



Performance Audit: A Review on the Contract for  
Mount Carmel Hospital's Clerical Services

March 2019



## Performance Audit

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Mount Carmel Hospital's Clerical Services



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## List of Abbreviations

ANAO	Australian National Audit Office
CBE	Capacity Building Exercise
CEO	Chief Executive Officer
CNM	Chief Nursing Manager
COO	Chief Operations Officer
CPSU	Central Procurement and Supplies Unit
CV	Curriculum Vitae
DoC	Department of Contracts
FTE	Full-Time Equivalent
HR	Human Resources
IT	Information Technology
MCH	Mount Carmel Hospital
MFH	Ministry for Health
MFIN	Ministry for Finance
NA	Not applicable
NAO	National Audit Office

# Executive Summary

**Irregular engagements, contractual design flaws and a weak contract management function dilute value for money in Mount Carmel Hospital's contract for outsourced clerical services.**

## Why This Study?

In the report issued in May 2018, NAO had observed that outsourced security personnel in Mount Carmel Hospital were in fact governed through a contract calling for clerical services. This led the NAO to conduct an in-depth review to obtain a clearer picture on how the hospital is managing this contract.

## What NAO Recommends

This Office urges MCH to regularise all outsourcing agreements at the earliest, thereby ensuring that all services are adequately managed through a formal contract document, and one that relates directly to the service being procured. NAO further recommends that Government officials should refrain from directly sourcing potential applicants to be considered for recruitment under such contracts for service, and that the hospital does not assume any roles or responsibilities which, by virtue of such contracts, should be solely borne by the service provider.

## NAO's Key Observations

This review showed that a number of design flaws prevailed in the contract for outsourced clerical services at MCH and that a new tender was not successfully awarded before the contract's expiry in July 2018. Consequently, as at time of writing of this report, MCH was acquiring this service through a one year negotiated procedure with the same provider. Ownership of the contract was not assigned to a key responsible official within MCH, which put the hospital in a disadvantageous position when it came to monitoring and ensuring the holistic implementation of the clerical contract.

This audit has shown that there have been instances in which Government officials were directly involved in sourcing and referring individuals to the service provider so that they may be engaged and deployed at MCH under this contract. NAO further found that a significant number of these outsourced personnel, though engaged through a contract for clerical services, have been deployed to carry out non-clerical responsibilities, such as maintenance and security duties.

The hospital is shouldering administrative tasks, such as engaging in the recruitment processes and managing industrial relations with these personnel, which should be part of the service for which the third party contractor is being paid.

NAO observed that some outsourced personnel, particularly those assigned with non-clerical duties, are not meeting the expected level of service. This concern is accentuated by MCH's management's assertion that it was found extremely difficult to dismiss a number of non-performers given that it itself had referred them for engagement to the service provider.

Although the outsourced cleaning services were not within the scope of this audit exercise, NAO made a number of related observations while conducting its review on the primary scope. In this regard, NAO mainly found that: the cleaning service was procured through a call for quotations even though it significantly exceeded the financial threshold for this method of procurement; no formal and documented contract was in place; a number of deployed personnel did not carry out cleaning duties; and the quality of the outsourced personnel and that of the cleaning products being used at MCH was questionable.

# Chapter 1

## Introduction

This introductory chapter lays out NAO’s rationale for embarking on this study, contextualises the audited area, and presents the study’s overall scope, objectives and adopted methodology. A synopsis of the report’s chapters follows.

### 1.1. Why this Study?

1.1.1. In its July 2018 report titled *“Performance Audit: A Strategic Overview of Mount Carmel Hospital”* (MCH), the National Audit Office (NAO) observed that outsourced security personnel in this mental health hospital were in fact governed through a contract calling for clerical services<sup>1</sup>. This led the NAO to conduct an in-depth review to obtain a clearer picture on how MCH manages this outsourcing contract.

### 1.2. Background Information

1.2.1. MCH is the national hub intended to see to the full spectrum of mental health illnesses, and is therefore bound to offer a comprehensive range of hospital and community-based mental health services. This hospital and its services fall under the responsibility of the Ministry for Health (MFH), absorbing an average annual recurrent allocation of approximately €35 million from public funds.

1.2.2. As at time of writing of this report, the hospital directly employed a total complement of 717 personnel. In order to bolster its own internal resources, MCH procures the services of a significant number of outsourced personnel, which among others include those engaged for clerical services. Specifically, as at September 2018, 156 outsourced clerks were deployed throughout MCH, which service cost the hospital approximately €3 million (that is, around 9% of MCH’s annual budget allocation) between October 2017 and this date.

### 1.3. Audit Scope and Objectives

1.3.1. This audit primarily focuses on the contract document governing outsourced clerical services at MCH and the manner it is being utilised and managed by the hospital. Unless otherwise stated, the findings presented in this report reflect the situation within MCH between

<sup>1</sup> This second audit only focuses on the security personnel who are governed through the contract for clerical services, and who make up the vast majority of the hospital’s security complement. MCH does have a contract specifically governing security services but this only covers very specific areas within the hospital.

January 2017 and January 2019. It is important to highlight that this report excludes analyses on the procurement process of the service in question, as well as compliance aspects of the financial transactions related to this contract.

- 1.3.2. During this review, the audit team also came across information and documentation relating to the outsourcing agreement for cleaning services. Although not within this study's scope, this Office felt compelled to carry out a cursory review of this service and report on the more salient issues accordingly.
- 1.3.3. In carrying out this performance review, this Office sought to analyse if the manner by which the contract for clerical services is used impinges on the value for money being attained by Government and therefore the taxpayer. This was primarily achieved through an analysis of the contract document itself, as well as through a review on how these outsourced personnel are being deployed within MCH, and whether the contract in question is managed efficiently and effectively.

## 1.4. Methodology

- 1.4.1. After acquiring a strategic overview of the main administrative issues (particularly through the July 2018 audit), NAO carried out a detailed issue-analysis exercise on the scoped audit area, thereby arriving at the main audit question. Following this, a number of sub-questions emerged, providing the audit team with a clear pathway towards the conclusion of this audit.
- 1.4.2. Further to the preliminary research, the audit team held a series of semi-structured meetings with various members of MCH's management who were responsible for most of the areas serviced by this contract. The audit team was also forwarded with documentation related to the audited area, which was also duly analysed. These methodologies led to the findings of this study which, together with this Office's observations and recommendations, were presented to the audited entity for its feedback (Appendix A refers). Prior to its publication, this report was finally discussed with the auditee during an exit conference primarily meant to ensure that information and data being quoted were factually correct.
- 1.4.3. The NAO conducted this performance audit in accordance with the Standard for Performance Auditing, ISSAI 3000.

## 1.5. Report Structure

- 1.5.1. **Chapter 1** - This introductory chapter lays out NAO's rationale for embarking on this study, contextualises the audited area, and presents the study's overall scope, objectives and adopted methodology. A synopsis of the report's chapters follows.

- 1.5.2. **Chapter 2** - This chapter presents NAO's review of the current contract governing the procurement of clerical services at MCH. Specifically, this exercise highlights the conditions which, in NAO's opinion, weaken MCH's position to adequately manage the contract. This review is also accompanied by proposed revisions in the relevant clauses, aimed to pave the way for an improved agreement on the renewal of the contract.
- 1.5.3. **Chapter 3** - This Chapter presents NAO's analysis on the manner by which MCH manages and utilises the outsourcing contract for clerical services. A number of recommendations to address identified shortcomings are presented at the end of this chapter.
- 1.5.4. **Chapter 4** - Although the outsourced cleaning services are not within the scope of this audit exercise, a number of related observations emerged during the review of the outsourced clerical agreement. In view of this, the audit team felt compelled to report on the more salient issues emanating from this area.

## Chapter 2

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Contract is overdue and could have been better designed

This chapter presents NAO's observations on the contract currently being used to govern the procurement of clerical services at MCH. This exercise also highlights the conditions which, in NAO's opinion, weaken MCH's position in adequately managing the contract. This review is also accompanied by proposed revisions in the relevant clauses, aimed to pave the way for an improved agreement with the renewal of the contract.

### 2.1. The re-issue of the outsourcing clerical services contract is overdue

2.1.1. The contract governing the outsourcing of clerical services at MCH was signed with the service provider on the 28<sup>th</sup> July 2015, and was valid for a period of two years, with the option of extending for a further year. Given that, as at time of writing of this report, the full three-year period had elapsed, the audit team sought to determine what contractual coverage is currently in place. From its review, the audit team however observed that MCH is not in possession of an official addendum or extension to the contract per se. This was confirmed by MCH management, who additionally stated that the service was being extended solely pursuant to written communication (dated 31<sup>st</sup> May 2018) from the Ministry for Finance (MFIN). Through this email, the hospital was formally granted a budget of approximately €2.7 million to enter into a negotiated procedure with the same service provider for a period of 12 months, starting from 1<sup>st</sup> June 2018.

2.1.2. The audit team further enquired on whether a more long-term solution to this situation was being sought by the hospital. To this, MCH management replied that a new tender was submitted to the Department of Contracts (DoC) for processing in March 2018 but, as at time of writing, was still not published.

#### NAO Observation

2.1.3. NAO is concerned with the fact that a new tender for clerical services was not awarded before the end-date of the previous one, with MCH instead resorting to the one year negotiated procedure. Such a situation exposed the hospital to two main risk areas. The first relates to good governance risks, particularly that this course of action has served as a barrier to competition to other potential bidders who could have submitted offers if a tender was issued on time. Secondly, NAO perceives significant risks through the fact that MCH and the service provider did not sign any actual addendum or formal extension. This

situation leaves MCH in a significantly disadvantaged position, particularly if it would need to ascertain the level of service provision through the enforcement of conditions as set in the original contract.

## **2.2. Contract for outsourced clerks has some design flaws**

**2.2.1.** Notwithstanding its concern presented in section 2.1 of this report, NAO still endeavoured to determine whether Government's interests were adequately safeguarded through the clerical contract's clauses. This Office therefore assessed this contract document by carrying out an in-depth review of each clause within the contract. Table 1 presents NAO's observations on two clauses which, in its opinion, could have better safeguarded government's, and consequently the taxpayers' interests through this contract. In addition, NAO also carried out a benchmarking exercise comparing this contract with guidelines developed by the Australian National Audit Office (ANAO) entitled: "Developing and Managing Contracts – Getting the right income, achieving value for money". Table 2 in fact substantiates the findings of NAO's primary review, while also highlighting a contractual omission.

Table 1: NAO’s review of the contract document

Contract Clause No.	Original Clause	Concern	Proposed Revisions
4.1.1	<p>Project Description: The contractor undertakes to take all the current clerical workforce on existing contracts while for the new recruits it should provide staff who will satisfy the following:</p> <p><i>Category 1:</i> Telephone Operators/receptionists/ office assistants shall:</p> <ul style="list-style-type: none"> <li>- ...</li> <li>- Be preferably in possession of either: SEC / ‘O’ Level passes in a minimum of three (3) different subjects OR have six (6) months of clerical or reception experience which must be backed by documentary evidence. <b>However other candidates who tangibly prove to be capable to execute the above duties, will still be considered.</b></li> </ul>	<p>NAO feels that the prerequisites being cited for Category 1 are too broad and subjective. Specifically, this Office feels that merely asking candidates to tangibly prove their competence in the absence of academic qualifications, without specifically identifying what this would entail and how this would be measured, is not strong enough a parameter.</p>	<p>NAO is of the opinion that this clause should not contain any requirements of a subjective nature. Parameters for recruitment should be more clearly defined to ensure quality, fairness and transparency.</p>

Contract Clause No.	Original Clause	Concern	Proposed Revisions
Article 24	<p><i>Interim and final progress reports</i></p> <p>24.1 The contractor must prepare progress reports during the period of execution of the contract. For a fee-based contract, these progress reports must be accompanied by a financial report. The format of such reports is as specified by a template marked "Audit Certificate", if any, or, in the absence of a template, as notified to the Contractor by the Project Manager during the period of execution of the Contract.</p> <p>24.2 All invoices (not including the request for the pre-financing payment) must be accompanied by a progress report and the final invoice must be accompanied by a final progress report. All invoices for a fee-based contract must also be accompanied by a financial report.</p> <p>24.3 Immediately prior to the end of the period of execution of the contract, the Contractor shall draw up a final progress report together which must include, if appropriate, a critical study of any major problems which may have arisen during the performance of the contract.</p>	<p>This article is intended towards projects of a capital nature rather than towards contracts governing the provision of services. In fact, NAO notes that the contract fails to identify a clear performance monitoring mechanism by which the contracting authority can manage the performance of the service provider.</p>	<p>This Office recommends that the contract should contain a provision which enables MCH to perform periodic assessments on the performance of the outsourced employees. Areas to be assessed could include different groups of competencies, such as work aptitude, quality of work, communication skills and ability to work with others. NAO feels that having a clearer picture of the outsourced employees' performance, will facilitate the hospital's management function of identifying performing and non-performing individuals, to retain and replace accordingly.</p>

Contract Clause No.	Original Clause	Concern	Proposed Revisions
	<p>24.4 This final progress report shall be forwarded to the Project Manager not later than 60 days after the end of the period of execution defined in Article 19 of the Special Conditions. Such report shall not bind the Contracting Authority.</p> <p>24.5 Where the contract is performed in phases, the execution of each phase shall give rise to the preparation of a final progress report by the Contractor.</p> <p>24.6 Interim and final progress reports are covered by the provisions of Article 14.</p>		

Table 2: MCH's clerical contract benchmarked against ANAO Guidelines

Best Practices Contractual Clauses	Status			NAO Observations
	Appropriately included	Not appropriately robust to safeguard Government's interest	Omitted	
Termination				NA
End Date				NA
Penalties				NA
Payments				NA
Access and disclosure				NA
Assistance provided to the contractor				NA
Confidential information				NA
Conflict of interest				NA
Contract variations				NA
Dispute resolution				NA
Insurance				NA
Intellectual property rights				NA
Key personnel				The pre-requisites cited for outsourced recruits (at the entry level) through this contract are too broad. (Table 1 refers)
Liabilities and indemnities				NA
Securities and guarantees				NA
Sub-contracting				NA
Transition agreements				The contract does not set out clear and comprehensive processes and procedures in the event that the service of outsourced clerks is transferred to a different service provider.
Warranties and fitness for purpose				NA

Best Practices Contractual Clauses	Appropriately included	Status		NAO Observations
		Not appropriately robust to safeguard Government’s interest	Omitted	
Deliverables				While the contract specifies what duties are expected from outsourced clerical staff, it does not lay out performance measurement mechanisms. (Table 1 refers)

### 2.3. Recommendations

- 2.3.1. While NAO acknowledges MCH’s assertion that the issuance of the new tender for clerical services is underway, it nonetheless urges the involved parties to ascertain that similar renewal processes which may be required from time to time are initiated and processed in a carefully planned manner to mitigate the risks already identified by this Office in section 2.1.
- 2.3.2. This Office urges MCH to take into consideration the design flaws identified through this review, and address them comprehensively in the upcoming contract.

# Chapter 3

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Significant shortcomings prevail in staff deployment and contract management

This chapter presents NAO's analysis on the manner by which MCH manages and utilises the outsourcing contract for clerical services. A number of recommendations to address identified shortcomings are presented at the end of this chapter.

## 3.1. No clear ownership of the contract for outsourced clerical services

3.1.1. During its fieldwork, NAO was informed that the management of this contract used to fall under the responsibility of the Chief Operations Officer (COO) between December 2016 and the latter's resignation in January 2018. Following this resignation, the position of COO within MCH remains vacant as at time of writing of this report. Although MCH's Information Technology (IT) Director was subsequently appointed as Acting-COO, NAO was informed that this official was not assigned with the responsibility to manage this contract. Given that MCH does not have a contracts manager in its employ, this Office observed that the responsibility for the management of this contract is currently not officially and directly assigned to anyone, which leaves the hospital with no focal person specifically and officially tasked to ascertain that the conditions of the contract under review are being adhered to consistently and comprehensively. During its review, NAO noted that general issues (such as attendance, checking of palm readings, vetting of invoices and general communication with the contractor) are handled by the Human Resources (HR) and Finance Departments. Other arising challenges are absorbed, in a fragmented manner, by different officials within the hospital (generally the deployed staff's direct supervisors or line managers).

### NAO Observation

3.1.2. This Office is concerned by the fact that ownership of this agreement is not assigned to a key responsible official within MCH, which in NAO's opinion, puts the hospital in a disadvantageous position when it comes to monitoring and ensuring the holistic implementation of the clerical contract. NAO feels that this situation poses challenges on the hospital's ability to ascertain whether the service being delivered is yielding the desired value for money or otherwise. In addition, this Office feels that the lack of a clear overview of this agreement's performance puts the hospital in a weakened position and renders it somewhat uninformed about potential improvements in the design of any future contracts for outsourced clerical services.

### 3.2. Significant shortcomings prevail in the engagement of outsourced clerks

#### No documentation justifying the number of engaged outsourced clerks was found

3.2.1. The original contract for clerical services, signed in 2015, called for the “services of approximately 60 full-time equivalents (FTEs)<sup>2</sup> clerical staff” specifically assigned at MCH or any of its community centres. The contract does not however bind the hospital to strictly adhere to this number of FTEs and goes on to state that it can be revised at the contracting authority’s discretion. In fact, during its review NAO observed that, as at September 2018, the number of FTEs engaged through this contract amounted to 134 (Figure 1 refers). It is here important to note however that this number of FTEs does not represent the number of individuals actually assigned to service this contract. Taking September 2018 as reference, the number of outsourced personnel providing services to the hospital at that time amounted to 156. NAO accepts that the discrepancy between this number and the calculated 134 FTEs likely prevails due to vacation leave, sick leave<sup>3</sup> and the possibility of individuals employed on a reduced hours basis.

Figure 1: Total invoiced FTEs between January 2017 and September 2018



Source: Mount Carmel Hospital

<sup>2</sup> For the scope of this exercise, 1 outsourced FTE is calculated as 2,080 hours per annum, which is based on 40 hours of work per week for the full 52 weeks of the year.

<sup>3</sup> NAO was informed that, in the event of a deployed clerk availing of vacation or sick leave, no replacement is sought by the hospital from the contractor. MCH management explained that a replacement would need to be trained to fill in for the absent clerk, rendering replacements for a short period of absence as an inefficient practice. MCH management further informed NAO that the contractor is not paid for absent hours.

- 3.2.2. As shown in Figure 1 and Table 3, the most notable increase in invoiced hours for these outsourced clerks occurred in May and June 2017. Given that this coincides with the tenure of the ex-COO, NAO enquired with the latter on the reason for this increased deployment. In reply, ex-COO stated that the deployment of these personnel was the result of a six-month long exercise (involving the interviewing and recruitment of these outsourced staff), which reached its closure in May 2017, to address staff shortages within the hospital. Upon the audit team's request for any documentation on this exercise, ex-COO stated that he is no longer in possession of any MCH records, and that all documentation pertaining to his tenure at MCH was left at the hospital. The audit team consequently sought to physically retrieve documentation related to the above-mentioned exercise from MCH. However, despite being provided with what Acting-COO asserted were all files retrieved from ex-COO's office, the audit team could not trace any related documentation.
- 3.2.3. In the absence of such documentation, the audit team reviewed MCH's 2017 Capacity Building Exercise (CBE) to determine whether the increase in outsourced clerks had been previously planned or otherwise. MCH management however informed this Office that outsourced staff were not normally included in this exercise as these were not public service employees. NAO's review of MCH's CBE in fact showed that no request for clerical staff was included.
- 3.2.4. Apart from the fact that the CBE did not provide for the need of these personnel, no other ancillary documentation was forwarded to the audit team. NAO therefore made enquiries with MCH Financial Controller<sup>4</sup> and HR manager in an attempt to find a more solid justification for the significant increase in FTEs<sup>5</sup>. These two officials however informed this Office that they were not formally notified of aforementioned exercise. While the HR manager informed the audit team that she was not, in any way, involved in the recruitment of these outsourced personnel during the tenure of the ex-COO, the Financial Controller asserted that he only became aware of this situation once the first significantly higher-priced invoice was presented for processing. MCH Financial Controller also highlighted that not being adequately notified of this increase meant that proper budgeting could not be undertaken, which situation put MCH in significant financial strain. Table 3 shows the financial impact arising from this issue based on NAO's review of forwarded invoices for the year 2017.

<sup>4</sup> The Financial Controller referred to in this report was incumbent up till end of audit team's fieldwork. MCH replaced its Financial Controller in the period between the end of fieldwork and date of publication.

<sup>5</sup> Views on this issue from the CEO could not be sought as his tenure at MCH initiated in January 2018, that is, after the occurrence of the episode in question.

Table 3: Actual cost per hour of the contract for clerical services<sup>6</sup>

Month (2017)	Actual per hour cost (excl. overtime)	Difference in per hour cost from previous month	Period average per hour cost (excl. overtime)
January	€678.14	N/A	€ 850.45
February	€820.52	€ 142.38	
March	€917.39	€ 96.87	
April	€985.74	€ 68.36	
May	€1,203.18	€ 217.44	€ 1,375.18
June	€1,547.17	€ 343.99	
July	€1,550.26	€ 3.09	€ 1,445.14
August	€1,443.56	-€ 106.70	
September	€1,497.46	€ 53.90	
October	€1,457.63	-€ 39.83	
November	€1,416.99	-€ 40.64	
December	€1,304.97	-€ 112.02	

### Undue involvement of Government officials in the recruitment of outsourced clerks

3.2.5. In view of the above issues, NAO delved deeper on the engagement process of outsourced personnel at the hospital. From meetings held with current MCH management and with the ex-COO, the audit team observed that the recruitment process of outsourced clerks within this hospital was not always carried out by the service provider, but at times by MCH itself<sup>7</sup>. Specifically, the audit team gathered that, in such instances, rather than adopting the normal practice of the service provider engaging in a recruitment process and furnishing MCH with human resources, it was the hospital that referred individuals to the contractor for employment and consequent deployment at MCH.

3.2.6. When enquiring on this with ex-COO, the latter replied that in these cases, and upon his request, individuals were referred to him by the MFH, specifically by the then Chief of Staff. Following an internal interviewing process led by ex-COO, these individuals would be recommended, or otherwise, to the service provider to be recruited and deployed at MCH. When queried by the audit team on this issue, the ex-Chief of Staff substantiated the ex-COO's claim, and further asserted that such intervention was required since the contractors were finding it very difficult to source the necessary human resources. The audit team was also informed that, in view of this consideration and the hospital's urgent need for structural work (section 3.2.9 presents further details on the connection between structural work and outsourced clerks), the ex-Chief of Staff, specifically upon COO's requests for assistance, had assisted MCH in finding a number of potential candidates to address this need.

<sup>6</sup> Review of invoices was not extended to 2018, as FTEs from July 2017 to September 2018 (Figure 1 refers) remained largely constant.

<sup>7</sup> NAO is not in a position to determine the extent of this practice, though information from meetings indicates that it was/is not an uncommon practice.

3.2.7. When enquiring with the incumbent management whether the practice was still in place, the latter replied that, following ex-COO's resignation, there were instances in which MCH itself sourced and referred individuals to the contractor for recruitment purposes. Specifically, MCH HR Manager stated that whenever the need for additional outsourced clerks arose, Curricula Vitae (CVs) were forwarded directly by the Chief Executive Officer (CEO) to her so that the interviewing process could commence by the hospital. When queried on why MCH was adopting such a practice, CEO stated that there had been instances in which clerks engaged by the service provider were not deemed to be of the desired standard to work at the hospital, and this system therefore was intended to mitigate such a situation.

### MCH assumes undue administrative burden in the clerical outsourcing contract

3.2.8. Focusing on the dynamics of these personnel's engagement, it became evident to the audit team that, although not directly employed with MCH, the hospital was shouldering undue administrative burden in their management. The hospital's management informed the audit team that general HR related issues as well as pressing challenges (such as dealing with complaints and resolving industrial disputes), fell squarely on the hospital's management shoulders and not on the service provider's. In view of this, the audit team enquired on the functions that were actually being absorbed by the third party contractor in the administration of these employees. MCH management claimed that the contractor's role was essentially limited to the actual employment (though not necessarily engaging in the sourcing and recruitment process as already discussed in points 3.2.5 to 3.2.7) and remuneration of these individuals.

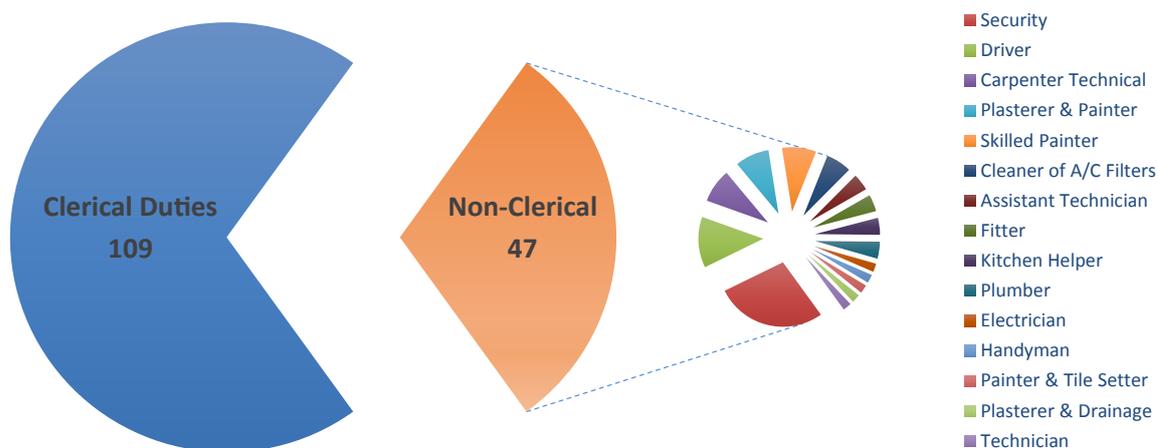
### MCH does not need outsourced clerks in the quantities actually deployed - A significant number of outsourced clerks do not perform clerical duties

3.2.9. In view of the abovementioned emerging concerns, NAO sought to determine whether the 156 outsourced clerks as deployed in September 2018, were actually required at MCH. Although, as indicated in NAO's May 2018 report, MCH suffers from understaffing challenges across the board, the audit team was informed, by multiple members of MCH management, that the hospital did not require such a quantity of clerical staff. During its fieldwork, NAO however observed that the contract for clerical services was being used by the hospital to fill in other HR gaps. The audit team in fact reviewed documentation which showed that, out of the 156 deployed outsourced clerks, 47<sup>8</sup> (i.e. approximately 30% of such employees) were being assigned to perform tasks which were not associated with clerical work. As can be seen in Figure 2, the duties that are assigned to these 47 individuals can be largely categorised into two, namely those of a security nature<sup>9</sup> (as already identified in NAO's previous report) and those relating to maintenance tasks.

<sup>8</sup> This number was calculated from information sent by MCH HR manager. Additional information obtained through meetings held with other members of MCH management however lead NAO to not exclude the possibility that this number may actually be greater.

<sup>9</sup> This Office was informed that the deployed clerks serving as security personnel are in fact licensed security guards (with a number of security licenses being forwarded to NAO).

Figure 2: Individuals deployed through the outsourced clerical services contract

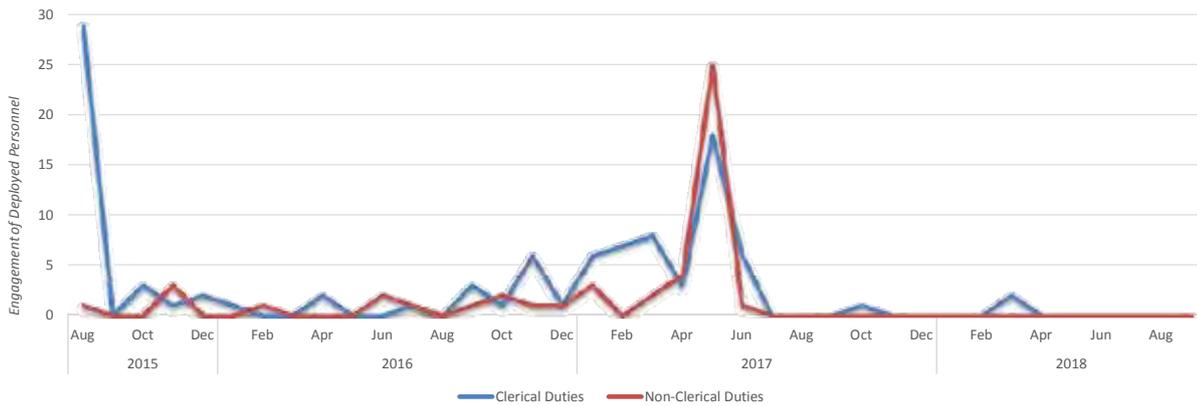


Source: Mount Carmel Hospital

3.2.10. Given that, as already stated in point 3.2.2 above, the majority of these recruitments took place during 2017, the audit team enquired with ex-COO on why personnel who were intended to perform non-clerical duties were deployed through the contract in question. To this, ex-COO replied that at the time, MCH did not have any contracts in place that supplied maintenance services and, in view of the hospital’s many requirements, a decision was taken to engage maintenance personnel through this clerical contract.

3.2.11. As at time of writing of this report, these personnel were still deployed at MCH. NAO therefore also enquired on this matter with the incumbent CEO. The latter acknowledged that the prevailing situation was indeed a concern and, in fact, stated that efforts were underway so that the hospital regularises the position of these individuals, possibly through separate agreements. Asked whether this practice was still being adopted under the incumbent management, MCH CEO replied in the negative and asserted that, since his appointment, newly engaged individuals through this contract were all assigned to carry out clerical duties. NAO carried out an exercise using the date of engagement of the outsourced personnel deployed at MCH as at September 2018. As can be seen in Figure 3, this information substantiates MCH CEO’s assertion.

Figure 3: Date of engagement of outsourced personnel under the contract for clerical services<sup>10</sup>



Source: Mount Carmel Hospital (September 2018)

3.2.12. Figure 3 however also shows that the significant increase in engagements which occurred in May 2017 heavily featured individuals who were engaged through this contract to perform functions other than those normally associated with clerical work. In fact, NAO observed how, during this occurrence, these individuals were deployed in larger numbers when compared to those deployed to carry out clerical duties.

### NAO Observations

3.2.13. The fact that this Office was not forwarded with, and could not find, any documentation to justify the significant increase in deployment of outsourced clerks within MCH is an obvious cause for concern. Even if these are not directly employed by the hospital, NAO still perceives their omission from the CBE as a significant shortcoming, which impinges on the principle of accountability and overall good governance.

3.2.14. This Office is also concerned by the Financial Controller’s and HR manager’s assertion that they were not made aware of a six-month long exercise which culminated in the aforementioned spike in the number of deployed staff. NAO cannot understand how this apparent miscommunication occurred, at the highest levels of MCH management, on this increase in deployment which carried such a considerable financial impact.

<sup>10</sup> NAO was not provided with the date of engagement of three of the 156 deployed personnel. Consequently, these are not represented in Figure 3.

- 3.2.15. The NAO opines that good governance risks tend to prevail in cases whereby government officials directly source and refer individuals to an engaged contractor for employment and eventual deployment at a public entity. In addition, this practice also impinges on the attainable value for money of such agreements as these responsibilities would undoubtedly be included in the service's price and should consequently be borne solely by the service provider.
- 3.2.16. NAO deems a contractor that operates in this field as being well positioned (particularly in view of its presumed experience and expertise) to attract the required quantity of suitable human resources when needed. In view of this, NAO considers it strange that the Ministry and MCH could find what they considered as adequate resources, in the required numbers, while the contractor was not in a position to do so. In addition, this Office also feels that the sourcing of adequate human resources should fall squarely on the service provider's shoulders and, having Government officials absorbing this task dilutes the return on expenditure of this agreement. Obviously, the public entity procuring such services invariably retains the right, and indeed the duty, to ensure that the persons assigned to such jobs by the contractor are of the required level and competence.
- 3.2.17. This Office acknowledges the benefits of MCH having a good working relationship with the outsourced personnel. Nonetheless, it is concerned with the fact that the hospital is shouldering administrative tasks that should be borne by the third party supplier as part of the service for which it is being paid. NAO cannot understand how the hospital has to face any arising industrial disputes or complaints concerning these deployed personnel, given that MCH is not their direct employer. Consequently, through this situation, NAO feels that the hospital is forgoing significant value for the cost being incurred through this contract.
- 3.2.18. Although NAO understands the challenges presented by MCH's considerable HR shortages, it remains significantly concerned that a number of clerks deployed under this contract were assigned tasks not associated with clerical duties. This Office feels that deploying such personnel under a contract calling for a completely different service creates challenges for MCH to manage these personnel and consequently their performance, as well as to address any shortcomings through legally binding contractual mechanisms. Furthermore, this Office also feels that maintenance and security related tasks involve a much more 'physical' element than in the case of their clerical counterparts. In view of this, not being covered with a contract that specifically provides for associated risks is, in NAO's opinion, unacceptable and may be exposing MCH to avoidable and unnecessary liability.

### **3.3. Not all outsourced personnel are meeting the expected level of service**

- 3.3.1. As already highlighted in Chapter 2, the contract document does not specify any mechanisms by which the performance, and consequently the quality, of the deployed clerks should be assessed. NAO further asserts that, even if the contract would have had adequate performance measurement mechanisms, these could not be applied to individuals who

do not carry out clerical duties. In view of these shortcomings, NAO sought to determine whether MCH management adopts any other quality monitoring system on the staff engaged through this contract. During its review, however, the audit team gathered that no formal performance assessment system on these outsourced personnel was in place and that management only acted if a complaint is received from the deployed staff's respective superiors.

- 3.3.2. Given that no contractual coverage on performance measurement exists, and that no documentation was available for NAO to compile a formal quality assessment exercise, this Office enquired with MCH management on its views on the quality of both the outsourced staff performing clerical duties and those assigned with other tasks. Verbal feedback received from interviewed members of MCH management led NAO to conclude that the hospital is generally satisfied with the quality of the majority of deployed clerks who actually do carry out clerical duties.
- 3.3.3. The situation however somewhat differs when it comes to feedback on the quality of outsourced personnel assigned with non-clerical tasks. Although it was repeatedly stated that MCH was, and still is, in dire need of human resources and that any deployed personnel would be utilised in one way or another, this does not necessarily mean that the engaged individuals are ideal to satisfy the hospital's requirements. Particularly, the audit team received feedback, from multiple sources, that these deployed personnel would not be duly licensed or qualified to perform certain tasks related to the department they are assigned to. For example, the audit team was informed that a number of the personnel deployed in the air-conditioning servicing unit, maintenance department and others assigned to carry out electrical works, were not in possession of the required licenses or technical expertise. To this end, even in view of health and safety obligations, their direct superiors felt that these cannot be entrusted with critical tasks and had to be therefore assigned with other, less technical duties. NAO was additionally informed that, in the absence of the mentioned expertise, the hospital (although essentially having a dedicated department set up for certain tasks) would still have to resort to procure technical services from elsewhere to complete certain projects.
- 3.3.4. Undoubtedly, one of the main benefits of outsourcing employees is that the entity would have an easier route to replace non-performers than if these were directly employed with it. In view of this, the audit team asked MCH's management whether requests are made to the service provider to replace individuals who are not meeting the hospital's expectations. To this, MCH CEO asserted that there were occasions in which such requests were made, and to which the supplier responded by providing a replacement. MCH CEO however further informed the audit team that making such a request was not always possible, particularly in cases in which the individual in question would have been referred to the service provider by MCH management itself for recruitment (points 3.2.5 to 3.2.7 refer).

## NAO Observations

- 3.3.5. In view of the fact that the contract for clerical services does not provide for the performance measurement of the deployed staff, NAO perceives it as a shortcoming that MCH does not endeavour to proactively monitor this, opting instead for a fire-fighting approach if a complaint is registered. Such a situation leaves the hospital with no effective means by which it can conclusively document the overall performance of the contract in question, leaving it with practically no leverage in the case of disputes with both the supplier and the deployed staff themselves.
- 3.3.6. In addition, NAO is significantly concerned with the fact that MCH's management feels that it is very difficult to dismiss non-performing individuals when these would have been referred to the service provider by the hospital itself for recruitment. NAO is of the opinion that this situation strongly compromises one of the central benefits of outsourcing human resources, specifically the ease by which non-performers can be replaced. This, NAO notes, leaves the hospital in a position in which it is absorbing a number of individuals who, in the MCH management's own opinion, are not providing an adequate level of service to the hospital.
- 3.3.7. NAO here also observes that the replacement of any low performing personnel is also compromised in the cases in which outsourced clerks are assigned to carry out non-clerical tasks. Specifically, this Office asserts that, if MCH would require replacement of such personnel, the contractor would only be contractually obliged to supply clerks, which would not address the hospital's needs at the time.

## 3.4. Recommendations

- 3.4.1. This Office is of the opinion that the responsibility for service contracts should be assigned to a key official who would assume overall responsibility to ascertain that all clauses within are observed through continuous monitoring and liaison both with the service provider as well as MCH management itself. To this end, NAO recommends that a contracts management function is assumed, at the earliest, by a suitably qualified official to ensure contractual compliance and value for money.
- 3.4.2. In view of the fact that the outsourced clerks are not included in the hospital's CBE, NAO recommends that MCH embarks on a human complement requirement exercise aimed at establishing and comprehensively documenting the hospital's human resource needs, including that of outsourced clerks. Apart from providing this procurement process with adequate accountability, this exercise can also be utilised to identify areas of improvement vis-à-vis staff efficiency and deployment.

- 3.4.3. Proficient communication throughout an organisation is key for an efficient and effective operation, not least at the highest levels of its management. To this end, NAO recommends that personnel deployment initiatives, particularly those of the magnitude as that of the May 2017 deployment, need to be adequately communicated throughout the hospital's management from the planning phase. This would ensure that all the involved sections would synchronise their efforts accordingly in a timely manner.
- 3.4.4. NAO strongly recommends that Government officials should refrain from directly sourcing potential applicants to be considered for recruitment under such contracts for service. This Office contends that, in these instances, the hospital should instead ascertain that it reaps the full benefit of an outsourcing agreement, particularly by transferring as much as possible the administration of the recruitment process and associated costs onto the contractor.
- 3.4.5. NAO also strongly recommends that, although a good working relationship has to be maintained with the outsourced personnel, the hospital should not absorb any associated administrative burden which, by virtue of the employer-employee relationship, falls squarely on the supplier's shoulders. In so doing, MCH would ascertain that better value is reaped from the contract.
- 3.4.6. The importance of having all outsourced personnel being covered and governed by an adequate contract cannot be overemphasised. To this end, NAO recommends that MCH regularises its position at the earliest, possibly by entering into separate agreements that would better cater for those outsourced personnel who are currently engaged through the clerical services contract but deployed to carry out other functions. Apart from adequately safeguarding the outsourced personnel's interests, this would ensure that MCH would have a solid basis through which it could manage these personnel (and consequently their performance), as well as to address any shortcomings through legally binding contractual mechanisms. This Office further notes that such an arrangement would relinquish the hospital from any unnecessary liability which may prevail through the current situation.
- 3.4.7. This Office also strongly suggests that MCH implements systems and mechanisms by which it could effectively gauge the performance of outsourced personnel, thereby ascertaining the best possible product to all MCH service users and that the contract is delivering the full value for the money being invested. Following this, NAO urges the hospital's management to pursue the necessary course of action and ensure that any persistent non-performers are immediately replaced by other better-suited individuals through specifically targeted contracts. In addition, this Office strongly feels that this practice should also be adopted for currently deployed personnel, irrespective of the latter's method of recruitment.

## Chapter 4

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A cursory overview shows similar shortcomings in MCH's outsourced cleaning services

Although the outsourced cleaning services are not within the scope of this audit exercise, a number of related observations emerged during the review of the outsourced clerical agreement. In view of this, the audit team felt compelled to report on the more salient issues emanating from this area.

### 4.1. No official contract is in place for MCH's outsourced cleaning services

- 4.1.1. During the audit team's fieldwork, the hospital's management informed NAO, on multiple occasions, that they are not aware of any formal contract document governing MCH's outsourced cleaning services. This claim was further substantiated by the Central Procurement and Supplies Unit (CPSU), which confirmed that, as at time of writing of this report, no contract was officially in place. CPSU further asserted that a negotiated procedure was entered into as an interim measure and that a new tender is currently being processed by the DoC.
- 4.1.2. The audit team however observed that this negotiated procedure has now been in place for a number of years. Specifically, MCH referred NAO to a call for quotations for these services published on the 25<sup>th</sup> June 2014. The audit team was furnished with a letter of acceptance dated 9<sup>th</sup> February 2015, which, MCH management asserts, is the basis on which the service is still being managed. NAO notes that, according to this letter of acceptance, the service in question was originally commissioned for three months (extendable for an additional three months) at a price of €446,880. MCH also forwarded this Office a number of repeated approvals granted by DoC for the hospital to enter into negotiated procedures with the same provider so that this service may continue to be procured. As at time of writing of this report, this service was being procured through an extension covering the six-month period between August 2018 and February 2019. While the extension immediately preceding this carried an expense of €1.6 million for its corresponding six-month period, the one in effect as at time of writing of this report cites an approval of €3.9 million. The audit team enquired on this sudden inflation with MCH management, to which the latter replied that this was the result of a calculation error during the approval process.

### NAO Observations

- 4.1.3. The fact that a service bearing such a considerable financial impact is not adequately covered by an official contract document is an obvious cause for concern. Apart from going

against good practice, this situation strongly reduces MCH’s quality control abilities, leaving the hospital little leverage should any contestation arise with the provider on the service being delivered.

4.1.4. The financial value at which cleaning services at MCH are acquired far exceeds the maximum threshold for a call for quotations as set by the national public procurement regulations. NAO did not carry out an analysis on the actual process by which MCH acquired the service for cleaning. However, this Office strongly contends that procuring a service for three months with a value of nearly half a million euro through a call for quotations and extending it over a number of years with increasing financial values, poses a considerable governance risk. This is particularly the case insofar as ascertaining fair competition.

4.1.5. Additionally, NAO is concerned that the identified discrepancy of €2.3 million was not detected earlier by the involved parties and acted upon accordingly.

## 4.2. A significant number of personnel deployed through the cleaning agreement are not assigned to perform cleaning tasks

4.2.1. Similarly to what was observed in the review on the contract for clerical services, NAO noted that a mix exists in the personnel deployed under the cleaning agreement, specifically those who actually perform cleaning duties and those who are assigned other tasks. During its review, the audit team found that approximately 79 FTEs are procured by the hospital to carry out cleaning functions. On the other hand, however, this Office noticed that MCH deployed an additional 44 employees, through this agreement, to perform other unrelated duties. Table 4 below highlights the responsibilities assigned to these personnel.

Table 4: Positions occupied by the 44 outsourced cleaners who do not perform cleaning duties

Positions	Count
Collection of Bulky Waste	12
Courier	3
Distribution of Food	2
Driver	7
Kitchen Helper	4
Movers	6
Premises Upkeep	6
Store keeper Assistant	2
Theatre Operatives	2
<b>Total</b>	<b>44</b>

Source: Mount Carmel Hospital

## NAO Observation

4.2.2. As already asserted in section 3.2, the practice of employing individuals under outsourcing contracts which do not strictly relate to their assigned duties is an obvious cause for concern. NAO once again draws attention to the fact that such a situation creates undue challenges and risks in the management of the staff in question.

### 4.3. Quality level of outsourced cleaning service is questionable

4.3.1. While various members of MCH's management informed the audit team that they were somewhat satisfied with the performance of the majority of the deployed cleaners, they strongly believe that these personnel should be provided with targeted training on how to carry out their duties within the environment of a mental health institution. Specifically, MCH's Chief Nursing Manager (CNM) highlighted that these deployed personnel are not conversant with certain cleaning principles which are pivotal in a hospital environment, such as complete disinfection of an area and the cleaning of all furniture and fixtures (which for example would include wall-mounted switches). It was also brought to NAO's attention that some of these personnel exhibit attitude issues which are adverse to the requirements of MCH's operational environment. Specifically, this Office was informed that some of the deployed cleaners are not well suited or trained to interact with mental health patients.

4.3.2. Asked whether the contractor is requested to replace individuals who are not meeting the hospital's expectations, MCH officials replied that this is not always a straightforward solution. While the audit team was informed that a number of replacements did occur at MCH's request, the hospital's management feels that this is not always possible either due to the risk of industrial disputes or the lack of available replacements from the service provider.

4.3.3. During meetings with MCH management, another pressing issue was brought to NAO's attention. Specifically, both the CNM and the hospital's foreman responsible to supervise the deployed cleaners expressed their concern on the quality of the cleaning products being used through this service. The audit team was informed that it is not uncommon for these two officials to receive complaints from nurses asserting that they are not satisfied with the products being used in the hospital's wards. These two officials further informed this Office that the cleaning products being supplied by the contractor are usually pre-mixed from their original concentrate format and placed in unlabelled containers before entering the wards. This practice therefore leaves the hospital with no solid basis against which to ascertain the products' suitability and to carry out proper investigations when related complaints arise.

## NAO Observations

- 4.3.4. In a sensitive environment such as that of a mental health institution, NAO perceives the facts that deployed cleaners are not specifically trained to tend to all related particular needs, and that some of them do not project an acceptable on-the-job attitude, as significant shortcomings. In addition, NAO cannot understand MCH's apprehension in the instances in which it refrains from seeking replacements for unsuitable individuals. Firstly, NAO once again contends that industrial relations with outsourced personnel should not be handled by the hospital but by the service provider itself. Secondly, MCH should not concern itself with the contractor's assertion that no replacements are available as it should be the provider's responsibility to deploy adequate replacements when required. This Office notes that these factors could considerably impinge on the quality of service being provided to the mental health patient, possibly exposing the latter to undue risks.
- 4.3.5. This Office is also significantly concerned about MCH Officials' expressed apprehension regarding the suitability of cleaning products being used through this agreement. The risks associated with inadequate cleaning products are obvious, more so in a hospital environment, and NAO deems it as unacceptable that MCH finds itself in a position in which it cannot conclusively ascertain these product's suitability or otherwise.

## 4.4. Recommendations

- 4.4.1. The importance of having an official contract governing a pivotal function, such as that of cleaning services particularly within a mental health institution, is uncontested. In view of this, NAO urges MCH to regularise its position and enter into a robust and official agreement at the earliest, thereby ensuring a solid contractual basis through which this service could be duly managed.
- 4.4.2. In implementing the above recommendation, however, NAO strongly urges MCH to hasten the tendering process currently underway. This method of procurement will ensure fair competition and consequently the best value for money for the procured service while ascertaining a higher level of transparency in the institution's procurement function.
- 4.4.3. NAO also highly recommends that MCH is more vigilant in identifying possible discrepancies in approved financial allocations and proactively take any necessary action for these to be rectified at the earliest.
- 4.4.4. As already stated in Chapter 3, this Office feels that outsourced personnel engaged with a Government institution should be governed by an outsourcing contract which specifically caters for the circumstances surrounding their deployment and assigned responsibilities. To this end, NAO once again encourages MCH to rectify this position at the earliest with respect to those individuals employed under the cleaning service agreement but assigned to carry out non-related tasks.

- 4.4.5. In view of the sensitive environment surrounding MCH, this Office urges the latter to ascertain that all deployed cleaners, especially those who are in direct contact with patients, are adequately trained to satisfy the particular requirements of the job. This would ensure that the cleaning service would add to, rather than hinder, the therapeutic process being delivered by the hospital. NAO therefore refers to recommendations 4.4.1 and 4.4.2 and further asserts that mechanisms should be in place in the upcoming contract document to ascertain this level of service.
- 4.4.6. This Office once again encourages MCH not to absorb burdens which it is not strictly required to shoulder through an outsourcing agreement. Specifically, challenges emanating from industrial relations with outsourced staff should not feature in the decision making process of the hospital as these, in reality, are the contractor's responsibility. Likewise, this Office also recommends that the upcoming contract should emphasise that the responsibility for replacing unsuitable individuals sits squarely on the supplier's shoulders and, therefore, the unavailability of adequate replacements by the latter should not be a contractually acceptable excuse. These provisions, NAO asserts, would provide MCH with much better leverage in ascertaining full value for the public funds being utilised on this service.
- 4.4.7. Lastly, NAO strongly urges MCH to ascertain that the upcoming contract includes comprehensive and detailed specifications insofar as cleaning products and their utilisation are concerned. Following this, the hospital should set up rigorous monitoring mechanisms to ensure that the cleaning service at MCH is being provided comprehensively and that adequate materials are being used, in the best interest of both patients and staff.

# Concluding Remark

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From this review, NAO can primarily conclude that MCH's contract for outsourced clerks was, and is still being, misused, even if to different extents. In particular, the irregular deployment of non-clerical personnel through this contract, coupled with the involvement of Government officials in sourcing these individuals, lead this Office to question the way with which this contract is being managed. This concern is further accentuated by the facts that some individuals deployed under this contract but assigned with other duties seem to not be meeting the hospital's requirements, and that MCH's management feels limited in its options to take appropriate corrective action.

This review has also revealed the generally disjointed manner in which MCH's management has administered this contract, particularly through: the present void in the assignment of overall responsibility to manage this agreement; the apparent miscommunication among the hospital's top management during such a significant increase in staff deployment; and the ongoing shouldering of undue administrative burden which should not be borne by the hospital in an outsourcing agreement. Though these considerations show significant shortcomings in the hospital's management of this contract, the cursory review of the outsourced cleaning services indicates that this is not limited to the contract for clerical services but may also prevail in other areas.

In view of the substantial needs of this hospital (as discussed in detail in the July 2018 NAO report), MCH would do well to ensure that no further administrative burdens are unnecessarily introduced into its operations. NAO therefore strongly recommends that the hospital takes all necessary measures to rectify the identified shortcomings at the earliest and ensure that better value for money is attained from this contract. This added value will undoubtedly trickle down to the overall quality of service being delivered to the mental health patient, which ultimately is the core purpose of this hospital.

## Appendix A - Feedback from MCH Management on submitted report



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26<sup>th</sup> February 2019

Your Ref: NAO 84/2018

The National Audit Office  
Notre Dame Ravelin  
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### **Performance Audit – A review on the Contract for Mount Carmel Hospital's Clerical Services**

The report on the subject in caption was read in its entirety and the recommendations in the report are being favourably considered at MCH. This applies to both the Clerical and Cleaning contracts.

#### *Existing Contracts*

The transition clause and pre-requisites will be discussed with the Contractors. In this regard the existing arrangements will also be reviewed with the existing service provider/s, with special reference to mediate the transition clause. Also on the table is the recommendations made vis-à-vis respective responsibilities of the Contracting Authority.

#### *New Tender*

The new tender is in progress by the Department of Contracts (DoC), since March 2018, will be reviewed with the scope of ensuring that the recommendations made vis-à-vis respective responsibilities of the Contracting Authority and those of the potential supplier be clearly delineated as recommended. The issue with regards to clause/s that do not pertain to such a tender will be eliminated and clear pre-requisites for outsourced recruits will be tightened. Focus will also be made on a clear plan of transition of the outsourced personnel transfer to a different service provider.

#### *Duties Assigned to outsourced employees*

On the point of assignment of duties to existing outsourced employees, we have already kicked off with the process of transferring employees according to their actual nature of work. In this regards the Department of Health in liaison with the Department of Contracts have undertaken a direct negotiation with the economical operator undertaking most of the maintenance contracts across the Health Department to take over the technical staff under their control as a stop gap measure until a new competitive tender for Maintenance service at MCH is setup and awarded. Following this process, these employees would benefit from the Transfer of Undertaking and would be taken up by the successful bidder.

#### *Increase of outsourced Employees*

At the time of recruiting staff through the Clerical Services agreement, MCH was, and still is, in dire need of urgent structural works. The premises at MCH require a lot of maintenance and refurbishment after years of neglect in this area, including major structural works. The Clerical Services agreement used the said contract as a platform on the basis of which substantial increases in the number of workers that could undertake structural and refurbishment works could be undertaken.

In the meantime, a contract was negotiated with a 3<sup>rd</sup> party company through which contract all the related maintenance works will be monitored and conducted by this company. The employees in question will be transferred from the existing Clerical Services agreement to the new 3<sup>rd</sup> party contract, through the transition clause. In addition all these workers will be covered by the appropriate insurance policy.

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Another area that was understaffed, was the security section where MCH had only 5 employees. The Chief Security Officer at MDH had also highlighted the lack of security at MCH. Incidents that, unfortunately happened prompted Management to radically increase the number of security personnel to 4 shifts by 6 security officers per shift. The Clerical Services agreement was also used to hasten the intake of the personnel. It is to be noted that the Community services section, the Psychiatric services section and that for the Outpatients are still lacking security officers.

#### *Performance measurement*

With regards to the performance measurement mechanisms, Management will be discussing the subject with the existing providers to establish a sound, effective and efficient way of assessing the outsourced personnel.

Internal management discussions are already in place to beef up the resources with a Contracts Management system.

#### *Capacity Building Exercise*

NAO report acknowledges that, "MCH suffers from understaffing challenges across the board..." (3.2.9). On this note MCH, on yearly basis draws an HR plan with its requirements but these requests not always are being met. A comparative costing exercise will follow in order to establish whether to employ or outsource the required number of personnel. The qualitative aspects of each of the two scenarios will also be considered.

#### *Contracts Manager*

MCH will be appointing a Contracts Manager who will be tasked with the monitoring of tenders vis-à-vis expiry dates, improvement in the quality of service versus public funds spent and writing up tender Dossiers future tenders. MCH will be setting up clear lines of responsibility and ownership of outsourced employees' contracts as well as other contracts. The Contracts Manager will be liaising with each department head and intern with the Finance Department for allocation of funds. A budget amount will be issued to each head and monitoring will be made such that each department head would stick to budgeted values.

#### *Discrepancy*

The discrepancy of € 2.3 million was investigated. Effectively the error in the email dated 22<sup>nd</sup> August 2018 is that the quoted value of € 3,887,730, being the cost for 12 months was quoted as covering a 6-month period. In this regard the expenses booked for Cleaning Services were analysed. Evidently the average cost per week is € 57k. This works out at € 1.5m to € 1.6m for a period of 6 months and not as erroneously quoted at € 3.9. The request from MCH was always to cover a six-month period with a carrying value of €1.6m.

  
Lawrence A. Cauchi, FC  
c.c. The Permanent Secretary, Ministry of Health  
Chief Executive Officer – FMS  
Director General – MFH  
Chief Executive Officer – MCH

## 2018 - 2019 (to date) Reports issued by NAO

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April 2018 Work and Activities of the National Audit Office 2017

### NAO Audit Reports

March 2018 Performance Audit: Evaluation of Feed-In Tariff Schemes for Photovoltaics

May 2018 An Investigation of an anonymous allegation on a Home Ownership Scheme property in Santa Luċija

May 2018 An Investigation of the Mater Dei Hospital Project

June 2018 An Investigation of allegations on Dingli Interpretation Centre

June 2018 An Investigation into the Findings of the Local Governance Board

June 2018 A Review of the Pension due to a former Member of Parliament

July 2018 Performance Audit: A Strategic Overview of Mount Carmel Hospital

October 2018 Performance Audit: An evaluation of Government's deal to design, build and operate the Malta National Aquarium

October 2018 Follow-up Reports by the National Audit Office 2018

November 2018 Performance Audit: A Strategic Overview on the Department of Fisheries and Aquaculture's Inspectorate Function

December 2018 Report by the Auditor General on the Workings of Local Government for year 2017

November 2018 An investigation of matters relating to the contracts awarded to ElectroGas Malta Ltd by Enemalta Corporation

November 2018 An investigation of matters relating to the contracts awarded to ElectroGas Malta Ltd by Enemalta Corporation (Abridged)

December 2018 Report by the Auditor General on the Public Account 2017

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