



**Enquiry on Direct Orders and Outsourcing at Mater Dei Hospital:  
Clerical/Reception, Security, Car Park and Traffic Management  
Services**

**Report by the Auditor General**

**May 2009**

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**List of Abbreviations**

A & E	Accident and Emergency (Department)
ADT	Malta Transport Authority
CCTV	Closed-circuit television
CEO	Chief Executive Officer
COLA	Cost of Living Adjustment
CVA	Controlled Vehicular Access
FM	Facilities Management
FMS	Foundation for Medical Services
G4S	G4S Security Services (Malta) Limited
LIS	Laboratory Information System
MDH	Mater Dei Hospital
MFEI	Ministry of Finance, the Economy and Investment (from 12 March 2008)
MFIN	Ministry of Finance (up to 11 March 2008)
MHEC	Ministry of Health, the Elderly and Community Care (up to 11 March 2008)
MPO	Management and Personnel Office
MSP	Ministry for Social Policy (from 12 March 2008)
MUMN	Malta Union of Midwives and Nurses
NAO	National Audit Office
OPM	Office of the Prime Minister
PAC	Public Accounts Committee
PACS	Picture Archiving and Communication System
PSO	Principal Security Officer

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RFID	Radio Frequency Identification
SLH	St. Luke's Hospital
SMJV	Skanska Malta Joint Venture
SOP	Standard Operating Procedure
VAT	Value Added Tax
WTE	Whole Time Equivalent

## **Terms of Reference**

- (i) On 8 August 2008 the Auditor General was invited by three Members of the Public Accounts Committee (PAC) to investigate and report to the House of Representatives on '*Direct orders and outsourcing of services at Mater Dei Hospital*'. The request was made under Standing Order 120E subarticle (d). A copy of the letter is presented in *Appendix A*.
- (ii) The letter from the Members of the PAC referred to an article published in the issue of 3 August 2008 of the newspaper *Malta Today* and reported on other media. The article reported on the award of contracts for the following services at Mater Dei Hospital (MDH):
  - **Clerical/Reception services**
  - **Internal security services**
  - **External security services, car park and traffic management services**
- (iii) The request proposed that the Auditor General's investigation establishes:
  - (a) whether financial procedures were adhered to in the award of contracts and direct orders;
  - (b) if these procedures were not followed, whether there were any justifications based on efficiency, value-for-money or any other principle which in some way justified the award of direct orders; and
  - (c) whether the permanent full-time Government employees are being utilised and whether the approved outsourcing is replacing the work of these employees, with the consequence that the same employees are under-utilised and public funds are being wasted.
- (iv) Furthermore, the Auditor General was invited to present recommendations at the end of the investigation on how it can be ensured that public funds are used more efficiently for the benefit of the taxpayer and the management of MDH.
- (v) To address these points, the Auditor General and the National Audit Office (NAO) sought to investigate the nature and extent of concerns raised with respect to the award of these contracts, focusing on both financial and compliance as well as value-for-money issues. The audit is limited to the examination of the services referred to in paragraph (ii) above and therefore no issues relating to the actual provision of medical services were assessed.
- (vi) In addition, the investigation examined any actions that have since been taken by the management of the entities concerned to address any concerns with respect to the award and management of these contracts.

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- (vii) The Report on the investigation carried out by NAO is divided into the following two parts, reflecting the two types of audits carried out concurrently:
- **Section One** reports on the findings, conclusions and recommendations of the financial and compliance examination, including point (a) of the Terms of Reference.
  - **Section Two** presents the findings, conclusions and recommendations following the examination of value-for-money issues, including points (b) and (c) of the Terms of Reference.

## **Summary of Findings and Conclusions**

### ***Outsourcing of Clerical/Reception Services***

- (i) ***Director General's (Contracts) approval sought following publication of advert:*** The contract for the provision of Clerical/Reception services was awarded following an invitation to firms for submission of offers to supply the services of 56 clerks at St. Luke's Hospital (SLH)/Mater Dei Hospital (MDH). Director General's (Contracts) approval to issue the call for tenders was sought after the publication of the advert, which lacked necessary details. Approval was granted in terms of Clause 59(d) of the Public Contracts Regulations, 2005. (paragraphs 1.2.1 to 1.2.3)
- (ii) ***Original contract extended/Delay in the call for tenders:*** Notwithstanding the fact that the original contract was rushed due to urgency, coupled with the acute shortage of Clerical/Reception services, and that the original contract was awarded for one year with effect from 9 August 2007, the authorities involved failed to make timely arrangements for a fresh call for tenders. Consequently, the contract was extended on various occasions, with the latest termination date being 30 June 2009. (paragraphs 1.2.4 and 1.2.5)
- (iii) ***Missing, incomplete or inconsistent information and limited verifications:*** Apart from documentation relating to the provision of this service being at times missing, incomplete or inconsistent, MDH performed limited verifications prior to issuing payments to Group 4 Security Services (Malta) Limited (G4S). (paragraphs 1.3.2.1 to 1.3.2.5)
- (iv) ***Early identification of shortage of clerical and reception staff:*** As early as 2002, MDH presented proposals to engage additional clerks and ward clerical assistants to replace vacancies accumulated over the years at SLH. In November 2004, Government announced that MDH would be officially opened on 1 July 2007. The preparations for the migration to the new Hospital underscored the urgent need to fill the vacancies which had remained unfilled as a result of a Government policy not to employ staff into this grade. (paragraphs 4.1.1 to 4.1.12)
- (v) ***Decision to outsource:*** Efforts to recruit permanent staff, as well as to appoint or redeploy staff from the public service or the wider public sector to fill these vacancies were for various reasons unsuccessful. Instead, the required clerical and reception services were outsourced through a Service Agreement signed in August 2007. A favourable rate was obtained by MDH for these services. (paragraphs 4.1.9, 4.1.10 and paragraph 4.3.6(b)) The Ministry for Social Policy (MSP) plans to continue to outsource Clerical/Reception services to fill such vacancies and a new call for tenders was published in January 2009. (paragraph 4.4.12) Outsourcing offers the hospital management increased flexibility in

- deployment of clerks. Moreover, full-time equivalents from the public service or the public sector have not been made available for redeployment with MDH. Without the Service Agreement, the hospital would have had serious difficulties in operating as clerical work would have had to be done by clinical staff. (paragraphs 4.3.1 to 4.3.6) Consideration should however also be given to the employment conditions being offered by the Company to the staff engaged at MDH. This information is not kept by MDH and it was therefore not possible for NAO to evaluate this aspect. However, the new call for tenders requires that the selected bidder guarantees appropriate employment conditions. (paragraph 4.1.10)
- (vi) ***Increase in the initial number of outsourced clerical staff:*** The engaged staff perform clerical, secretarial, customer care, computer, reception and ward clerical duties in various departments and units within the Hospital. (paragraphs 4.2.1 to 4.2.8 and paragraph 4.4.3) Initially, the contract was for 56 clerks or Whole Time Equivalents (WTEs). This was increased to 82 WTEs during the period under review. (Table 4.1 and paragraphs 4.2.1 to 4.2.8) Between August 2007 and November 2008, MDH was invoiced €1,083,190 (inclusive of VAT) for outsourced clerical, customer care and reception services. (paragraph 4.4.2) MDH attributes the increased requirements to the new setting of MDH which warrants additional clerks and receptionists, the replacement of clinical staff performing clerical duties, as well as to the replacement of staff who resigned, retired or were transferred. (paragraph 4.3.1) The Directorate for Human Resources and Administration review each individual request for additional clerical staff and where possible, redeploy clerks in order to meet the most pressing demands. Due to pressures and constraints, the focus has been more on how to cope with requests rather than proactively carry out detailed reviews.
- (vii) ***High turnover rate:*** A critical difficulty experienced by MDH in managing the outsourcing arrangement was a relatively high employee turnover among outsourced clerks. The loss of trained staff is detrimental to the overall operational efficiency and effectiveness of the organisation as new recruits have to be trained and given time to adapt to the requirements of the job. (paragraphs 4.3.7 to 4.3.8)
- (viii) ***Limited contract management:*** Establishing a rigid and structured system to monitor the performance of the contract and the quality of service being delivered, as well as allocating sufficient resources to carry out such monitoring, remains a challenge for the organisation. Efforts are, however, being made to develop more effective ways to manage the Service Agreement, including the introduction of additional controls and plans to increase supervision of contract conditions. (paragraphs 4.4.4 to 4.4.11)

***Outsourcing of External Security, Car Park and Traffic Management Services***

- (ix) ***Service concession contract split:*** As detailed by the Foundation for Medical Services (FMS), the Service Concession Contract entered into with Parksec Limited for the provision of external security services and car park and traffic management services in force during 2007 was split into a service contract for the provision of external security services and a service concession contract for the provision of car park and traffic management services, with the date of commencement of both services being 1 January 2008. (paragraphs 2.1.1 to 2.1.5)
  
- (x) ***Decision to change the contract conditions:*** In December 2007, Government announced that the car park rates at MDH would be reduced due to social considerations. The car park service had been operational for a number of months and the migration from SLH to MDH was completed in November 2007. A Service Concession Contract for the provision of external security, car park and traffic management services was entered into in July 2007. (paragraphs 5.1.1 to 5.2.2) The Company providing the service (Parksec Limited) was requested by Government to present proposals on how a reduced parking rate system can be achieved. The Company presented three options and the preferred option (Table 5.1) was selected in a weekly ministerial meeting. MFIN was unable to adequately assess the impact of the proposed options on the Company's business due to insufficient data and this was further compounded by the short timeframe set by Government to identify a solution. (paragraphs 5.2.3 to 5.2.7) The option selected by Government meant that two new contracts were entered into: one for the provision of car park and traffic management services, and the other for external security services. (paragraph 5.3.1(b))
  
- (xi) ***Implications of the decision:*** Through the new contracts, Government achieved the overall objective of immediately reducing the parking rates at MDH while at the same time ensuring continuity of service during a critical phase at the end of the migration process. However, in pursuit of this overall objective, Government lost considerable revenue from the concession fee (€326,112 per annum) and entered into significant new costs to procure security services which in the original concession agreement were to be offered at no charge as part of the deal (€498,168 per annum). These two factors collectively cost Government €815,280 per annum. The changes also lead to new benefits being added such as increased subsidised parking space for staff and frequent users, as well as additional reserved parking for disabled persons and renal patients. These reserved parking spaces had not been taken into consideration in the original concession agreement and the opportunity was therefore taken to rectify, albeit at a cost. While keeping in mind the urgency and constraints faced by Government on this decision, it is nonetheless the opinion of NAO that more effort could have been directed in the evaluation and negotiation of new contractual conditions or other options that could have been pursued by Government in order to ensure that value-for-money is achieved. (paragraphs 5.3.1 to 5.3.6)

- (xii) ***Company providing car park services stands to benefit substantially from the new arrangements:*** Data kept by MDH on car park usage during 2008 indicates that overall the Company stands to benefit substantially from the new arrangements, especially when one takes into consideration the low operating costs, the fees and other obligations that were foregone, and that most of the ongoing maintenance, repair, servicing and replacement cost of car park equipment is being borne by Government. (paragraphs 5.3.7 to 5.3.10)
- (xiii) ***Weaknesses in contract management were identified:*** With respect to contract management, although improvements have been made, NAO opines that more can be done by MDH to define and ensure that its requirements are being met by the Company. This is particularly important as the contracts in question lack detail concerning the performance standards to be achieved by the Company. Furthermore, where specifications were included (as in the case of the minimum external security staff complement at MDH), NAO found that these were not being adhered to by the Company. In addition, the contract covering this agreement could have been more specific in terms of technical requirements so as to avoid grey areas of responsibilities between the Company and MDH. NAO also identified a number of limitations concerning the current monitoring systems in place to manage the contracts in question. MDH has indicated that it will take action to address the issues raised by NAO. (paragraphs 5.4.1 to 5.5.16)
- (xiv) ***Court Case:*** A court case was initiated on 26 September 2008 by a number of contractors who alleged several irregularities with respect to these contracts. (paragraphs 2.1.6 and 2.2)
- (xv) ***Irregularities of a Financial and Compliance nature:*** Revenues relating to staff parking fees (Area C) are not being endorsed by MDH, negatively impacting on its cash flow. Furthermore, verifications on external security guards' attendance, stated to have been carried out during the first 8 months of 2008, were not evidenced by supporting documentation. The Company failed to adhere to the minimum number of external security guards as stipulated in the service agreement. Fiscal receipts for payments issued by MDH were not submitted by the Company. (paragraphs 2.3.2.1 to 2.3.2.4)

### **Outsourcing of Internal Security Services at MDH**

- (xvi) ***Request to the Director General (Contracts) submitted and contract signed following commencement of services:*** The contract for the provision of internal security services was awarded through a direct order with Group 4 Security Services (Malta) Limited. The request for approval of the Director General (Contracts) was submitted 2 months after the commencement of services and the contract signed 6 months after the commencement of the provision of services on 1 January 2008. (paragraphs 3.2.1 to 3.2.3)



- (xvii) ***Original contract extended/Delay in the call for tenders:*** Approval to extend the current contract was granted on 30 December 2008, i.e. 5 months after the termination date of the contract. This approval stated that internal security arrangements in force during 2008 had to be retained up to 31 March 2009. A new call for tenders for the provision of internal security services at MDH was issued in January 2009. (paragraph 3.2.5)
- (xviii) ***Payments not covered by necessary authorisations:*** A miscalculation in the budgeted cost of contract indicated in the request for approval for the direct engagement of the Company, together with the delay in approving the correct contract amount, led to payments effected to the Company not being covered by the necessary authorisations. (paragraph 3.3.2.2)
- (xix) ***Incomplete or incorrect information and limited verifications:*** This contract was also characterised by incorrect invoicing and incomplete/incorrect information, evidencing that insufficient verifications were being carried out both on the invoicing for internal security services as well as on the actual provision of the service. (paragraphs 3.3.2.1, 3.3.2.3 to 3.3.2.6)
- (xx) ***Various factors influenced the decision of MHEC not to transfer SLH security personnel to MDH:*** According to the health authorities, these included concerns on frequent industrial action and the narrow scope of the job descriptions, as well as the unresolved long-standing Union Directive of October 2000. (paragraphs 6.1.1 to 6.1.3)
- (xxi) ***Following the migration of hospital services to MDH in November 2007, an excessive number of security personnel were retained at SLH:*** The St Luke's Hospital site needs to be guarded against a number of risks including vandalism, theft and unauthorised access or squatting. However, this should be achieved with less human resources and at a lower cost. Between November 2007 and November 2008, the approximate number of security personnel primarily attached to SLH ranged between 48 and 52 Security Officers and Security Guards. This was reduced to 36 by December 2008. However, this number needs to go down further with the main obstacles hindering progress, according to MSP, being the accumulated time-off-in-lieu and the Union Directive. (paragraphs 6.2.1 to 6.2.18)
- (xxii) ***The decision to outsource internal security services:*** This was taken after the decision to retain SLH security personnel at the former hospital. At first, attempts were made by FMS to include internal security as part of an extended outsourcing arrangement on Facilities Management with Skanska Malta Joint Venture (SMJV) – the Company responsible for the construction of MDH. Negotiations, however, failed in November 2007 and the Company that was being used by SMJV for internal security services up to the end of 2007 was retained in 2008. (paragraphs 6.3.2 to 6.3.4) The period was further extended to June 2009 to allow sufficient time for the award of a new contract following an open call for tenders published in January 2009. (paragraphs 6.4.10 to 6.4.12)

- (xxiii) **Responsibility for contract management:** Initially FMS was responsible for managing the contract with MDH taking over full responsibility in August 2008. Security arrangements were improved as lessons were learned and requirements were better defined. (paragraphs 6.4.1 to 6.4.9)
- (xxiv) **There are opportunities to further strengthen contract management:** In 2008, approximately 5,000 hours were required every week to operate internal security services at MDH. A number of issues were identified by NAO as part of the examination, including areas where contract management can be strengthened or improved. Initiatives are being undertaken by management to address a number of these issues. Greater attention can also be given to the use of technology to reduce the number of outsourced security staff. (paragraphs 6.4.1 to 6.4.28)

## **Recommendations**

The recommendations below focus on the actions that NAO considers necessary to secure improvements in outsourcing and contract management, and thereby ensure improved management and control, as well as better value-for-money.

### ***For Government:***

- (i) **Develop a clear and comprehensive strategy on outsourcing of services.** A Government-wide strategy on outsourcing of services is developed giving particular attention to Government's current priorities, possible redeployment of excess staff across the public sector, the economic and efficient use of resources, appropriate governance and ownership. The strategy should specify the objectives and value to be generated from such arrangements including cost savings, increased efficiency, introduction of new technology and practices, and knowledge transfer from companies.
- (ii) **Give greater attention to contract management.** Apart from financial savings, better contract management can bring improvements in the quantity and quality of services, fewer inefficiencies and better management of risk. Policies, criteria and guidelines for planning and managing outsourcing agreements should be developed. Particular attention needs to be given to those contracts where outsourced services are delivered over a longer period of time and public entities need to ensure that service levels and value-for-money are maintained over the duration of the contract, otherwise sanctions should apply. Areas of contract management that should be carefully considered include:
- (a) **Planning, contract development and contract award.** The success of contract management is strongly influenced by what happens during the planning, tendering and contract award stage, including the determination of the terms, conditions and specifications that are agreed with the contractors.
- (b) **Risk Management.** For each contract, the appropriate level of contract management needs to be determined. The level of resources devoted to

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contract management and the type of activities undertaken should be proportionate and justified by the potential benefit that they may deliver. Risks can include service failure, reputational damage and additional costs.

- (c) **Activities to be undertaken during the operational phase of the contract.** This includes clear allocation of responsibilities, proper administration, better management of supplier relationships, monitoring of performance and training of staff in key competences.

### *For the Ministry of Social Policy and/or Mater Dei Hospital*

- (iii) It is of utmost importance that **MDH is in possession of all the relevant documentation** as regard the provision of Clerical/Reception services, including originals of attendance sheets and rosters.
- (iv) **Prior to effecting payments, all invoices are to be thoroughly checked for completeness and accuracy.** Invoicing is to be consistent from one month to another and the instances where the double time rate is to be applied (in the case of the provision of Clerical/Reception services) is agreed upon with the Company.
- (v) Since as from November 2008 clerks started recording their attendance by means of an electronic time-keeping device, verifications carried out to ensure that attendance sheets are adequately maintained are no longer necessary. Nonetheless, **the monthly data for each officer is to be extracted from the electronic time-keeping device and each entry verified against the rosters.** Any discrepancies are to be resolved with the Company prior to issuing the respective payments. Furthermore, **inspections carried out to verify the external security guards' attendance are to be documented in detail.**
- (vi) **Invoices for the provision of internal security services are to include all the detailed information necessary to enable verifications on payments.** MDH are to ensure that the rates applied are consistent with those established in the service agreement and the number of hours charged reflect the actual daily hours worked by the internal security guards. In addition, MDH are to refrain from effecting payments unless the contract of service is covered by either Finance's or Contracts Department's approval.
- (vii) **The Company is also to be instructed to maintain only one set of rosters,** which should be forwarded to MDH at the beginning of every month. To avoid any inconsistencies or conflicting information, any amendments to the officers' rosters (for example, when officers report sick) are to be communicated to MDH in writing and on time. The necessary amendments are to be indicated on the rosters by authorised MDH officials.

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- (viii) **MDH are to ensure that all the clauses in the service concession contract and the service agreements are met.** Cases of non-compliance should be brought to the attention of the Company concerned. If necessary, deductions from the quarterly payments due to the Company are to be effected.
- (ix) As regard the revenue relating to Area C parking fees, **MDH are to decide upon a system which verifies the number of vehicles using Area C as reported by the Company (and consequently the amount of revenue).**
- (x) **The provision of new or additional services to be charged out of a contract which is in force should be formally requested to the Company by MDH (after all the necessary authorisations have been obtained).** The conditions under which these new/additional services are to be provided and the applicable rate are to be discussed between MDH and the Company. Once an agreement is reached, this should be documented.
- (xi) **Establish clear contract ownership** across the organisation/Ministries involved in a particular project or initiative, with clear definition of (i) the budget holder, (ii) the senior responsible owner (SRO) driving organisation-wide contract management performance, and (iii) the individual contract managers responsible for particular contracts. **Continuity of governance** should also be ensured as far as possible.
- (xii) **Strengthen contract management and oversight** by putting in place well-defined processes and a contract management plan. The focus should be on outputs and a ‘whole life’ approach to performance and value-for-money.
- (xiii) **Adequately resource contract management**, in proportion to the importance of the contract (primarily but not exclusively its cost), and provide sufficient staff to carry out the required activities. MDH should also carry out regular assessments to ensure that the cost of contract management activities is justified and proportionate to the benefits obtained. Contract managers should also be provided with training and access to technical expertise to ensure that they have appropriate skills and support to carry out the contract management activity. Training can be on specific contract management skills, technical know-how, as well as more general commercial awareness and expertise.
- (xiv) **Strengthen the performance management of outsourced services** by ensuring that service management is well structured, baselines are understood by each party, and contractors are fully aware of the service they are required to deliver. A comprehensive performance management framework should be in place when the contract is signed. Changes in conditions or requirements should also be formally documented. In the case of external security services, MDH and the other competent authorities concerned should expedite the publication of the legal notice for clamping and towing on the hospital’s premises. Any future price

changes should also be managed effectively. Mechanisms to test value-for-money should be used before taking critical decisions such as price changes.

- (xv) **Render knowledge management and the capture of key data on the performance of contractors as an integral part of the contract management process.** Regular collection and reporting of contract management information needs to be further developed and strengthened. In the case of the external security services contract, immediate action should be taken to rectify shortcomings in performance and to deduct from the next payments any overpayments that were made.
- (xvi) **Carry out formal performance reviews** with contractors and, when necessary, introduce agreed documented improvement plans. These should cover operational issues and adherence to key contractual requirements. Clear, objective and meaningful metrics could be used to assess contractors' performance and regular feedback should be given to contractors on their performance. Escalation and reporting routes as part of risk governance should also be put in place and utilised.
- (xvii) **Reduce the need for clerical and security personnel, at both MDH and SLH, through investment in technology and the introduction of new work practices.** Consideration should also be given to the ongoing independent assessment by an external consultant on security arrangements at MDH in particular in identifying areas where savings can be made. Moreover, the streamlining and rationalisation of security operations at SLH should be concluded within the shortest possible timeframe with staff being redeployed to other areas of the Health Division where their services are urgently required. Where possible, suitable and qualified employees to fill vacancies should be redeployed from the public sector instead of outsourcing (taking account of difficulties that can be faced when redeploying redundant staff).
- (xviii) **Evaluate other options of how the Hospital car park can be managed.** The new agreement entered into in 2008 with the existing Company following the immediate reduction in parking rates may ultimately not lead to a good value-for-money outcome over the five year life span of the contract. Other options which could lead to the achievement of value-for-money should be identified and assessed to ensure a better deal to Government following expiry of the present tender.

## **Section One**

### **Financial and Compliance Audit Issues**

## **Introduction to Section One**

- (i) The structure for this Section of the Report is as follows:
- **Chapter 1** – assesses, from a financial and compliance aspect, the award of tender for the Outsourcing of Clerical and Reception Duties at Mater Dei Hospital.
  - **Chapter 2** – assesses whether MDH were adequately managing both the contract for the provision of external security services, as well as the service concession contract for the provision of car park and traffic management services.
  - **Chapter 3** – evaluates, from a financial and compliance aspect, whether MDH were adequately managing the contract for the provision of internal security services.
- (ii) The following methodology was adopted in the conduct of the financial and compliance investigation:
- A series of interviews with officials at the Ministry of Social Policy, Mater Dei Hospital, the Foundation for Medical Services, the Ministry of Finance, the Economy and Investment and the Department of Contracts.
  - A review of documentation forwarded to the NAO and analysis of data.
  - Verifications on the accuracy and completeness of payments issued to the Companies.
- (iii) Fieldwork was carried out between September 2008 and February 2009. Unless otherwise stated, the findings in this section of the report reflect conditions up to end January 2009.

## **Chapter 1: Outsourcing of Clerical/Reception Services**

### **1.1 Chronology of events**

- 1.1.1 On 26 March 2007, the Ministry of Health, the Elderly and Community Care (MHEC) sought Ministry of Finance's approval to issue a call for tenders, through the FMS, for the outsourcing of 56 Clerical Support Staff to cater for the "*acute shortage of clerical support staff at St. Luke's Hospital/Mater Dei Hospital*". MHEC stated that the situation was no longer tenable, hindering nursing staff to exercise their profession as they had to carry out clerical duties as well. The annual cost for the outsourcing of 56 clerks was estimated at Lm232,960 (€542,651).
- 1.1.2 On 3 April 2007, the Ministry of Finance approved the call for tenders for Outsourcing of Clerical Support Staff provided that:
- the contract is awarded for one year;
  - is payable by the person-hour actually performed; and
  - may be stopped or reduced at any time if and when the internal selection exercise is completed or Government decides in favour of full time employment.
- 1.1.3 A call for tenders for the Outsourcing of Clerical/Reception Services was issued by the Foundation for Medical Services in the second week of April 2007. The call invited firms to submit offers for the provision of approximately 56 Clerks/Receptionists to perform general office, reception and/or ward clerical duties within SLH and eventually within MDH. The closing date for the submission of offers was 20 April 2007.
- 1.1.4 By the closing date, 3 bidders submitted offers. At Lm2.15 (€5.01) (excluding VAT) per hour, the cheapest offer was submitted by G4S Security Services (Malta) Limited (G4S), hereinafter referred to as the Company.
- 1.1.5 On 25 April 2007, the Ministry of Health, the Elderly and Community Care requested the approval of the Director General (Contracts) for FMS to proceed with the urgent adjudication and award of tender, without prior publication of an EU Contract Notice in terms of Clause 59(d) of the Public Contracts Regulations (Legal Notice 177 of 2005).



## **Direct Orders and Outsourcing at Mater Dei Hospital**

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- 1.1.6 Director General's (Contracts) approval, after consideration of the said request by the General Contracts Committee, was granted on 11 May 2007, provided that *"no contract is ... awarded prior to approval of the General Contracts Committee following the submission of a report by the Adjudicating Board..."* and that *"all the remedies facilities provided in the Public Contracts Regulations are to be accorded"*. Director General (Contracts) further remarked that the MHEC should have sought the approval of the Department of Contracts prior to the publication of the tender and not afterwards.
- 1.1.7 On 17 July 2007, the General Contracts Committee approved the award of tender to the Company for the price of Lm2.15 (€5.01) (excluding VAT) per hour.
- 1.1.8 On 9 August 2007 an agreement for the Provision of Clerical/Reception Services was entered into between the Company and FMS. *Inter alia* the Agreement stipulated that:
- (a) the duration is for an initial period of one year from the date of the signing of the Agreement;
  - (b) the Client shall pay to the Company the contract price of Lm2.15 (€5.01) (exclusive of VAT) for each hour worked by each employee;
  - (c) overtime (i.e. hours over and above the standard 40 hours per week) is to be paid at the rate of Lm3.23 (€7.52) per hour (exclusive of VAT). When overtime is worked on Sunday or public holiday, the rate shall be Lm4.30 (€10.01) per hour (exclusive of VAT);
  - (d) the Company undertakes to supply the Client with 56 Clerical/Reception staff trained in clerical, telephone, computer and customer care skills;
  - (e) the Company shall require employees to register on a daily basis their presence (including clock-in and clock-out times) at the Client's premises on a document provided for this purpose by the Client;
  - (f) the Company shall ensure that any employees who are not available to provide the service as a result of sick leave, leave or other absence are promptly replaced by other trained and sufficiently skilled employees;
  - (g) the Company undertakes to provide a service level in each calendar month of not less than 95%. For each 8 hours (or part thereof) for which the Company falls below this service level, the Company shall pay to the Client a penalty of Lm10 (€23.29); and
  - (h) FMS undertakes to review the manpower situation with the Company 4 months before the expiry of this Agreement, with a view to gradually terminate the Clerical/Reception posts at MDH premises.

## **1.2 Irregularities in the award of contract**

The following are irregularities noted, from a financial and compliance aspect, in the issue and award of tender for the Outsourcing of Clerical and Reception Duties at Mater Dei Hospital:

### **1.2.1 Director General's (Contracts) approval sought following publication of advert**

As reiterated by the Director General (Contracts) to the Ministry of Health, the Elderly and Community Care, the approval of the Department of Contracts should have been sought and obtained prior to the publication of the advert and not after. FMS had, through the Ministry of Health, sought the approval of the Director General (Contracts) on 25 April 2007, following the adverts for the call for offers dated 8 and 11 April 2007 and even following the closing date for the submission of offers which was 20 April 2007.

### **1.2.2 Application of Clause 59(d) of the Public Contracts Regulations, 2005**

The approval of the Director General (Contracts) to proceed with the adjudication and eventual award of tender without prior publication of an EU Contract Notice was made in terms of Clause 59(d) of the Public Contracts Regulations, 2005. This clause stipulates that a contracting authority may award public service contracts by negotiated procedure without prior publication of an EU Contract Notice *"in so far as is strictly necessary, when the time-limits for open, restricted or negotiated procedures ... cannot be respected for reasons of extreme urgency occasioned by unforeseeable events."* However, the need for additional clerks and ward clerical assistants had been identified as far back as September 2002.

### **1.2.3 Limited publicity and shortcomings in advert**

Given the value and the duration of the contract in question, more extensive publicity and a longer bidding period should have been given to the call for tenders. The advert appeared in the local media only on two occasions, which rather limited the exposure given. However, this Office is not in a position to state whether this process may have impacted on the number of offers submitted and hence the eventual award of contract.

In addition to the above, the advert lacked detailed information on the nature of the services requested and failed to indicate whether FMS was requesting proposals for expressions of interest or whether the advert was a call for tenders, considering that no tender document was made available with the call for offers.

#### **1.2.4 No financial capping imposed on contract**

Although the contract was initially for one year, for the provision of 56 clerks and an agreed hourly rate, no capping was imposed on the contract. The number of clerks engaged has, over time, increased from 56 to 82 and the expiry of the contract period was extended from 8 August 2008 to end June 2009 as further detailed hereunder. However, this does not in itself constitute a breach of the Public Contracts Regulations.

In early November 2007, the Ministry of Finance approved an increase in the number of contracted clerks/receptionists (originally 56) by another fifteen up to 31 December 2008. In March 2008, Finance's approval was again granted to MDH to engage a further 6 clerks for the Laboratory Information System (LIS) and Picture Archiving and Communication System (PACS) projects for a period of 6 months up to 12 September 2008. The same terms and conditions stipulated in the original agreement were retained.

In September 2008, the Ministry of Finance granted approval to MDH to extend the direct order placed with the Company for the services of 6 clerks by a further period of 6 months, i.e. till 12 March 2009 at the cost of €31,250. MDH were to ensure that, amongst others, these 6 clerks are not taking the place of permanently required staff and that their assignments be terminated immediately the tasks are completed.

In June 2008, MDH informed the Department of Contracts "*that it is highly improbable for a new contract to be awarded to the successful bidder by the expiry date of this contract*" (i.e. 8 August 2008). In the circumstances MDH requested the approval of the General Contracts Committee to consider granting an extension of the current contract up to the 31 December 2008 by which time it was envisaged that a new contract be awarded and a proper winding down period carried out should a new contractor be chosen.

On 31 July 2008, the General Contracts Committee agreed to approve the period extension requested to this contract up to 31 December 2008. According to the Department of Contracts, the requested extension amounted to €296,000 which signified a 25% increase on the awarded contract value.

On 9 December 2008, MDH requested the approval of the Director General (Contracts) for a "*... further extension of the present contract till the 30 June 2009 or until such time that a new contract is awarded and a proper winding down period is carried out should a new contractor be chosen, whichever earliest. The current contractor is ready to continue to provide services under the same terms and conditions, except for the Cost of Living Adjustment (COLA) in the rates per hour paid ...*". In January 2009, the General Contracts Committee granted the extension of the contract by a further 6 months up till 30 June 2009.

The cost of the contract, as per invoices raised by the Company and approved by MDH, for period August 2007 to November 2008 amounted to €1,083,190 from an original estimated annual cost of Lm232,960 (€542,651).

### **1.2.5 Original contract extended/Delay in the call for tenders**

The original contract signed with the Company was for a period of one year up till 8 August 2008. However, notwithstanding the fact that the original contract had to be rushed due to urgency and the acute shortage of Clerical/Reception staff, the authorities involved failed to make timely arrangements for a fresh call for tenders and the award of a new contract prior to this termination date, resulting in the need to have the original contract period extended from 8 August 2008 up till 30 June 2009.

A new call for tenders was issued through the Department of Contracts on 30 January 2009. The advert was also published in the Official Journal of the European Union during the same month. The closing date for the submission of offers was 24 March 2009. The delay in the issue of a fresh call for tenders can be partly attributable to the new clauses which were included in the new tender with regard to employees' employment rights and the rate of pay. However, a more resolute effort by the authorities concerned could have ensured that matters are timely resolved without having to resort to direct orders.

### **1.2.6 Conclusion**

Substantial shortcomings in the award of contracts have been identified. The political decision to have Mater Dei Hospital operational in mid-2007 gave the health authorities a limited window in which to coordinate the necessary arrangements to make a new hospital functional.

### **1.2.7 Recommendation**

The shortcomings in the issue and award of tender for the outsourcing of clerical and reception duties at Mater Dei Hospital could have been avoided with better planning and a more proactive approach by the authorities involved.

### **1.3 Contract management**

#### **1.3.1 Testing carried out**

As part of the financial and compliance investigation, the following tests were carried out to ensure that MDH were adequately managing the contract for the provision of Clerical/Reception services.

##### **1.3.1.1 Verification of invoices**

A sample of 3 monthly invoices for the provision of Clerical/Reception services was chosen, namely September 2007, December 2007 and August 2008. Each invoice total was recomputed to ensure its correctness and completeness. Rates charged by the Company were matched with those indicated in the service agreement.

##### **1.3.1.2 Substantiation of payments**

Further testing was carried out on the invoices of December 2007 and August 2008. All entries on each attendance sheet were tallied with the respective rosters to ensure that officers reported for work as detailed. Discrepancies noted, detailed under 'Shortcomings in Contract Management', were discussed with MDH.

After ensuring that the hours worked by the officers during December 2007 and August 2008 as shown on the attendance sheets were correct, these hours were then matched with those invoiced by the Company (and consequently paid for by MDH). For September 2007, the test was limited to tallying the number of hours invoiced with those indicated on the attendance sheets.

Over/under charged hours are noted further on in this report.

##### **1.3.1.3 Review of attendance sheets**

Clerks' attendance sheets were reviewed to ensure that they were being adequately kept and reflect the officers' deployment and time schedule as indicated on the roster. Entries on attendance sheets were also tallied with rosters. This test was carried out for the last 2 weeks of September 2007, December 2007 and August 2008.

Any errors or discrepancies are pointed out further on in this report.

## **1.3.2 Shortcomings in contract management**

### **1.3.2.1 Limitation on scope of audit**

NAO was hindered from conducting substantive testing of payments issued for the month of September 2007 since the rosters for the period 1 to 16 September were not made available. Apart from the occasional missing daily rosters for particular clerks, no rosters were made available for the period 1 to 3 August 2008. These rosters were specifically requested from MDH. However, not even the Company is in possession of such documentation.

Furthermore, missing signatures, no indication of time in/out and no rosters available led to a number of hours charged for December 2007 and August 2008 which could not be verified by this Office. A total of 1,637.25 hours (i.e. €8,186.25) paid by MDH and forming part of this Office's sample could not be corroborated as hours actually worked by the officers (*Appendix B* refers).

### **1.3.2.2 Missing/incomplete attendance sheets**

#### **1.3.2.2.1 No copy of attendance sheets**

Clerks' attendance sheets were being collected and forwarded to the Company without MDH retaining a copy. Original attendance sheets were subsequently forwarded to MDH upon the presentation of the respective invoices. Such practice could have given rise to persons, other than the respective officers, carrying out amendments on attendance sheets. This, together with the fact that at times different calligraphies were used for details of the same officer, reflects negatively on the authenticity of all entries in each attendance sheet, as well as on the accuracy of the payment requested by the Company.

#### **1.3.2.2.2 No attendance sheets**

- (a) No attendance sheet was available for duty carried out in December 2007 at the Recovery Rehabilitation Unit. In fact, the charge of the respective hours worked were based on the roster.
- (b) Similarly, attendance sheets were not presented in respect of 3 officers listed on the August 2008 roster (*Appendix C* refers). However, in this case, MDH were not invoiced for these hours, and therefore no payment was effected. Although information regarding this issue was requested from MDH, no reply was obtained.

#### **1.3.2.2.3 Inconsistencies in attendance sheets**

Upon reviewing attendance sheets for the last 2 weeks of September 2007, December 2007 and August 2008, it was deduced that on a number of occasions these were not being adequately maintained. The following are some inconsistencies encountered:

- No employee signature
- No authorising signature
- Incorrect number of hours indicated by the employee
- Missing or incorrect information presented
- Different calligraphy used for details of the same officer
- Untidy attendance sheets
- Use of correcting fluid.

#### **1.3.2.2.4 Untimely collection of attendance sheets**

Upon enquiry with MDH, NAO noted that clerks' attendance sheets were not being collected from the respective Ward/Department on a daily basis. Therefore, it is rather difficult to ascertain that the officer actually reported for work as indicated on the attendance sheet, especially in those cases where the authorising officers failed to certify attendance on a daily or weekly basis.

#### **1.3.2.2.5 Dates on attendance sheets not in chronological order**

Occasionally, dates on attendance sheets were not in chronological order. Such issue was mostly noted when the respective clerk was on vacation or sick leave and was replaced by a substitute officer (a reliever). At times, officers' attendance sheets were not being kept on MDH premises. In fact, missing attendance sheets noted above are the result of the officers taking such attendance sheets outside MDH and not returning them before resigning from work.

#### **1.3.2.3 Inconsistent information presented on rosters**

When rosters were unclear or further information was requested by this Office, master rosters were forwarded by the Company. The information presented on these rosters sometimes differed from those on the originals. In addition, sometimes, dates on the master roster for a particular officer were indicated twice, having each entry showing a different duty.

### **1.3.2.4 Inconsistent/incorrect invoicing**

#### **1.3.2.4.1 Inconsistent invoicing**

The August 2008 invoice included a charge of €1,012.02 (excluding VAT) in respect of 101 double time hours (71 of which could not be validated) worked at the Accident and Emergency (A & E) Reception and A & E X-ray Department during Sundays and Public Holidays. However, a similar charge did not feature in the December 2007 invoice, which included a charge for only 13.5 double time hours worked at the Supplies Department. Since the service agreement fails to specify which Departments are subject to a charge for double time, which invoices were correct could not be established by this Office.

#### **1.3.2.4.2 Attendance sheet not reflected in invoice for the provision of Clerical/Reception services**

The attendance sheet for the A & E Customer Care Department for August 2008 was not included in the invoice for the provision of clerical services for the same month. Although MDH were asked for clarifications, none were obtained.

Later on during the audit, it transpired that these hours were charged out of the contract for the provision of internal security services.

#### **1.3.2.4.3 Incorrect number of hours charged by the Company**

Testing carried out on December 2007 and August 2008 attendance sheets, shows that 295.75 normal hours were erroneously invoiced by the Company, resulting in an overpayment of €1,478.75 (*Appendix D* refers).

### **1.3.2.5 Limited checking prior to issuing payment**

#### **1.3.2.5.1 Incorrect rate charged for normal hours following the Euro conversion**

Normal hours worked during the months of December 2007 and August 2008 were charged by the Company at the rate of €5 per hour. However, according to the service agreement, the rate per hour is Lm2.15 (exclusive of VAT), which converted to Euros amounts to €5.01. This incorrect rate resulted in the following:

- (a) charge for normal hours for December 2007 should have read €50,657.36 instead of €50,556.25 (both figures excluding VAT); and



- (b) in August 2008, MDH should have been charged €61,190.89 for normal hours instead of €61,068.75 (both figures excluding VAT).

The undercharge for this service was only quoted for the months forming part of the sample, however it does not exclude the occurrence in the other months invoiced.

Although the undercharge is not material, it either signifies that amounts charged were not being verified prior to effecting payment or else MDH chose to ignore the error.

### **1.3.3 Conclusion**

The missing, incomplete and/or inconsistent documentation, as indicated above, confirms that neither MDH nor the Company maintained adequate documentation. Of major concern is also the fact that most of the queries raised by this Office were redirected to the Company, indicating that MDH were not in possession of the complete set of documentation in relation to the provision of Clerical/Reception services.

Incorrect invoicing undetected by MDH further evidenced that the verification process carried out prior to the issuing of payments was limited due to lack of documentation leading to erroneous payments.

### **1.3.4 Recommendations**

- 1.3.4.1 It is of utmost importance that MDH is in possession of all the relevant documentation as regard the provision of Clerical/Reception services, including originals of attendance sheets and rosters.
- 1.3.4.2 Prior to effecting payments, all invoices are to be thoroughly checked for completeness and accuracy. Invoicing is to be consistent from one month to another and the instances where the double time rate is to be applied agreed upon with the Company.
- 1.3.4.3 In view of the fact that as from November 2008 clerks started recording their attendance by means of an electronic time-keeping device, verifications carried out to ensure that attendance sheets are adequately maintained are no longer necessary. Nonetheless, the monthly data for each officer is to be extracted from the electronic time-keeping device and each entry verified against the rosters. Any discrepancies noted are to be resolved with the Company prior to issuing the respective payments.

## **Direct Orders and Outsourcing at Mater Dei Hospital**

1.3.4.4 The Company is also to be instructed to maintain only one set of rosters, which should be forwarded to MDH at the beginning of every month. To avoid any inconsistencies or conflicting information, any amendments to the officers' rosters (for example, when officers report sick) are to be communicated to MDH in writing and on time. The necessary amendments are to be indicated on the rosters by authorised MDH officials.

## **Chapter 2: Outsourcing of External Security, Car Park and Traffic Management Services**

### **2.1 Chronology of events**

#### **2.1.1 Service Concession Contract for the Provision of External Security, Car Park and Traffic Management Services**

2.1.1.1 A Service Concession Contract for the Provision of External Security, Car Park and Traffic Management Services at Mater Dei Hospital was entered into on 27 July 2007 between the Foundation for Medical Services and Parksec Limited, hereinafter referred to as the Company. The Company was selected as the preferred bidder following a public call for tenders issued by FMS on 6 October 2006 and a decision of the Arbitration Tribunal dated 17 May 2007.

2.1.1.2 The core services that had to be provided through the Concession Contract were:

- external security services: this included the manning of gates and control room at all times, protection of property, staff and visitors, and prevention of unauthorised entry or activity on hospital grounds (security within the hospital buildings was not an obligation under this Concession Contract); and
- operation of the car park: car parking management services and a traffic management system.

2.1.1.3 The commencement date of the concession was 1 August 2007 and the period of execution was 60 months from this date.

2.1.1.4 The Company was to pay FMS a total annual concession fee of Lm140,000 (€326,112) (excluding VAT) in consideration of the right to operate the equipment and facilities at MDH. The fee was payable in advance in quarterly instalments due on the first day of January, April, July and October of each year, provided that the first 2 quarterly instalments were to be paid by 1 November 2007. FMS was to make a one time payment of Lm13,000 (€30,282) to the Company since the Company could not avail itself of a soft opening given that the Contract was signed on 27 July 2007 and the date of commencement was 1 August 2007.

2.1.1.5 In consideration for the provision of services, the Company had the right to collect and receive payments from the users, as per fees stipulated in the Contract, other than those users entitled to free parking as specified by FMS.

2.1.1.6 The Company was to provide a security team as provided in the Service Level Requirement. FMS could, from time to time, require the Company to increase the number of security staff. Costs for such additional security were to be borne by FMS and were to be charged at the rate of Lm2.30 (€5.36) (exclusive of VAT and COLA) per person per hour.

## **2.1.2 Request and approval to changes to the Service Concession Contract**

2.1.2.1 In October 2007, "*... following instructions by the Government, through the Ministry of Finance, the car parking fees at Mater Dei Hospital had to be drastically reduced because of the social aspect. It was agreed that the best way forward under those circumstances was to split the Car Park and Security Contract into two separate Contracts. A termination letter had to be prepared to terminate the old contract*".

2.1.2.2 On 19 December 2007, FMS sought the approval of the Director of Contracts to effect changes to the Service Concession Contract it had with the Company.

The main changes proposed as per FMS request were:

- (a) FMS will split the Service Concession Contract for parking management and external security into a Service Contract for the Provision of External Security Services at Mater Dei Hospital and a Service Concession Contract for the Provision of Car Park and Traffic Management Services at Mater Dei Hospital. The external security contract will be for the same duration as the parking concession but paid separately at a fee of Lm210,000 (€489,168) per annum (excluding VAT) for the same level of service.
- (b) Whilst parking and traffic management will remain under the existing contract, no concession fee will be due to FMS.
- (c) Proposed amendments are made in parking rates and are to be changed to Controlled Vehicular Access (CVA) rates.
- (d) A review of these rates will be effected after one year.
- (e) FMS shall pay the Company the sum of Lm27,000 (€62,893) per annum (excluding VAT) for the management of an additional car park area designated for the use of Mater Dei Hospital staff. Staff will be charged a daily rate of Lm0.32 (€0.75) or a monthly prepaid daily rate of Lm0.21 (€0.50) for the entire daily duration of parking. All rates include VAT. The revenue collected from this area will be forwarded to FMS.

- (f) Additional clauses were to be included in the revised contract, namely:
- The Company shall have the opportunity to utilise the parking areas allocated to it as advertising space. The management and responsibility of these advertising spaces remain with the Company and will not include advertising outside the Hospital boundary or be visible beyond Mater Dei Hospital.
  - FMS shall pay the sum of Lm16,000 (€37,270) per annum (excluding VAT) to the Company for the provision of 50 reserved parking spaces. These will be made available to 20 renal patients and 30 disabled persons.
  - The Company shall issue frequent user permits allocated to specific vehicle numbers. Persons qualifying for these permits shall be determined by the Mater Dei Hospital management. The rates charged (inclusive of VAT) for these permits were:

**Table 2.1 Car Parking Charges to Frequent User Permits Allocated to Specific Vehicle Numbers**

Type of frequent user permit allocated to specific vehicle numbers	Rate charged (inclusive of VAT)
3 day permit	€ 7.50
30 day permit	€ 55.00

*Source: FMS, 2008*

- The Company shall have the right to issue only 100 permits at any one time and shall also determine the specific parking sites to be used by permit holders.

2.1.2.3 In a meeting held on 20 December 2007, the General Contracts Committee approved the recommendations forwarded by FMS – namely that the external security obligations of the Company be treated as a contract on its own and the adoption of new parking rates – in terms of Regulation 59(d) of the Public Contracts Regulations.

Approval was granted under the following conditions:

- a. these services are absolutely necessary for the proper administration of Mater Dei Hospital*
- b. the most cost effective (value-for-money) basis was taken into consideration when ordering these services from this contractor*
- c. funds are available*
- d. payments are strictly made in terms of the contract.”*

On 4 January 2008, the Director General (Contracts) sanctioned the request by FMS on the basis of the approval given by the General Contracts Committee in December 2007.

2.1.2.4 On 21 February 2008, FMS and the Company entered into an Agreement wherein the Parties agreed:

- *“For all intents and purposes ... the Service Concession Contract [signed on 27 July 2007] ... has been terminated with effect from 1 January 2008 ...”*
- *“The Parties agree that the Concession Fee due and payable in accordance with Clauses 3 and 5.2.2 of the Service Concession Contract is waived.”*
- *“... the Parties agree and declare that to date they have no claims of whatsoever nature against each other arising out of the Service Concession Contract.”*
- *“The Parties agree that the one time payment of Lm13,000 (€30,281.85) by the Client to the Concessionaire shall remain due in accordance with Clause 5.2.1 of the Service Concession Contract.”*

### **2.1.3 Service Concession Contract for the Provision of Car Park and Traffic Management Services**

2.1.3.1 On the same date (i.e. 21 February 2008), a Service Concession Contract for the Provision of Car Park and Traffic Management Services at Mater Dei Hospital was entered into between FMS and the Company. The Contract stipulated that:

- (a) The Company was selected as the preferred bidder following a public call for tenders of the original concession contract.
- (b) The Company and the Client entered into a Service Concession Contract for the Provision of External Security, Car Park and Traffic Management Services at Mater Dei Hospital on 27 July 2007.
- (c) Due to unforeseen circumstances, certain terms of the Service Concession Contract – in particular the rates of the charges for users and, consequently, the amounts of the concession fee payable – needed to be revised. *“It was therefore decided by the Parties to terminate the Service Concession Contract and to enter into two separate agreements: a Services Contract for the Provision of External Security Services at Mater Dei Hospital and a Service Concession Contract for the Provision of Car Park and Traffic Management Services at Mater Dei Hospital, substantially under the same*

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*terms and conditions as the Service Concession Contract except for the rates of the charges for users, the amount of concession fee payable and the fees payable to the Client.”*

- (d) The services required under the Car Park and Traffic Management Services at Mater Dei Hospital concession contract included:
- the operation and management of the car parks;
  - traffic management; and
  - the installation of any additional equipment and signage that may be required to operate an efficient car park/traffic management system, and maintenance thereof.
- (e) No Concession Fee shall be due by the Company to the Client.
- (f) The Company shall be entitled to collect and receive payment of the car parking charges payable by users of the car park. Moreover, the Company shall establish the charges in accordance with the tender and may modify the charges during the Period of Execution subject to the prior approval of the Client.

The rates charged shall not exceed the following rates:

**Table 2.2 Final Car Parking Charges**

	<b>Parking time</b>	<b>Maximum rate chargeable (inclusive of VAT)</b>
i.	from minute 1 to minute 30	no charge
ii.	from minute 31 to minute 60	€0.80/Lm0.35
iii.	from minute 61 to minute 120	€1.65/Lm0.70
iv.	from minute 121 to minute 180	€2.45/Lm1.05
v.	from minute 181 to minute 240	€3.25/Lm1.40
vi.	from minute 240 onwards	€4.10/Lm1.75 (max per day)
vii.	from 22.00 hours to 06.00 hours	€0.80/Lm0.35 (for the duration)

*Source: FMS, 2008*

- (g) The maximum charges set above shall be reviewed by the Client after one year from the commencement date.
- (h) The Company shall be allowed to collect and receive payment of penalties from Users for irregular car parking at rates set out in the tender, provided that it shall be the Company’s responsibility to provide for the imposition of and to enforce the Penalties and to ensure that such Penalties are based on legal, valid and enforceable terms and conditions applicable to the Users.

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- (i) The date for commencing performance of the Services is 1 January 2008 and the period of execution is 60 months from 1 August 2007.
- (j) The Company shall ensure that its employees record their time of attendance at the Hospital on punch clocks/cards (or other means) provided by the Client. The Client retains the right to make roll calls of employees of the Company at any time it deems fit. In the event that the Company is in default of this obligation without a justified reason, the Company shall be liable to a penalty of Lm100 (€232.94) for each default as may be notified by the Client to the Company.
- (k) The Company shall provide additional car parking space (Area C) which shall be reserved for members of staff of Mater Dei Hospital and other “permitted users”, unless otherwise instructed by the Client.
- (l) The Company, on behalf of the Client, shall collect from the permitted users using the parking facilities in Area C, a fixed daily rate of Lm0.32 (€0.75) or a monthly prepaid fixed daily rate of Lm0.21 (€0.50) for the entire daily duration of parking. The said rates are inclusive of VAT and shall apply at any time of day, seven days a week. The charges collected by the Company shall be disbursed to the Client on the last business day, except Saturday, of each calendar quarter.
- (m) In consideration of the Services provided in connection with Area C, the Company shall be entitled to receive from the Client a total annual fee of Lm27,000 (€62,893) (excluding VAT). The fee shall be payable quarterly in advance in 4 equal instalments and each instalment shall be due on the first business day, except Saturday, of each calendar quarter provided that the first quarterly instalment shall be due on 21 February 2008. The Client shall be entitled to set off the amounts due to him against the corresponding amounts due to the Company.
- (n) The charges set out shall be reviewed by the Client after one year from the Commencement Date.
- (o) The Company shall reserve 50 car park spaces for vehicles driven or used for transport of persons who hold a relative permit issued by the Client or a “Blue Badge for Disabled Persons” issued by the Malta Transport Authority, which shall be made available free of charge.
- (p) In consideration of the services provided in connection with Reserved Spaces, the Company shall be entitled to receive from the Client a total annual fee of Lm16,000 (€37,269.97) (excluding VAT). This fee shall be payable quarterly in advance in 4 equal instalments and each instalment shall be due on the first business day, except Saturday, of each calendar quarter provided that the first quarterly instalment shall be due on 21



February 2008. The Client shall be entitled to set off the amounts due by the Company to him in relation to this Contract against the corresponding amounts due to the Company.

- (q) The Company shall apply the following fixed daily rates at any time of day, 7 days a week, when charging Users who qualify as frequent users and who are assigned a “Frequent User Permit” issued by the Company:

**Table 2.3 Car Parking Charges to Frequent Users**

<b>Frequent User Permit description</b>	<b>Rate chargeable (inclusive of VAT)</b>
Frequent User Permit valid for 3 days:	€7.50/Lm3.22
Frequent User Permit valid for 30 days:	€55.00/Lm23.61

*Source: FMS, 2008*

- (r) At any one time there shall be a maximum of 100 valid Frequent User Permits. The charges set out for Frequent User Permits shall be reviewed by the Client after one year from Commencement Date.
- (s) The Company shall be entitled to advertise, to create advertising space and to allow third parties to advertise or use advertising space within the parking areas in respect of which the Company provides the services under this Contract and to receive payments from third parties in relation thereto; provided that the Company shall not be allowed to advertise, create advertising space and to allow third parties to use advertising space if such advertising is visible from outside or beyond the Hospital’s boundaries.

#### **2.1.4 Service Contract for the Provision of External Security Services**

2.1.4.1 On 21 February 2008, a Services Contract for the Provision of External Security Services at Mater Dei Hospital was also entered into between the Foundation for Medical Services and the Company. The main conditions in the Contract stipulated that:

- (a) In consideration for the services provided under this Contract, the Company is entitled to receive from the Client a total annual fee of Lm210,000 (€489,168.41) per annum (excluding VAT).
- (b) The date of commencement of services is 1 January 2008 and the period of execution of service is 60 months from 1 August 2007.
- (c) The Company shall ensure that its employees record their time of attendance at the hospital on punch clocks/cards (or other means) provided by the Client.

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- (d) In the event that any of the security team staff report sick at short notice and/or for any reason fail to report on duty, the Company shall effect immediate replacement/s within a maximum of one hour. If the Company fails to do so, it shall be liable to a penalty of Lm100 (€232.94) for each default as may be notified by FMS to the Company.
- (e) The Company shall provide a security team as provided in Section 2 – Service Level Requirement. However, the Client may from time to time request the Company to increase the security staff team for periods of time according to the exigencies of the Client.
- (f) The Company shall take out and/or maintain an adequate insurance policy of not less than Lm250,000 (€582,343.35) in the joint names of the Company and the Client against liabilities for death or injury to any person or loss or damage to any property arising out of the performance of the Contract.
- (g) The Client has the right to terminate this Contract before the expiry of the Period of Execution by giving notice to the Company in the event that it is in breach of this Contract and ... the Company fails to remedy such breach within a period of 10 days.
- (h) Irrespective of the above, the Client may at any time terminate this Contract by giving notice in writing at least 30 days prior to the date of such termination. Upon such notice, the Company shall take immediate steps to bring the Contract to a close.
- (i) This Contract shall be automatically terminated upon the termination of the Service Concession Contract for the Provision of Car Park and Traffic Management Services at Mater Dei Hospital entered into between the parties.
- (j) The Company shall provide the following Core Services to the Mater Dei Hospital:

External security services: This includes manning of gates and control room at all times, protection of property, staff and visitors and prevention of unauthorised entry or activity on hospital grounds. Security within hospital buildings will be provided by the Client and is not an obligation under the Contract.
- (k) The Company shall propose the strength and deployment of the security team it deems necessary to provide external security services at Mater Dei Hospital. Such proposal should, however, provide for a minimum level of 23 personnel as detailed below.

**Table 2.4 Minimum Level of Security Personnel**

Area	Open Hours		Closed Hours	Total Hours
	Shift 1	Shift 2	Shift 3	
	06.00-14.00	14.00-22.00	22.00-06.00	
	Hours	Hours	Hours	
Gates	4	4	3	11
Control Room	1	1	1	3
External Security	3	3	3	9
<b>Total</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>23</b>

*Source: FMS, 2008*

- (l) The Security team will provide continuous full cover Security Services, on a 24-hour, 7 day week basis.

**2.1.5 Financial data 2008**

2.1.5.1 On 30 April 2008, FMS informed Mater Dei Hospital’s CEO that FMS had, in February 2008, entered into two separate contracts with the Company: one for the Provision of External Security Services for a cost of Lm210,000 (€489,168.41) per annum and the second a Service Concession Contract for the Provision of Car Park and Traffic Management Services. Government liabilities arising out of the car park concession included Lm16,000 (€37,269.97) per annum for the management of the reserved car park for disabled persons and renal patients and Lm27,000 (€62,893.08) per annum for the Area C car park. Revenue collected from this area was to be set off against this fee. No concession fee was to be paid by the Company to FMS. Since these contracts were of an operational nature, FMS recommended that the contracts be assigned to the Department of Health (MDH). Additionally, monies to cover these services were to be allocated from the MDH operational budget.

2.1.5.2 During 2008, MDH incurred the following fees (VAT inclusive) in connection with these Contracts:

**Table 2.5 Contract Fees incurred during 2008**

	<b>Type of Contract</b>	<b>Contract fees incurred (inclusive of VAT)</b>
a.	External Security	€ 577,219
b.	Management of Area C	€ 74,214
c.	`Renal patients' and `disabled persons' reserved parking spaces	€ 43,979

*Source: FMS, 2008*

As agreed between the Parties, revenue collected from Area C car park can be offset against these amounts. According to the Company, revenue collected from this area during 2008 amounted to €36,135.34 (inclusive of VAT).

### **2.1.6 Legal proceedings**

2.1.6.1 A judicial protest was filed in Court on 17 July 2008 by a number of contractors against FMS, the Director of Contracts, the Minister for Social Policy, the Minister of Finance, the Economy and Investment and the Prime Minister. In the judicial protest, in brief and unofficially translated, it was alleged that:

- (a) The conditions of the original concession contract signed between FMS and the Company were radically changed. This change in the conditions of the contract was irregular and illegal. FMS was bound to issue a fresh call for tenders for the supply of external security services, car park and traffic management at Mater Dei Hospital.
- (b) The contract with the Company does not further qualify under the definition of a "public service concession contract" in terms of the Public Service Regulations (Legal Notice 177 of 2005) since a public service concession contract means a public service contract except for the fact that the consideration for the services to be provided consisted either solely of the right to exploit the service or in this right together with payment; FMS was therefore seriously in breach of its legal obligations.
- (c) Claimants were therefore calling upon FMS to terminate with immediate effect, and not later than 4 days from the judicial protest, the contract with the Company and initiate procedures to issue a public call for tender for the supply of the services in question.

2.1.6.2 According to the counter protest dated 31 July 2008 lodged on behalf of FMS, the latter denied that it acted in an irregular way or was in breach of prevailing legislation. In the counter protest, in brief and unofficially translated, it was stated that:

- (a) The Company was selected as the preferred bidder following a call for offers. Following the award of the contract, the parties were entitled to make changes to the contractual conditions.
- (b) The possibility to vary the contract was known beforehand by all interested parties, including the parties lodging the protest.
- (c) Where the Public Contracts Regulations contain certain rules on variations (Regulations 77 and 78), these expressly acknowledge the possibility of such variations taking place.
- (d) Public concession agreements are excluded from the scope of application of the Public Contracts Regulations.
- (e) Any changes to the Service Concession Contract would not require FMS or the Department of Contracts, on FMS' behalf, to organise a (new) tender procedure in terms of the Public Contracts Regulations since security services - and other services as listed in Schedule 7 to the Public Contracts Regulations - are exempt from this procedure.
- (f) FMS could have recourse to the negotiated procedure as per Regulation 59 of the Public Contracts Regulations
- (g) The parties lodging the protest do not have any juridical interest to forward their protest in that the offer presented by them did not fulfill the minimum requisites of the tenderers.

2.1.6.3 As confirmed by the Director General (Courts of Justice Division) in December 2008, the contractors filing the judicial protest have since initiated legal proceedings before the First Hall of the Maltese Civil Courts against the Foundation for Medical Services, *et al* with regard to these contracts.

## **2.2 Alleged irregularities in the procurement process**

Several irregularities have been alleged by a number of contractors in a court case initiated on 26 September 2008 against the Foundation for Medical Services. However, these allegations have been rebutted in their entirety by FMS. The onus now lies on the local judicial system to decide whether laws have been infringed in the award of these contracts and what remedial action, if any, is to be taken.

### **2.2.1 Conclusion**

Given the pending court case, and the legal advice obtained, it is deemed imprudent and unethical for the National Audit Office to comment at this stage on the legality or otherwise of the contracts regarding the external security, car park facilities and traffic management at Mater Dei Hospital.

## **2.3 Contract management**

### **2.3.1 Testing carried out**

As part of the financial and compliance investigation, the following tests were carried out to ensure that MDH were adequately managing both the contract for the provision of external security services, as well as the service concession contract for the provision of car park and traffic management services.

#### **2.3.1.1 Verification of invoices**

The invoices for the provision of external security services and car park/traffic management services (i.e. in respect of Area C and the reserved parking spaces for disabled persons and renal patients) covering the period January to December 2008 were verified. Each invoice total was recomputed to ensure its correctness. Furthermore, it was ensured that the total amount invoiced for 2008 was in accordance with the total annual fee as indicated in the service agreement.

Fiscal receipts covering payments effected were requested both from MDH and FMS.

#### **2.3.1.2 Verification of the number of hours worked by external security guards**

The rosters for the periods 21 to 31 January 2008, 24 to 31 March 2008 and 21 to 31 July 2008 were obtained, and the daily number of hours worked by the security guards as indicated on the rosters was calculated. These totals were compared to the minimum number of shifts (converted into hours) as established by the service agreement.

### **2.3.2 Shortcomings in contract management**

#### **2.3.2.1 Non-adherence to the clause stipulating the minimum number of guards to be provided**

The service agreement for the provision of external security services states that *“The Contractor shall propose the strength and deployment of the security team he deems necessary to provide external security services at Mater Dei Hospital. Such proposal should provide for a minimum level of 23 personnel”*, each working on an 8-hour shift. Therefore, a total of 184 hours of external security services were to be provided on a daily basis.

This minimum 184 hours daily requirement was not met during the weeks chosen in the sample (i.e. the last week of January, March and July 2008). In fact, the service given to MDH during these weeks was short of 466 hours in January, 303.5 hours in March and 483.5 hours in July (*Appendix E refers*). This shortage of hours, which was confirmed with MDH, mainly resulted from the fact that although the service agreement catered for the whole-time equivalent of one security guard to be detailed at the control room 24 hours a day, 7 days a week, this officer never featured in the rosters verified.

Since the service agreement for the provision of external security services is a lump sum contract, the exact monetary value of this shortage in the number of hours cannot be determined.

#### **2.3.2.2 Undocumented inspections carried out on external security guards during first 8 months of 2008**

Although MDH officers confirmed that *ad hoc* inspections to verify the presence of security guards were carried out during the first 8 months of 2008, these physical checks were not being documented and therefore the respective details are not available.

However, as from end August 2008, MDH personnel started performing daily (excluding weekends) inspections at random times to ensure that the security officers are present at their deployment area as per the detail sheet. Details of these inspections are being documented.

#### **2.3.2.3 Non-endorsement of revenue collected from Area C**

As stated earlier, the Company is required to collect fees in respect of parking facilities in Area C, utilised by MDH’s staff or other permitted users, on behalf of FMS.

During 2008, the Company collected a total of €36,135.34 (inclusive of VAT) in Area C parking fees. However, this amount has not been endorsed by MDH, the reason given to this Office being that the amount was not readily verifiable. On the other hand, the fees due to the Company in relation to Area C for the period January to September 2008 have been paid in full.

#### **2.3.2.4 Fiscal receipts not submitted by the Company**

Fiscal receipts in respect of payments effected for the provision of external security services and car park/traffic management services covering the period January to September 2008 were requested by this Office both from MDH and FMS (since the invoices were being issued to FMS and paid by MDH).

Whilst MDH stated that they do not recall having received these receipts, FMS confirmed that up to date of audit, no fiscal receipts covering payments for external security and car park/traffic management services were submitted by the Company.

#### **2.3.3 Conclusion**

In the absence of documentation, it cannot be ascertained that during the first 8 months of 2008 MDH carried out the necessary verifications both on attendance of external security guards, as well as on the adherence (by the Company) to the minimum requirements stipulated in the service agreement. In fact, no deductions were made to the quarterly payments due to the Company in respect of the number of guarding hours not being provided.

Furthermore, the non-endorsement of revenues relating to Area C parking fees is negatively impacting MDH's cash flow, since less funds would have been required had these revenues been set off against the payments due for park/traffic management services.

#### **2.3.4 Recommendations**

- 2.3.4.1 MDH are to ensure that all the clauses in the service concession contract for the provision of car park and traffic management services and the service agreement for the provision of external security services, especially those relating to the minimum service requirements for external security, are met. Cases of non-compliance should be brought to the attention of the Company. If necessary, deductions from the quarterly payments due to the Company are to be effected.



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2.3.4.2 Inspections carried out to verify the external security guards' attendance are to be documented in detail.

2.3.4.3 Regarding the revenue relating to Area C parking fees, MDH are to identify a system which verifies the number of vehicles using Area C as reported by the Company (and consequently the amount of revenue).

## **Chapter 3: Outsourcing of Internal Security Services**

### **3.1 Chronology of events**

- 3.1.1 During the period August – September 2007 negotiations were held between the Foundation for Medical Services and SMJV to negotiate a variation in line with an exercising of an option, included under the main Design and Build Contract executed by the Parties dated 23 February 2000, and amended by the Amendment Agreement of 12 April 2005, instructing the Contractor to execute Facilities Management services (FM). In terms of the said contracts, SMJV were responsible for Facilities Management at Mater Dei Hospital up to end December 2007.
- 3.1.2 In October 2007, FMS informed the Director General (Contracts) that SMJV “*are no longer interested in carrying out these works with the disastrous resultant impact this will have on the Migration Plan and the actual operation of Mater Dei Hospital*”. The negotiations failed mainly due to the high management fee requested, calculated as a percentage on top of the costs, which was unacceptable to both FMS and the Ministry of Finance.
- 3.1.3 FMS set up an *ad hoc* committee to review the exiting contracts with SMJV’s sub-contractors providing Facilities Management. In the limited time from the failure of the negotiations to the termination of the contracts with SMJV (ending on 31 December 2007), according to FMS, there was insufficient time to either prepare, issue and award new tenders or re-negotiate each contract with the respective contractor. FMS therefore sought the approval of the Director General (Contracts) to place direct orders with a number of contractors for Facilities Management services. FMS recommended that the duration of these contracts be for a period of 3 to 5 years stating that “*... for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the services may be provided only by a particular economic operator.*” Authority was requested in terms of Regulation 59(b) of the Public Contracts Regulations.
- 3.1.4 On 22 October 2007, the Director General (Contracts) gave approval to FMS to “*adopt the negotiated procedure in respect of services being provided by the companies indicated ...*”. However, the contracts in respect of services of a propriety nature had to be limited to 3 years, except for one which had to be limited to 12 months on the basis that the said propriety rights will diminish over time.

- 3.1.5 In March 2008, FMS sought, through the Permanent Secretary, Ministry of Finance the approval of Director General (Contracts) *“for the direct engagement of Group 4 to provide Internal Security Services at Mater Dei Hospital for a limited period of 12 months”*. The estimated cost for the services was *“in the region of €45,300/month; that is €544,000/year, excluding VAT”*. FMS committed itself to issue a competitive tender for the provision of internal security services beyond the 12-month period.
- 3.1.6 In his reply, the Director General (Contracts) stated that *“This Department understands that in view of the transition of responsibilities between Skanska Malta Joint Venture and the Foundation for Medical Services, the same contractors had to continue in order not to cause any disruptions to the services being provided. However, this Office has already expressed its view that early action should be taken to regularise the procurement of services in accordance with the Public Contracts Regulations”*. Moreover, the Director General (Contracts) requested explanations as to why FMS requested a direct order to cover 12 months and not a shorter period. Director General (Contracts) further stated that *“in accordance with the value of the services being requested, the relative tender does not qualify under the three package system”*.
- 3.1.7 In reply to the Director General’s (Contracts) observations, FMS stated that it had requested the direct order to cover a period of 12 months so as *“to ensure adequate time to prepare and issue a competitive tender and to award a new contract”*. However, since in consideration of the value of the services requested the tender did not qualify under the three package system, FMS did not require a 12-month period for the direct order as FMS intended to issue a call for tenders with a planned target date for an award of contract by latest 31 July 2008. FMS therefore requested approval for the placing of a direct order with Group 4 Securitas Limited – hereinafter referred to as the Company – for 7 months, covering the period 1 January to 31 July 2008, with an estimated monthly cost of €45,300 (excluding VAT).
- 3.1.8 On 25 March 2008, FMS informed the CEO Mater Dei Hospital that *“the provision of internal security [at Mater Dei Hospital] ... does not fall within the remit of FM and in fact FMS has no budget to cover this provision”*. Furthermore, FMS had requested authorisation from the Department of Contracts to cover internal security services for the period January to July 2008. Contracts’ authorisation had not been received by that date, leaving *“FMS in a very exposed situation since [FMS had] no contract with Group 4 and no authorisation to make payments for services already provided”*.

3.1.9 On 9 April 2008, approval was granted by the General Contracts Committee to FMS to enter into a negotiated procedure with the Company, in terms of Section 59(d) of the Public Contracts Regulations to cover security services for the period January to July 2008. The “*estimated cost of the contract should be €317,000*”. Moreover, approval was granted, amongst others, “*provided that:*

- a. *these works were absolutely necessary;*
- b. *the most cost effective (value-for-money) basis was taken into consideration when ordering these works; and*
- c. *payments are strictly made against certified services”.*

3.1.10 The contract for the Provision of Internal Security Services at Mater Dei Hospital was signed on 4 June 2008 between the Foundation for Medical Services and the Company.

The scope of works *inter alia* included the following:

- (a) The provision of the required quantity of suitably vetted, thoroughly and appropriately trained and experienced full time security personnel and the direct managerial staff.
- (b) The minimum total number of staff on duty at any time throughout the Contract’s execution shall not be less than 20 persons, including site supervisor, senior officers and control room officers.
- (c) Works shall be executed on a shift basis and for 24 hours per day, 365 days per year, including all public and national holidays.
- (d) The Company is to ensure that at least 3 female security officers are on site at all times.
- (e) Internal patrols of all contract areas are to be carried out at all times.
- (f) The Company is to install RFID (Radio Frequency Identification) tags to the locations instructed by the Client.
- (g) The Company shall, on every day of the Contract Period, download onto the Client’s computer system, all the daily electronic data accumulated on the electronic punch strip stations for each of the day’s patrols.
- (h) The Company is to ensure that during silent hours (between 22.00 and 06.00 hours) regular internal patrols shall inspect all unoccupied areas, spaces/public areas and access corridors.

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- (i) In the event that any of the Company's personnel and/or direct management staff report sick at short notice and/or for any reason fail to report for duty, the Company is to effect immediate replacement(s) within a maximum of 2 hours; if the Company fails to do so, the Company shall be liable to pay FMS €233 for each default.

The rates and prices paid by FMS, as listed in the Contract Pricing Schedule (Appendix B), are deemed to cover all costs which the Company may incur. The unit rates and prices are fixed for the duration of the Contract Period and any extension thereof. All rates and prices within the Contract Pricing Schedule are exclusive of VAT.

- 3.1.11 In July 2008, FMS informed the CEO Mater Dei Hospital that the contract between FMS and the Company for the provision of internal security services at MDH expires on 31 July 2008, *"following which FMS will have no further involvement in the provision of this service"*.
- 3.1.12 In August 2008, through the Permanent Secretary Ministry for Social Policy (Health), MDH submitted draft copies of the new tender document for the Provision of Internal Security Services at Mater Dei Hospital to the Department of Contracts. According to the attached Tender Originators Form, the estimated value of the tender was €5,400,000 for a period of 3 years.
- 3.1.13 On 30 December 2008, the Director General (Contracts) informed FMS that the Minister of Finance, the Economy and Investment had directed that the present arrangements regarding internal security are to continue by not later than 31 March 2009 provided that the new tender is published by mid-January 2009. Contracts' approval was also granted to cover the increase in the contract value for the period January to July 2008 of €768,348 (refer to paragraph 3.2.2).
- 3.1.14 The cost of the contract as per invoices raised by the Company, and duly approved by FMS and MDH for the year 2008, amounted to €1,711,798 (inclusive of VAT).
- 3.1.15 A public call for tenders for the Provision of Internal Security Services at Mater Dei Hospital was published through the Department of Contracts on 13 January 2009. The advert was also published in the Official Journal of the European Union during January. The closing date for the submissions of offers was 10 March 2009. The delay in the publication of the new tender is partly attributable to the inclusion of new clauses requested by the Ministry of Social Policy with regard to employees' conditions of employment.

## **3.2 Irregularities in the procurement process**

### **3.2.1 Request to the Director General (Contracts) for the placing of a Direct Order with the Company submitted following commencement of services**

In late 2007, FMS sought and obtained the approval of the Department of Contracts to “*adopt the negotiated procedure*” with a number of contractors providing Facilities Management services at Mater Dei Hospital which, up to end 2007 were under the responsibility of SMJV. Facilities Management included internal security services which had, since the inception of the project, been provided by the Company. However, notwithstanding the fact that FMS took over Facilities Management with effect from 1 January 2008, Contracts approval for the placing of a direct order with the Company was requested by FMS on 3 March 2008, following the commencement of the provision of services on 1 January 2008.

When FMS took over the responsibility for FM it was decided to retain the same Company as (i) there was too short a time to prepare and to issue a call for tenders to be ready for an award of contract by 1 January 2008 and (ii) the Company had been responsible for the provision of security services in MDH through the various stages of development, from construction to finishes, through the migration period and into its operation as a functioning hospital.

### **3.2.2 Miscalculation in the cost of contract**

In May 2008, FMS informed the Director General (Contracts) of a miscalculation in cost. While calculating the annual cost involved in the provision of internal security services at Mater Dei Hospital, the weekly estimate was inadvertently multiplied by 12 instead of 52, resulting in an under-calculation of the cost. The difference between the amount approved by the General Contracts Committee and the revised cost for the period January to July 2008 was €768,348. Approval to cover this additional amount was sought.

At this stage, NAO is not in a position to state whether the understatement in cost in any way could have influenced the approval the Department of Contracts or whether the tender would have been approved on the same terms and conditions if the correct value of the direct order were known.

Moreover, Contracts’ approval to cover the additional cost of €768,348 was granted later, on 30 December 2008. This approval resolved FMS’s uncertain situation for payments claimed for provision of services rendered by the Company during the first 7 months of 2008.

**3.2.3 Agreement with Company signed in June 2008 when the date of commencement was 1 January 2008**

The contract for the Provision of Internal Security Services at Mater Dei Hospital was signed between the Foundation for Medical Services and the Company on 4 June 2008. However, notwithstanding the date of execution of the contract, the contract period was considered to have commenced on 1 January 2008 and was to continue up to 31 July 2008.

Although the general election held in March 2008 was verbally cited by FMS as one of the main elements which hindered the concluding and signing of the contract, a more assertive approach by FMS could have ensured that the matter would not be left outstanding for a considerable period.

**3.2.4 Department of Contracts' approval for period beyond July 2008 obtained in December 2008**

MDH had, on 12 June 2008, requested the authority of the Contracts Department to extend the provision of Security Services beyond the 31 July 2008 until such time as the security contract is awarded. In its letter of request, MDH also stated that a new tender "*will be published shortly*". However, no official authority by the Contracts General Committee was granted with regard to the period after July 2008, again leaving MDH in an inapt and irregular situation. It was only in December 2008 that approval by the Minister of Finance, the Economy and Investment to retain the "*present arrangements*" with regard to internal security "*by not later than 31st March 2009*" was obtained.

**3.2.5 Original contract extended/Delay in the call for tenders**

The original contract signed with the Company was for a 7-month period up till 31 July 2008. However, a fresh call for tenders for the provision of internal security services was made the following year i.e. during January 2009. Although the delay can be partly attributable to the new clauses which were included in the new tender with regard to employees' employment rights, a more concerted effort by the authorities concerned was required so that matters are not left unduly pending, thus inevitably leading to direct order requests in lieu of issuing a call for tenders.

**3.2.6 Conclusion**

The Public Contracts Regulations, 2005 do not oblige authorities to award public contracts on the basis of an open call for tenders only. The Regulations provide, amongst others, for the award of public service contracts by negotiated procedure

without prior publication of an EU Contract Notice when the time limits for open, restricted or negotiated procedures with an EU Contract Notice cannot be respected for reasons of extreme urgency due to unforeseeable events. The contract for internal security at Mater Dei Hospital was awarded on such premise.

### **3.2.7 Recommendation**

Public service contracts should respect the basic principles of fairness, transparency and non-discrimination between economic operators. Thus, entities are to limit both the award and the duration of contracts given through direct orders to the barest minimum.

## **3.3 Contract management**

### **3.3.1 Testing carried out**

As part of the financial and compliance investigation, the following tests were carried out to ensure that MDH were adequately managing the contract for the provision of internal security services.

#### **3.3.1.1 Verification of invoices**

All invoices for the provision of internal security services for the period January 2008 and July 2008 were verified. Each invoice total was recomputed to ensure its correctness and completeness. Rates charged by the Company were matched with those indicated in the service agreement.

Furthermore, the schedules indicating the number of hours worked by each security guard in each assignment area for January and March 2008 were verified for correctness.

#### **3.3.1.2 Substantiation of payments**

Further testing was carried out on payments effected in respect of services provided during the last weeks of January 2008 (21 to 31 January) and March 2008 (24 to 31 March).

The internal security guards' rosters were obtained for these dates and each entry was tallied with the schedules attached to the respective invoices. Discrepancies noted, detailed under 'Shortcomings in Contract Management', were discussed with MDH.



**3.3.1.3 Verification of payments in respect of hours worked at the A & E Customer Care**

Since most of the officers working at the A & E Customer Care were also relievers during the same period (i.e. they replaced clerks on sick or vacation leave), the respective officers' rosters were requested for the period forming part of the sample, to ensure that no double payments were effected in this regard.

**3.3.1.4 Verification of the number of female officers and total number of security guards on site**

The service agreement stipulates that at least 3 female security officers are on site at all times, and that the minimum total number of staff on duty at any time throughout the Contract's execution shall not be less than 20 persons, including the site supervisor, senior officers and control room officers.

The security guards' rosters for the last weeks of January and March 2008 were reviewed to ensure that these clauses were being adhered to by the Company. Although the number of security guards during day and night shifts always exceeded 20 officers each shift, the number of female officers was not always in accordance with the contract agreement. Discrepancies in this regard are noted under 'Shortcomings in Contract Management'.

**3.3.2 Shortcomings in contract management**

**3.3.2.1 Limitation on scope of audit**

Originally, the testing on payments for the provision of internal security services was to include also the last week of July 2008. However, the schedule, indicating the number of hours worked by each security guard in each assignment area, was not attached to the July 2008 invoice. Although requested, this schedule was not made available during the audit, hindering this Office from conducting detailed testing.

Furthermore, the rosters (in respect of a total of 19 dates) of officers working at the A & E Customer Care were requested from MDH, who redirected the query to the Company since MDH was not in possession of such information. Instead of rosters, attendance sheets covering only 9 out of the 19 dates required were forwarded to this Office. Therefore, the audit testing to ensure that no double payments were effected in this regard was limited.

### **3.3.2.2 Payments not made under Contracts' authorisation**

On 22 August 2008, a payment of €153,580.74 (including VAT) was issued to the Company (under the authority of the then FMS' CEO) in respect of internal security services rendered during January 2008. A further payment of €20,000 (including VAT), being a part-payment on the February 2008 invoice, was effected on 1 October 2008.

Since the contract amount approved by the Department of Contracts (€317,100) had by the payment dates been exhausted, above-quoted payments were not covered by such authorisation.

By end November 2008, a further payment of €284,800.51 (including VAT and covering the remaining balance on the February 2008 and the March 2008 invoices) was released by FMS's CEO. This payment was effected "on account without prejudice".

As noted earlier on in this report, Contracts Department's approval for the remaining difference on the contract value (€768,348) was granted on 30 December 2008.

### **3.3.2.3 Incorrect invoicing**

From testing carried out on the invoicing sampled for the last weeks of January and March 2008, it transpired that FMS were incorrectly invoiced for this period, further evidencing weaknesses in checking of invoices prior to issuing payments.

During the last week of January, although FMS were undercharged a total of 15.5 hours, this still resulted in an overpayment of €75.14. Similarly, FMS were overcharged for 4 hours worked during the last week of March, and consequently paid the service provider an extra €157.25.

These overpayments were mainly a consequence of FMS being incorrectly charged on a daily basis for security guards forming part of the Response Teams. Information obtained from the respective rosters indicated that FMS were provided with more security officers and less senior security officers than indicated on the invoices. Since the hourly rate of senior security officers is higher than that of security officers, the discrepancy in the type of guarding hours resulted in FMS being overcharged.

This issue was discussed with MDH officials (since certification of invoices was under the responsibility of MDH), and a list of senior security officers was forwarded. However, all senior security officers indicated on the list were already accounted for in other assigned areas. Therefore, no reasonable explanation was obtained for this incorrect invoicing.

### **3.3.2.4 Hours worked at A & E Customer Care charged with Internal Security**

#### **3.3.2.4.1 No official document authorising service to be provided at A & E Customer Care and extra hours at the Pathology Department**

As from 30 January 2008, FMS (and later on MDH) were charged for 16 hours daily (excluding a few instances) worked at the A & E Customer Care. Although both MDH and FMS officials confirmed that this service was provided following a policy decision on the grounds that MDH needed to provide patients with a basic element of customer service, no official document was made available evidencing the authorisation for such a service to be carried out and charged out of the internal security contract.

Similarly, as from August 2008, MDH were being charged separately (although out of the internal security contract) for secretarial services worked by additional clerks at the Pathology Department. Once again, no official document is in hand evidencing the request and respective approval for the provision of this service. Evidence obtained was limited to an email providing Ministerial instructions to MDH “...to instruct G4S Security (Malta) Limited to reduce a total of 200 hrs a week (5 WTEs) of Security Services currently provided at Mater Dei Hospital. The same number of hours should be provided as clerical services at the Pathology Department – Mater Dei Hospital”. MDH failed to indicate the exact date as from when the transfer of hours from the internal security contract to the provision of clerks at the Pathology Department was effective.

#### **3.3.2.4.2 A & E Customer Care hours charged at guarding hours rates**

Between January and July 2008, hours worked at the A & E Customer Care were charged at the rate of €5.59 (excluding VAT) per hour i.e. the rate applicable for normal guarding hours. On the other hand, when MDH took over the contract management of the provision for internal security services in August 2008, the clerical rate of €5.00 (excluding VAT) was used for quantifying payments for this service.

Neither the provision for internal security contract nor the contract for the provision of Clerical/Reception services mentioned rates applicable in case of hours worked at Customer Care. Nonetheless, the change in the rate charged suggests that the rate applicable for these hours should be €5.00 (excluding VAT) i.e. rate applied to clerical hours.

### **3.3.2.5 Incorrect/incomplete information**

#### **3.3.2.5.1 Incomplete information**

Details on the June 2008 invoice were limited to the total number of hours for site senior officers, control room, senior guarding and normal guarding. Therefore, verification on the daily hours worked by each security guard in each assignment area was hindered since the schedule containing such information was not attached to the respective invoice.

#### **3.3.2.5.2 Incorrect rates and sub-totals indicated on invoices**

The rate charged in March 2008 for senior guarding hours and that charged in April 2008 for normal guarding hours do not agree with those as per the service agreement, whereas a subtotal featuring in the May 2008 was incorrect. This was due to a typing error since in all 3 cases the total amount charged by the Company was correct.

Since these invoices bore no evidence that FMS had identified such typing errors, the extent of verifications on invoices carried out by FMS cannot be ascertained.

#### **3.3.2.6 No attendance sheets and no signatures on rosters**

For the weeks chosen in the sample, no attendance sheets were available. Details of the guards' working hours and their assigned areas of duty were obtained from the rosters. However, these rosters were unsigned, and therefore no evidence could be obtained that security guards actually reported for work. Additional hours worked by the officers were at times indicated on an attendance sheet, however, the respective officers' signatures were not always evidenced.

As confirmed by MDH officials, security guards started signing in and out on the daily rosters as from 27 May 2008. Although used for a trial period towards the end of 2008, recording of security guards' presence by means of electronic time-keeping devices commenced officially on 1 January 2009.

#### **3.3.2.7 Minimum number of female officers on site not meeting the requirements of the service agreement**

From testing carried out it resulted that during the last week of January and March 2008, the number of female security guards during day and night shifts were less than 3, contrary to what was stipulated in the service agreement. In fact, on 23, 25 and 29 January, as well as 24, 30 and 31 March, only 2 female officers were on night shift duty.

### **3.3.3 Conclusion**

The inaccurate information presented, incorrect invoicing and absence of security officers' signatures clearly indicate that limited verification was being carried out, both on the invoicing for the internal security services as well as on the actual provision of the service.

### **3.3.4 Recommendations**

- 3.3.4.1 Invoices for the provision of internal security services are to include all the detailed information necessary to enable verifications on payments. These invoices are to be thoroughly checked for accuracy and completeness prior to being paid. MDH are to ensure that the rates applied are consistent with those established in the service agreement and the number of hours charged reflect the actual daily hours worked by the internal security guards. In addition, MDH are to refrain from effecting payments unless the contract of service is covered by either Finance's or Contracts Department's approval.
- 3.3.4.2 Verifications carried out by MDH should ensure that clauses in the service agreement are being adhered to.
- 3.3.4.3 The provision of new or additional services to be charged out of a contract which is in force should be formally requested to the Company by MDH (after all the necessary authorisations have been obtained). The conditions under which these new/additional services are to be provided and the applicable rate are to be discussed between MDH and the Company. Once an agreement is reached, this should be documented.

## **Section Two**

### **Value-For-Money Issues**

## **Introduction to Section Two**

- (i) The structure for this Section of the Report is as follows:
- **Chapter 4** - assesses the need to fill vacancies for Ward Clerical Assistants at MDH and examines the value-for-money issues regarding the planning, outsourcing and management of Clerical/Reception services.
  - **Chapter 5** – assesses the changes made to the original *Service Concession Contract for the Provision of External Security Services and Car Park and Traffic Management Services at Mater Dei Hospital*, following Government’s decision to reduce the parking rates. It also reports on the implications of the decision that was taken and examines issues related to contract management.
  - **Chapter 6** – evaluates value-for-money issues related to the outsourcing of internal security services at MDH. The Chapter also examines the decision to retain security personnel at St Luke’s Hospital (SLH).
- (ii) A broad methodology was followed during the investigation. This fell into the following areas:
- A series of semi-structured interviews with managers and public officials at the Ministry of Social Policy, Mater Dei Hospital, the Foundation for Medical Services, the Ministry of Finance, the Economy and Investment, the Department of Contracts, the Security Office at St Luke’s Hospital and the Management and Personnel Office.
  - A review of forwarded documents and analysis of data.
- (iii) Fieldwork was carried out between September and December 2008. Unless otherwise stated, the findings in this section of the report reflect conditions up to end January 2009.

## **Chapter 4: Outsourcing of Clerical/Reception Services**

### **4.1 Vacancies for Ward Clerical Assistants**

4.1.1 In November 2004, Government announced that MDH would be officially opened on 1 July 2007. The preparations for the migration to the new Hospital underscored the urgent need to fill a number of vacancies for Ward Clerical Assistants accumulated over the years at SLH. These clerical posts had remained unfilled as a result of a Government policy not to employ staff into this grade.

4.1.2 The responsibilities of a Ward Clerical Assistant include the following duties related to the day-to-day operation of a ward or department:

- (a) *Routine clerical duties*, namely the scheduling of appointments; the dispatch of discharge letters; the processing of forms; the maintenance and tracking of ward files and detailed records; the keeping of information on the patients' dietary requirements; the maintenance of records of staff on duty; the re-ordering of supplies; and the use of information technology systems.
- (b) *Reception duties*, such as receiving and relaying telephone messages, as well as responding to enquires for routine information.
- (c) *Communication with patients, their families and hospital staff*, including giving assistance and directions.

4.1.3 As early as September 2002, the '*Mater Dei Hospital - Management, Organisation and Human Resource Plan*' had identified the need for additional clerks and ward clerical assistants. This Plan prepared for the Cabinet Committee on Social Dimension, was based on two main documents: (i) the Human Resource Plan produced by the Department of Institutional Health in 2001; and (ii) a Report presented by external consultants in 2002 using an activity based model to determine a work force plan for MDH.

4.1.4 In February 2006, the situation report on '*Support Staff*' prepared by the newly appointed CEO again identified the severe lack of clerical support staff that prevailed at the SLH at that time. The Report had stressed that unless the minimum number of clerical staff was engaged to provide an acceptable service; there would be a situation at MDH of wards, clinics or outpatient clinics with an inadequate number of support staff. As a consequence, it was argued that health professionals and clinical support staff could not devote their time and attention to patients as they would also be required to carry out clerical work.

4.1.5 Between September and November 2006, several efforts were made by the then Ministry of Health, Elderly and Community Care (MHEC) to obtain the



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- authorisation of the Management and Personnel Office (MPO) to recruit around 56 persons for the post of Ward Clerical Assistant through both an internal and an external call for applications and through possible redeployment. The request from the Health Ministry included an account of where these personnel were most urgently required at SLH.
- 4.1.6 MHEC also expressed its concern that restricting the call to an internal exercise (that is to only those in the public service or to the wider public sector who satisfied the job requirements and wished to apply for a position in Salary Scale 18) would have a very limited response. MPO, however, had its own reservations to the request made by MHEC to include an external call for the post of Ward Clerical Assistant. MPO preferred not to engage new staff in order to leave open the possibility of future redeployment of personnel already employed in the Public Service or the Public Sector to the post of Ward Clerical Assistant at MDH.
- 4.1.7 *An Ad Hoc Working Group on MDH Recruitment*, made up of representatives of MHEC, MDH, MPO, and the Directorate General Budget Affairs at the then Ministry of Finance (MFIN) also met to discuss this issue. In early 2007 it was decided to issue only an internal call for Ward Clerical Assistants and at the same time take steps to outsource temporarily the required clerical and reception services.
- 4.1.8 In March 2007, MHEC, with the concurrence of MFIN, agreed to proceed, through the Foundation of Medical Services (FMS), with the outsourcing of 56 clerical support staff at an estimated cost of Lm232,960 (€542,650) per annum. This decision was based on the assessment of MHEC that the prevailing situation was no longer tenable and that outsourcing would be provisional until such time Government decides to go ahead with the issuing of an open call for applications for Clerks. The approval from MFIN to outsource was also on condition that the outsourcing agreement could be stopped or reduced at any time if and when Government decided in favour of full time employment.
- 4.1.9 The outsourcing of Clerical/Reception services was considered as the quickest way to obtain these services to meet the immediate demands of the new Hospital. A call for offers, issued by FMS, in April 2007 attracted three bids. The quoted rates per hour varied between Lm2.15 (€5.01), Lm2.75 (€6.41) and Lm2.85 (€6.64) (exclusive of VAT). The company offering the lowest rate per hour, G4S Security Services (Malta) Limited. (hereon referred to as the Company) was selected in July 2007 through an Adjudicating Committee made up of representatives of MHEC, MDH and FMS. The management of MDH considered the rate that was offered as being favourable.
- 4.1.10 This rate can be considered advantageous, especially when one takes into account the bonuses, National Insurance contributions, vacation leave entitlement and sick leave that MDH would have incurred if the employees were engaged directly by

the Hospital. Consideration should, however, also be given to the employment conditions being offered by the Company to the staff engaged at MDH. This information is not kept by MDH and it was therefore not possible for NAO to evaluate this aspect. MDH and MSP (the Ministry responsible for MDH since March 2008) have in the meantime confirmed that the new tender published in January 2009 for the outsourcing of Clerical/Reception services will be addressing this issue and requiring that the selected bidder guarantees that the contracted staff earn a salary equivalent to the salary scale of a Ward Clerical Assistant and that appropriate employment conditions are offered to the engaged employees.

- 4.1.11 The internal call for the post of Ward Clerical Assistant (Salary Scale 18), as discussed in the *Ad Hoc Working Group on MDH Recruitment*, was issued by MPO in June 2007 through MPO Circular 94/2007. The outcome of this internal call was, however, unsuccessful as only one applicant was eligible and passed the selection interview. In October 2007, the Public Service approved the Selection Board's report on the interview results for the post. In the meantime, the contract with the Company had been in force since August 2007.
- 4.1.12 Attempts by MHEC in October 2007 to recruit externally or redeploy former Maltapost staff as Ward Clerical Assistants did not materialise. In the case of the latter, MDH management has indicated that there could have been difficulties to integrate assigned ex-Maltapost staff as these were in a higher Salary Scale and would have had the same duties and responsibilities as those in the lower Salary Scale 18.

## **4.2 Engagement of outsourced Clerical/Reception staff**

- 4.2.1 There were various stages in the engagement of outsourced clerks, with MDH management using different measures to respond to the evolving demand for additional clerical and reception services in the new Hospital. **Table 4.1** summarises the different stages of outsourcing of Clerical/Reception staff at MDH between August 2007 and December 2008.
- 4.2.2 MDH initially recruited 56 Clerks/Receptionists or Whole Time Equivalents (WTEs) at MDH for a period of one year through a Service Agreement signed on 9 August 2007 between FMS and the Company. The Service Agreement included the conditions presented in **Table 4.2**.
- 4.2.3 The job specifications for the post were as follows:
  - (a) The engaged clerks/receptions had to have good communication skills and customer care attitude, be of good moral character, and project a smart appearance;

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- (b) The recruits were also expected to have either SEC/Ordinary Level passes in a minimum of 5 different subjects, including Maltese, English and Mathematics; or 5 years of clerical or reception desk experience which had to be backed by documentary evidence; and
- (c) Moreover, the clerks were required to have knowledge of computer applications.

**Table 4.1 Number of outsourced clerical and reception staff or Whole Time Equivalent**

<b>Stage</b>	<b>Decision</b>
August 2007	Signing of the Service Agreement for the provision of Clerical/Reception services through 56 clerks (or WTEs) for a period of one year.
December 2007	Decision to engage an additional 15 clerks (or WTEs) as an extension to the Service Agreement of August 2007.
January 2008	From the end of January 2008, approximately an additional 440 to 500 hours were utilised every month (from the contract for the provision of internal security services) to provide a new customer care service at the Accident and Emergency Department.
March 2008	Engagement of 6 clerks for a six month period to perform work on the LIS system, using the conditions of the Service Agreement of August 2007.
June 2008	Formal direction was given by the MSP to use 200 hours per week (or 5 WTEs) from the Internal Security Agreement with the same Company for clerical services at the Pathology Department.
August 2008	Decision to extend contract for the services of 71 clerks (or WTEs) to December 2008.
September 2008	Decision to extend contract for the services of 6 clerks working on the LIS to March 2009.
December 2008	Decision to further extend the contract for the services of 71 clerks (or WTEs) to June 2009.
January 2009	Publication of a call for tenders for the clerical and reception services.

- 4.2.4 The engaged temporary staff were deployed progressively over a period of three months and were required to perform clerical, computer, reception and ward clerical duties in wards, outpatients departments, clinical areas, administrative and clinical offices, the Pharmacy, the Pathology Department, laboratories, reception areas, and the Materials Management Department.
- 4.2.5 In December 2007 an additional 15 Clerks/Receptionists (or WTEs), over and above the original 56 outsourced staff, were engaged. These additional clerks were recruited through the existing arrangements agreed in the Service Agreement of 9 August 2007. They were intended to be engaged until such time that replacement of permanent public service clerks are deployed to MDH.

**Table 4.2 Key conditions from the Service Agreement for the provision of clerical and reception services signed on 9 August 2007**

<ul style="list-style-type: none"><li>i. The contract price for the provision of service was Lm2.15 (€5.01) per man hour worked by each employee, exclusive of VAT. It was also agreed that if MDH requested that the outsourced staff work over and above 40 hours per week, the hourly rate payable to the Company was Lm3.23 (€7.52) exclusive of VAT, unless this overtime was worked on a Sunday or Public Holiday in which case the payable hourly overtime rate for each man hour worked was Lm4.30 (€10.02) exclusive of VAT. The contract price was to be invoiced to MDH on a monthly basis.</li><li>ii. The Company undertook to supply MDH with 56 Clerical/Reception staff trained in clerical, telephone, computer and customer care skills. MDH had to provide the Company an indicative job description of what was expected from an individual to be employed in a particular area. The job description would vary depending on the requirements of the respective area.</li><li>iii. The Company undertook to ensure that any employees who were not available to provide the Clerical/Reception services as a result of sick leave, leave or other absence are promptly replaced by other employees who were adequately trained and sufficiently skilled to replace the absent employees.</li><li>iv. MDH reserved the right to request the Company to replace by not later than five working days any employee which the Hospital management deemed as being unsuitable</li><li>v. The Company also agreed to provide a service level in each calendar month of not less than 95%. Moreover, the Company agreed to pay a penalty of Lm10 (€23.29) for each 8 hours, or part thereof, for which the service level fell below the 95% threshold.</li><li>vi. On the other hand, MDH undertook to review the manpower situation with the Company four months prior to the expiry of the Service Agreement. This was stipulated with a view to determining a rate of terminations from Clerical/Reception posts at MDH which would be fair and feasible to both parties. This review is to include a time forecast model for the winding down of the Clerical/Reception services at each of the locations within MDH.</li></ul>
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- 4.2.6 The contract was further extended in July 2008 to 31 December 2008, or prior to this date if a new contract was awarded after a call for tenders. The extension was estimated at €296,000, with the same contractual obligations being kept.
- 4.2.7 A further extension was granted in December 2008 up to 30 June 2009. The justifications of MDH for extending this contract were threefold: (i) delays in the approval of the new contract due to ongoing discussions on particular contract clauses related to conditions of employment; (ii) the limited time remaining at the disposal of MDH for a new contract to be awarded to a successful bidder by the expiry date of the Service Agreement; and (iii) the need for a proper winding down period to be carried out should a new company be chosen.
- 4.2.8 In parallel:
- (a) From 30 January 2008, a new customer care service was initiated in the Accident and Emergency Department (A & E). Between 440 and 500 hours were used on a monthly basis for customer care in this Department.
  - (b) From March 2008, an extra 6 outsourced clerks were engaged, at the same rates, for a 6 month period for the implementation of the LIS. In September 2008, the contract for these 6 clerks was further extended by another 6 months due to outstanding work in the implementation of the LIS.
  - (c) In June 2008, formal instructions were also given to MDH by the MSP to provide for an additional 200 hours per week (or 5 WTEs) of clerical services at the Pathology Department. These hours were to be reduced from an Internal Security Agreement with the same Company.

### **4.3 Rationale behind the decision to outsource**

- 4.3.1 MDH management attributes the need for additional clerks to the following reasons:
- (a) The new setting at MDH warranted further receptionists and clerks. For example, the Human Resources and Administration Directorate at MDH reported that a considerable number of foyers/reception desks within the Hospital could not all be manned by existing SLH staff.
  - (b) Clerical staff were required to replace clinical staff who are performing clerical duties.
  - (c) Outsourced clerks were also required to substitute clerical staff who resigned, retired or were transferred to Gozo without replacement.

(d) Additional clerical staff were also required following the reorganisation of the Materials Management and Logistics Directorate.

- 4.3.2 In February 2008, Human Resource and Administration Directorate at MDH estimated that it had vacancies for 101 clerical positions at MDH and a request was made to MFIN to approve in the medium to long term the outsourcing of the required number of clerks once the existing Service Agreement expired.
- 4.3.3 Following discussions with MFIN in March 2008, the requested number was reduced to 75 clerks/receptionists on condition that if permanent public service clerks are made available the number would be adjusted accordingly.
- 4.3.4 NAO is of the opinion that commitments on the engagement and deployment of additional clerical support staff should be accompanied by a more rigorous review of how existing activities, procedures and work practices can be improved in terms of efficiency and effective allocation of staff during peak hours. Human Resources at MDH review each individual request for additional clerical staff and where possible try to shift clerical support around in order to meet the most pressing demands. Some posts require that the clerk is specifically trained in the requirements of the particular job. In other cases, however, clerks can be deployed elsewhere as the duties and the required competencies are similar. (refer to paragraph 4.4.3)
- 4.3.5 MDH management explained that due to pressures and constraints, to date, the focus has been more on how to cope with these requests rather than proactively carry out detailed reviews. The Hospital is working with limited clerical resources. Furthermore, there are no established operational standards on how many clerks should be in each area, apart from the agreement with the Malta Union of Midwives and Nurses (MUMN) of 1999 which specified that each ward should be staffed with a ward clerical assistant. MDH management agree that this minimum number is essential for the efficient running of a ward. It was also pointed out to NAO in December 2008 that two wards, namely the Urology Ward Two and the Ophthalmic Ward, were operating without ward clerical assistance.
- 4.3.6 MDH management considers outsourcing clerical services as being advantageous for the following three principal reasons:
- (a) *No clerical staff* from the public service were made available to fill the vacancies at MDH, apart from 13 newly recruited clerks that were provided by MHEC in February 2008 to replace non-clerical staff on clerical/administrative duties (mostly nursing aides), or hospital clerks who were transferred to Gozo.

The number of clerks available for redeployment at MDH depends to a large extent on the number of clerks made available by MPO to the Health sector. Such decisions are based on the evaluations carried out by MPO and in

accordance with an allotment policy that takes into account the needs of all Ministries.

Moreover, MHEC's decision to deploy clerical staff is conditioned by other requests for clerical staff by other departments in the health sector.

- (b) *Advantageous rates*: MDH management has explained that through the current Service Agreement awarded in August 2007, Government is benefiting from advantageous rates. The rate quoted per hour was Lm2.15 (€5.01), exclusive of VAT and MDH estimated that if Government had to directly engage clerks the cost per hour would have been €6.64 per hour when including the labour costs, the basic pay, bonuses, National Insurance contributions, vacation leave entitlement and sick leave.
- (c) *Increased flexibility*: MDH management has found the outsourcing arrangement as useful for the easy and immediate deployment of clerks where and when they are needed to perform reception duties, clerical duties, and the work of Ward Clerical Assistants, even during odd hours such as evening and night-time.

Moreover, MDH management reported that outsourced staff who are underperforming or do not meet the set requirements for the post, could be easily replaced without having to go through a lengthy disciplinary process as in the case for permanent staff.

- 4.3.7 On the other hand, outsourcing of clerical staff can lead to certain difficulties. MDH management confirmed that employee turnover among outsourced clerical staff was considerable, with 75 individuals resigning between August 2007 and November 2008. In contrast, 48 individuals of those originally deployed in 2007 were still working at MDH in December 2008. Due attention has also to be given to the employment conditions that are offered to outsourced staff by MDH.
- 4.3.8 Overall, NAO observed that the loss of trained staff in a hospital environment is detrimental to the overall operational efficiency and effectiveness of the organisation. New recruits have to be inducted to the hospital environment. They need to gain knowledge in the area of work and be trained in the procedures adopted by the particular wards, clinics and departments.

#### **4.4 Managing the contract**

- 4.4.1 Contract management is important as MDH needs to ensure that, once a contract has been signed and the service is up and running, service levels and value-for-money are maintained over the duration of the Service Agreement. NAO examined a number of issues related to contract management. These are presented in the following paragraphs.

## **Direct Orders and Outsourcing at Mater Dei Hospital**

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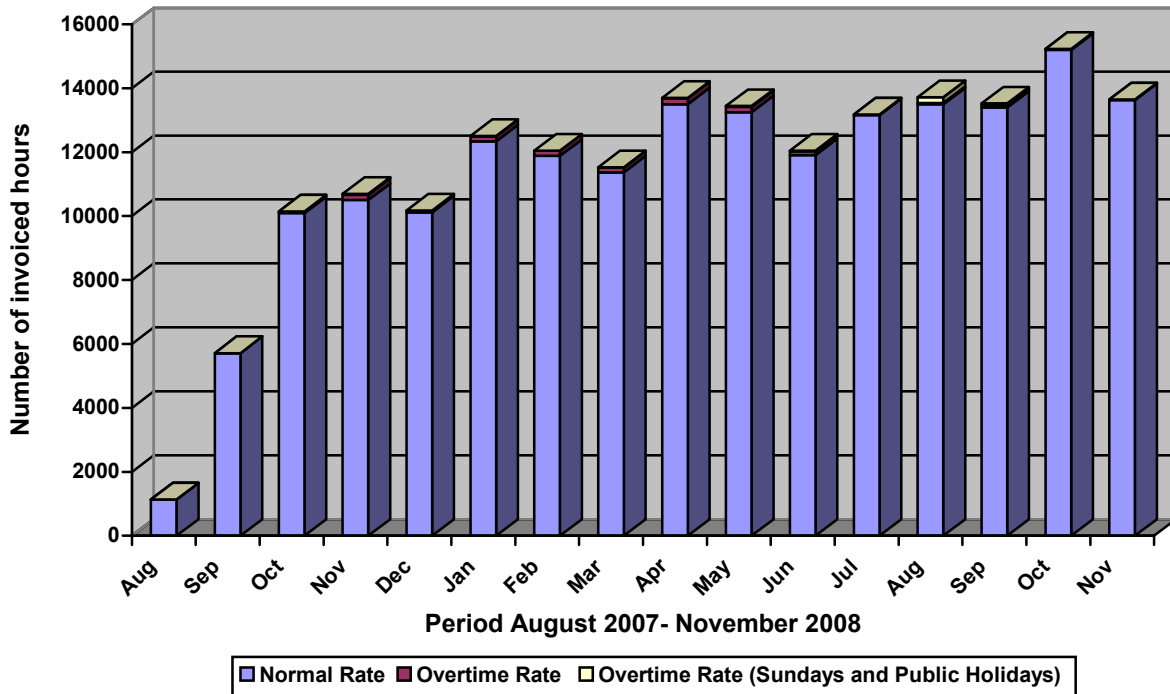
- 4.4.2 For the months from August 2007 to November 2008, MDH was invoiced by the same Company for €1,083,190.46 (inclusive of VAT) for the outsourcing of Clerical/Reception services. This amount includes hours provided for customer care services at the A & E and hours provided for clerical services at the Pathology Department.
- 4.4.3 NAO noted that there is regular management engagement with the Company. The Directorate for Human Resources and Administration at MDH has drawn up summarised descriptions of the duties and responsibilities of the various posts that are being staffed by outsourced clerks. A close examination of the job content of these posts shows that the engaged clerks are being required with different skills and competences, depending on the particular job. For example:
- (a) Outsourced clerk(s) attached with hospital management are expected to perform secretarial duties, apart from providing clerical support;
  - (b) Clerks in the wards carry out the same duties as those of the post of Ward Clerical Assistant (refer to paragraph 4.1.2);
  - (c) Those carrying out bed management duties are expected to collect routine data and maintain records on bed allocations and waiting lists;
  - (d) In reception areas, outsourced clerks are required to carry out basic clerical duties apart from answering telephone and liaising with the public and staff;
  - (e) In the Gamma Unit, the outsourced clerk is responsible for data inputting;
  - (f) Clerks in in-patient and out-patient pharmacies are expected to provide support in the administrative process and carry out reception duties;
  - (g) Outsourced staff for data entry are required with strong computer skills; and
  - (h) In the Stores Section, the outsourced clerk is required with an accounting background to be able to work on the accounting and stores systems.
- 4.4.4 MDH management confirmed that the Company forwards to the Hospital's Human Resources and Administration Directorate copies of job applications. In the first months after the Service Agreement came into force, meetings used to be held between MDH and the Company to vet the eligible candidates. The approach was changed during the course of the contract and details of potential persons started to be forwarded by electronic mail for vetting and approval by MDH.
- 4.4.5 Figure 4.1 shows the total number of hours invoiced by the Company for Clerical/Reception services between August 2007 and November 2008. The graph gives a breakdown of the total hours invoiced at the normal rate of Lm2.15 (initially €5.01 and subsequently €5.00), exclusive of VAT, at the overtime rate of



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Lm3.23 (€7.52), exclusive of VAT, and at the rate of Lm4.30 (€10.02), exclusive of VAT for overtime worked on a Sunday or a Public Holiday.

Figure 4.1 Hours invoiced by the Company for the provision of Clerical/Reception services



Source: MDH, 2008

4.4.6 The Company was also bound to maintain a service level in each calendar month of not less than 95% of the total number of hours to be provided during that month. Moreover, the Company agreed to pay a penalty of Lm10 (€23.29) for each eight hours, or part thereof, for which the service level fell below the 95% threshold. In practice, however, the monthly 95% level of service was not always maintained following a specific request from MDH to the Company not to replace clerks in certain departments where it was considered impractical to train relievers on the requirements of the job for just a few days.

4.4.7 MDH indicated that the Departments not utilising replacement clerks when clerks are on leave or sick leave are the Pharmacy, Pathology, Personnel, Support Services, Salaries and Supplies Departments.

4.4.8 MDH also confirmed to NAO that:

- the Company provided replacements in all the cases that were indicated by hospital administration;

- (b) no penalties were applied when the number of total hours fell below the 95% as this was done on the specific request of MDH not to have replacements (refer to paragraph 4.4.6); and
  - (c) the hours that were unutilised by the Departments requesting no replacements were instead allocated to other departments requiring additional clerical support.
- 4.4.9 Supervision of the outsourced staff is carried out by the direct line supervisors in the hospital departments (e.g. Nursing Officers). During the NAO examination, MDH did not have a centralised system for monitoring the service with much of the control being delegated to the internal units using the outsourced Clerical/Reception services.
- 4.4.10 MDH indicated that it was stepping up its efforts to monitor the contracts. These included the installation of a palm reader system to clock attendance of outsourced staff. In December 2008, MDH also started reviewing the posts occupied by outsourced clerks to ensure that the assigned temporary staff were being fully utilised. However, the MDH review was not a full-scale exercise due to staff limitations. MDH informed NAO that a request had been made for an Executive Officer to be engaged to implement and manage the tracking and monitoring processes amongst other duties.
- 4.4.11 It was also noted by NAO that there were no formal evaluation forms to record the performance of the outsourced staff or the quality of service being delivered. NAO recommends that such a form is used to collect periodic feedback from the direct supervisors (e.g. Nursing Officers) of the assigned outsourced clerks. This information could be used for the monitoring and tracking of the quality and reliability of the service being provided by the Company.
- 4.4.12 A new call for tenders for the “*Provision of Clerical/Reception Services within the Health Division*” was published on 30 January 2009 for 75 Clerks/Receptionists. The outsourced staff was expected to be trained in clerical, telephone, computer and customer care skills. The option of increasing the number of clerks annually by 25% during the course of the tender is also being considered. The contract will be valid for three years from its award. It may also be extended for two further periods of 6 months each for a total contract period of 4 years.
- 4.4.13 Among the improvements sought by the Ministry responsible for MDH are new clauses to protect employees’ employment rights and pegging the rate paid to outsourced employees to that of employees on Salary Scale 18 of the Public Service.
- 4.4.14 The decision to introduce new clauses to protect employees’ employment rights led to delays in the issue of the new tender. As a consequence the existing Service Agreement was extended to 30 June 2009 or until such time that a new contract is awarded and a proper winding down period is carried out should a new company

be chosen. The same hourly rates that were applicable for 2007 and 2008 were retained in 2009 for the extended period, despite requests by the Company to increase these to reflect cost of living increases.

#### **4.5 Overall Conclusions**

- 4.5.1 As early as September 2002, MDH presented proposals to engage additional clerks and receptionists to fill vacancies accumulated over the years at SLH. Efforts in 2007 to appoint or redeploy staff from the public service or the wider public sector to fill these vacancies were unsuccessful. Instead the required clerical and reception services were outsourced through a Service Agreement signed in August 2007. Initially the contract was for 56 clerks (or WTEs).
- 4.5.2 A favourable rate of Lm2.15 (€5.01) exclusive of VAT was obtained for the outsourced Clerical/Reception services. The engaged staff perform clerical, secretarial, computer, reception and ward clerical duties in various departments and units within the hospital. They were required with different skills and competences, depending on the particular job. The number of temporary clerks (or WTEs) was increased progressively.
- 4.5.3 MDH considers the current outsourcing arrangements as advantageous for the following three principal reasons: (i) a good price has been obtained for the service, although it is also important to consider the employment conditions of the outsourced staff, (ii) the contract offers increased flexibility in the deployment of clerks, and (iii) full-time equivalents from the public service or the public sector have not been made available for redeployment with MDH. Thus, without the Service Agreement, the Hospital would have had serious difficulties in operating.
- 4.5.4 MDH has experienced a relatively high employee turnover among outsourced clerks. The loss of trained staff is detrimental to the overall operational efficiency and effectiveness of the organisation as new recruits have to be trained and given time to adapt to the requirements of the job.
- 4.5.5 Notwithstanding the above, the Ministry responsible plans to continue to outsource Clerical/Reception services at MDH for a further three years. A new call for tenders was published on 30 January 2009. The intention is to initially request 75 clerks (or WTEs) with the option of increasing the number annually by 25% during the course of the contract. New clauses to protect employees' employment rights and to link the rate paid to employees to Salary Scale 18 of the Public Service were included in the new tender.
- 4.5.6 Efforts are being made by MDH to develop more effective ways of how to manage the Service Agreement for the provision of Clerical/Receptionist services. These include the introduction of more controls (including a palm reader system) and plans to increase supervision of contract conditions. Establishing a more

rigid system with adequate resources to monitor the performance of the contract and the quality of service being delivered remains a challenge for the organisation.

#### **4.6 Recommendations**

4.6.1 The Hospital is working with limited clerical resources. The Directorate for Human Resources and Administration review each individual request for additional clerical staff and where possible try to shift clerical support around in order to meet the most pressing demands. Due to pressures and constraints, the focus has been more on how to cope with requests rather than proactively carry out detailed reviews. The NAO recommends that:

- (a) a more rigorous review is undertaken on how existing hospital and support activities, procedures and work practices can be improved in terms of efficiency and effective allocation of staff during peak hours;
- (b) sufficient financial resources are allocated for investment in information and communication technology that would help reduce reliance on outsourced Clerical/Reception support; and
- (c) MSP through MPO increases its efforts to recruit externally or redeploy from within the public service or the public sector a sufficient number of suitable and qualified employees to fill long-standing vacancies in the post of Ward Clerical Assistant. In the case of redeployment, it is, however, acknowledged that there can be difficulties to obtain suitable employees from other public sector entities, and to integrate these staff within the organisation.

4.6.2 Savings in costs and improvements in the services being provided by the Company can be achieved through better monitoring of contract conditions and the introduction of a structured system to keep track of how outsourced Clerical/Reception staff are being effectively utilised by the internal departments. MDH has, however, reported that it has few resources for the overall management of the Clerical/Receptionist services contract as resources are stretched on a number of other duties. Recently, a request was made for the engagement of an Executive Officer in the Administration Department to supervise and manage the Clerical/Reception services contract, among other duties. NAO supports the allocation of adequate resources and skills for the management and improvement of outsourced Clerical/Reception services. By assigning a qualified and experienced person to assist in the management of such contracts, MDH can be in a better position to exploit opportunities and get more out of its outsourcing agreements.

- 4.6.3 NAO also recommends that a formal performance measurement system is introduced to periodically collect structured information from the internal departments using outsourced Clerical/Reception services. An evaluation form can be regularly completed from the direct supervisors (e.g. Nursing Officers) of the outsourced staff. The information can be used to monitor and keep track of the service being provided and to ensure that the highest standards of quality and reliability are maintained. Moreover, the evaluated performance information can be used during regular discussions with the Company on the performance of the contract. MDH have indicated that they would like to introduce monitoring once an Executive Officer is recruited. This would include a basic appraisal every three months and a more detailed appraisal every six months.

## **Chapter 5: Outsourcing of External Security, Car Park and Traffic Management Services**

### **5.1 Government's decision to reduce car park rates at MDH**

- 5.1.1 In December 2007, Government announced that the car park rates at the newly opened MDH would be reduced due to social considerations. The decision was Government's response to the immediate negative reaction from the general public and hospital staff who had complained that the rates for parking being charged at MDH were too high.
- 5.1.2 The car park service at MDH had been operational for a number of months and the migration from SLH to MDH was completed in November 2007.
- 5.1.3 A Service Concession Contract for the Provision of External Security Services and Car Park and Traffic Management Services at Mater Dei Hospital was entered into between FMS and Parksec Limited on 27 July 2007. The contract provided for the Company to manage the parking resources at MDH on behalf of FMS, to collect revenues and to assume revenue risks, and pay Government a concession fee as well as provide external security services at MDH. The Concession had come into effect on 1 August 2007.
- 5.1.4 MFIN and FMS both confirmed that the parking rates established in the concession contract had been based on those in use in another car park at SLH. However, it was pointed out that new difficulties arose at MDH as, unlike SLH, opportunities for off-site parking in nearby public roads was limited and the public was constrained to make use of the on-site car park.
- 5.1.5 During the same period, the Malta Transport Authority (ADT) started developing over 200 parking spaces outside and near MDH to further ease this problem.
- 5.1.6 The decision to look into the parking rates was taken by the Cabinet in November 2007. The then Minister responsible for Health and the Parliamentary Secretary in the Ministry of Finance were requested to recommend a solution.

### **5.2 Acceptance of the new contract conditions**

- 5.2.1 The changes to the new agreements with the Company (Parksec Limited) on the car park, traffic management and the external security were handled by MFIN and FMS. MDH was involved on issues related to parking and traffic management requirements.

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- 5.2.2 MFIN indicated to NAO that the overriding priorities of Government were to significantly reduce the parking rates and to achieve this without disrupting the hospital’s car park and traffic management services.
- 5.2.3 Following the decision to reduce the parking rates, the Company was requested by Government to present proposals on how a reduced parking rate system could be achieved. The Company responded by offering three parking rate options and tied new conditions to each of these options. Table 5.1 presents the option selected by Government.

**Table 5.1 Option selected by Government**

Time		Original Parking Rate	Selected Option
From	To	Lm	Lm
0 mins	20 mins	0.00	0.00
21 mins	30 mins	0.30	0.00
31 mins	60 mins	0.60	0.35
61 mins	90 mins	1.00	0.50
91 mins	120 mins	1.25	0.75
121 mins	150 mins	1.75	1.00
151 mins	180 mins	2.00	1.25
181 mins	240 mins	2.50	1.50
241 mins onwards		3.00	1.75
22.00 hours	06.00 hours	0.30	0.35
Conditions tied to each arrangement		Company pays concession fee of Lm140,000 (excluding VAT) and provides traffic management and external security services at no charge.	Concession fee of Lm140,000 (excluding VAT) payable by the Company is waived and Government pays Company a security fee of Lm210,000 per annum (excluding VAT).  Other conditions regarding advertising opportunities, additional disabled persons and staff reserved parking, frequent user permits, and a review of rates after one year were also included.

*Source: MFEI, 2008; OPM, 2009*

- 5.2.4 MFIN pointed out that it was unable to fully assess the impact that the proposed options would have had on the Company’s business as it did not have a sufficient amount of data or information to carry out such assessments. This was further

- compounded by the constraint that the timeframe set by Government to identify a solution was short.
- 5.2.5 The Ministry also indicated that it was difficult for Government to re-negotiate the terms on a contract that had just been awarded for five years. On this basis, Government chose not to enter into negotiations and the options, as presented by the Company, were considered as individual package solutions and presented to a Ministerial meeting for a decision.
- 5.2.6 The preferred option from those proposed by the Company was selected in a weekly ministerial meeting. The Cabinet Office confirmed to NAO that this meeting was held in line with the enabling Cabinet Decision (OPM 4015/03). Government chose the option with the lowest parking rates presented by the Company (Table 5.1).
- 5.2.7 MFIN indicated that, in the circumstances, the only alternative that could be considered by Government was to terminate the service concession contract and issue a new tender. However, this was not considered a viable option by the Ministry as it would have meant endangering the hospital's functioning until a new tender is awarded and leaving Government exposed to claims for damages by the Company for having terminated the contract prematurely.

### **5.3 Changes to the Concession Contract of 27 July 2007**

- 5.3.1 The option chosen by Government had the following implications:
- (a) The parking rates were reduced except for the rate charged from 22.00 hours to 06.00 hours which increased marginally by €0.10 for the whole period. Table 5.2 shows the changes that were made to the parking rates.



**Table 5.2 Final changes made to the Parking Rates**

<b>Parking Rates (Inclusive of VAT)</b>
Minutes 0 to 30 – free of charge
Minutes 31 to 60 – €0.80 or Lm0.35
Minutes 61 to 120 – €1.65 or Lm0.70
Minutes 121 to 180 – €2.45 or Lm1.05
Minutes 181 to 240 – €3.25 or Lm1.40
From 240 minutes onwards – €4.10 or Lm1.75
From 22.00 hours to 06.00 hours – €0.80 or Lm0.35 for the whole period

*Source: FMS, 2008*

- (b) Two separate contracts were entered into:
- A service concession contract for the provision of car park and traffic management services at MDH.
  - A service contract for the provision of external security services at MDH.
- (c) Government and the Company terminated the original service concession contract. The two new contracts were entered into on 21 February 2008.
- (d) The external security contract was made for the same duration as the parking concession contract and a fee of Lm210,000 (€489,168.41) per annum (excluding VAT) was to be paid separately for the same level of service that was agreed for in the original service concession contract of 27 July 2007.
- (e) The annual concession fee of Lm140,000 (€326,112.27) per annum that was due to Government in the original concession contract of 27 July 2007 was to be waived.
- (f) Government agreed to pay the sum of Lm27,000 (€62,893.08) per annum (excluding VAT) for the management of additional car park area (Area C) that was designated to MDH staff. Through this arrangement, the staff are charged a daily rate of €0.75 (or a monthly prepaid rate of €0.50) for the daily duration of parking, inclusive of VAT.

- (g) Government also agreed to pay the sum of Lm16,000 (€37,269.97) per annum (excluding VAT) to the Company for the provision of 50 parking spaces for designated parking. These spaces are offered free of charge to 20 renal patients and 30 disabled persons.
  - (h) Moreover, up to one hundred frequent user permits at any one time can be issued by the Company to specific vehicle numbers determined by MDH management. The rates to be charged for these permits are as follows: three day permit at €7.50 (inclusive of VAT) and 30 day permit at €55.00 (inclusive of VAT).
  - (i) A new clause was added to the contract, giving the Company the opportunity to use space in the allocated parking areas for advertising. This advertising had to be in line with hospital policy and guidelines. It could not include advertising outside the MDH boundary or be visible beyond MDH.
- 5.3.2 Through the new agreement, Government achieved its overall objective of immediately reducing the parking rates while at the same time ensuring continuity of services during a critical phase when the public started making full use of the new Hospital.
- 5.3.3 However, to achieve these goals, Government forfeited considerable revenue from the concession fee (Lm140,000 or €326,112.27) and entered into significant new costs to procure security services which in the original concession agreement were to be offered at no charge as part of the deal (Lm210,000 or €489,168.41) per annum. These two items collectively amount to Lm350,000 (€815,280) per annum.
- 5.3.4 Moreover, new benefits were added such as increased subsidised parking space for staff and frequent users, as well as additional parking for renal patients and disabled persons. These new conditions had not been taken into consideration in the original concession agreement and the opportunity was taken to address this matter, albeit at a cost.
- 5.3.5 In the new Contract dated 21 February 2008, the ongoing maintenance, repair, replacement and servicing costs of the car park equipment also continued to be borne by Government and the Company was not obliged to pay for these running expenses. This condition was an integral part of the original concession agreement. The equipment maintained by Government is varied and includes cash machines, barriers, ultrasonic opening devices for vehicle mounting, pillars for card reading, ticket issuing and collector machine, intercom, vehicle counting and detection loop systems, and illuminated signs. The Company's cost base in the new contract of service is essentially limited to providing suitable staff with uniforms and tags, ensuring upkeep of the site, replacement of consumables (such as tickets), the upkeep of the car park and managing the service.

- 5.3.6 Apart from the brief notes on each proposed option in the notes section of the proposal from the Company, MFIN was unable to provide NAO any additional supporting data or documented workings that were used to assess the extent to which the increased cost/foregone revenue reasonably justified the selection and offered value-for-money over the five-year period of the contract. The Ministry reported that at that time it did not have data on usage of the car park as migration had just been completed and this limited the extent to which it could assess each option.
- 5.3.7 The absence of sufficiently detailed and documented information limited the extent to which NAO could adequately review the value-for-money implications of the decisions that were taken.
- 5.3.8 Nevertheless, it was possible to conclude that the changes mentioned above placed Government at a higher risk that the Company would benefit substantially from the new proposed conditions.
- 5.3.9 This risk has in fact materialized, as can be noted from the post-mortem review carried out by NAO using the following data kept by MDH on usage of the main car park during 2008:
- (a) MDH records show that a total of 514,852 cars entered the car park during 2008.
- (b) The usage pattern, and the income potential for the Company, can be further illustrated through the following data pertaining to November and December 2008 that was provided by MDH:
- 34% were parked up to 1 hour (paying €0.80 if they spent over 30 minutes and up to 60 minutes between 06.00 and 22.00 hours).
  - 41% were parked over 1 hour and up to 2 hours (paying €1.65 if parking between 06.00 and 22.00 hours, or €0.80 if parking during the remaining time).
  - 14% were parked over 2 hours and up to 3 hours (paying €2.45 if parking between 06.00 and 22.00 hours, or €0.80 if parking during the remaining time).
  - 5% were parked over 3 hours and up to 4 hours (paying €3.25 if parking between 06.00 and 22.00 hours, or €0.80 if parking during the remaining time).

5.3.10 The data on the first year of operation under the new conditions indicates that:

- (a) the Company's revenue potential was significantly high especially when one takes into consideration:
  - i. the waiver of certain obligations that were imposed in the original concession agreement (amounting to €815,280 per annum) as explained in paragraph 5.3.3; and
  - ii. that a significant part of the costs for maintaining and replacing equipment is being borne by Government as explained in paragraph 5.3.5.
- (b) the contract does not represent value-for-money for Government; and
- (c) once the term of the contract expires, Government should consider in more depth other options which might lead to better value-for-money, such as subsidising directly each car park ticket (instead of foregoing a substantial concession fee) or operating the car park with Government employees and collecting all revenues (which based on the data on 2008 can run into several hundreds of thousands of euros per annum).

#### **5.4 Managing the contract for Car Park and Traffic Management Services**

5.4.1 NAO examined a number of issues related to the management of the contract for car park and traffic management services. These are presented in the following paragraphs.

5.4.2 The Company is required in terms of the contract to determine the adequate strength and deployment of the staff necessary to provide a proper traffic management and parking system at MDH. The Company is also obliged to appoint a supervisor to coordinate the services and to liaise with the Hospital's management. The Company is also responsible for the upkeep of all the car park facilities (including signage and markings) and for reporting the malfunction of car park fixtures and equipment.

5.4.3 Since September 2008, MDH has been gradually introducing a system for monitoring the performance of the contract. An MDH official (Assistant Manager) was appointed and given responsibility, amongst others, to carry out random physical checks to ensure car park staff levels are maintained in line with the agreed deployment sheets. This system was a structured attempt to monitor on a regular basis the manning levels of the Company. Prior to September 2008, MDH indicated that it did not have the human resources to carry out the physical checks.

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5.4.4 MDH reported in February 2009 that the Company’s car park staff were allocated to six different sites and worked different time schedules as depicted in Table 5.3. One of these is a supervisor who is present on site between 06.00 hours and 22.00 hours and is responsible for overseeing traffic and parking management. A recent improvement has been the introduction of a Reliever who covers these attendants during breaks or absence.

**Table 5.3 Planned Time schedules of car park personnel as at 16 February 2009**

Grade	Site	Time in	Time out
<b>Morning</b>			
Supervisor	Pay Station	06.00 Hours	14.00 Hours
Officer	Area C Car Park	06.00 Hours	14.00 Hours
Officer	Out Patients Parking Area	08.00 Hours	20.00 Hours
Officer	Accident and Emergency Parking Area	06.00 Hours	14.00 Hours
Officer	Main Entrance	06.00 Hours	14.00 Hours
Officer	Day Care Parking Area	06.00 Hours	14.00 Hours
Officer	Reliever	06.00 Hours	18.00 Hours
<b>Evening</b>			
Supervisor	Pay Station	14.00 Hours	22.00 Hours
Officer	Area C Car Park	14.00 Hours	21.00 Hours
Officer	Day Care Parking Area	14.00 Hours	20.00 Hours
Officer	Accident and Emergency Parking Area	14.00 Hours	21.00 Hours
Officer	Main Entrance	14.00 Hours	19.00 Hours

*Source: MDH, March 2009*

5.4.5 NAO observed that the contract for car park and traffic management services lacks detail when it comes to definitions of the standards or criteria to be used to assess specific areas of performance of the Company, in particular on the levels that need to be attained for the Company to meet the “highest professional standards” and to ensure the smooth running of the car parks. The contract also does not contain clear performance targets or indicators on which the service and the upkeep of the site could be periodically assessed by MDH management. NAO is concerned that this lack of detail in the contractual specifications limits in practice the ability of MDH to impose desired performance and quality of service levels.

5.4.6 In this situation, NAO observed that more can be done by MDH to clearly define, determine and document the expected levels of service of the Company. For example, the Parking Officer’s job description can be used by MDH to ensure that the Company’s staff are fulfilling their duties competently. Furthermore, minimum standards of service and performance targets can also be agreed upon and introduced to better facilitate the management of the contract. The performance of the Company against these expected standards of performance can also be discussed in periodic meetings with the Company in order to ensure timely improvements and a better quality of service.

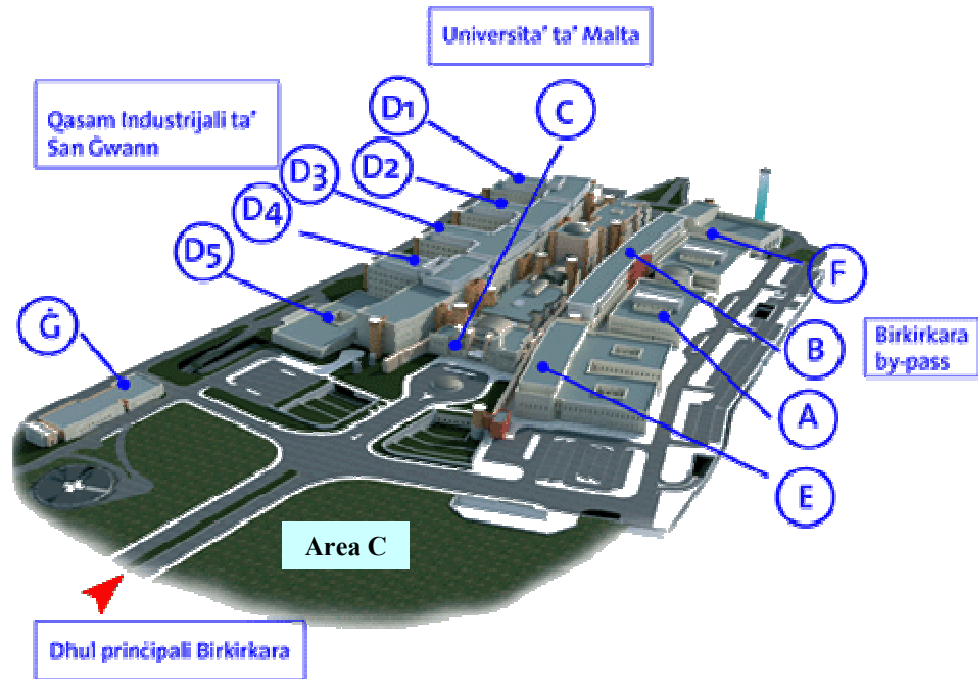
- 5.4.7 Clearly, there are opportunities where the service can be improved by the Company operating the car park and traffic management as can be observed from complaints registered by MDH in January 2009 on the control of parking at the Accident and Emergency car park. MDH acknowledges the fact that the contract is paid as a lump sum (regardless of the number staff deployed by the Company) has caused difficulties in ensuring that the Company provides additional personnel when and where required by MDH as this would mean additional costs for the Company.
- 5.4.8 Furthermore, there is an ongoing disagreement between the Company and MDH on the responsibility of certain signage and road markings (e.g. signs before zebra crossings, stop road markings near exits, and slow road markings in roads leading to exits). NAO opines that this matter is concluded as soon as possible, particularly, in view of safety issues involved.
- 5.4.9 Implementation and monitoring of the contracted services can also be improved by additional use of MDH staff to monitor the services being offered and better utilisation of communication technology (such as email and telephone links with the various sites).
- 5.4.10 Apart from the management of the main car park and traffic management around the perimeter of the hospital premises, the Company is also responsible for the management of car park Area C which was reserved for staff below Scale 13 and certain contractors (Figure 5.1). When reviewing current arrangements in connection with this part of the contract, NAO observed that at present there is no mechanism to reliably monitor and control the revenue that is being reported and collected on its behalf by the Company. MDH depends on the Company to report on the daily usage of the car park as there are no counting loops or barriers.

## **5.5 Managing the contract for External Security Services**

- 5.5.1 The following paragraphs report on a number of issues examined by NAO in relation to the management of the contract for external security services.
- 5.5.2 MDH, through FMS, is invoiced every quarter in advance for the service. The first quarterly instalment for 2008 was due on 21 February 2008 and the others in April, July and October 2008. The total annual fee is €489,168.41 per annum, excluding VAT.

Figure 5.1 Location of Area C Car Park

IT-TQASSIM TA' SPTAR MATER DEI



Source: <http://www.materdeihospital.org.mt>

5.5.3 According to the Service Contract, the Company is expected to propose the strength and deployment of the security team deemed necessary to provide external security services at MDH. The team was intended to include a minimum level of 23 personnel working eight-hour shifts which is the equivalent of 184 hours as outlined in Table 5.4 below.

**Table 5.4 Service Level Requirements (by hours) for External Security as defined in the Contract of Service**

Area	Open Hours		Closed Hours	Total Hours
	Shift 1	Shift 2	Shift 3	
	06.00-14.00	14.00-22.00	22.00-06.00	
	Hours	Hours	Hours	
Gates	32	32	24	88
Control Room	8	8	8	24
External Security	24	24	24	72
<b>Total</b>	<b>64</b>	<b>64</b>	<b>56</b>	<b>184</b>

Source: FMS, 2008

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- 5.5.4 The Company is also obliged to appoint a supervisor to coordinate the services provided by the Company's personnel working on the hospital site. The supervisor also has authority to liaise with the hospital authorities for the smooth running of the services being provided. FMS/MDH have the right to reallocate any of the security staff to areas other than the above. The NAO is however concerned about the level of involvement of MDH in the matter. NAO opines that MDH should, in principle, regularly and independently assess security requirements and avoid having to rely on the Company to determine the level of deployment.
- 5.5.5 MDH clarified that the arrangement on shifts was changed in 2008 to two 12 hour shifts instead of the envisaged three 8 hour shifts as the Company was having difficulties to retain suitable staff on 8 hour shifts.
- 5.5.6 With respect to supervision and coordination of external security operations, MDH stated that this responsibility is of one of the five security officers deployed as external security personnel at MDH. The officer in charge is of a higher rank (Senior Security Officer). In addition, a Site Supervisor (also referred to as Chief Security Officer) engaged by the Company oversees the external security activities (refer to paragraph 6.4.14). Moreover, an appointed person from the Company's Head Office liaises with MDH management and coordinates the services of the Contract.
- 5.5.7 NAO observed that the stipulated minimum number of security officers (or equivalent in hours) that was agreed to in the Service Contract was not fully adhered to by the Company. MDH explained that:
- (a) Two security officers out of the four required between 06.00 hours and 22.00 hours and a security officer out of the three required between 22.00 hours and 06.00 hours were not deployed by the Company. The Hospital Management also reported that the situation arose as only two of the three gates in the hospital site were made operational when the hospital was opened and this situation has since not changed. MDH clarified that one of the two security officers that were not deployed as stipulated in the External Security Services Contract was eventually engaged to guard and to help in the management of the traffic at the main entrance of the hospital, as well as provide assistance at the emergency parking area and at the loading bay.
  - (b) In addition, NAO observed that the security officer assigned to the Control Room on a 24 hour basis (refer to Table 5.4 above) was not deployed by the Company, with security guards from the internal security contract taking on the duties and being charged separately for the service.
- 5.5.8 In March 2009, MDH also confirmed that it will seek to rectify the irregularities regarding overcharging by deducting the overcharged amount from the next quarterly payment to the Company.



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- 5.5.9 NAO also noted that MDH did not abide with Article 10.4 of the Special Conditions of the Service Contract which specifies that variations approved by FMS/MDH or agreed between the parties are to be laid down in writing and added as an addendum to the service contract. Changes such as those in the shift hours and in the minimum number of security officers to be employed had to be documented and added to the service contract.
- 5.5.10 Moreover, NAO observed that one of the contractual obligations of the Company, namely Clause 12 on clamping and towing, was suspended as a legal notice was required to be issued by the competent authorities to empower the Company to provide the services in question. By March 2009 this legal notice had not been issued, and therefore the Company could not carry out this obligation. MDH indicated that the absence of this deterrent also increased the difficulties to control parking in unauthorised parking areas. NAO recommends that MDH and the other competent authorities concerned expedite the publication of the legal notice for clamping and towing on the hospital's premises.
- 5.5.11 Documented concerns raised by MDH management with the Company in January 2009 with respect to observed under-performance of certain security guards at the Accident and Emergency Department highlight the need for ongoing inspection by MDH staff to ensure that the expected level of performance are met by the Company. Managing the contract for security services requires sufficient competences and resources to ensure that the Company is delivering the required services.
- 5.5.12 As in the case of the contract for car park and traffic management services, MDH indicated that, prior to September 2008, it did not have the human resources to carry out regular random physical checks to ensure staff levels are maintained in line with the agreed deployment sheets for external security personnel. An MDH official (Assistant Manager) was appointed and given responsibility, amongst others, to carry out these physical checks.
- 5.5.13 Limitations, however, still remain on the level of resources and competences available to manage the external security contract. The two staff members responsible for this contract are currently taking on responsibilities of other vacant positions leaving them with less time to focus on the external security contract. Moreover, the staff have not received sufficient training on the requirements of security operations and activities. In March 2009, MDH indicated that this training will be given to the Manager in charge. NAO also encourages that additional training is given on skills and knowledge required to manage contracts.
- 5.5.14 A number of Standard Operating Procedures (SOPs) covering security activities have been developed by the Company in collaboration with MDH and FMS. These documented procedures cover various activities. NAO encourages the further development and use of these SOPs to ensure the highest standards of

delivery of service. Similarly, MDH can also make better use of the job descriptions of security personnel that have been created by the Company to ensure that high levels of performance are maintained.

5.5.15 Moreover, a Security Consultant was engaged by MSP in January 2009 to carry out the following evaluations of the security operations at MDH:

- (a) Assess the physical status of all current Security Services at Mater Dei Hospital.
- (b) Identify, if any, overlaps and duplication in services being provided.
- (c) Calculate and suggest the appropriate manning levels.
- (d) Recommend a way forward for the reorganisation of Security Services.
- (e) Propose related policies, plans and procedures (including recommendations for a security plan).
- (f) Propose a security risk management framework that can attain identified security management goals at best cost-effectiveness.

5.5.16 Contract management can also be enhanced through better monitoring of the persons being engaged including requesting the Company to provide MDH with the required documentation. These documents are required in accordance to Article 6.2 of the Services Contract but were not being collected by MDH. In January 2009, MDH followed up on the NAO concern and requested the Company to provide the required documentation on the deployed personnel.

## **5.6 Overall Conclusions**

5.6.1 Whilst acknowledging the urgency and constraints faced by Government, it is nonetheless the opinion of NAO that more effort could have been directed in the evaluation and negotiation of new contractual conditions or other options that could have been pursued by Government in order to ensure that value-for-money is achieved.

5.6.2 Through the new contracts, Government achieved the overall objective of immediately reducing the parking rates at MDH while at the same time ensuring continuity of service during a critical phase at the end of the migration process. In pursuit of this overall objective, Government lost considerable revenue from the concession fee €326,112 (Lm140,000) and entered into significant new costs to procure security services which in the original concession agreement were to be offered at no charge as part of the deal €489,168 (Lm210,000) per annum. These two factors collectively cost Government €815,280 (Lm350,000) per annum. New benefits to the public were also included in the agreement at an additional cost to Government. These included increased subsidised parking space for staff, frequent users, renal patients and disabled persons. These reserved parking spaces had not been taken into consideration in the original concession agreement and the opportunity was taken to rectify.

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- 5.6.3 Data kept by MDH on car park usage during 2008 indicates that overall the Company stands to benefit substantially from the new arrangements, especially when one takes into consideration the low operating costs, the fees and other obligations that were foregone, and that most of the ongoing maintenance, repair, servicing and replacement cost of car park equipment is being borne by Government.
- 5.6.4 With respect to contract management, although improvements have been made, NAO opines that more can be done by MDH to define and ensure that its requirements are being met by the Company. This is particularly important as the contracts in question lack detail concerning the performance standards to be achieved by the Company. Furthermore, where specifications were included (as in the case of the minimum external security staff complement at MDH), NAO found that these were not being adhered to by the Company.
- 5.6.5 In addition, the contract covering this agreement could have been more detailed and definite in terms of technical requirements so as to avoid grey areas of responsibilities between the Company and MDH.
- 5.6.6 NAO also identified a number of limitations concerning the current monitoring systems in place to manage the contracts in question. MDH has indicated that it will take prompt action to address a number of issues raised by NAO.

### **5.7 Recommendations**

- 5.7.1 The new arrangements made with the Company following the reduction in parking rates may ultimately not lead to a good value-for-money outcome over the five year life span of the contract. NAO, therefore, recommends that once the term of the contract expires, Government should consider in more depth other options which may lead to better value-for-money.
- 5.7.2 NAO also recommends that immediate action is taken by MDH to ensure that the Company provides the expected levels of service and that any overpayments that were made are deducted from future payments. This involves strengthening existing controls and introducing new measures to monitor the levels of service and performance. MDH should also have access to independent internal and/or external expertise to monitor and ensure adequate deployment of security personnel at MDH
- 5.7.3 NAO encourages MDH management to increase its resources for the management of contracts, and to provide sufficient training and support to ensure that this important function is strengthened with the hospital management system.

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- 5.7.4 NAO encourages management to utilise the findings and conclusions of the ongoing external review of security arrangements to ensure greater efficiency and cost-effectiveness.
- 5.7.5 NAO recommends that MDH and the other competent authorities concerned expedite the publication of the legal notice for clamping and towing on the hospital's premises.

## **Chapter 6: Outsourcing of Internal Security Services**

### **6.1 Decision to retain security personnel at SLH**

- 6.1.1 In 2006, the possibility that internal security at MDH is carried out by SLH security guards was considered by MHEC and MDH. A report was compiled in September 2006 by the Security Services Department of the Health Division indicating the resources available and listing the security personnel who were considered most suitable for the duties required at MDH.
- 6.1.2 In December 2006, there were unsuccessful attempts by MDH to transfer four security guards to the hospital construction site with the main obstacle being the restrictions imposed by a Union Directive that had been in force since October 2000 instructing Security Guards not to accept orders to work outside SLH premises during their regular shifts. This long-standing Directive, effectively limited MHEC's ability to transfer SLH security guards to MDH.
- 6.1.3 In May 2007, a policy decision was taken by MHEC to retain the security personnel at SLH and not to transfer security guards to MDH. A number of factors led the Ministry concerned to retain the permanent staff at SLH. These included:
- (a) Frequent industrial action and critical constraints due to the narrow scope of the security personnel's job descriptions and collective agreements with their respective unions. These conditions were seen as obstacles for the efficient utilisation of the staff at MDH.
  - (b) According to MSP, the unresolved long-standing Union Directive of October 2000 complicated the situation even further (refer to paragraph 6.1.2). This Directive was issued in 2000 as a reaction to the pressures that SLH guards were facing in their work environment which had since changed.
  - (c) It was considered cheaper to outsource MDH security, as the rate per hour paid to SLH security guards was higher than that paid to the outsourced service. Moreover, the current arrangements made it difficult and expensive to replace guards on leave as it would involve costly overtime payments and accumulation of time-off in lieu which at one point would have to be redeemed. On the other hand, a security company is paid the same flat rate for replacements. Furthermore, Government saves on sick leave and vacation leave costs through outsourcing.
  - (d) The staff complement at SLH was inadequate to meet the complete needs of MDH and having two different security operations (Government employees

and additional outsourced staff) would have been difficult and complicated to operate.

- (e) In addition, Government benefits from the Company's contractual obligation to insure against any claims arising from the provision of security service being provided.
- (f) Through outsourcing, Government also gains increased flexibility as unsuitable staff can be immediately replaced and management would not have difficulties to replace staff on sick leave, vacation leave, or on days when staff would be reluctant to report to work (e.g. Christmas and New Year).
- (g) Moreover, an outsourcing arrangement limits the cost for Government and shifts the responsibility for certain expenditure onto the Company (such as supply, insurance and maintenance of security equipment; materials and uniforms; maintenance of quality standards and training of staff).
- (h) Government also stood to gain by engaging well-established security companies, as it acquired expertise and the good practice of the industry in such a sensitive and high risk area.

## **6.2 Utilisation of security personnel at SLH**

- 6.2.1 Most of the hospital operations at SLH were migrated to MDH by November 2007, although a number of health services continue to be operated from SLH. Security personnel at SLH watch over the whole site and facilities and are responsible for various internal and external security functions including controlling entry into and exit from the hospital premises and sealed areas of the hospital; carrying out patrols and surveillance activities; responsibility for the safekeeping and handover of keys; as well as taking preventive measures to safeguard public property and address risks such as fire, theft and vandalism.
- 6.2.2 Moreover, they are expected to ensure order, control queues and enforce smoking regulation in areas still used or frequented by the general public including the Physiotherapy Department, CDAU, the offices of the Pharmacy of Your Choice Scheme and the Yellow Card Entitlement Office.
- 6.2.3 It was confirmed that the SLH security personnel are not responsible for the internal security at the rehabilitation facilities for elderly patients in Karen Grech Hospital located within the SLH compound. This is operated by security staff from Zammit Clapp Hospital. Also, security personnel are not expected to patrol inside sealed areas (such as former wards and operating theatres) but only to routinely check that access points are securely locked.

6.2.4 The staff complement at SLH includes Principal Security Officers (PSOs), Security Officers and Security Guards.

(a) PSOs are collectively responsible for the management and the day-to-day running of security services at SLH and other health care sites (including Sir Paul Boffa Hospital, Mount Carmel Hospital, St Vincent De Paul Residence, Marsa Stores and eight Health Centres - Birkirkara, Cospicua, Floriana, Gzira, Mosta, Paola, Qormi, and Rabat). Each PSO is responsible for a shift and his duties include ensuring that reasonable security measures are implemented and that the necessary precautions are taken; for organising security checks; coordination and deployment of staff in all key areas at the start of each shift; supervision of staff and their performance; maintenance of required documentation and records; as well ensuring full implementation of policies, order and discipline.

(b) The Security Officers assist the PSOs in the execution of duties; in the monitoring of the implementation of security measures and procedures; in ensuring full implementation of policies, order and discipline; as well as for organising security checks, maintaining required documentation and records and carrying out general guard duties.

(c) The Security Guards carry out general duties such as guarding against the entry of unauthorised personnel and providing protection of assets; assisting in the maintenance of order and discipline; checking employees, visitors and vehicles; participating in patrols to prevent theft and pilferage; as well as responsibility for the safe-keeping of store rooms, keys and key registers.

6.2.5 Between November 2007 (when most hospital services had migrated to MDH) and November 2008, the approximate number of security personnel primarily attached to SLH ranged between 48 and 52 individuals (excluding the PSOs). Most of these personnel were grouped according to shift on a day-night-rest-off basis. In addition, six Security Guards worked on a day-in-day-out basis and two worked on a five-day week basis. NAO observed that these different work arrangements for security staff evolved over time and did not reflect particular operational requirements.

6.2.6 The Security Officers and Guards at SLH are considerably experienced in the handling of security in a hospital environment, having worked for several years in this area. PSOs indicated to NAO that they are satisfied with their staff performance and pointed out that their teams have valuable complementary skills. NAO noted, however, that the main training given to the security staff was the induction course that was organised in 1991 with the Armed Forces of Malta. Following that, close to no formal training was given to the staff, apart from skills and experience gained on the job.

- 6.2.7 MSP confirmed that in September 2008 three of the four shifts in operation had a Security Officer, with the position in the remaining shift being made vacant during 2008. Each shift had approximately nine to ten Security Guards on a day-night-rest-off basis, as well as (in the case of day shifts) three on a day-in-day-out basis and an additional two Security Guards working only from Monday to Friday. However, in practice, the number reporting on duty could be less when one takes into consideration use of vacation leave, time-off-in-lieu and sick leave, as well as voluntary deployments to Health Centres and Marsa Stores to replace other staff.
- 6.2.8 In total, in September 2008, there were 4 PSOs, 3 Senior Officers and 45 Security Guards at SLH. The Ministry reported that the gross salary costs for the security personnel at SLH (including the PSOs) for the period between January 2008 and September 2008 was €627,399.21.
- 6.2.9 It is also important to point out that according to records kept by the Resources and Support Division of the Ministry, by September 2008, the SLH security personnel accumulated over the years more than 3,000 hours of time-off in lieu which at one point would have to be redeemed or paid. The Ministry indicated that the challenge is to ensure a sufficient number of staff are on duty whilst attempting to reduce the accumulated time-off.
- 6.2.10 The Ministry confirmed that as part of an overall restructuring exercise concerning health security personnel, the number of security guards attached to the SLH security complement has decreased progressively by 16 individuals since January 2008. The majority (12 security guards) were redeployed to Health Centres in November 2008.
- 6.2.11 By January 2009, the staff complement at SLH (excluding the PSOs) was composed of 3 Security Officers and 33 Security Guards. Most of the staff worked on day-night-rest-off shifts, except for 4 security guards working on a day-in-day-out basis and another working on a 5-day week.
- 6.2.12 Each shift of security guards is responsible for:
- (a) carrying out routine internal and external patrols (including for example checking that no lights are left on, windows and doors are securely closed, and damage is noted and reported);
  - (b) keeping a guard in the control room to take charge of keys and to respond to requests; and
  - (c) stationing guards in the main gate to take note of incoming and outgoing cars.
- 6.2.13 The Ministry intends to eventually reduce the number in each shift at SLH to 7 Security Officers/Security Guards. This assessment is based on feedback it had received from the four PSOs managing the security services at SLH. This means that the total number of security personnel at SLH (excluding PSOs) has to



eventually go down to 28 Security Officers/Security Guards from the remaining 36 employees.

- 6.2.14 The Ministry has indicated that there were no immediate plans to transfer more staff to other sites, although efforts are being done through consultations with the staff involved to change how security personnel across the Health system can be allocated to different locations. According to MSP, the main obstacles are the accumulated time-off-in-lieu and the long-standing Union Directive of October 2000 still in force and which restricts Security Guards from accepting orders to work outside SLH premises during their regular shifts. In fact, the transfers that were carried out in 2008 were done by mutual agreement.
- 6.2.15 The Ministry reported that the consultations are focusing on achieving a lasting solution that would optimise the utilisation of human and financial resources. It was also pointed out by the Ministry that it is insisting that SLH security personnel are not only SLH employees but part of the overall Health Division.
- 6.2.16 On the basis of the above findings, NAO concluded that the Ministry could have been more pro-active and timely in addressing the redeployment of SLH security staff to other areas where they are critically needed (e.g. Health Centres). A year after migration to the new Hospital, this issue started to be addressed, albeit at a cost. During that year, approximately €800,000 were spent in wages on providing security to the former hospital, most of which was out of use and therefore required less security personnel than when it was used by thousands of persons every day.
- 6.2.17 The SLH site needs to be sufficiently guarded against a number of risks including vandalism, theft and unauthorised access or squatting. However, this should be achieved with less human resources and at a lower cost. Manning levels maintained at SLH after migration were excessive and inherently led to under-utilisation and wastage of resources both in term of the high numbers of staff deployed to watch over and safeguard the SLH site, as well as in terms of capabilities and competences that could have been used more efficiently and effectively elsewhere.
- 6.2.18 In view of the above, NAO recommends that the Ministry further explores opportunities for reducing the cost of security at the SLH, including additional reductions in the number of guards deployed to the site and the better utilisation of technology to reduce manning requirements and improve operational efficiency (including repairs or replacement of existing CCTV cameras, entry barriers, and hand-held radios which are out of order).

**6.3 Decision to outsource internal security services at MDH**

- 6.3.1 A decision had already been taken in 2006 by the *Steering Committee on MDH* chaired by MFIN to outsource external security services through a service concession contract for the provision of external security, car park and traffic management services. A call for tenders had been issued and the contract was awarded in July 2007 (discussed in Chapter 5).
- 6.3.2 In June and July 2007, there were also discussions in the Steering Committee on how to outsource internal security services once the decision was taken that security personnel were to be retained at SLH. In June 2007, MFIN confirmed that the concession services contract could not be extended to cover outsourced internal security services. In July 2007, it was decided that internal security was to be included as part of Facilities Management services through an instruction for a variation to the main Design and Build Contract (dated 23 February 2000) and the Amendment Agreement (dated 12 April 2005) with SMJV. The intention was that a Company appointed by SMJV would temporarily provide the service until a public call for tenders is issued for the provision of this service.
- 6.3.3 By November 2007, discussions with SMJV, however, failed mainly due to the management fees requested by SMJV. These were calculated on top of costs and amounted to €3 million per annum for Facilities Management. A decision was taken by MFIN and FMS that Facilities Management at MDH would be taken over by FMS when the contract with SMJV expired in December 2007. It was also decided that the sub-contractor used by SMJV for internal security services would be retained for a temporary period until a new call for tenders is issued. A committee was set up with officials from MFIN and FMS to review contracts with SMJV's sub-contractors including the contract on internal security and enter into direct agreement with each sub-contractor through FMS.
- 6.3.4 This procedure was justified by FMS on various grounds, namely that:
- (a) The time was too short to prepare and to issue a call for tenders to be ready for an award of a contract.
  - (b) The security company had been responsible for the security of the MDH site through the various stages of development from construction to the first weeks of operation as a fully functioning hospital. Retaining the same security firm meant that the familiarity with the buildings and premises, the infrastructure and the building services (including fire safety and fire-fighting protocols) ensured a smooth and safe transition from SMJV.

**6.4 Managing the contract for internal security services at MDH**

- 6.4.1 On taking over the sub-contract for internal security services from SMJV on 1 January 2008, FMS worked on the process of defining internal security requirements for MDH and establishing the contractual obligations of the Company – G4S Security Services (Malta) Limited. Contact was made in January 2008 with the Company and an outline Security Plan (dated 25 January 2008) was proposed by the latter, including a risk qualification and the requirements for implementing the plan such as various teams to cover the accident and emergency area, the out patients department, fixed points and patrols.
- 6.4.2 NAO noted that in first months of operation, decisions on the procedures to be adopted and on the number of security officers to be deployed in different areas of MDH were taken progressively by FMS and MDH as requirements were identified, requests were made by internal departments, and specifications were developed and refined. In fact, there were teething problems as was evidenced in a complaint made by MDH to FMS in February 2008.
- 6.4.3 MDH is a complex building requiring a fully integrated solution for the provision of security services. It consists of seven interconnected buildings ranging from three to seven floors, each designed with a high level of modern security systems installed in the build environment. The Hospital also has a control room which is intended to be used as a focal and monitoring point for CCTV, Access Control, panic and intruder alarms, fire alarms, smoke control, car parking and nurse call monitoring, and several other safety and security related systems installed throughout the hospital.
- 6.4.4 A number of Standard Operating Procedures (SOPs) covering security activities were developed by the Company in collaboration with MDH and FMS. These documented procedures cover various activities and other SOPs are in the process of being formulated. NAO encourages the further development and use of these SOPs to ensure highest standards of delivery of service.
- 6.4.5 FMS and MDH indicated to NAO that this was a learning process for FMS, the hospital management and the Company, following which definite requirements for each section of the hospital were drawn up (refer to paragraph 6.4.14). Security arrangements were improved as lessons were learned. The new hospital brought with it a number of new situations and conditions. The change was also experienced at staff level: for example, initially staff were reluctant to use new features such as panic buttons and automatic doors. A certain amount of time had to pass before these systems were used more effectively. Liaison between the Company and the MDH management was also strengthened during this period, providing MDH with the required flexibility in requesting additional support whenever the need arose.

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- 6.4.6 The contract for internal security was managed by FMS between January and July 2008 in coordination with MDH. After this date, the responsibility for the contract was fully transferred to MDH. The provision of internal security was not considered to be part of Facilities Management and FMS was involved to ensure a smooth transition following the failure of negotiations with SMJV.
- 6.4.7 NAO observed that the Contract for the internal security services was signed between FMS and the Company on 4 June 2008 to cover retrospectively the period from 1 January 2008 to 31 July 2008. This was several months after the service started to be provided. FMS indicated that the delays were due to the time required to obtain formal approval from the Department of Contracts for the outsourced internal security services (given on 9 April 2008) and for the time required for a decision to be taken to confirm the FMS Board after the General Elections in March 2008.
- 6.4.8 As a consequence, FMS was in a very exposed position with respect to contract management up to 4 June 2008 as there was no contract with the Company providing the internal security services. The absence of a contract potentially reduced the ability of FMS to enforce any conditions or requirements expected from the Company. It also increased the risk that the delivery of the service would not meet the expected standards of performance and quality.
- 6.4.9 Having said that, FMS and MDH both indicated that the Company during this period delivered its service professionally and was responsive to the changing or additional requirements and demands of MDH. Both entities also reported that there was engagement and coordination with the Company in order to ensure that any shortcomings are addressed.
- 6.4.10 The Contract covering the period January to July 2008 was further extended to December 2008 and subsequently to June 2009 through policy directions from MFEI, as well as through approvals from the Director General (Contracts). An EU-wide call for tenders for the provision of internal security services was published in January 2009 to supersede this interim agreement. The tender asked for similar requirements as the provisional contract. It also included new conditions such as a guarantee on the employment conditions of staff. The launch of the call for tenders is an important milestone for ensuring that the most advantageous offer is selected by Government and value-for-money is achieved. NAO recommends that the public entities involved in this process give all due importance and ensure that the selection and award procedures are completed in the earliest possible timeframe.
- 6.4.11 In the interim, the Contract of Service signed in June 2008 continues to apply. Key conditions, hourly rates and obligations stipulated in this Contract are outlined in Table 6.1.

**Table 6.1 Key conditions from the Service Agreement for the provision of internal security services signed on 4 June 2008**

- i. The contract pricing for the provision of service included the following rates:
  - For Management staff: (rates per shift hour certified as worked, excluding VAT)
    - Site Supervisor - €7.57
    - Control Room Centre Officers - €6.99
  - For Staff: (rates per shift hour certified as worked, excluding VAT, normal working hours)
    - Senior Security Officers - €6.41
    - Security Officers/Replacement Guards - €5.59
    - Receptionist/Security Staff - €6.99
  - For Public Holidays, rates are doubled when additional hours are required outside the agreed schedule.
- ii. The services had to be executed 24 hours per day on a shift basis, each shift being of a twelve-hour period. Internal patrols, with the routes being determined by MDH, were to be carried out at all times.
- iii. The Company undertook to provide only full-time security personnel who were suitably vetted, thoroughly and appropriately trained, able and experienced. The Company also agreed to ensure that all of the security personnel provided had at least one year experience at the Site and that the staff were proficient in both written and oral communication skills in English and Maltese. The Company was also obliged to forward to MDH (prior to the personnel commencing their role on Site) details including police conduct certificate, workbook number, ID number, Police licence and individual employment history (curriculum vitae). MDH reserved the right to reject, without cause, reason or explanation any of the Company's personnel or management.
- iv. The minimum total number of staff on duty at any time throughout the Contract's execution was to be not less than 20 persons (including the supervisor, senior officials and control room officers but excluding receptionist/security staff). MDH could only request a maximum increase of 15 per cent of the total number of personnel on Site at any one such demand. The Company was obliged to comply with such demands by no later than 72 hours following such a demand. The Company also undertook to ensure that at least three female security officers were on Site at all times. Furthermore, the Company had to provide, at all times, appropriately qualified Senior Control Centre Officers in the Command and Control Room who are responsible for the coordination and action of all the Company's duties and obligations under the Contract.
- v. In the event that any of the Company's personnel or direct management staff for any reason failed to report to duty, the Company agreed to effect immediate replacement within two hours and provided that, pending the replacement, any vacancy is filled by the senior officer. Failure on the part of the Company to do so incurred a penalty of €233 for each default.
- vi. Radio Frequency Identification Tags (RFID) were to be installed in locations determined by MDH. The Company was also obliged to provide all associated software and hand held reader devices for the RFID system. Moreover, on every day of the contract period, the electronic data accumulated on the electronic punch strip stations had to be downloaded on to the MDH computer system.

*Source: FMS, 2008*

- 6.4.12 FMS indicated that the hourly rates that were applied to this Contract were similar to the ones that had been charged to SMJV. In the absence of a competitive tendering procedure for the procurement of this service during 2008, it was difficult for NAO to ascertain whether these rates were advantageous for Government, especially when one takes into consideration all factors including:
- (a) the scale of the operation;
  - (b) the urgency of the requested services;
  - (c) the conditions laid down by Government including the flexibility required from the Company; and
  - (d) the equipment and set-up required from the Company to provide a complete service.
- 6.4.13 A template for the daily deployment sheet indicating specifically where and when guards were to be assigned to different areas of the hospital was developed by the Company and FMS during the first half of 2008. The template was further refined after MDH took over responsibility for the internal security service contract in August 2008. The completed daily deployment sheets are maintained by the Company's staff and should be kept in the Control Room at MDH. They should also be available for random inspection by MDH management.
- 6.4.14 In brief, security personnel are assigned in different areas of the hospital with most being located in fixed points and a smaller number patrolling the hospital buildings. The internal security officers on duty are supervised by a Site Senior Supervisor (Chief Security Officer) who also oversees external security (refer to paragraph 5.5.6). In addition, Senior Security Officers oversee particular areas of operation.
- 6.4.15 In October 2008, MDH had approximately 39 internal security personnel during the day and 21 outsourced security staff during the night. Internal security patrols are carried out on a 24 hour, seven day week basis. Other critical parts of the hospital also have 24 hour security at fixed points such as the Accident and Emergency Department, the IT Department, certain foyers and departments, as well as the main entrance. In other sections of the hospital, internal security is provided for during specific periods, depending on the security risks being faced in each particular area. On average, approximately 5,000 hours per week were being outsourced by MDH for internal security services.
- 6.4.16 MDH confirmed that fixed points and internal patrols are both needed for the proper management of security within the hospital buildings and to serve as deterrents. Guards in fixed points should not move from their locations as this would jeopardise the security of the abandoned area. Apart from carrying out regular patrols, rapid response teams are intended to respond to calls for support. The staff in the Security Control Room also has a critical role in monitoring and coordinating incidents. The Security Control Room is a 'one stop shop' for the reporting, taking of the necessary action, key management and recording of all security issues.

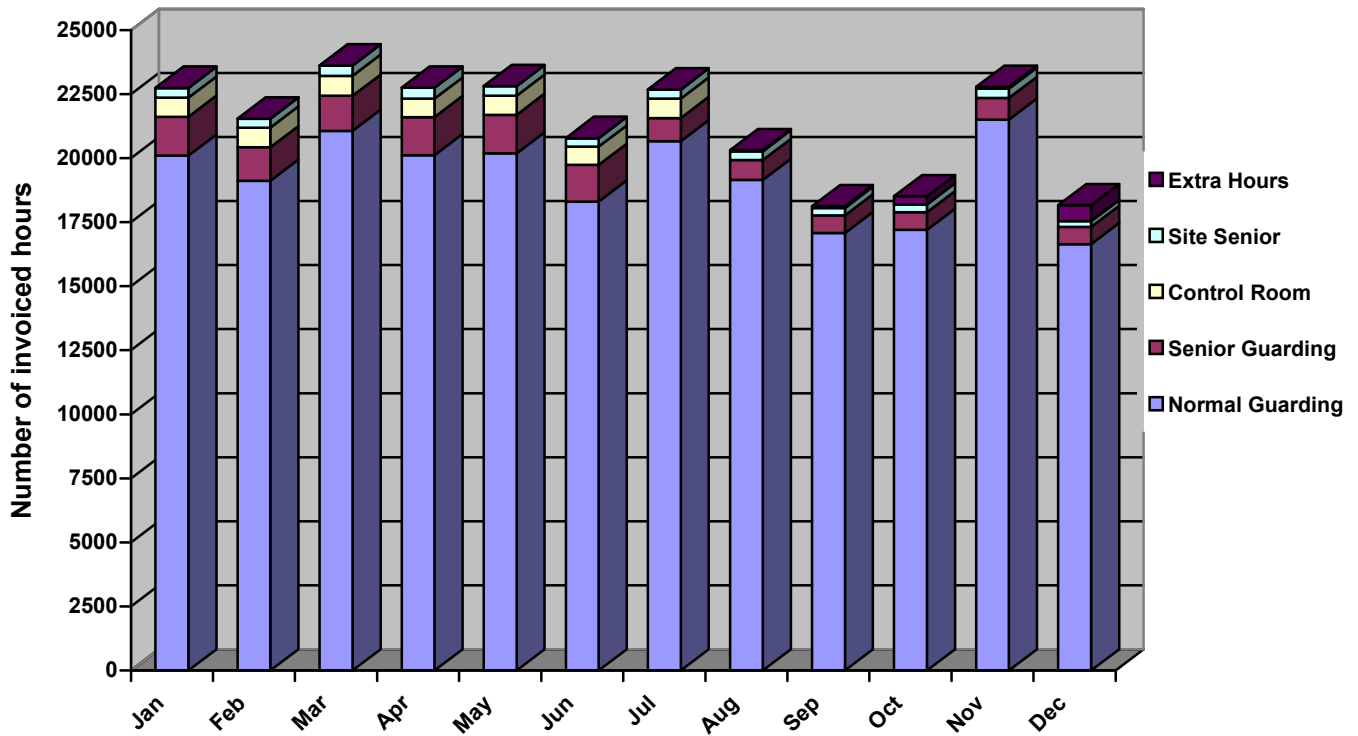
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- 6.4.17 Risks that are monitored by the internal security personnel are varied. They include aggressive, disorderly or unruly behaviour (e.g. assaults on staff, patients and visitors, fights and quarrels, distraught or angry patients or relatives); pilferage, damage to property, serious theft (e.g. dangerous drugs or cash), cases of patients requiring 24 hour protection (suicidal attempts, care orders, VIPs, or patients with drug problems), or transfer of patients out of the hospital to another site (e.g. to Mount Carmel Hospital or orphanages).
- 6.4.18 MDH also explained that at any point in time, apart from internal security guards, there should be three police officers located at MDH. These have been assigned specific areas and patrols. A request for additional officers made by MDH was declined by the Malta Police Force due to unavailability of officers. The constant presence of the Police at MDH is also further reduced in the summer season due to the Police being required elsewhere. MDH explained that the contracted internal security officers (who are licensed guards) cannot make arrests and when incidents escalate their role is to subdue the tension with the Police being used as a last resort.
- 6.4.19 As can be noted in Figure 6.1, based on the invoices charged to FMS or MDH for internal security services covering the period January to December 2008, the monthly average usage of these services at MDH amounted to 21,235 hours with fluctuations in demand reflecting pressures for additional security during particular periods (such as the additional security required during the General Elections in March 2008).

**Direct Orders and Outsourcing at Mater Dei Hospital**

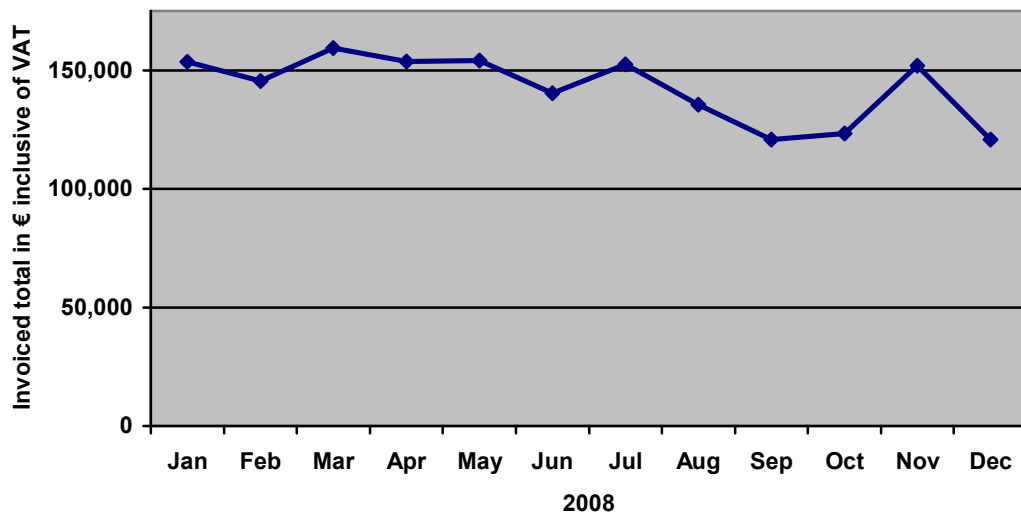
**Figure 6.1 Usage of internal security services: Hours invoiced by the Company in 2008**



*Source: MDH, 2008-9*

6.4.20 In 2008, MDH was billed 254,825 hours for internal security services at a total cost of €1,711,798, inclusive of VAT (Figure 6.2).

**Figure 6.2 Total value of invoices for internal security services (from January to December 2008)**



*Source: MDH, 2008-9*



- 6.4.21 Insufficient documentary evidence was found by NAO on the physical checks that were carried out by FMS between January and July 2008 to ensure that agreed deployments were being adhered to. FMS, however, gave assurances that these random checks were carried out by the official responsible for Facilities Management, although this was restricted due to limited human resources. Moreover, FMS also reported that close coordination was kept with the Company to ensure smooth delivery of the service, to address day-to-day issues, and to immediately increase capacity when the need arose.
- 6.4.22 NAO also noted when examining the items billed to FMS between January and July 2008, that a number of hours were being invoiced for customer care services through the internal security contract (refer also to paragraph 4.2.8(a)). This was being done on the specific request of FMS after concerns were raised by Government on the way the large number of users of this department was being managed. In January 2008, the Company was asked to increase resources by providing customer care services in the Accident and Emergency Department. Between 440 and 500 hours of customer care services were used on a monthly basis for customer care in this Department. In June 2008, this arrangement was formalised with the signing of the internal security contract which included a clause on the use of this contract to also provide clerical services (at the rate of €5.01 per hour). From August 2008 customer care was charged separately at the stipulated rate.
- 6.4.23 On taking over the management of this Contract, MDH also started to address certain issues, such as the way in which information was presented in invoices. This was reviewed and changed to facilitate better control and checking by MDH. A doubtful claim in respect of the services of a Detail Officer that was being charged in previous invoices was removed. A more formal system for physically checking (on a random basis) and documenting whether the Company's staff levels are maintained in line with the agreed deployment sheets was developed and implemented. An MDH official (Assistant Manager) was appointed and given responsibility, amongst others, to carry out routine random inspections in the mornings or afternoons, except for weekends.
- 6.4.24 Moreover, as also noted in paragraph 5.5.15, a Security Consultant was engaged by MSP in January 2009 to carry out an evaluation of the security operations at MDH, as well as propose a framework and plan that can be used when managing the security contracts. This expert assessment provides an opportunity for MDH to further ensure that within the parameters of a well-defined risk management framework, an economical and efficient use of resources is being made with respect to security management.
- 6.4.25 An internal MDH report has also been prepared to identify ways of how to reduce the cost of internal security at MDH. These include installing CCTV cameras, intercoms with a monitor, PA systems and automatic door locking system/electronic access control in areas which are currently being physically

- guarded. Cited examples include the access door to the renal unit, access doors to the Accident and Emergency Department and the doors leading to the staff canteen which at present are all being physically guarded at a considerable cost. NAO recommends that a timely and thorough assessment of these proposals and possibly of other areas is undertaken by MDH in order to ensure that any opportunities for long-term savings through investment in modern technology are availed of.
- 6.4.26 NAO notes that despite these new developments, limitations still remain on the extent to which the service is being monitored by MDH, with the main reason being the level of resources and competences made available to manage this contract. As already noted when reporting on the management of the external security and car park services contracts (Chapter 5), the two staff members responsible for this contract are currently taking on responsibilities of other vacant positions leaving them with less time to focus on the security contracts. Moreover, the staff have not received sufficient training on the requirements of security operations and activities. MDH informed NAO in March 2009 that this training will be given to the Manager in charge. NAO also encourages MDH to provide sufficient training on the skills and knowledge required to manage contracts.
- 6.4.27 Additionally, NAO recommends that MDH places more emphasis on monitoring the quality of service being delivered by the Company in order to ensure the highest standards of delivery of service. This can be achieved through greater use of SOPs and performance indicators and using the results of these measures to engage the Company and drive for further improvements in the service. A formal evaluation form can be designed and used to keep a systematic record of the performance of the security personnel and the quality of service being delivered in a number of critical areas. This form could be completed by the internal Heads of Department of MDH and other key users. The information that is collected is then followed-up by the officials managing the contract to drive for improvements in the service and better value-for-money.
- 6.4.28 Contract management can also be strengthened through better monitoring of the persons being engaged. As in the case of external security personnel (refer to paragraph 5.5.16), in January 2009, MDH followed up on the NAO concerns and requested the Company to forward the documentation on the deployed personnel required in accordance to the Services Contract.

## **6.5 Overall Conclusions**

- 6.5.1 Various factors influenced the decision of MHEC not to transfer SLH security personnel to MDH. According to MSP, these included concerns on frequent industrial action and the narrow scope of the job descriptions, as well as the unresolved long-standing Union Directive of October 2000.

- 6.5.2 Following the migration of hospital services to MDH in November 2007, an excessive number of security personnel were retained at SLH. The SLH site needs to be guarded against a number of risks including vandalism, theft and unauthorised access or squatting. However, this should be achieved with less human resources and at a lower cost. By December 2008, the number had been reduced by 16. However, this number needs to go down further with the main obstacles hindering progress being, according to MSP, the accumulated time-off-in-lieu and the Union Directive.
- 6.5.3 The decision to outsource internal security services was taken after the decision to retain SLH personnel at the former hospital. Initially FMS was responsible for managing the contract. MDH took over full responsibility in August 2008. Security arrangements were improved as lessons were learned and requirements were better defined. In 2008, approximately 5,000 hours were required every week to operate internal security services at MDH.
- 6.5.4 A number of issues were identified by NAO as part of the examination including the need to strengthen contract management, the need to further invest in technology to reduce the overall demand for security officers, and more emphasis on the quality of service being delivered by the Company.

## **6.6 Recommendations**

- 6.6.1 NAO recommends that the Ministry continues, within the shortest possible timeframe, to streamline and rationalise security operations at SLH. Staff should be redeployed to other areas of the Health Division where their services are urgently required. The reduction in the number of security personnel can also be achieved through better use of technology (such as closed circuit cameras, electronic barriers and hand-held radios) and the introduction of new work practices to ensure greater economy and efficiency.
- 6.6.2 NAO also recommends that sufficient resources are allocated for the management of the internal security contract at MDH and monitoring of internal security guards. Staff should also be trained in security and contract management. SOPs and other specification should continue to be developed in order to ensure that the performance of the Company is continuously improved.
- 6.6.3 The results of the ongoing independent assessment being carried out by an external consultant should be reviewed and, if applicable, implemented within the shortest possible timeframe. Opportunities for investment in technology to reduce dependence on outsourced security staff should be taken up.
- 6.6.4 A system of ongoing review of the Company's performance (e.g. through survey with internal customers and users) should be developed and followed-up in order

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### **Direct Orders and Outsourcing at Mater Dei Hospital**

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to ensure that Government achieves value-for-money from the outsourced services.

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APPENDIX A



KAMRA TAD-DEPUTATI



HOUSE OF REPRESENTATIVES

MALTA

8 ta Awwissu 2008

REGISTRY

- 8 AUG 2008

Lill-Awditur Generali  
Floriana

Direct order u out sourcing ta' servizzi fl-iSptar Mater Dei

Sur Awditur Generali,

Nirreferi ghal rapporti fil-media nazzjonali u specifkament fil-gazzetta Malta Today tal-Hadd 3 t'Awwissu 2008 fejn gie rraportat is-segwenti ;

l-ewwel - illi fil-gestjoni ta' l-iSptar Mater Dei, li huwa amministrat bis-sahha ta' fondi pubblici, inghataw *direct orders* f'ammonti li jaqzbu bil-hafna dak permess mir-regolamenti finanzjarji li jirregolaw l-amministrazzjoni ta' fondi pubblici

it-tieni - gie indikat li **f'outsourcing** ta' servizzi relatati ma' l-iSptar jirrizulta li ma jipprevalixix il-principju ta' **value for money** primarjament u specifkament fejn tidhol il-gestjoni ta' parking fl-iSptar.

Ghaldaqstant fil-waqt li nirreferik ghal dak li gie rraportat fil-gazzetta specifkata, nitlobok, fuq il-bazi ta' *standing order* 120E subincis (d), li tinvestiga l-azzjonijiet amministrattivi esegwiti kif irraportati fil-gurnal imsemmi u sussegwentement tirraporta lill-Kamra tad-Deputati jekk

- gewx esegwiti l-proceduri finanzjarji stabbiliti fl-ghoti ta' kuntratti u *direct orders*
- jekk dawn il-proceduri ma gewx esegwiti, kienx hemm xi gustifikazzjoni ibbazata fuq efficjenza, valur ghall-flus jew principju iehor li b'xi mod jiggustifika tali ghotja ta' *direct order/s*.
- jekk hux qed isir utilizazzjoni tal-haddiema *full time* u permanenti ingaggati mal-gvern u jekk **l-outsourcing** approvat hux qed jikkonfliggi ma' xoghol ta' dawn il-haddiema bil-konsegwenza li l-istess haddiema jkun **underutilised**, li jimplika hela ta' fondi pubblici.

Fl-ahhar nirrakkomandaw li l-Awditur jaghti r-rakkomandazzjoniet tieghu fid-dawl ta' l-ezitu ta' tali investigazzjoni biex tali rakkomandazzjonijiet

ikunu implimentati biex ikun assigurat li l-fondi pubblici jkunu mhaddma b'aktar efficjenza fl-interess tat-*taxpayer* u fl-interess tat-thaddim ahjar ta' l-iSptar Mater Dei.

Minhabba l-urgenza tal-materja nitolbuk li dan ix-xoghol minn naha tieghek isir fl-aqsar zmien possibli biex eventwalment ir-rapport tieghek intavolat fil-Parlament, ikun diskuss fil-Kumitat Parlamentari ghall-Kontijiet Pubblici.

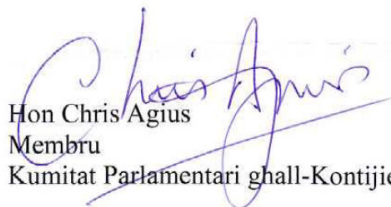
Grazzi.



Dr Charles Mangion  
Chairman  
Kumitat Parlamentari ghall-Kontijiet Pubblici



Hon Helena Dalli  
Membru  
Kumitat Parlamentari ghall-Kontijiet Pubblici



Hon Chris Agius  
Membru  
Kumitat Parlamentari ghall-Kontijiet Pubblici

**Direct Orders and Outsourcing at Mater Dei Hospital**

**Appendix B: Total number of hours charged by the Company not verifiable <sup>(1)</sup>**

Month	Hours not verifiable				Total	Total <sup>(3)</sup>
	No signature	No time in/out and no signature	No time out	No roster <sup>(2)</sup>		
						€
December 2007	191.00	267.00 <sup>(4)</sup>	7.00	-	465.00	2,325.00
August 2008	204.75	-	-	967.50	1,172.25	5,861.25
<b>Total</b>	<b>395.75</b>	<b>267.00</b>	<b>7.00</b>	<b>967.50</b>	<b>1,637.25</b>	<b>8,186.25</b>

- (1) These are hours charged by the Company and paid for by MDH which could not be verified as being actually worked by the officers.
- (2) These hours mainly relate to the period 1 – 3 August 2008, since no rosters were made available for these dates for almost all officers.
- (3) The total is based on the rate of €5 per hour (as actually charged by the Company).
- (4) Out of these hours, 141 relate to hours worked at the Recovery Rehabilitation Unit. No attendance sheet was made available for this Unit, and in fact, checking of payment for hours worked was based solely on the respective roster.

**Appendix C: Officers on August 2008 roster but no attendance sheets presented**

<b>Assignment</b>	<b>Period <sup>(1)</sup></b>
Operating Theatre	4 – 31 Aug
Operating Main Theatre	4 – 10 Aug
Inventory	4 – 31 Aug

- (1) Since the rosters for 1 – 3 August 2008 were not made available, it cannot be excluded that said 3 officers also featured on these rosters.



**Direct Orders and Outsourcing at Mater Dei Hospital**

**Appendix D: Incorrect number of hours charged by the Company <sup>(1)</sup>**

<b>Month</b>	<b>No. of hours</b>	<b>Rate per hour <sup>(2)</sup></b>	<b>Total</b>
		€	€
December 2007	33.75	5.00	168.75
August 2008	262.00	5.00	1,310.00
<b>Total</b>	<b>295.75</b>		<b>1,478.75</b>

(1) These are actual figures resulting from errors in attendance sheets.

(2) This is the rate per hour as indicated on the invoice and charged by the Company.

**Direct Orders and Outsourcing at Mater Dei Hospital**

**Appendix E: Total number of daily hours worked less than those stipulated in service agreement**

*January 2008*

<b>Date</b>	<b>No. of hours as per rosters <sup>(1)</sup></b>	<b>Difference in hours <sup>(2)</sup></b>
21 Jan 08	156	28
22 Jan 08	155	29
23 Jan 08	132	52
24 Jan 08	143	41
25 Jan 08	144	40
26 Jan 08	144	40
27 Jan 08	132	52
28 Jan 08	132	52
29 Jan 08	144	40
30 Jan 08	132	52
31 Jan 08	144	40
<b>Total</b>	<b>1,558</b>	<b>466</b>

*March 2008*

<b>Date</b>	<b>No. of hours as per rosters <sup>(1)</sup></b>	<b>Difference in hours <sup>(2)</sup></b>
24 Mar 08	145.50	38.50
25 Mar 08	145.50	38.50
26 Mar 08	145.50	38.50
27 Mar 08	145.50	38.50
28 Mar 08	145.50	38.50
29 Mar 08	145.50	38.50
30 Mar 08	150.00	34.00
31 Mar 08	145.50	38.50
<b>Total</b>	<b>1,168.50</b>	<b>303.50</b>

**Direct Orders and Outsourcing at Mater Dei Hospital**

**Appendix E: Total number of daily hours worked less than those stipulated in service agreement (cont'd)**

*July 2008*

<b>Date</b>	<b>No. of hours as per rosters <sup>(1)</sup></b>	<b>Difference in hours <sup>(2)</sup></b>
21 Jul 08	145.50	38.50
22 Jul 08	145.50	38.50
23 Jul 08	145.50	38.50
24 Jul 08	145.50	38.50
25 Jul 08	133.50	50.50
26 Jul 08	121.50	62.50
27 Jul 08	121.50	62.50
28 Jul 08	145.50	38.50
29 Jul 08	145.50	38.50
30 Jul 08	145.50	38.50
31 Jul 08	145.50	38.50
<b>Total</b>	<b>1,540.50</b>	<b>483.50</b>

- (1) These are the cumulative number of hours worked daily by the external security guards.
- (2) This is the difference between the minimum number of hours to be worked as stipulated by the service agreement (i.e. 184 hours) and the number of hours as per rosters.