



**OFFICE OF THE AUDITOR GENERAL
SPECIAL AUDIT REPORT**

**OUTSOURCING AND MANAGEMENT OF THE CEMETERY AND
BURIAL SERVICES**

March 2022



Office of the Auditor General

AUDITING FOR SEYCHELLES

The Auditor General is head of the Office of Auditor General (OAG).

The OAG assists the Auditor General to carry out his duties under the Constitution and Auditor General Act, 2010 to undertake financial statement audits, compliance audits, performance audits, special reviews of public sector bodies and to provide independent reports and advice for the National Assembly, the Seychelles Government and the public.

The aim is to improve Seychelles public sector administration, transparency and accountability.

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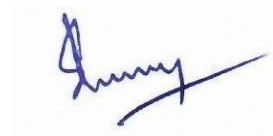
17 March 2022

To Honourable Speaker of the National Assembly

I am pleased to transmit my report on the special audit of the outsourcing and management of cemetery and burial services for onward transmission to the Finance and Public Accounts Committee. The audit was undertaken as per the request made by the Minister for Employment and Social Affairs during a National Assembly session on 02 June 2021.

Following presentation to the Committee, the report will be placed on the website of Office of Auditor General - www.oag.sc

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Gamini Herath', with a long horizontal stroke extending to the right.

Gamini Herath
Auditor General

Auditor General's statement

The Auditor General can undertake special purpose audits (reviews/investigations) on his own initiative and/or at request from the President or the National Assembly as provided in the Constitution and the Auditor General Act. A special purpose audit looks at a particular issue, system, function, operation, scheme, project, programme or an organisation, either in isolation or in a transversal, cross-cutting manner. The rule of thumb used for selection of the subject matter is 'does it matter to the public'. The purpose of a special audit is to provide objective information on the particular subject matter to those who seek that information. These reports often result in better decision making and positive differences in public institutions. The positive differences in turn result in better service delivery to the public through efficient public administration and cost savings through sound finance management, in other words, better value for the money. These processes help promote good governance, transparency and accountability.

This report follows a request from the Minister for Employment and Social Affairs made in National Assembly. The report examines the various aspects of awarding and implementation of the management contract between the government and the Cemetery Services Agency (CSA) for the provision of burial services and maintenance of cemeteries located on Mahe and Praslin during the period January 2015 to May 2021.

The contract was terminated in May 2021 as a remedial measure, and the services covered under the management contract returned to the Agency for Social Protection.

Gamini Herath
Auditor General

Acknowledgements

I wish to express my personal gratitude to members of my staff who carried out their duties willingly and satisfactorily despite certain constraints. I also acknowledge the assistance and co-operation extended by various entities as specified in this report. They all appreciate the role of my office and recognise the valuable contribution it can make in ensuring and enhancing the good governance, accountability, and transparency in the matters relating to state assets and public funds.

Finally, I would like to thank the Finance and Public Accounts Committee (FPAC) of the National Assembly who reviews my reports and makes appropriate recommendations to Government for improvements.

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Executive Summary

1. In January 2015, the Department of Social Affairs signed a fixed management contract with the Cemetery Services Agency (CSA), a sole trader license holder. The holder of the license was a senior employee of the Agency for Social Protection (ASP), which was at the time managing the cemetery and burial services. The contract was for the management of cemetery and burial services on Mahe and Praslin. Under the management contract all of ASP's fixed and immovable assets related to cemetery and burial services were transferred to CSA at no cost.
2. The contract also stipulated that the company was to be allocated an annual budget through the Ministry of Finance. From 2015 to May 2021, the ASP had disbursed a total of R59.1 million in respect of the management contract against a total budget allocation of R62.4 million.
3. The outsourcing contract was terminated on 31st May 2021 by the Department of Social Affairs and the services have since been transferred back to ASP. The Office of the Auditor General (OAG) was requested by the Minister of Employment and Social Affairs to perform a review of the administration of the management contract. This report provides the audit findings, observations and recommendations for consideration by the management.

Key Findings

Feasibility study, needs assessment and monitoring of management contract not carried out

4. There was no evidence to show that a feasibility study or a needs assessment had been conducted prior to going into the contractual arrangements with the manager. Further, there was no mechanism in place to follow-up or monitor the performance of the contract to ensure implementation effectiveness and sustainability. Therefore, audit was unable to ascertain as to whether there was a need to outsource these services and the terms of the contract were in the best interest of Government and the outsourcing met its objectives.

Outsourcing did not follow procurement regulations

5. ASP has disbursed over R59.1 million from 2015 to 31st May 2021 in respect of the management contract. At the time the contract was first awarded in 2015, it was for a sum of R8.8 million as per the budget allocation. Despite the amount being over and above the R750,000 threshold requiring open bidding as stipulated in the procedures under SI 7 of the First Schedule of the 2014 Public Procurement Regulation, the selective and restrictive procurement method used was contrary to the stipulation.

Contractual deficiencies in stipulation of terms and conditions

6. Audit noted the following contractual deficiencies in stipulation of terms and conditions, especially, in relation to protection of the Government interests:
 - The outsourcing contract did not provide the period of its validity i.e. a termination date nor a renewal mechanism. The contract only provided that it can be terminated with a notice of 90 days with mutual agreement. Audit also noted that the premises occupied by CSA on Mahe were leased to CSA for 50 years according to Clause 4.10 of the management contract at a nominal fee of R1;
 - Justification for the transfer of public assets to the private business at no cost in 2015 was not documented;
 - Revenue collection was retained by CSA while the operational costs were incurred by government budgetary allocations through ASP;
 - The contract made provision for CSA to have access to additional funds for additional services which was to be negotiated between CSA and ASP from time to time;
 - A legal vetting of the contract by the Attorney General should have been considered to ensure due protection of government interests and its enforceability in a court of law;
 - The contract stated that payments will be disbursed in instalments without any milestones or schedule;
 - The agreement did not provide how the payments will be disbursed; on the basis of invoices, in advance or demand letters from CSA;
 - Invoices used for payments were not subject to a check to ensure competitiveness of the rates used in the claims; and
 - The agreement did not provide for an administrative structure including back office support for the implementation of the contract and the use of ASP staff services.

Conclusion

7. Audit concluded that outsourcing of the cemetery services to CSA was not in accordance with the applicable provisions of the Public Procurement Act and the procedures prescribed in the public procurement regulations relating to the selection of bidders, award of contract, obtaining the required approvals and management of contracts.
8. Audit also concluded that the outsourcing was done without undertaking a need assessment, estimates of the level and quantity of required services and costing of the work involved. The contract was not subject to legal vetting to ensure protection of the government interests. The document lacked provisions to ensure procedures

for effective contract management and evaluations. The entire process lacked clarity thus putting in doubt the objectives and strategies of outsourcing. Consequently, even after the so-called outsourcing, the program largely continued to remain under ASP and some of its staff performed financial and administrative duties on behalf CSA. The fee income was retained by CSA while the Government was funding its operations through an annual budget.

Recommendation

9. The contract has since been terminated. However, Audit recommends that ASP and other public entities dealing with similar contracts should be mindful of the contract terms and conditions and seek legal assistance to ensure that the terms of the contract are in the best interest of the government, and there are appropriate structures for monitoring the implementation of such contractual arrangements.

Introduction

10. In January 2015, in line with the Seychelles program of privatization, the Government of Seychelles outsourced the management of cemeteries and the provision of burial services, which were provided by the Agency for Social Protection (ASP), to the Cemetery Service Agency (CSA) ¹; a registered business in the private sector owned by an ex-employee of ASP.
11. The Management contract between CSA (*the Manager*) and the Department of Social Affairs (*the Client*) was continuous in nature and without a fixed ending or review date. The contract was signed by Mrs Yvette Antat, the owner of CSA, and Mrs Linda William-Melanie as the Principal Secretary for Social Affairs on behalf of the Department of Social Affairs. (**Appendix 1**).
12. The terms of the management contract and its main responsibilities are outlined below;
 - i. performing actual burial services and grounds maintenance for all (15) State cemeteries, **Appendix 1**, excluding La Digue;
 - ii. maintenance of grounds comprising of actual landscaping maintenance, making sure but not limited to (a) grass are always trimmed (b) bushes kept in check; and (c) any waste properly disposed of;
 - iii. painting of all state memorials as well as of those of significant importance, general upkeep of all surrounding sub-structures, walls and fences.
 - iv. the *Manager* is responsible for actual burial services for a non-negotiable fee as set forth by the Government of Seychelles for Seychellois citizen. The *Manager* is to discharge responsibilities and duties pertaining to special grounds that falls as part of the Commonwealth War Graves including the maintenance of the Cenotaph war memorial.
13. As per **Appendix 1** of the Management contract, a sum of money was to be budgeted under the ASP's annual budget and allocated to CSA. This required negotiation with the Ministry of Finance as part of the annual budget exercise and the budget funds were to be transferred to CSA in instalments over the year. This process is illustrated in **Figure 1**.

¹ Reforming Burial Services, Cabinet Document C2021/MEM/093, May 2021

Figure 1: Process of payments by ASP on behalf of CSA

14. According to the ASP accounting records, a total of R59.1 million was disbursed from January 2015 to May 2021 in respect of CSA, as illustrated in **Table 1**, against a total budget allocation of R62.4 million for the same period. Key component of the expenditure incurred related to the payment of salaries of CSA workers (aprx.82) which amounted to some R51.5m.

15. This would mean that only about R 7.6m was spent on other operational areas and for the procurement of goods and services for delivering burial related services for the entire period of 77 months giving an average of R98,700 per month or R1.1 million per year.

16. All revenue collected by CSA for services provided under the management contract was retained by the business. These included burial fees, maintenance fees for private burial sites (e.g. Muslim Burial sites) and an international grant from the Commonwealth War grave to maintain their grave sites and monuments².

The CSA is allocated a budget under ASP, Program 3 under PPBB. The funds was made available in its account code 100A001-MINISTRY COM DEV SPORT SOCIAL AFF..AGENCY FOR SOCIAL PROTECTION..BURIAL SERVICES

Whenever the need arise Mrs Antat will request and authorise payments, provide invoices to support payments and ASP accounts staff will process the payments. The sum will also be used to pay salary as per payroll approved by Mrs Antat.

Payment goes through the Government TIS system and an LPO will be issued and payment will be effected to respective suppliers. Reconciliation will be done by ASP Account Staff

Source: OAG review of documents and interviews conducted with ASP staff

Table 1

Period	Budget Allocation	Expense incurred	Budget variance
2015 ³	8,836,572	8,493,744	342,828
2016	8,855,000	8,678,180	176,820
2017	9,094,800	8,843,319	251,481
2018	9,507,890	9,305,691	202,199
2019	10,272,000	9,994,025	277,975
2020	10,139,000	10,233,744	(94,744)
As at 30 May 2021 ⁴	5,783,000	3,628,380	2,154,620
	62,488,262	59,177,083	3,311,179

Source: ASP Budget and Treasury records

² Interview with CEO ASP

³ Budget for 2015 was as per the contract

⁴ Burial services budget apportioned for 5 months

17. According to the tax returns of CSA filed at SRC, revenue collected by CSA for the years 2015-2020 was some R665,700.

Aim of Special Review

18. On 30 May 2021, the management contract with CSA was terminated by the Government and, as of 1 June 2021, ASP regained management of the cemetery and burial services. The Office of Auditor General (OAG) was requested to conduct a special review on the outsourcing of the burial services by the Minister for Employment and Social Affairs given that they had noted some irregularities in the service⁵ contract.

19. The aim of this Audit was to assess the awarding and implementation of the management contract of the cemetery and burial services by CSA.

Audit Scope, Objectives, Methodology and Limitations

20. The review covered the period 1 January 2015 to 31 May 2021 with the following objectives:

- (i) Evaluate the need to enter into a contract with CSA and ascertain as to whether the terms of the contract were in the best interest of Government;
- (ii) Assess whether the process of awarding the contract was in line with relevant procurement regulations;
- (iii) Assess the monitoring and implementation of the contract conditions; and
- (iv) Identify any shortcomings/irregularities relating to the management of the contract.

21. The audit methodology used in this special review is outlined in *Appendix 2*.

Limitations

22. Audit review was conducted subject to the following limitations:

- Some accounting records required, such as, payment vouchers and invoices selected through a sample covering the whole audit period were not produced due to poor record keeping;
- Personal files of CSA workers and fuel documents could not be examined as the same were said to be with the Anti-Corruption Commission⁶
- Expenditure incurred from CSA business account could not be verified since CSA is a private business entity. However, Mrs Antat provided Audit copy of the business bank account for the period 15th January 2018 to 23rd March 2021.

⁵ National Assembly, 2nd June 2021

⁶ Interview with Officials of the ASP dated 27-7-21 and 2-9-21

Audit Observations and comments

This section provides details of Audit observations made and responses from Mrs Antat, owner of CSA also referred to as “*the Manager*” in the management contract.

1. Feasibility study or a needs assessment not performed

- 1.1 Through the review of relevant documents and from interviews conducted, it would appear that outsourcing the management of the cemetery and burial services was in-line with the Government’s objective of reforming, streamlining and privatizing the non-core services.
- 1.2 However, Audit was unable to evaluate if there was a need to outsource the service since there was no evidence to show that a needs assessment or a feasibility study had been conducted prior to the decision for outsourcing the service. Furthermore Audit was unable to establish as to why the contract was implemented in such a manner whereby ASP still retained a significant role in the matters of day to day financial, administrative and operational tasks.
- 1.3 Therefore, Audit was unable to confirm that the contract was in the best interest of Government spending.
- 1.4 *Mrs Antat s’ response: In 2015, I was going to take my retirement from public service. I was working as Director of Burial services and the then Minister Meriton offered that I take on this service as a private business. This was because the Government needed to outsource following the requirements of the IMF. Given that I had experience he stated that I was best suited to take on this duty. I accepted because I felt that I was still able to work and I was serving my country. I signed the contract in Minister Meritons’ office with PS Melanie and a secretary from the President’s office made all the necessary arrangements to register the business Cemetery Services Agency (CSA).*

2. Outsourcing did not follow procurement regulations

- 2.1 As stipulated under SI 7 of the First Schedule of the 2014 Public Procurement Regulation; goods and services that are above R 750,000 must be approved by the Board and the procurement method used should be open bidding. These projects should hence undergo a procurement process as directed by the Public Oversight Unit (POU).
- 2.2 Audit noted that from 2015 to May 2021, a total sum of R59.1 million was disbursed in respect of the above contract. At the time the contract was awarded in 2015, it was done against a budget sum of R8.8 million⁷. Despite the amount being over and

⁷ Annex 2 of the Contract

above the R750,000 threshold requiring open bidding as stipulated in the regulations, the selective and restrictive procurement method used was contrary to the stipulation. The officials from the POU⁸ and MOFTEP affirmed audit that their records did not reveal anything to suggest that the actioners of the outsourcing followed the stated tender process. Audit was hence unable to ascertain the basis for the award of the management contract to CSA.

3. Lack of monitoring and evaluation of the performance

- 3.1** Audit was unable to obtain evidence of any monitoring action undertaken, such as, progress reports, site visits and evaluation reports to ensure that the contract was performing as intended and agreed by the parties.
- 3.2** There was also no clause in the management contract that made provision for monitoring and evaluation strategies even though Clause 4.1 states that;
- 3.3** *“The service of the Manager shall be in a professional standard to the satisfaction of the client as set forth in this agreement”.*
- 3.4** Review of the ASP PPBB⁹ statements for 2017 to 2020 revealed that the burial services was Program number 3 under ASP and compared to the other two programs under this entity, burial services did not have a strategic objective and measure.

Box 1

“Indeed burial services as far as ASP is concern is an outsourced services. Rightly mentioned in your note a new company has been created to provide this service to which a contract was issued for same. But none the less funding for their operational cost is still going through ASP. In fact it appears as a program under ASP PPBB statement something I’ve always contended for provision of Burial Services is not within the mandate of ASP. There’s a payroll for their staff including the director just as a vehicle to effect their salary payment through TIS, but there’s no official post for those staff on the govt payroll; no nominal roles ect..These points has been raised for its making me the accounting officer for burial services but yet there’s whole company created to administer this service.

With this in mind work is under way to go all the way with the outsourcing of this service as per the attached which we are still in the consultation phase with. Its taking a bit of time yes for we to be careful with such a delicate service. Maybe PS. Finance can shed some light on same”

[Mr Marcus Simeon, CEO ASP, email of 12th February 2019 in reply to audit observations relating to the burial services which was included in the Management Letter dated 30.07.2019 resulting from the financial audit of ASP]

⁸ Interview with officer POU 18th Aug 2021

⁹Program Performance Based Budget

- 3.5** Audit is of the view that given that the management contract was being provided with public funds it should be accountable and therefore there should have been structures in place to ensure that the funds provided are utilized for the intended purpose, in an economical manner and the desired results are achieved.
- 3.6** In this respect, Audit recalls the relevant comments offered by the then CEO (See Box 1) based on audit queries in respect to the functioning and funding of the Burial Services which was a programme under ASP but was not properly monitored. Refer to **Appendix 3** for the extract of this Management letter.
- 3.7** *Mrs Antat s' response: In all the 5 years that I took on the cemetery and burial services no one has never told me that I was doing anything wrong. The service was running smoothly and there were no complaints about burial services or the state of the cemetery. Mr Simeon former CEO of ASP was the only person that I personally recall discussing the cemetery operations with when I was in difficulty. He would assist when he could or when he was unable I recall he would tell me that this was my business so do what I see best. I was never asked to provide a report of any sort on the running of the cemetery and I do not recall once that ASP came to do a site visit of the cemetery even if I had invited them on several occasions. I attended the ASP management meeting, once a month from 2015 up to 2018 where I brought forwarded issues relating to the cemetery. Mr Simeon Fletcher from the War Memorial War Graves secretariat would however conduct annual visits to the memorial war graves sites and express his satisfaction for the work done.*

4. Contractual deficiencies in the stipulation of terms and conditions

The findings below are made in regards to the terms and conditions of the management contract between the government and CSA.

4.1 The contract did not provide for the period of its validity

- 4.1.1** According to Clause 4 (10) of the contract, the immovable assets which comprised of surrounding building were leased to CSA for 50 years indicating that the contract was intended for an extended period of time.
- 4.1.2** However, Audit noted that the contract did not have a specific termination, renewal or review date in the document.
- 4.1.3** Although Clause 4.4 made reference to an *initial term of the contract*, Audit was unable to ascertain the time frame or duration of the said “*initial term*” in view that it was not specified anywhere in the document.
- 4.1.4** Clause 4.2 provided for either party to terminate the agreement with or without cause at any time by giving 90 days’ notice to the other party as specified in the contract.

4.1.5 It would appear from above that the contract was for a long period (unspecified) with provisions for either party to terminate it giving *30 day notice to each other*.

4.1.6 *Mrs Antat s' response: I was not involved in the formulation of the contract terms and conditions I only saw the contract when I signed it. Therefore am unable to confirm why the terms of the contract is as such. But from my personal knowledge I believe that the template was taken from other similar outsourcing contracts being given at that time.*

4.2 Assets transferred at no cost

4.2.1 According to *Section 12(1) (a-c) of SI 57 of 2014* of the Public Finance Management Regulations, prior to disposal, leasing and other dealings with public assets certain instructions must be followed to ensure that the transaction will be done in a manner that will maximize public interest.

4.2.2 The regulation adds that the cost involve in the transaction of the assets would be at a cost expressed either at market value, price quotation or public auction. The Regulation further stipulates that written approval should be sought from the Principal Secretary of Finance for this transfer.

4.2.3 Audit did not sight the Ministry of Finance approval for the assets including three vehicles GS 21027, GS 14825 and GS 21021 which were transferred to CSA, at no cost as per Clause 4.10 of the management contract.

Table 2: Vehicles transferred to CSA

Registration	Make	Year of Manufacture
S21027	Mitsubishi /single cab	2012
S21021	Mitsubishi /single cab	2011
S14825	Ford Ranger /pick up twin cab	2003

Source: SLA records

4.2.4 A report published in April 2021 by the MOFTEP following an investigation of the assets of the CSA stated that *“Costing for mostly all assets has not been calculated since the acquisition date and cost was not provided by the cemetery services Agency Manager. It was also observed that no proper handing over certificate/ procedures were followed when outsourcing was conducted”*. Therefore, Audit was also unable to verify the cost of these assets transferred.

4.2.5 In respect of immovable property, comprising the land and surrounding buildings, Audit noted that *Section 12(2)* of financial regulation states that of the Government

assets should be leased out at market value, unless approved otherwise by the Minister of Finance in consultation with the Ministry responsible for land and record the approval in the assets register.

4.2.6 However, according to Clause 4.10 of the management contract land and surrounding buildings were leased to CSA for 50 years at a nominal fee of R1.

4.2.7 Audit did not find the necessary approval for the allocation of assets at no cost to the CSA nor a register of assets maintained by the private business entity of all assets received from Government.

4.2.8 Audit is of the view that these transactions were not in the best interest of the Government and it did not follow the relevant procedures.

4.2.9 *Mrs Antat s' response: As stated I was not involved in the formulation of the contract terms and condition I only saw the contract when I signed it. Therefore am unable to confirm why the terms of the contract is as such. But I think that these assets were transferred as they were already being used by the cemetery services and to assist me in having a start up with the business. The three vehicles were not in a good state and we requested with ASP to purchase a new pick-up truck which went through the procurement process which I attended with Mr Rosalie an officer from ASP.*

4.3 Fee collection retained by CSA while government incurring operational costs

4.3.1 Annex 1 of the Management contract states that CSA is responsible for actual burial services to citizens for a non-negotiable fee set forth by the government.

4.3.2 Audit noted the following rates/fees related to burial services, which remained constant over the years. However, Audit could not locate the relevant regulation or approval for the same except that they had been in place without a formal documentation.

Table 3: Fees related to Burial services (2015- 2021)

Service	Fees (SCR)
Seychellois Residence/ Mt Fleuri Cemetery	
New Burial	100
Re-opening of graves	200
Purchasing of graves	200
Seychellois Residence/ other district cemeteries	
New Burial	200 (inclusive of R100 fuel cost)
Re-opening of graves	300 (inclusive R100 fuel cost)
Purchasing of graves	200

Non-residents /All cemeteries	
Non-seychellois (adult)	5000
Non- Seychellois (Child)	2500
Non- Seychellois (Ash)	2500

Source: ASP

4.3.3 As presented, an additional fee of R100 is charged to all burials outside of the Mont Fleuri Cemetery, which was said to be a contribution towards the cost for transportation of staff and materials to these burial sites.

4.3.4 Mrs Antat informed audit that all revenue received from the burial fees were banked in the CSA business bank account. Audit requested copies of bank statements and were only provided statements for the period 15 January 2018 to 23 March 2021. Total income / credits on these statements were amounted to R 414,276. Mrs Antat said that she did not have statements relating to prior years (2015-2017). However, Audit obtained copies of tax returns for the year 2015 to 2020 in which the total income declared amounted R 665,700.

4.3.5 It was noted that CSA also had another two main source of revenue namely;

- An annual grant from the Commonwealth War Graves Commission (CWGC) for the maintenance of commonwealth war graves and memorial war burials at Victoria (Mont- Fleuri) cemetery. Audit sighted receipts of R185,359 in respect of the grant for the year 2016 and 2018-2020 which were accounted for in the burial services account (G/L) of ASP. Audit also, sighted the contract between Commonwealth War Graves Commission and ASP for the period April 2021 - March 2022, the contract between CSA and the CWGC was not seen by Audit; and
- A monthly fee of R2,000 was payable by the Islamic Society of Seychelles for the maintenance, digging of graves and performing of burials at the Muslim Burial ground under a contract which ended in January 2020. Based on this, CSA would have earned R46,000 for the 23 months for which the contract was valid.

4.3.6 It is to be noted that terms of the contract did not stipulate as to who shall be responsible for the collection of above burial fees and whether CSA is allowed to retain the fees collected. Therefore, all revenue collected by CSA was retained by CSA.

4.3.7 ***Mrs Antat s' Response:*** *At the start of the operation, January to February 2015 the burial fees were being deposited in the Government account as were being done previously. The fees were collected using Government receipt and cash deposited in Room 10 Ocean Gate House on a weekly basis. Then I discussed with Mr Simeon about the fact that being a business I had Business tax to pay and how these were to be paid. Mr Simeon told me to open a business account for CSA and to stop using the Government receipt and the fees collected for burial can then be used for these*

payments and the additional revenue collected will go towards a profit for the business. I opened the business account in February or March 2015 and started using CSA receipts thereafter.

4.3.8 *For maintenance of the Muslim burial ground, they deposited the sum of R2000 per month, either annually or every six months, directly in CSA account and then they paid their respective burial fees as other clients would. The commonwealth memorial grave fund was deposited in the Government bank account at Central Bank and when we needed the funds, we requested the required amount through ASP and it was deposited in CSA account. In all we requested part of the funds only twice. It is to be noted that although CSA effected the contract it was ASP that signed the commonwealth and memorial graves contract.*

4.4 CSA to have access to additional funds

4.4.1 Clause 2 of the contract states;

4.4.2 *“The considerations of the above management services the client agrees to pay the Manager as specified in Annex 2 of this agreement together with any other costs incurred for any additional services. The sum shall be done and payable as set forth in Annex 2”.*

4.4.3 Under the above clause, CSA could obtain additional funds for additional services as provided in the contract.

4.4.4 ***Mrs Antat s’ response:*** *CSA was involved in only the maintenance of the cemeteries and management of burial services, we did not engage in any other contract or businesses.*

4.5 Contract not vetted by legal experts

4.5.1 Audit requested the Attorney General Office to confirm if they had any involvement in the drafting or review of the management contract and received no answer. Nor was there any evidence on the part of ASP that the contract was submitted to Attorney General Office for advice.

4.5.2 Audit is of the view that legal vetting should have been considered for the contract to ensure due protection of government interests and its enforceability in a court of law.

4.6 Mode of disbursement of funds not stipulated in the contract

4.6.1 Annex 2 of the contract states that the annual budget will be disbursed in instalments. However, there was no milestones or schedule to stipulate how the disbursement may be made.

4.6.2 Further, through interviews conducted, review of documents, payment vouchers and invoices, Audit noted that ASP was effecting payments related to CSA when claims were made and not by instalments as per the contract conditions.

4.6.3 The process of payment to CSA is outlined in **Figure 2**, below.

4.6.4 *Mrs Antat s’ Response: When I was provided with the contract I continued to use the same process that was being done when I was processing payment for burial services as an employee of the ASP.*

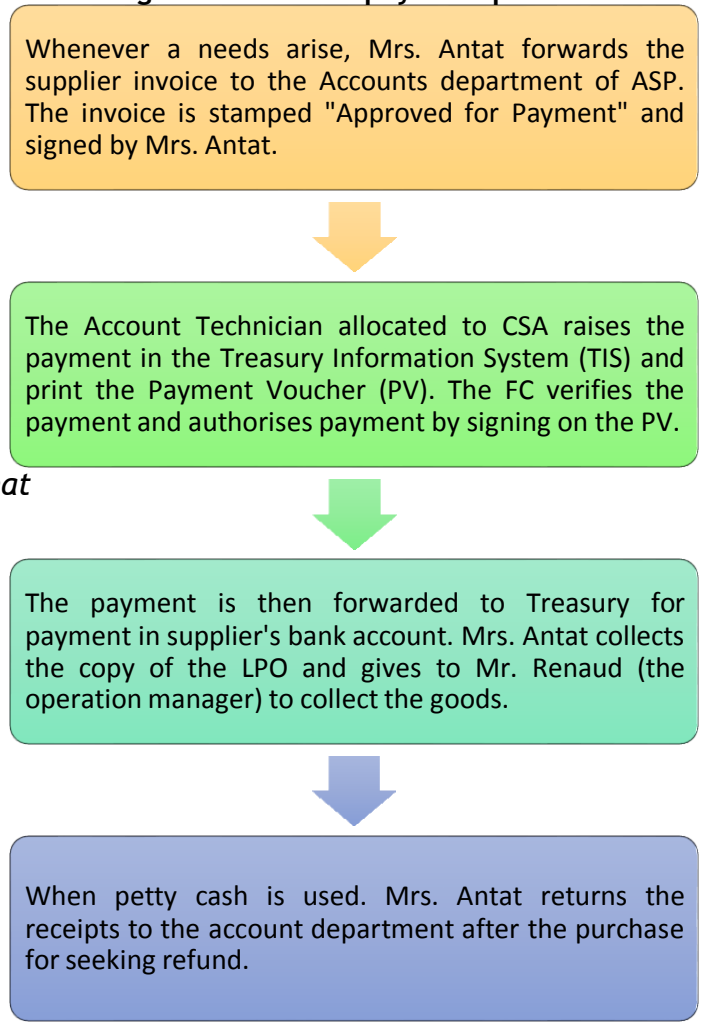
4.7 Agreement did not provide how payments will be disbursed

4.7.1 Audit noted that even though CSA was a private entity its payments were being processed by ASP as it would be done for a public entity as illustrated in **Figure 2**. Audit also noted that the agreement did not provide how the payments will be disbursed; whether on the basis of invoice, in advance or reimbursement basis.

4.7.2 Audit also noted that there was poor maintenance of documents/records related to CSA since after selecting a sample of 95 payments relating to the audit period 2015- May 2021 to verify relevant supporting documents Audit received documents in respect of only 38 payments amounting to R 906,714.

4.7.3 Audit reviewed the 38 payments in the light of their supporting documents and noted that for 24 payments amounting to R 588,697, there was no evidence that the most competitive rates were selected. These include the purchase of a vehicle costing R290,000 where Audit did find evidence to support that the tender process was followed.

Figure 2: The CSA payment process



Source: OAG review of documents and interviews conducted with ASP staff

- 4.7.4 Furthermore, of the 38 payments reviewed, three payments were processed without Mrs Antat's approval as per requirement. These being the payment of PV 083P170579, PV 083P182891 and PV 083P182505, for R 13, 200, R 1,500 and R 96,000 respectively.
- 4.7.5 For the payment of R 96,000, Audit observed that the payment related to the placement of billboards at cemeteries as part of a program with the Public Health Department, paid by ASP without CSA's approval.
- 4.7.6 Audit also noted another payment on PV 083P171491 that was effected contrary to Mrs Antat's instructions. This was where Mrs Antat had instructed that the allowance of an employee to be deducted but he was instead paid extra allowances for two months resulting in an overpayment of R 1,440.
- 4.7.7 *Mrs Antat's Response : Finding three quotations for equipment were sometimes hard for the purchase of tools but I do not recall ASP requesting for three quotations for items that we wanted to purchase. However I recall that tender procedures were made for the purchase of the pick-up.*
- 4.7.8 *I was aware that some payments under the Burial account was being used without my consent when one day I went to the cemetery and saw the billboards. I later asked Mr Simeon if he was aware of these billboards he said that he had approved payment for it and he had used money from the burial account to pay it with.*

5. No record of fuel consumption

- 5.1 Audit noted from the general ledger listing that SCR 2.1 million was spent on the purchase of fuel for the period 2015 to May 2021. However Audit was not provided with relevant fuel records as they were with ACCS for investigation.

6. No rental payment for office

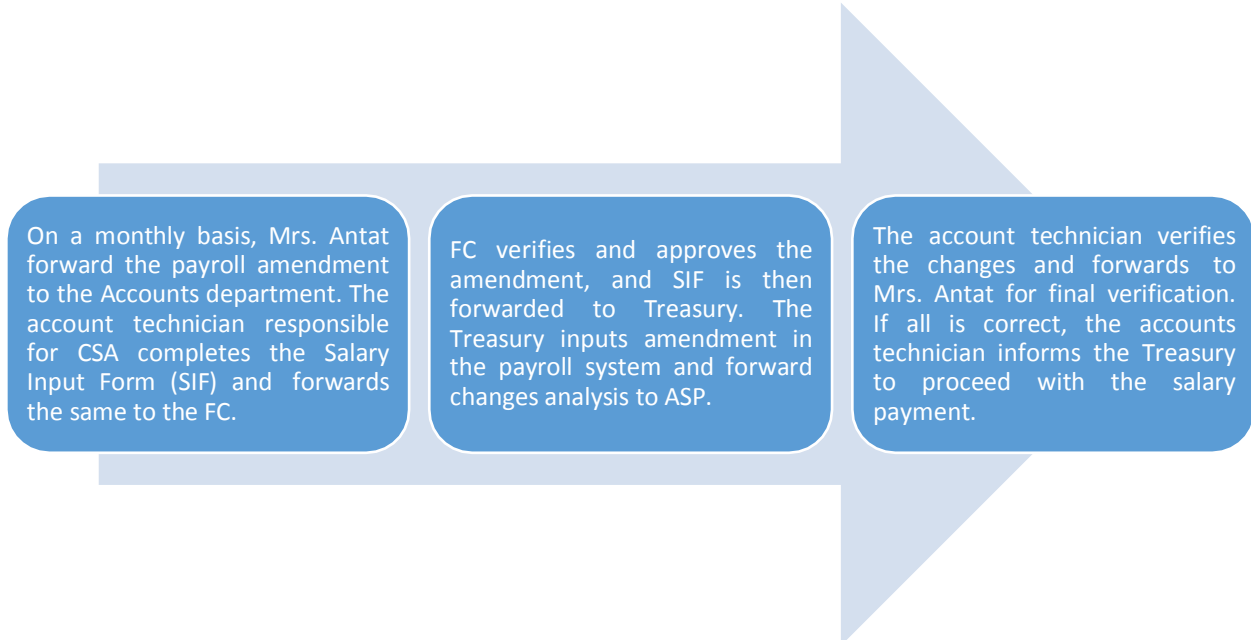
- 6.1 The CSA occupied two Government premises on Mahe, this included their office at the Mt. Fleuri cemetery which according to Clause 4.10 of the management contract was leased to CSA for 50 years at a nominal fee of R1.
- 6.2 CSA was also occupying office number 123 at Ocean Gate House (7.4m²) where CSA owner Mrs Antat was based, which is being leased by ASP from the Social Security Fund. According to a lease agreement between ASP and the Social Security Fund dated 11 February 2013, ASP was leasing a total of 671m² at a cost of R200 per m² which amounts to R134,200 per month excluding taxes.
- 6.3 Audit did not find any document, such as, a sublease agreement between CSA and ASP for the office space (7.4 sqm) indicating that CSA was occupying an office space for free in the building that ASP was renting from SSF.

6.4 Mrs Antat s' Response: *When the contract started under CSA, ASP moved me from the office that I was working with burial as an employee of ASP, as they stated they needed the space. They promised that another room would be made available. Through discussion with Seychelles Pension fund I was moved temporarily to room 123 which was a small space that I shared with an officer from the Seychelles Pension Fund. When the permanent room became available ASP stated that they needed the space so I stayed in Room 123.*

7. Personal Emoluments

7.1 Audit noted that R51.5 million was spent on personal emoluments including benefits such as gratuity and compensation payments for the period January 2015- May 2021 as per the general ledger listing for an average of 82 employees. **Figure 3** represents the process of payment related to CSA staff salary. Audit analysis was limited given that staff personal files were said to be with ACCS and could not be accessed by Audit for doing its analysis. Through review of CSA payroll received from ASP, Audit noted that Mrs Yvette Antat, the owner of CSA was paid monthly salaries totalling R1,552,547 averaging R20,700 per month for the period March 2015 to May 2021. Audit noted that before March 2015 Mrs Antat was on the ASP HR and Finance management payroll.

Figure 3: Salary payment process for CSA employees



Source: OAG interview with ASP staff

7.2 Audit was informed that all employees working with burial services (including owner) was transferred to CSA in 2015. Through this transfer, they were all paid their terminal benefits and were no longer public servants. However, they continued to

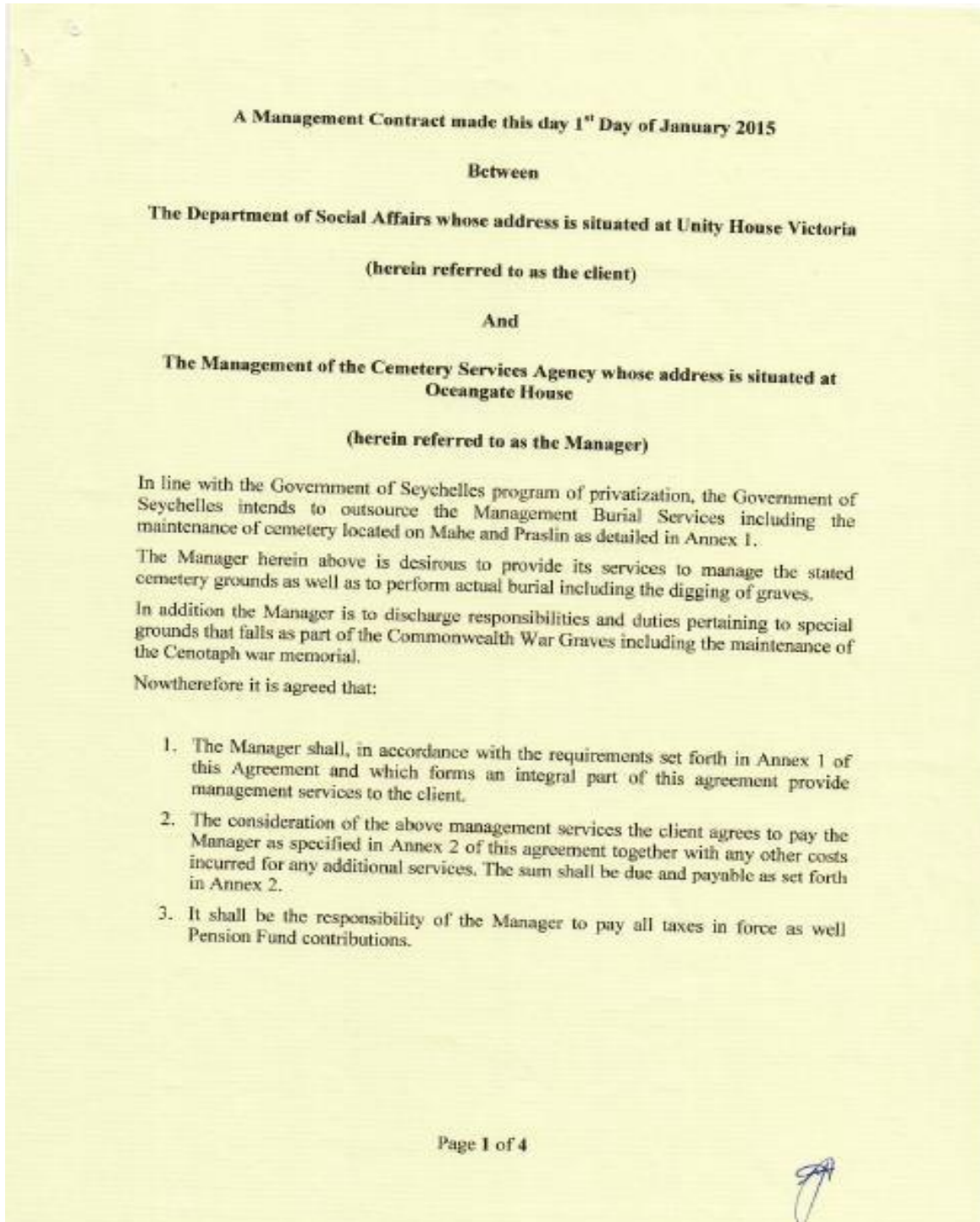
receive various salary enhancements announced by government from time to time and were treated as public sector employees in that they were accorded with 5% supplementation allowance increase and the long service allowances effective 2019.

- 7.3 Mrs Antat s' response:** *As the Director of CSA I earned a monthly salary. This was my remuneration for the duties that I delivered to manage the cemetery and burial services. When the contract ended all staff of CSA including myself had a meeting with the Attorney General at the ICCS and we were informed that we will be provided with our dues and benefits. It has come to my attention that all staff members have been paid their dues except for me and I believe that this is unfair as I delivered on my duties over the past 5 years. I have enquired to ASP in regards to my dues on the 9th of June 2021 I received a letter from ASP and was informed that my dues has been withheld pending audit of the CSA.*

8. ASP Staff allowances

- 8.1** As illustrated above, ASP staff was involved in the processing of payments relating to CSA. Through review of the accounting records from 2015 to 2020, Audit observed that three Human Resource officer and five accounts staff on Mahe benefited from a monthly allowance from the Burial account. A total of SCR192,467 was thus paid to these employees, during the period 2015 to 2020.
- 8.2** According to one recipient, the allowance received was for additional duties performed for CSA. This was an arrangement made between these ASP employees and CSA. Further, there was no evidence that the employees concerned had sought approval from the DPA for rendering services to a private entity during their normal official working hours which was in breach of their employment conditions which prohibit such practice.
- 8.3** From the MOFTEP report, Audit also noted that the administrative duties of CSA on Praslin was being run by an ASP staff. According to the report she was processing, collecting and also banking burial fees in CSA business bank account.
- 8.4 Mrs Antat s' response:** *Given that ASP was managing the CSA account/budget the staff of ASP was processing the same and Mr Simeon informed me that given that they were ASP staff performing additional duties for CSA they needed to be paid an allowance. These were for the Accounts staff on Mahe that assisted me with processing of payment and payroll. When the new CEO took office she stated that no allowance was to be paid. But Mr Simeon was aware of this arrangement. For Praslin the services of ASP staff was inevitable given that she was the only one that had access to the account on Praslin and assisted clients when they came to pay there burial fees. She however was not approved for allowance by ASP therefore I took it upon myself to give her a token of appreciation of about R2000 every year. This was paid by cheque.*

Appendix 1: Management contract between the Department of Social Affairs and CSA



4. IT IS FURTHER MUTUALLY AGREED;

1. That the service of the Manager shall be in a professional standard to the satisfaction of the client as set forth in this agreement
2. Either party shall have the privilege with or without cause to terminate this Agreement at any time by giving 90 days notice to the other party as herein specified.
3. In case of any default by the client of the conditions herein specified in this Agreement, The Manager shall have the right, at its option to declare this Agreement null and void by giving 30 days written notice.
The Manager may request immediately all monies due and payable by the client as a result of default of the client of the contributions of this agreement.
4. In the event that the Manager continues to provide the services under this Agreement beyond the initial term of this agreement, this Agreement shall continue in effect until either party gives 30 days notice to each other for the termination of this Agreement.
5. Notice to the parties as herein under stated shall be in writing by registered mail at the stated address.
6. Modifications to this Agreement may be by mutual consent of the parties which consent must be made in writing and signed by both parties.
7. The Client may at its option request the Manager to perform additional relevant services beyond those specified on the detailed specifications in Annex 1 of this Agreement. The Client agrees that any additional services performed, the cost shall be mutually agreed by both parties as of the time of performance of the additional services.
8. The Manager shall provide an insurance cover in respect of all staff employed by the Manager.
9. Any additional terms and conditions shall be agreed by mutual consent of the parties, shall be in writing and shall form an integral part of this Agreement.
10. Immovable assets comprising of the surrounding buildings will be leased to the Manager for 50 years at nominal fee of Sr. 1. Conversely all movable assets will be transferred to the Manager at no cost.
11. This Agreement shall be governed by the Laws of the Republic of Seychelles.

.....
Signed for and on
Behalf of the client
Mrs. Linda William-Melanie
Principal Secretary for Social Affairs.

.....
Manager
Ms. Yvette Antat

Development & Sports.

Annex 1: Management Service in performing actual burial services and grounds maintenance for all State cemeteries as detailed below;

State Cemetery on Mahe at;	State Cemetery on Praslin at;
Bel Ombre	Grand Anse
Glacis	Nouvelle Decourvert
Mont Fleuri (Including Commonwealth War Graves Ground and Memorial)	Baie Saint Anne
Cascade	Anse Boudin
Anse Aux Pins	
Mont Plaisir	
Sweet Escote	
Takamaka	
Baie Lazare (2 cemeteries)	
Anse Boileau	
Port Glaud	

Maintenance of Grounds comprises of actual landscaping maintenance, making sure but not limited to; Grass are always trimmed, bushes kept in check and any waste properly disposed off.

Further maintenance will involve the painting of all State Memorials as well as those of significant importance, general upkeep of all surrounding sub-structures, walls and fences.

Conversely the Manager is responsible for actual burial services for a non-negotiable fee set forth by Government for Seychellois citizens. At no point should burial services to the general public be rejected provided it falls within the allowable time schedule between 8am to 4pm on Monday to Friday and 8am to 12noon on Saturday (set time is subject to change provided mutual consent between the Client and Manager) and with the applicable public health and Civil Status department regulations.

Annex 2: Consideration for Provision of Services

Consideration will be subject to change following negotiations with the Ministry for Finance on an annual basis as part of the annual budget exercise. For 2015 current approved budget is Sr. 8,836,572 which will be transferred in installments over the year.

Appendix 2: Methodology

1. A sample of payments was reviewed and tested as per audit program.
2. An entry meeting was held with the heads of the ASP to gain an insight of the management contract and processes involved at ASP. These were followed with interviews of ASP staff in the Accounts and Human Resource department.
3. Audit liaised with relevant stakeholders, namely, the Ministry of Finance and Economic Planning, the Ministry of Social Affairs, Seychelles Revenue Commission (SRC), the Procurement oversight Unit (Contract Management), the Seychelles Licensing Authority (SLA) and Office of the Attorney General, for gaining relevant information and an insight of the management contract.
4. Mrs Yvette Antat being the owner of the CSA was also interviewed to gain an insight on the development and signing of the contract, as well as the operation of the burial services under CSA. Clarification was also sought on the various observations made by audit and these have been added in text.

<u>Person/Stakeholder</u>	<u>Reason</u>	<u>Date Interviewed</u>
Senior officers at ASP	To gain background information of the contract and formalize audit procedures.	27 th July 2021
PS Linda William Melanie	Background information and Signage of contract	29 th July 2021
Ms. Astride Tamatave	Ministry of Finance perspective	4 th August 2021
POU contract Manager	Contract process and legibility	18 th August 2021
Current Manager of Cemetery, Mr. Renaud	Processes at cemetery and implementation of contract condition	9 th September 2021
Mrs Yvette Anta	To gain insight on the management of the burial services and also to obtain comments on the observations made by audit	20 th January and 25 th January 2022

5. The payment processes, payroll and management contract were verified against key documents that guide public expenditure and funds including the ones below:
 - Public Finance Management Act 2012
 - Public Finance management Regulations 2014
 - Employment Act
 - Procurement Act 2014
 - Public Service Orders

and the following documents were also reviewed in the audit process;

- The Management Contract
- Relevant internal memos
- Proof of Payment
- Payment voucher
- Published newspaper articles
- General ledger listings
- Payroll analysis

During the Audit there was continuous correspondence with the auditee namely staff of the ASP to seek relevant information and clarification.

Appendix 3: Extract of Management letter sent to ASP in 2019

Burial Services

- 3.1 Audit noted, from the PPBB Statement, that Burial Services is a Programme under ASP. The management and maintenance of the cemetery and burial grounds on Mahe and Praslin have been contracted out (contract promulgated on 01.01.2015) to a private registered business (Cemetery Services Agency) for 5 years. The CSA has been provided with a rent-free office, by ASP and had its own account Code under the Treasury Information Systems for 2015 and 2016. However, in 2017 it was included as a sub-programme under ASP. Annex 2 of the contract with CSA reads that the 'current approved budget for 2015 amounting to R8,836,572 to be transferred to CSA in instalments'. All transactions relating to Burial Services had been going through the TIS except for the burial fee of R100 per grave that had been going into the operational bank account of the Cemetery Services Agency (CSA); obviously outside the TSA. Audit noted that payment vouchers prepared by ASP for invoices authorised by CSA were approved and by Director CSA and paid by Treasury. This is in contravention of the regulations that requires invoices to be approved by the Accounting Officer (ASP).
- 3.2 It was further noted that ASP accounts staff had been paid monthly allowances totaling SR30,655 for the period under review to administer the records and postings through the TIS. Audit did not sight any agreement with regards to payments of the afore-mentioned allowance.
- 3.3 On analysing the substance-over-form, Audit is of the view that as the CSA is provided with public funds appropriated from the Consolidated Fund through Treasury, it is therefore accountable and also ensuring that the funds provided is utilised for the intended purposes. It is further observed that CSA (Director) on one hand appears on ASP Burial Services payroll on a monthly salary as had been the case for other employees while on the other hand the abovementioned agreement has also been entered into with her.
- 3.4 *Management informed Audit that this arrangement has to be responded to by the Principal Secretary (PS) for Finance, and had forwarded the same to the PS for which no further response has been received. At the exit meeting Management further informed Audit that the Burial Service is an outsourced contract between the Department of Social Affairs and the CSA and that the ASP is only a vehicle through which disbursements are made. However, Management agreed that in substance things are different, and that there are discussions with Ministry of Finance to relook at this arrangement.*
- 3.5 *Management further informed that as of 2019 only the maintenance of grounds of cemeteries will be outsourced and that the burial services will remain with ASP.*

Source: OAG, ML 30/07/2019