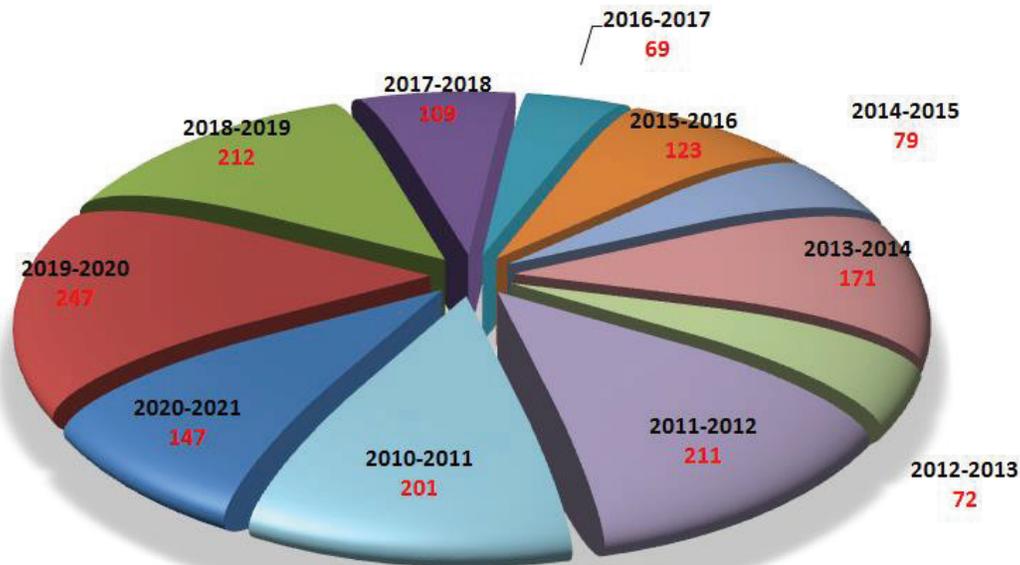


Figure 1: Total Number of Contracts per Financial Year

<sup>1</sup> We noted two Direct Award notices which quoted the contractor and works to be done but not the value of the contract.

The highest value of direct purchases was approved in **2020** for **\$302 million** which represented **24%** of the total value for the eleven years. This was followed by **2021** of **\$256 million** or **20%**, then **2012** for **\$146 million** or **12%** and **2019** for **\$126 million** or **10%**.

The bar graph below shows spikes in the value of direct purchases in the fiscal years **2012** and **2020**, in the amounts of **\$147 million** and **\$302 million** respectively; and an overall increase towards the last three years.

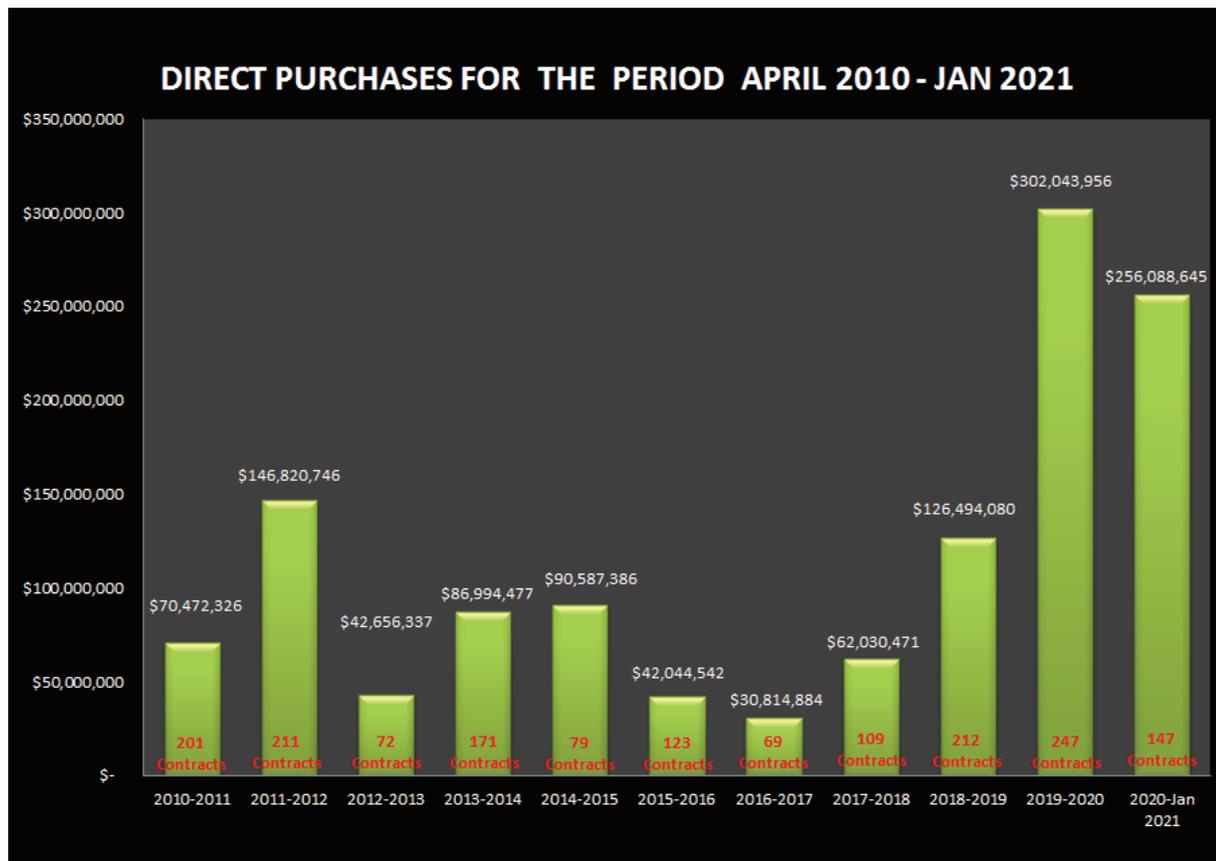
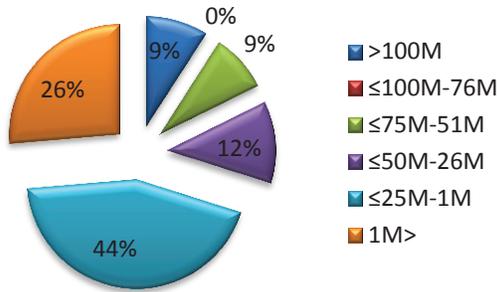


Figure 2: Total Direct Purchases for the Period April 2010 – Jan 2021

In the fiscal year **2012**, two major projects namely; **Construction of St. Jude Hospital** in the amount **\$31.9 million** and **Road Construction** in the amount **\$48.2 million** were responsible for the spike in direct purchases. In the fiscal year **2020**, three major projects undertaken namely; **Road Improvement and Maintenance Program Phase IV** for **\$114 million**, **St. Jude Reconstruction Project** for **\$58.2 million** and the **Installation and Operation of Energy Saving LED Lights island wide** in the amount **\$33.5 million** were the cause of the spike.

The table below identifies the total value contracts within a set range and the number of contracts per that range. The largest total value of contracts falls between the ranges of \$1 million to \$25 million with the total value of \$550 million. The second largest value of contracts is below \$1 million with a total value of \$330 million. Out of the total 1641 contracts, 1475 of these contract fall below the value of \$1 million.

Range	>100M	≤100M-76M	≤75M-51M	≤50M-26M	≤25M-1M	1M>
<b>Total</b>	114,109,800	-	108,102,000	153,387,075	550,597,899	330,851,077
<b>No. of contracts</b>	1	0	2	4	157	1475



This analysis revealed the majority of contracts awarded being in the ranges 1M to 25M and below 1M with 157 and 1475 contracts issued respectively. The two ranges make up 70%<sup>2</sup> of the total value of direct purchases for the period.

### DIRECT PURCHASE BY INDIVIDUAL

- **Total Direct Purchases for Individuals during the audit period**

Individuals/companies who received the largest value of contracts issued via the direct procurement method for the period under review are shown by the pie chart below<sup>3</sup>.

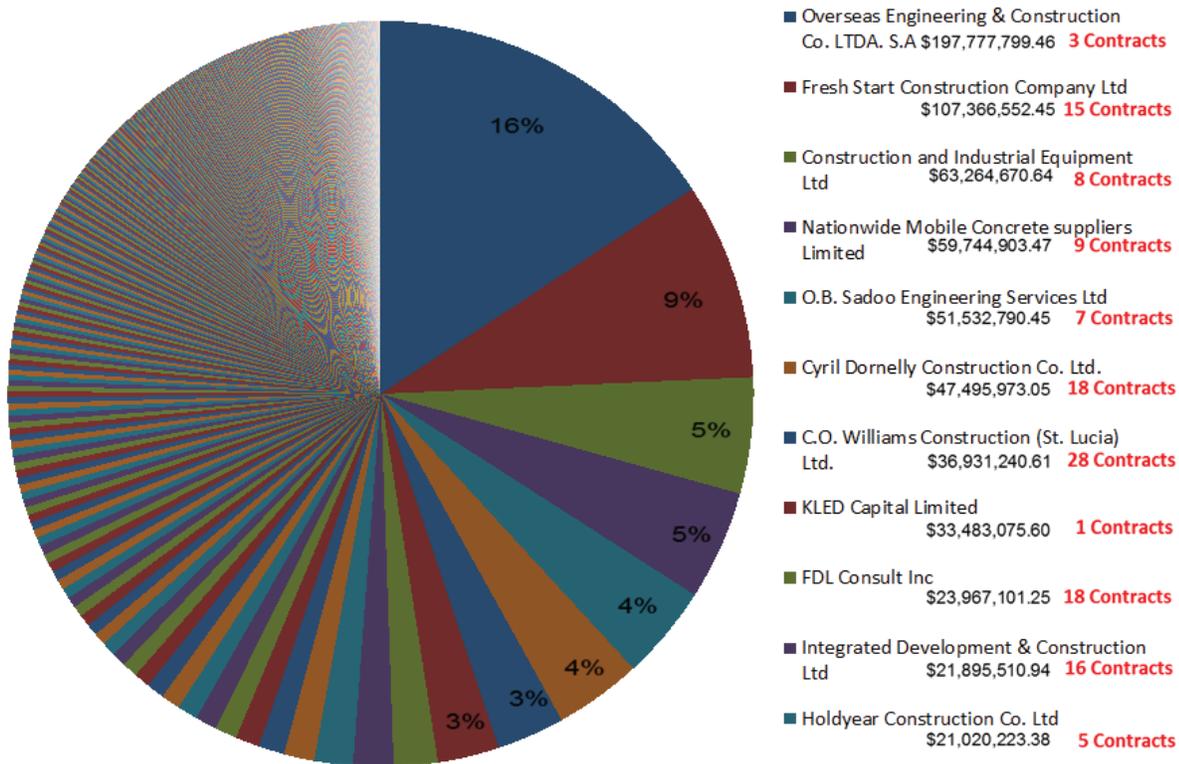


Figure 3: Top Ranking Individuals/Companies for the Period under Audit

<sup>2</sup> 26% plus 44% shown in pie chart above.

<sup>3</sup> Ranked based on total value of contracts awarded in descending order

## DIRECT PURCHASES BY MINISTRY/DEPARTMENT

Approval of direct purchases for the various ministries and departments were assessed.

Throughout the audit period, a number of ministries/departments were re-aligned to give effect to the required government policy shifts. As a result, some ministries were renamed to better capture the content of their responsibilities.

### Analysis for the eleven-year period 2011-2021

Direct awards were approved for a total of **fifty-five (55)** ministries/departments for the eleven-year period with a total value of **\$1,257,047,851.23**. **Eight (8)** ministries/departments were awarded direct awards with a total value exceeding **\$29 million** for the eleven-year period **2011-2021**. The graph below depicts this information.

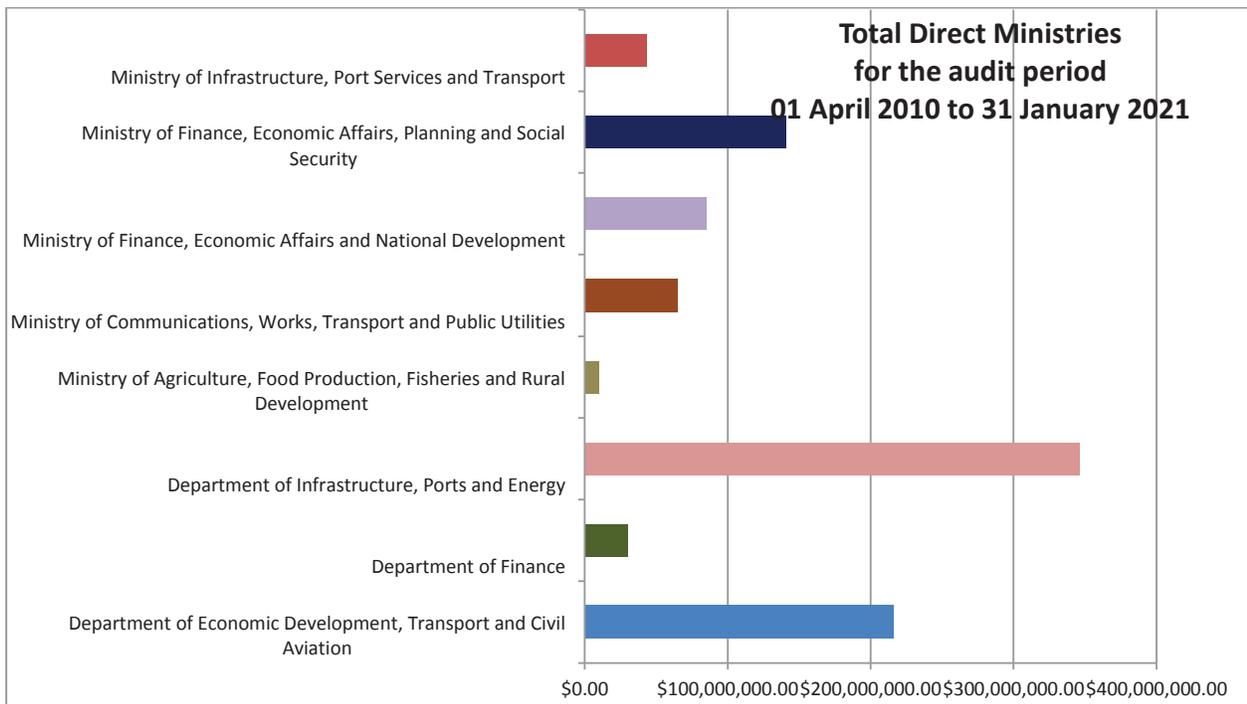


Figure 4: Chart showing ministries with highest value direct purchases for the audit period.

Of these eight (8) ministries/departments, the Department of Infrastructure, Ports and Energy had the highest total value of direct purchases in the amount of **\$346,747,156.71**. This amount represented **27.58%** of the total direct purchases awarded for the audit period.

The Department of Economic Development, Transport and Civil Aviation had the second highest value in the amount of **\$215,928,622.77** or **17.17%** of the total direct purchases followed by the Department of Finance, Economic Affairs, Planning and Social Security with **\$141,114,932.69** or **11.22%** of the total direct purchases awarded.

Of the remaining **forty-seven (47)** ministries/departments, **six (6)** ministries/departments' total value of direct awards were over **\$20 million**, **five (5)** ministries/departments' value of direct awards was between **\$10 million**

and <\$20 million, seven 7 ministries/departments' value of direct award were between \$5 million and <\$10 million and the remaining twenty-nine 29 were below \$5 million.

### Analysis on a year by year basis

We further analyzed the information on a year by year basis and identified the top three ministries/department which had the highest value of direct awards. The value of the direct awards for those ministries and departments which ranked number one ranged from \$11.2 million to \$148.1 million. The second place ministries/departments values ranged from \$4.1 million to \$98.1 million and the third place from \$2.9 million to \$21.5 million.

#### 2010/2011 and 2011/2012

- **The Ministry of Finance, Economic Affairs and National Development was awarded the highest value for direct purchases for 2010/2011 and 2011/2012.**

The total value of direct awards for the years 2011 and 2012 was \$70.4 million and \$146.8 million. The top three ministries which were awarded the highest value of direct awards represents 74.7% and 80.7% of total direct purchases for the respective years 2010/2011 to 2011/2012. The top three ministries are depicted in the bar graph below.

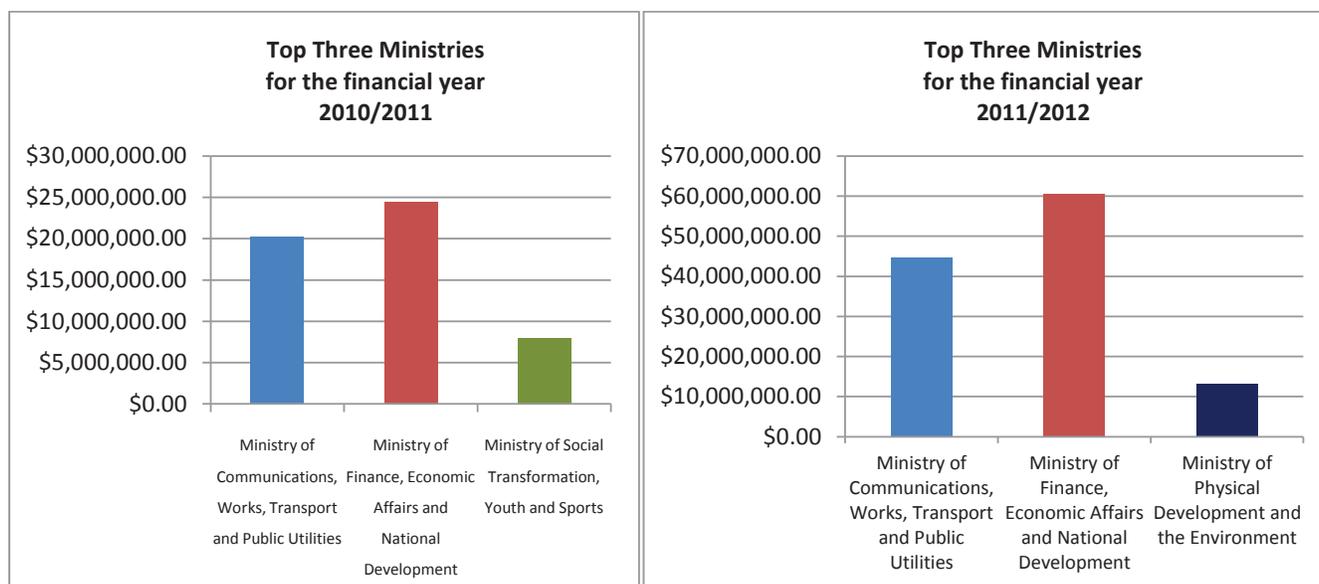


Figure 5: Charts showing top three Ministries who were granted direct purchases for 2010/2011 and 2011/2012

The majority of direct purchases were approved for the **Ministry of Finance, Economic Affairs and National Development** for 2010/2011 of \$24,472,660.12 or 34.7% of the total value of direct purchase and for the financial year 2011/2012 of \$60,556,018.15 or 41.2% of total value of direct purchases. A significant increase of \$36,083,358.03 was seen from the total direct purchase figure from 2010/2011 to 2011/2012.

**Ministry of Communications, Works, Transport and Public Utilities** was awarded the second highest direct purchase in 2010/2011 and 2011/2012 of \$20,177,469.74 and \$44,718,609.08 respectively representing 28.6% and 30.5% for each of the years.

2012/2013-2015/2016 & 2016/2017

- *The Ministry of Finance, Economic Affairs, Planning and Social Security was awarded the highest value for direct purchases for 2012/2013, 2013/2014, 2015/2016 and 2016/2017.*

The values of direct purchases for the year **2013/2014** more than doubled to **\$86,994,476.91** from the **2012/2013** figure of **\$42,656,337.44**. The next year of **2014/2015** saw a continued increase to **\$90,587,385.77** and significant decrease to **\$30,814,884.17** in **2016/2017**. The top three ministries for these years were:

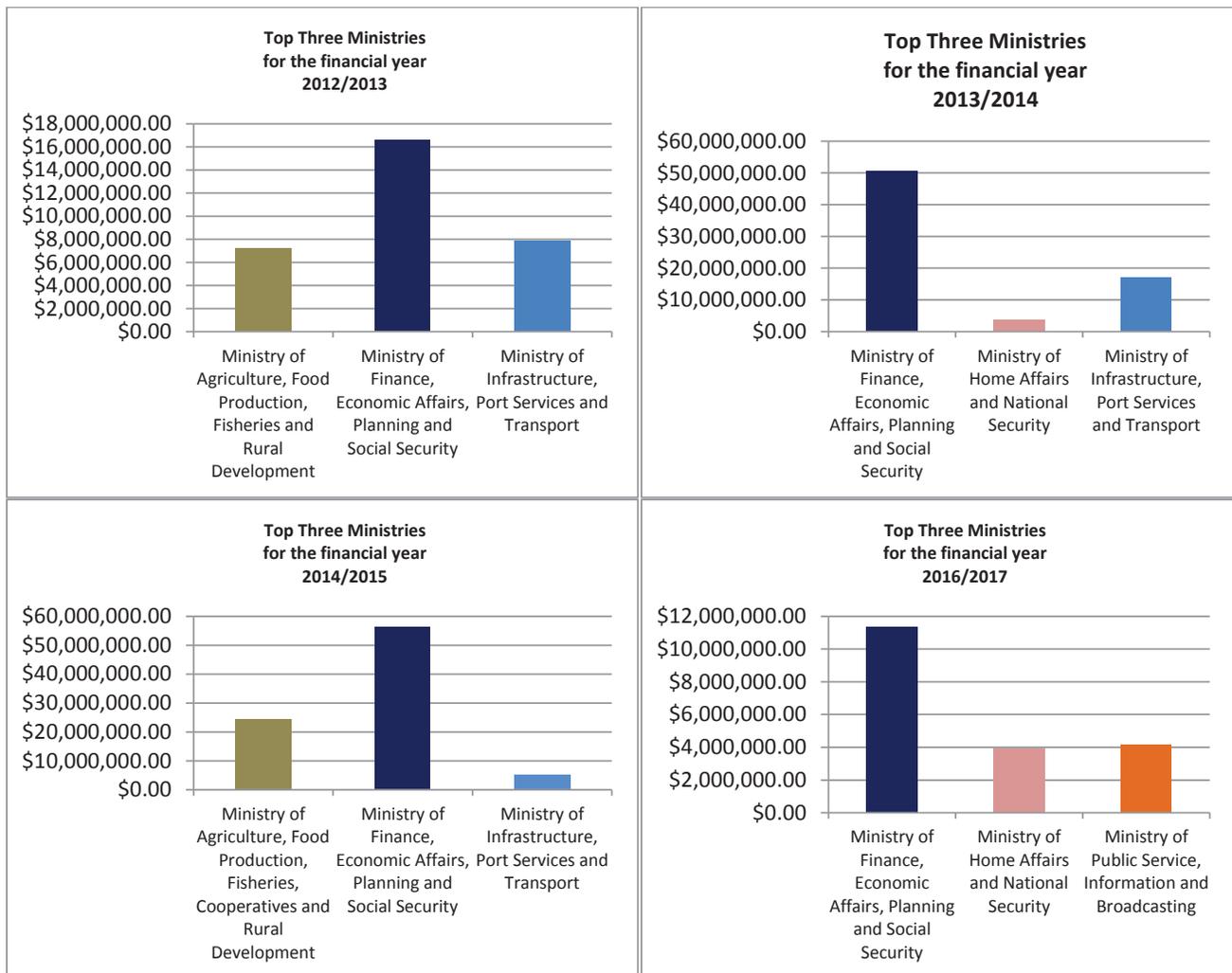


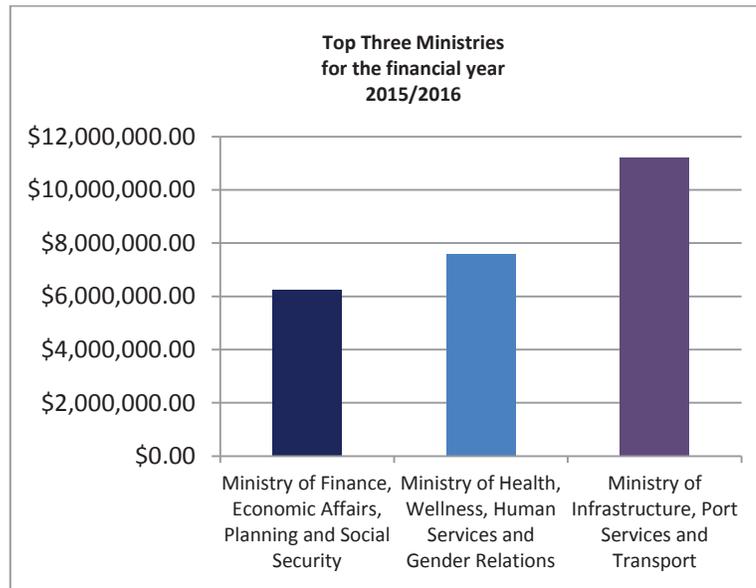
Figure 6: Charts depicting top three ministries for the financial years 2012/13, 2013/14, 2014/15 and 2016/17

For four years **2012/2013-2014/2015** and **2016/2017** the Ministry of Finance, Economic Affairs, Planning and Social Security had the highest value of direct purchases representing **40%**, **58.3%**, **62%** and **36.8%** of the total value of direct purchases for these years respectively. The value of direct purchases tripled in **2013/2014** from the figure of **\$16,633,741.61** in **2012/2013** to **\$50,704,555.57** and continued increasing by **\$5,492,695.50** in **2014/2015**. **2016/2017** saw a drastic decline to **\$11,342,510.37**.

## 2015/2016

- *Ministry of Infrastructure, Port Services and Transport was awarded the highest value for direct purchases for 2015/2016*

The total value of direct purchases was **\$42,044,543.41** with the top three ministries/departments having **59.5%** of the total. The graph below indicates the three top ministries/departments for that year.



**Figure 7: Charts depicting the top three ministries for 2015/16**

The value of direct purchases for the Ministry of Infrastructure, Port Services and Transport for **2015/2016** was **\$11,220,584.53** representing **26%** of the total. The Ministry of Health, Wellness, Human Services and Gender Relations was the second highest awarded ministry for this financial year in the amount of **\$7,575,675.00**.

## 2018/2019

- *The Department of Economic Development was awarded the highest value for direct purchases for 2018/2019.*

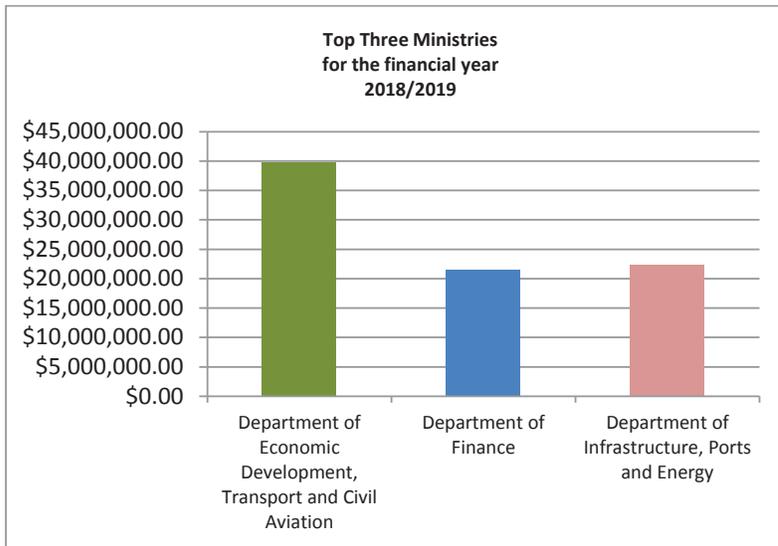
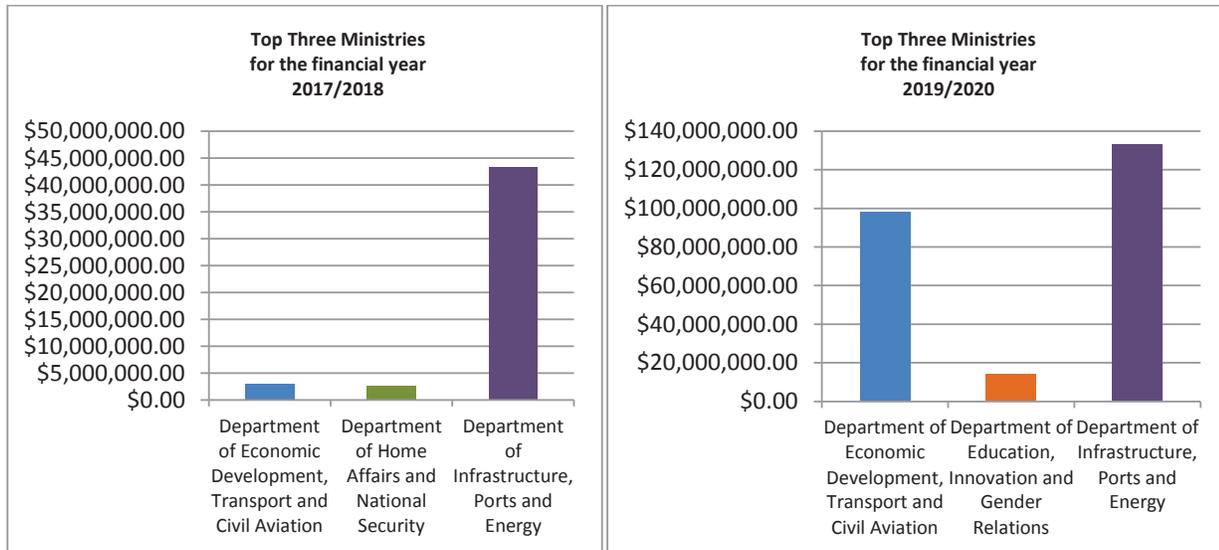


Figure 8: Chart depicting the top three ministries for 2018/19

The total value of direct purchases for **Department of Economic Development, Transport and Civil Aviation** was **\$39,740,702.07**, this amount was **50%** of the approved estimate amount and **91%** of the actual expenditure for **2018/2019**. Significant sums were approved for **Department of Infrastructure, Ports and Energy** of **\$22,410,597.19**, **Department of Finance** of **\$21,540,633.25** and **Department of Home Affairs and National Security** of **\$11,209,146.39**. The total value of direct purchases for these four departments represented **75%** of the total value for that year of **\$126,494,079.83**.

**2017/2018 & 2019/2020-2020/2021**

- **Department of Infrastructure, Ports and Energy was awarded the highest value for direct purchases for 2017/2018 and 2019/2020-2020/2021.**



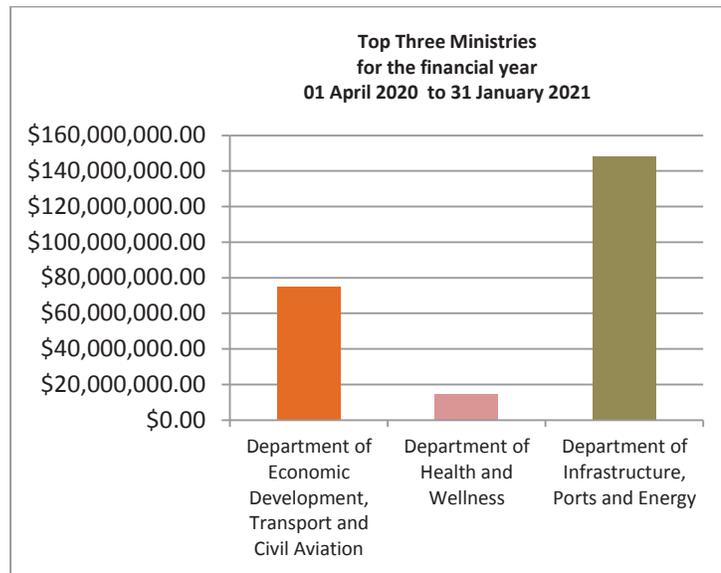


Figure 9: Chart depicting the top three ministries for 2017/18 & 2019/20-2020/2021

The direct purchases approved for the **Department of Infrastructure, Ports and Energy** reached an all-time high for the years **2019/2020** and **2020/2021** of **\$132,850,269.24** and **\$148,136,294.86**. These were the two highest values approved for the eleven-year period. In these years the total value of direct purchases was **\$302,043,956.44** and **\$256,088,645.07** respectively with **44%** and **57.8%** being for the Department of Infrastructure, Ports and Energy. In **2017/2018** out of a total value of direct purchases of **\$62,030,471.07** **Department of Infrastructure, Ports and Energy** value was **\$43,349,995.42** or **70%** of the total value.

The value of direct purchases for the **Department of Infrastructure, Ports and Energy** surpassed the approved estimate amount for the Department by **\$10,599,169.24** or by **8.66%** in **2019/2020**. The figure for **2020/2021** of **\$148,136,294.86** was **98%** of the approved estimate amount of **\$151,300,300.00** and **42%** of the approved estimates for **2017/2018**.

The **Department of Economic Development, Transport and Civil Aviation** had the second highest value for **2019/2020** and **2020/2021** in the amount of **\$98,145,650.44** and **\$75,100,767.85**. The value of direct purchases surpassed the approved estimate by **\$38,572,350.44** or by **64.74%** in **2019/2020**.

### **DIRECT PURCHASES VS ESTIMATED AND ACTUAL EXPENDITURE**

- **Total Direct Purchases reflect 8% of total estimated expenditure**

The total value of direct purchases for the audit period was compared to the total approved estimates expenditure and actual expenditure.

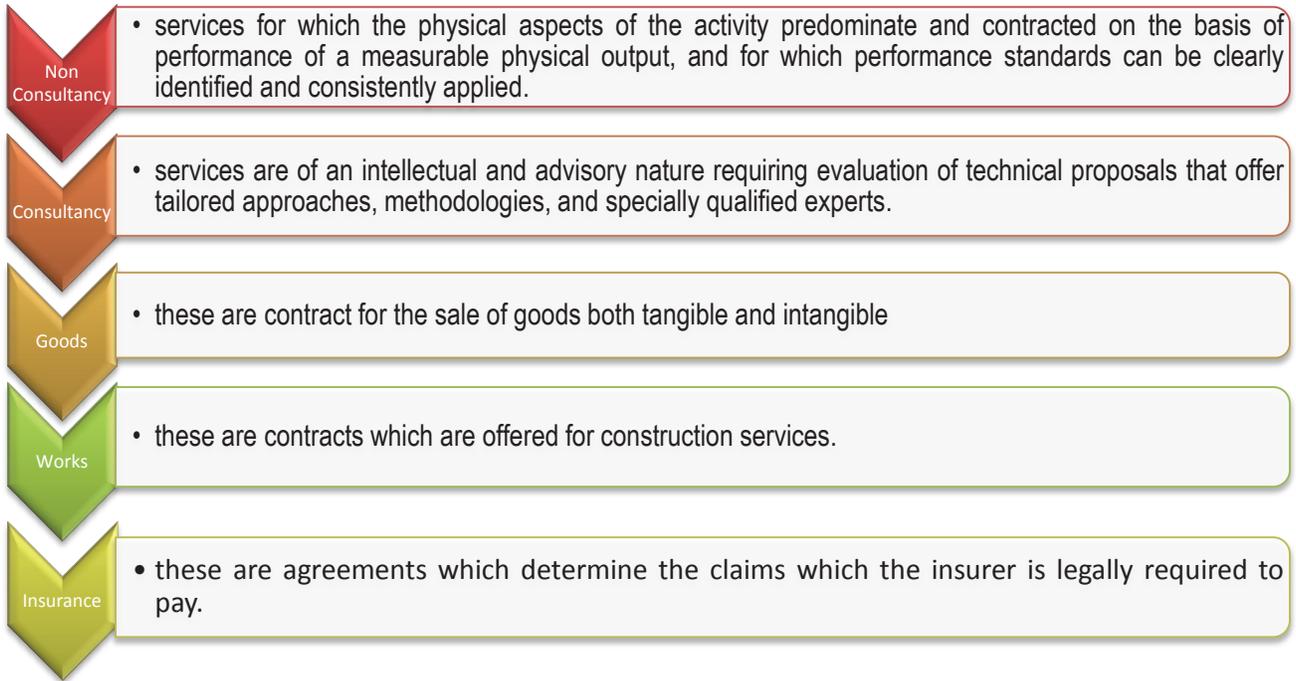
The total value of direct purchases for the period 01 April 2010 to 31 January 2021 was 8% of the total approved estimates. The annual direct purchases varied from 4% to 16% of the actual expenditure and 2% to 19% of the approved estimates during the audit period. Details are in the table below:

Financial Year	Total Direct Purchases	Total Approved Estimates	Total Actual Expenditure	Percentage of Direct Purchases as per Approved Estimates	Percentage of Direct Purchases as per Actual Expenditure
2010/2011	\$70,472,325.98	\$1,210,911,400.00	\$659,493,796.79	6%	11%
2011/2012	\$146,820,746.15	\$1,337,807,300.00	\$897,214,251.67	11%	16%
2012/2013	\$42,656,337.44	\$1,457,859,100.00	\$692,131,116.53	3%	6%
2013/2014	\$86,994,476.91	\$1,327,405,100.00	\$845,424,592.34	7%	10%
2014/2015	\$90,587,385.77	\$1,252,021,600.00	\$802,646,494.65	7%	11%
2015/2016	\$42,044,542.41	\$1,464,236,000.00	\$838,524,714.99	3%	5%
2016/2017	\$30,814,884.17	\$1,426,295,500.00	\$781,503,113.93	2%	4%
2017/2018	\$62,030,471.07	\$1,513,652,200.00	\$873,388,482.00	4%	7%
2018/2019	\$126,494,079.83	\$1,487,583,200.00	\$1,337,082,571.15	9%	9%
2019/2020	\$302,043,956.44	\$1,591,589,000.00		19%	
2020/2021	\$256,088,645.07	\$1,697,312,800.00		15%	
<b>TOTAL</b>	<b>\$1,257,047,851.23</b>	<b>\$15,766,673,200.00</b>	<b>\$7,727,409,134.05</b>	<b>8%</b>	

Figure 10: Table showing Total Direct Purchases compared to Total Estimated and Actual Expenditure

## DIRECT PURCHASE BY CATEGORY

Direct purchases were for five (5) types/categories which are listed below:



## Types of Direct Purchases Issued over an Eleven (11) Year Period

The line graph below illustrates the amount for the five (5) types/categories of Direct Purchases (Works, Consultancy, Non-consultancy, Goods and Insurance) which were approved over 11 years from 2010 to 2021.

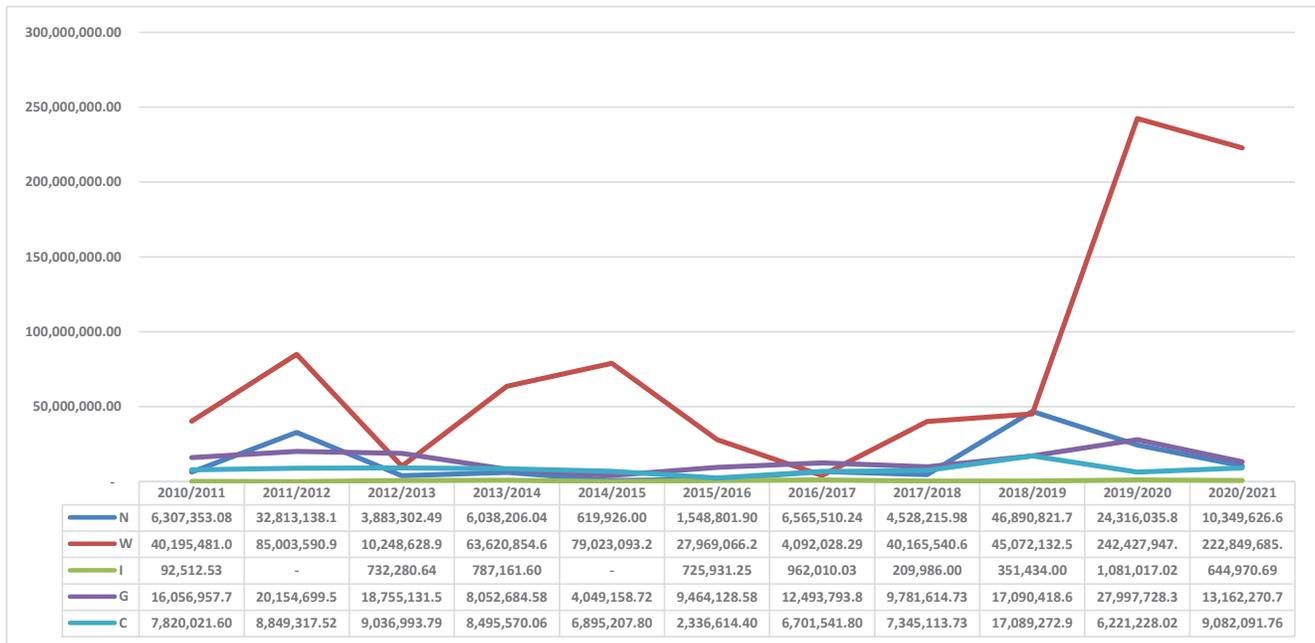


Figure 11: Line Graph Showing Types of Direct Purchases Issued over an 11 Year Period

**Works (w)** - Direct purchases were awarded mostly for works for **nine (9)** of the eleven-years as can be seen from the line graph above. The amounts for these **nine (9) years** ranged from **\$27.9 million** to **\$242.4 million**. The amounts for works increased and decreased drastically over the eleven years with significant fluctuations between years.

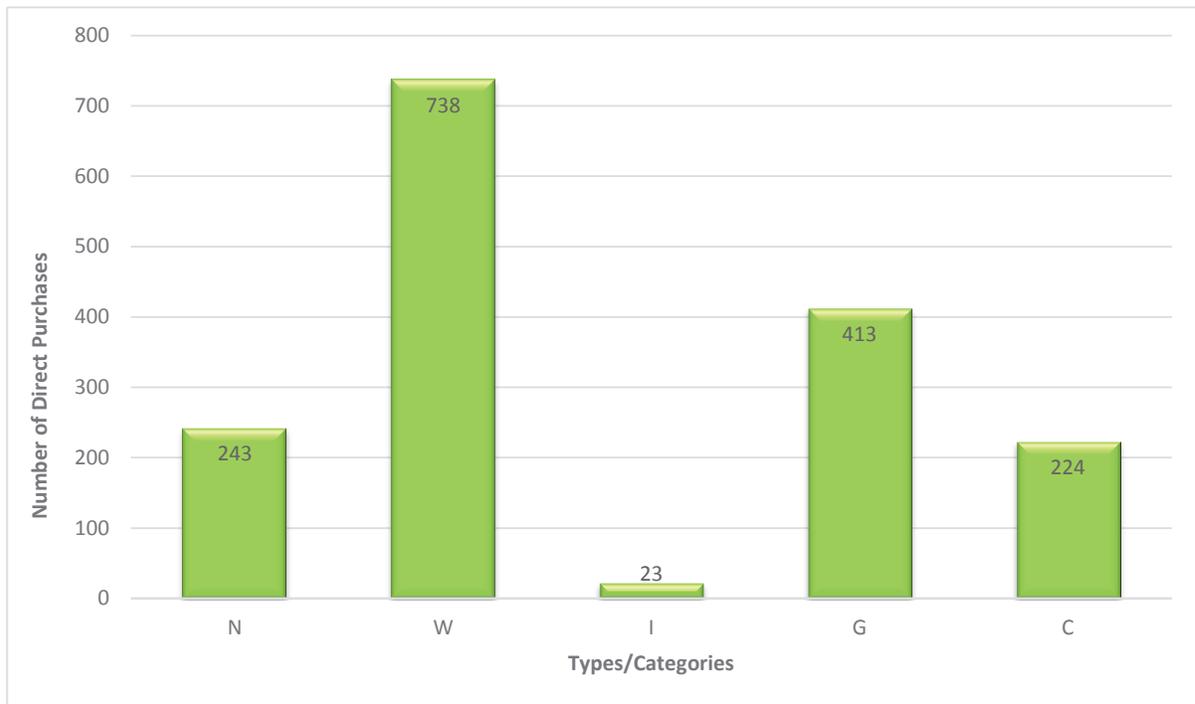
The value of direct purchases for Works peaked in **2019/2020** and **2020/2021** at **\$242.4 million** and **\$222.8 million** when compared with the **2018/2019** figure of **\$45 million**. A substantial increase of **\$197.4 million** which was five times the amount in **2018/2019**.

**Goods (G)** - Direct purchases for acquisition of goods had the highest values of **\$18.7 million** and **\$12.4 million** for two years of the eleven-year period. Throughout the period there were steady increases (2011/2012, 2016/2017) and significant drops (2013/2014, 2014/2015, 2017/2018, 2020/2021) and increases (2018/2019, 2015/2016) for direct purchases for goods.

**Other Categories (N, C, I)** - The trend in the other categories has not had a major shift throughout the years. Non-consultancy and Consultancy highest values were **\$46,890,821.77** and **\$17,089,272.94** respectively in the

**2018/2019.** Direct Purchases approved for Insurance has been the least for the entire period under audit with its highest value **\$1,081,017.02** in **2019/2020**.

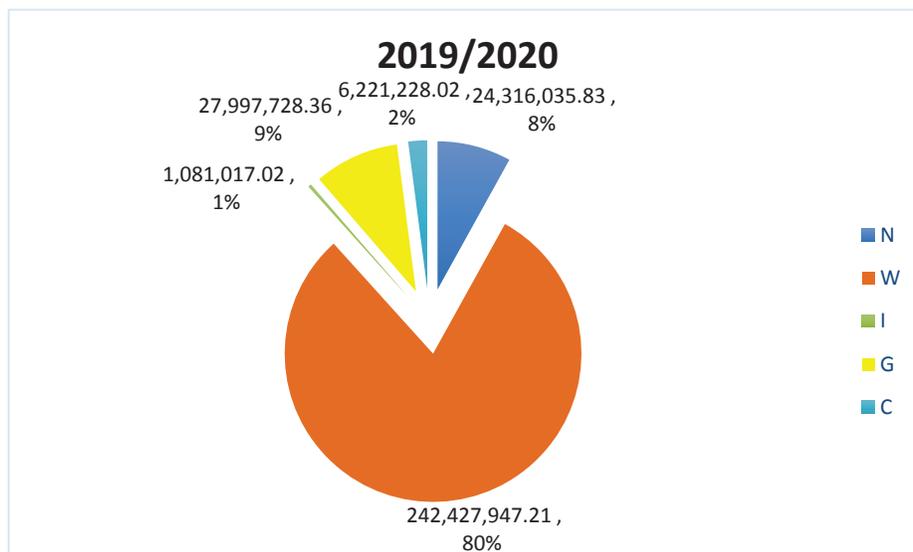
**Total Number of Direct Purchases Issued Over an 11-Year Period**



**Figure 12: Bar Graph showing Total Number of Direct Purchases Issued over an 11 year Period**

A total of **1,641** direct purchases were awarded. The direct purchases awarded were mainly for Works which had the maximum number of **738** with a value of **\$860,668,048.98**.

Noteworthy is that the highest value of direct purchases for Works was awarded in **2019/2020** for **\$242,427,947.00** which was **80%** of total direct purchase for that year. This is illustrated in the pie chart below.



**Figure 13: Pie Chart showing different Categories in the Financial Year 2019/2020**

**413** direct purchases were issued for Goods which were valued at **\$157,058,586.95**, **243** for Non-Consultancy valued at **\$143,860,938.13**, **224** for Consultancy valued at **\$89,872,973.42** and **23** for Insurance with a value of **\$5,587,303.76**.

## Chapter Three – Findings and Recommendations

We examined a total of fifty-five (55) direct purchases to determine whether they were approved in accordance with the laws, regulations, policies, rules of the Government and best practice. In addition to the sample selected, we noted anomalies based on the analysis conducted.

The examination of the system in place for direct purchases revealed significant weaknesses which can result in fraudulent behavior and unethical procurement practices. The weaknesses highlighted were:

- Insufficient documentation provided for direct purchases;
- Inadequate procedures;
- Non adherence to procurement law and guidelines;
- Letter of acceptance/contract was issued before direct purchase was approved;
- Insufficient information included in the approval letter;
- Not all direct purchases were on the listing maintained by the Ministry of Finance; and
- Contract variations and extensions were greater than 30% of the original approved amount.

Details of these weaknesses are expanded below.

- **Not all documents required to verify direct purchases were provided**

The Revised Laws of Saint Lucia, Cap. 15.01 Financial Regulation No. 5 (2) states: ***“An accounting officer shall respond promptly to any query addressed to him or her by the Accountant General or by the Director of Audit giving full particulars of the information required.”***

When issuing direct purchases/award it is expected that sufficient documentation relating to the process is maintained, filed and available when requested for review or audit purposes. Documents that are required for the process includes:

- The request for direct purchase from the Ministry/Department to the Office of the Prime Minister (OPM);
- The justification for the request;
- Correspondence from the Office of the Prime Minister requesting the Director of Finance to inform of the approval of the direct purchase;
- Correspondence from the Director of Finance stating the approval of the direct purchase; and
- Contract issued for the direct purchase.

A total of **1641** direct purchases with a total value of **\$1.2 billion** was approved for the financial years **2011-2021**. We were not provided with documentation to substantiate that the spending of public funds of **\$1.2 billion** via direct purchases was in accordance with the procurement guidelines of the Government of Saint Lucia. By letter dated **April 14, 2021** to the Permanent Secretary of the OPM we requested information required for the audit and to date (**April 2022**) have not received the information needed to conduct the audit. Also, by email dated **March 31, 2021** to the Ministry of Finance we requested copies of contracts required for the audit, **not all contracts** required to conduct the audit was provided.

Of concern was the lack of documentation provided which would provide evidence of the justification for use of the direct procurement method. For these direct purchases we did not receive:

- ***The request from the Ministry to the Office of the Prime Minister (OPM);***
- ***The justification for the request;***
- ***Correspondence from the OPM requesting the Director of Finance to approve the direct purchase and;***
- ***Contracts requested which were not originally presented to the ODA when signed.***

### **Implications and Risks**

As a result of the preceding, there was insufficient evidence to verify that there was impartiality and sufficient justification when using the direct procurement method. Thus, we were unable to determine whether direct procurement was done in accordance with the prescribed procurement laws, procedures and guidelines.

### **Recommendation(s)**

**Management should provide all relevant documents required for auditing purposes.**

**The approving Ministry/Department should ensure that there is adequate record keeping of all documentation associated with direct procurement.**

**All contracts approved and signed should be copied to the Office of the Director of Audit as required by Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulations No. 17 (3).**

- **Direct Awards of contracts were not published**

Generally acceptable procurement policies and procedures for direct purchases requires fair and open procurement promoting transparency among suppliers, value for money and accountability. Thus, award of direct purchases should be made public i.e. the name of the contractor, the amount and the good or services provided.

Government of Saint Lucia's direct procurement method is governed by **the Revised Laws of Saint Lucia Cap.15.01 Procurement and Stores Regulation No. 9 (1)** which gives the authority for the procurement of goods and services by direct purchase. In addition, the **Government of Saint Lucia Procurement Guidelines November 6, 2014 No.16.3** provides additional guidance on procurement by defining the direct purchase method, identifying the individuals authorized to use this method of procurement and the circumstances in which this method of procurement should be used.

The policies of the government however, did not require that the award of contracts made through direct purchases are to be made public.

### **Implications and Risks**

Lack of public notification of award of direct purchases increases the risks that some contractors may be disadvantaged since direct procurement limits transparency and achieving value for money.

### **Recommendation**

**Management should review the procedures in place for direct purchases and make amendments to ensure that there is greater transparency, value for money and accountability in the process.**

- **77% of letters stating approval of direct purchase was signed for/on behalf of the Director of Finance**

Revised Laws of Saint Lucia Cap. 15:01 Procurement and Stores Regulation No. 9 (1) stipulates: ***“the Minister may, issue directions for the procurement of goods and services by tender or by direct purchase...”***

In addition, Government of Saint Lucia Procurement Guidelines – November 6, 2014 No. 16.3 Direct Purchase states:

- “(a) This method allows for a contract to be authorized by the Minister for Finance, when an application is made by the respective Ministry.”***

Based on the Government of Saint Lucia’s procedures for direct purchase the Director of Finance issues the letter to the contractor/supplier indicating that the direct purchase has been approved by the Minister of Finance. It is expected that this letter is signed by the Director of Finance or a person authorized to sign on the Director’s behalf.

For the analysis of direct purchases conducted **1641** approvals were seen valued at **\$1.2 billion**. Of these **1641** approvals, we noted that **only 296** were signed by the Director of Finance and **1270 or 77%** of approvals were signed on behalf of/for the Director of Finance. We saw no evidence authorizing the person signing on the Director of Finance’s behalf.

#### **Implications and Risks**

There is a high possibility that approval of direct purchases can be done by individuals without proper authority and the awareness of the Minister and the Director of Finance.

#### **Recommendation(s)**

**The Director of Finance issue correspondence indicating persons and their specimen signature who are allowed to signed on his/her behalf.**

**A threshold for approvals should be implemented to include for example, the value of direct purchases that can be approved and signed off on behalf of the Director of Finance, by the Director of Finance or the Minister of Finance.**

- **Letter of acceptance/contract was issued before direct purchase was approved**

General procurement practices of the Government of Saint Lucia allows for the approval of the direct purchase followed by the letter of acceptance/contract.

From the information provided within our sample, we found three (3) instances where the letter of acceptance/contract were issued before the approval of the direct purchase. Details are:

- (a) Contract agreement date July 1, 2020, where the direct purchases approval was dated July 21, 2020.
- (b) Direct Purchases approval date June 15, 2020 and Letter of Acceptance May 21, 2020.
- (c) Direct Purchase approval date March 27, 2018 and Letter of Award by the Ministry March 26, 2018.

We have reported on similar instances when audits have been conducted for World Bank Projects for the financial year 2020/2021.

### **Implications and Risks**

This practice highlights weaknesses in the control system in place for the processing of direct purchases. It increases the risk of collusion, fraud and misuse of funds.

### **Recommendation**

**The Director of Finance should review all contracts issued for direct purchases to ensure that contracts are not issued before approval of the award of direct purchase.**

- **Insufficient information on approval letters for direct purchases**

The standard format of the letter of approval for direct purchases normally includes the name of the individual/firm, the amount of the contract, initial contract sum if the approval is for a variation of contract, description of the service/goods/works and the regulations governing direct purchase.

Our analysis revealed that not all information generally included in the approval letters of direct purchase were consistently stated. We noted the following:

- 3 instances where the name of the individual/firm was not stated.
- 2 instances where the amount for the contract was not stated.
- The initial contract sum was not always quoted when variations were approved.
- Details of variations to contracts were not always clearly stated.

### **Implications and Risks**

The lack of details made it difficult to analyze the information relating to direct purchases.

### **Recommendation(s)**

**The Director of Finance should develop a standard letter of approval for direct purchases. The letter should include:**

- 1) **The firm/individual who has been awarded the contract;**
- 2) **The contract sum;**
- 3) **The description of the goods and services being procured;**
- 4) **The original sum of the contracts if approval is for variation;**
- 5) **The variation amount;**
- 6) **The revised contract sum, given the variation; and**
- 7) **The regulation granting approval for the direct purchase.**

**The letter should be reviewed to ensure that all the requirements have been included.**

- **The Ministry of Finance's Listing on Direct Purchases authorized was incomplete**

Data generated for reporting is expected to be accurate, consistent and complete. This ensures data reliability and integrity.

The Ministry of Finance maintains a listing of contracts issued via direct purchases. We compared the total Direct Purchases as per the Ministry of Finance listing with the total as per the listing compiled by us and noted a difference of **\$256,414,933.89** as follows:

Total as per Audit	Total as per Client's Listing	Difference
\$1,257,047,851.23	\$ 1,000,632,917.34	\$256,414,933.89

We found that not all direct purchases approved were included on the Ministry of Finance's listing. Below are a few examples of contracts which were excluded:

1. CMMB: Government of St. Lucia Treasury Bills on Regional Government Securities Market for **\$238,555**.
2. Holdyear Construction Company Limited: Execute the construction works required for the establishment of the National Tennis Center for **US\$ 1,327,000.00** US equivalent to **EC \$3,605,326.30**.
3. Infor Global Solutions Inc.: Facilitate ad hoc and analysis of smartstream data for **US \$21,875.00** equivalent to **EC \$59,432.19**.

### Implications and Risks

The Ministry's listing does not give a fair or accurate representation of the total contracts issued via direct purchases. Thus information needed for decision making may be inaccurate.

### Recommendation

The Department of Finance should ensure accuracy and completeness of the data generated for contracts issued via direct purchases. A reporting system is necessary to ensure that all Direct Purchases are maintained in a database. A dedicated individual should be given the responsibility for maintenance of the database.

- **Value of direct purchases exceeded the value of tenders awarded by \$610.8 million**

Competition in procurement is especially important to make sure Government receives best value for public funds spent on goods, services and works. It is expected that only in exceptional cases, direct purchases/award is done instead of pursuing a transparent and competitive approach.

### Procurement Guidelines (2014) 16.3 Direct Purchase states:

- This method allows for a contract to be authorized by the Minister for Finance, when an application is made by the respective Ministry. Contracts by direct purchase should be exceptional, only applicable in cases of extreme urgency.*
- For the purpose of these Guidelines, the Government of Saint Lucia defines the following terms:*
  - "Exceptional" means unusual, extra-ordinary, unique, and peculiar*
  - Extreme urgency means pressing, important, requiring immediate attention, essential critical*
- Ideally suited for the following circumstances:*
  - Where only one supplier exists*
  - The nature of the procurement does not attract competitive bids (relatively small order from large suppliers)*
  - An emergency situation which does not permit the procuring entity to go through the tendering process*

Moreover, Circular No. ODOF 05/2003, dated August 4, 2003 states:

***“The Minister of Finance has expressed concern regarding the frequent use of direct purchase to award contracts.***

***Accordingly, the Minister of Finance has advised that approval of contracts by direct purchase should be in exceptional situations and would apply only in cases of extreme urgency.***

***It is expected that Direct Purchases would be issued only for emergency purposes and/or in the event of time constraints.”***

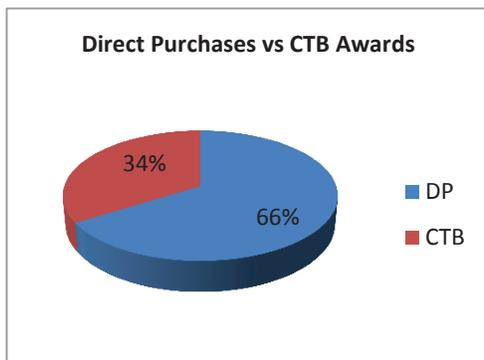
The Central Tenders Board (CTB) and/or the Departmental Tenders Board (DTB) approved tenders for goods, services and works. Information for tenders approved for the eleven-year period was submitted by the Director of Finance. As stated previously, we compiled a listing of all direct purchases from correspondence received from the Director of Finance.

We compared the value of tenders awarded by the CTB/DTB with the value of direct purchases compiled by us. The total value of direct purchases exceeded the value of tenders by **\$610.8 million** for the eleven-year period. **1097** contracts were issued using the competitive approach valued at **\$646.2 million** compared with **1641** contracts issued directly without competition valued at **\$1.2 billion**.

This trend occurred for **seven (7)** of the eleven years examined as detailed below:

Comparative Summary of Direct Purchases and Central Tenders Board Awards			
Year	Total Direct Purchases	Total Central Tenders Board Awards	Difference
2010/11	70,472,325.98	76,636,697.11	(6,164,371.13)
2011/12	146,820,746.15	34,666,492.16	112,154,253.99
2012/13	42,656,337.44	116,661,921.70	(74,005,584.26)
2013/14	86,994,476.91	50,443,319.68	36,551,157.23
2014/15	90,587,385.77	37,622,320.24	52,965,065.53
2015/16	42,044,542.41	117,984,774.18	(75,940,231.77)
2016/17	30,814,884.17	50,729,523.13	(19,914,638.96)
2017/18	62,030,471.07	44,862,730.74	17,167,740.33
2018/19	126,494,079.83	5,285,082.41	121,208,997.42
2019/20	302,043,956.44	85,123,909.78	216,920,046.66
2020/Jan 2021	256,088,645.07	26,245,255.21	229,843,389.86
<b>TOTAL</b>	<b>1,257,047,851.23</b>	<b>646,262,026.34</b>	<b>610,785,824.89</b>

Figure 14: Comparison between Direct Purchases and Central Tenders Board Awards by Financial Year



Thus, over the eleven-year period, **34%** of purchases was done through the competitive bidding process while **66%** was done through direct procurement.

The table below shows a comparative summary of direct purchase and tenders by the CTB. Out of the eleven (11) fiscal years under audit, direct purchase exceeded CTB awards in total value and in the number of contracts, for seven (7) years. There was a total of **1641** direct purchase issued in comparison to **1097** CTB awards.

Comparative Summary of Contract Awards					
		Total		Number of Contracts	
2010-2011	Direct Purchase	70,472,325.98	48%	201	55%
	CTB	76,636,697.11	52%	163	45%
		147,109,023.08		364	
2011-2012	Direct Purchase	146,820,746.15	81%	211	68%
	CTB	34,666,492.16	19%	99	32%
		181,487,238.31		310	
2012-2013	Direct Purchase	42,656,337.44	27%	72	30%
	CTB	116,661,921.70	73%	166	70%
		159,318,259.14		238	
2013-2014	Direct Purchase	86,994,476.91	63%	171	67%
	CTB	50,443,319.68	37%	84	33%
		137,437,796.59		255	
2014-2015	Direct Purchase	90,587,385.77	71%	79	46%
	CTB	37,622,320.24	29%	92	54%
		128,209,706.01		171	
2015-2016	Direct Purchase	42,044,542.41	26%	123	46%
	CTB	117,984,774.18	74%	147	54%
		160,029,316.59		270	
2016-2017	Direct Purchase	30,814,884.17	38%	69	43%
	CTB	50,729,523.13	62%	93	57%
		81,544,407.30		162	
2017-2018	Direct Purchase	62,030,471.07	58%	109	56%
	CTB	44,862,730.74	42%	86	44%
		106,893,201.80		195	
2018-2019	Direct Purchases	126,494,079.83	96%	212	80%
	CTB	5,285,082.41	4%	53	20%
		131,779,162.24		265	
2019-2020	Direct Purchases	302,043,956.44	78%	247	73%
	CTB	85,123,909.78	22%	90	27%
		387,167,866.22		337	
2020-2021	Direct Purchases	256,088,645.07	91%	147	86%
	CTB	26,245,255.21	9%	24	14%
		282,333,900.28		171	

**Figure 15: Percentage Comparison between Direct Purchases and Central Tenders Board Awards per year and Number of Contracts**

## Implications and Risks

Public procurement for the Government of Saint Lucia was done mainly through direct purchase and restricted competitive bidding. This increases the risks of:

- Unequal treatment of suppliers in the procurement process.
- Not obtaining the best prices and quality for goods/services.
- Increases in public debt to finance works/goods/services.

## Recommendation

The Office of the Prime Minister and the Director of Finance should monitor the number and value of direct purchases issued to ensure that direct purchase is only used in emergency situations and in situations where time is of the essence to procure a good or service. Otherwise competitive bidding should be utilized to reduce the risk of discrimination/unfairness, fraud, loss of public funds through higher expenses and lower quality of goods, services and works.

- Variations/contract extensions were more than 30% of original approved amount

A contract variation occurs when the parties agree to perform part of the contract differently from the originally agreed specifications, whilst the remainder of the contract operates unchanged. Variations to contracts may arise as a result of:

- Change in the scope of goods and services required;
- Change in contract charges or rates;
- Extension of time;
- Change in resources required to perform contract;

Generally contract variations are between 15-25% of the original contract sum.

The analysis revealed that a number of variations were made to contracts issued using the direct procurement method. In some instances, variations were more than 30% of the original amount approved.

Contractor	Description	Original Sum	Variation(s)	Revised Sum	% of Variation
Halcrow Group Ltd	Supervision of rehabilitation works at original site of St. Jude Hospital.	277,000.00	11,095,325.39	11,372,325.39	4005%
Ecokleen	Supply and configuration of laundry for Owen King Hospital.	2,700,000.00	1,227,082.44	3,927,082.44	45%
Fresh Start Construction	Anse Galet Box Culvert reconstruction and river training works.	2,575,466.88	850,554.54	3,426,021.42	33%
Marcel Smith	Ave Maria School Court	80,567.00	37,425.00	117,992.00	46%

Contractor	Description	Original Sum	Variation(s)	Revised Sum	% of Variation
<b>Fundy Consulting and Engineering Ltd</b>	Conduct In-depth analysis.	71,128.80	63,336.19	134,464.99	89%
<b>Cyril Dornelly Construction Limited</b>	Contract 7 – ancillary works – St. Jude Hospital	9,965,000.00	3,437,758.75	13,402,758.75	34%
<b>O.B. Sadoo</b>	Construction of the surgical building St Jude Hospital	4,267,813.11	11,494,693.90	15,762,507.01	269.10%
<b>Goodridge and Associates</b>	Supervision of Barre de Lisle slides 6,7,9 &10 and Sulphur Spring Road Rehab Project	428,950.00	175,145.00	604,095.00	40.8%
<b>FDL Inc.</b>	Supervision of Bois D'orange Bridge	550,000.00	312,787.50	862,787.50	56.8%
<b>ITEC Entertainment Corporation</b>	Ravine Chabot Retaining Wall	349,121.65	142,637.25	491,758.90	40.8%
<b>Joseph Fevrier</b>	Consultancy service Bocage, Chabot, Sunbuilt, Independence City Road Rehabilitation	353,200.00	131,582.60	484,782.62	37.2%
<b>Dannion CE</b>	Supervision of construction of new Bonne Terre Bridge	87,110.50	69,191.19	156,301.69	79.4%

### St. Jude's Hospital Reconstruction Project

For the eleven-year period direct purchases with a total value of **\$235.8 million** have been issued for the St. Jude Reconstruction Project. Significant to note was the following:

1. **Seven (7)** variations valued at **\$11 million** was approved for Halcrow Group Limited for supervision of rehabilitation of works at the original site of St. Jude Hospital.
2. **Reconstruction of surgical building** – direct purchases were approved for **three (3)** contractors for the same building.

Date	Description	Amount
<b>Holdyear Construction Company</b>		
22.10.2010	<b>Reconstruction of surgical building</b> and supply and installation of relevant medical equipment	\$8,476,728.00
30.03.2011	<b>Design and reconstruction of surgical building</b>	1,370,556.51
14.06.2011	Amendment to design and <b>reconstruction of surgical building</b>	(4,200,832.50)
<b>Cyril Dornelly Construction Limited</b>		
14.06.2011	Civil works component of the <b>reconstruction of the surgical building</b>	4,210,753.53
15.08.2013	Variation to contract – <b>reconstruction of surgical building</b>	4,404,491.71
05.02.2014	Reduction to contract <b>reconstruction of surgical buildings.</b>	(4,627,813.12)
<b>O.B. Sadoo Engineering Services Ltd</b>		
05.02.2014	Award of contract for <b>construction of surgical building.</b>	4,627,813.11
20.10.14	Contract 17 - completion of <b>surgical building</b> and associated works.	11,494,693.90

A direct purchase for reconstruction/construction of the surgical building at St. Jude Hospital Reconstruction Project was first approved for **Holdyear Construction Limited** in **October 22, 2010**. On **June 14, 2011** an amendment was made to reduce the approved amount by **\$4.2 million** and on that same date a direct purchase was approved for **Cyril Dornelly Construction Limited** for **\$4.2 million** for the civil works component of the surgical building. On **February 5, 2014**, the amount approved for **Cyril Dornelly Construction** was reduce by **\$4.6 million** and on that same date a direct purchase was approved for **O.B. Sadoo Engineering Service Ltd** for **\$4.6 million**. Variations were also approved for all **three (3)** contractors.

- Ancillary Buildings Phase II and Infrastructure Works** – direct purchase were approved for two contractors.

Date	Description	Amount
<b>Cyril Dornelly Construction Limited</b>		
25.06.12	Completion of <b>ancillary works</b>	9,965,000.00

Date	Description	Amount
	at the original site of St. Jude Hospital.	
15.08.13	Variation to Contract 7.	4,300,000.00
05.02.14	Reduction to Contract 7 for the reconstruction of <b>Ancillary Buildings Phase II and Infrastructure Works.</b>	(862,241.25)
<b>O.B. Sadoo Engineering Service Ltd</b>		
05.02.14	Reconstruction of <b>Ancillary Buildings Phase II and Infrastructure Works.</b>	1,033,405.95
20.10.14	Contract 19 - <b>Completion of Ancillary Buildings</b> , supply and installation of furniture and equipment.	15,027,050.00
20.10.14	Contract 18 – <b>completion of east wing, West wing, Ancillary Buildings and Associated works.</b>	18,509,597.30

We saw approval of direct purchase to **Cyril Dornelly Construction Limited** for ancillary works for **\$9.9 million June 25, 2012**. This contract was reduced on **February 5, 2014** by **\$862,241.25** and on that same date approval of direct purchase to **O.B. Sadoo Engineering Services Ltd** for **\$1 million** was done for **ancillary buildings phase II and infrastructure** works. In **October 20, 2014** two contracts were issued to **O.B. Sadoo Engineering Service Ltd** which included the **completion of the ancillary buildings**.

We were unable to determine whether these variations were supported by documentations since we were not provided with the information required for the audit.

### Implications and Risks

The significant sums approved as variations and extensions to contracts suggests that there were weaknesses in the original assessments done when the initial contract was proposed and accepted by the Government of Saint Lucia.

### Recommendation(s)

The Director of Finance should assess the system in place for approval of direct awards, particularly the system in place for identification of the contractor and acceptance of the proposed costing for the goods, works and services to minimize the risk of increases in contract amounts due to variations and extensions of contracts. Variations should be assessed with a view of determining the contractor's suitability for continuation of the contract.

Within the eleven-year period **2010-2021** the Government of Saint Lucia awarded **\$1.2 billion** worth of contracts using direct purchases to procure goods, works and services. Significant sums of public funds were committed for contracts via direct purchases in the years **2010/2012** and **2018/2019** to **2020/2021** with over **\$140 million** contracted in each of these years. The highest amount contracted was in **2019/2020** of **\$302 million**. Direct purchases were mostly for works with the greatest amount of **\$242.4 million** contracted in **2019/2020**.

While approval of contracts via direct purchases are submitted to the Office of the Director of Audit, we were not provided with any documentation for the justification of the use of direct purchases. Given this, we cannot give assurance that justification provided to utilize the direct procurement method met the required criteria as stated in the Procurement Guidelines of 2014.

The lack of procedures and controls at the Department of Finance and OPM has resulted in the Government not sufficiently mitigating against the risks associated with direct purchases. These risks include:

- Increases in public debt due to lack of a financial threshold.
- Not obtaining the best prices and substandard goods, services and works.
- Discrimination, lack of fairness and transparency.

Whereas the Government has the legal authority to procure goods, works and services via direct purchase, this needs to be weighed against the ability to obtain these goods and services using a more competitive process which would allowed for better quality at the best price and more efficient use of public funds.

Our recommendations aim to assist the Government of Saint Lucia in mitigating against the risks associated with direct purchases and thereby ensuring that public funds are effectively spent and managed.

- ❖ Management should provide all relevant documents required for auditing purposes.
  - ❖ The approving Ministry/Department should ensure that there is adequate record keeping of all documentation associated with direct procurement.
  - ❖ All contracts approved and signed should be copied to the Office of the Director of Audit as required by Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulations No. 17 (3).
  - ❖ Management should review the procedures in place for direct purchases and make amendments to ensure that there is greater transparency, value for money and accountability in the process.
  - ❖ The Director of Finance issue correspondence indicating persons and their specimen signature who are allowed to signed on his/her behalf.
  - ❖ A threshold for approvals should be implemented to include for example, the value of direct purchases that can be approved and signed off on behalf of the Director of Finance, by the Director of Finance or the Minister of Finance.
  - ❖ The Director of Finance should review all contracts issued for direct purchases to ensure that contracts are not issued before approval of the award of direct purchase.
  - ❖ The Director of Finance should develop a standard letter of approval for direct purchases. The letter should include:
    - a) The firm/individual who has been awarded the contract;
    - b) The contract sum;
    - c) The description of the goods and services being procured;
    - d) The original sum of the contracts if approval is for variation;
    - e) The variation amount;
    - f) The revised contract sum, given the variation; and
    - g) The regulation granting approval for the direct purchase.
- The letter should be reviewed to ensure that all the requirements have been included.
- ❖ The Department of Finance should ensure accuracy and completeness of the data generated for contracts issued via direct purchases. A reporting system is necessary to ensure that all Direct Purchases are maintained in a database. A dedicated individual should be given the responsibility for maintenance of the database.
  - ❖ The Office of the Prime Minister and the Director of Finance should monitor the number and value of direct purchases issued to ensure that direct purchase is only used in emergency situations and in situations where time is of the essence to procure a good or service. Otherwise competitive bidding should be utilized to reduce the risk of discrimination/unfairness, fraud, loss of public funds through higher expenses and lower quality of goods, services and works.
  - ❖ The Director of Finance should assess the system in place for approval of direct awards, particularly the system in place for identification of the contractor and acceptance of the proposed costing for the goods, works and services to minimize the risk of increases in contract amounts due to variations and extensions of contracts. Variations should be assessed with a view of determining the contractor's suitability for continuation of the contract.

# Appendix 1

