



AUDITOR - GENERAL
SOUTH AFRICA



Report of the Auditor-General

on an investigation into certain alleged
procurement irregularities at the
Department of Water Affairs

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Auditing to build public confidence

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LIST OF ABBREVIATIONS

AGSA	Auditor-General of South Africa
BAC	Bid adjudication committee
BEC	Bid evaluation committee
CFO	Chief Financial Officer
CIO	Chief Information Officer
DG	Director-General
DDG	Deputy Director-General
DBAC	Departmental bid adjudication committee
DWA	Department of Water Affairs
NT	National Treasury
PAA	Public Audit Act, 2004 (Act No. 25 of 2004)
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PPPFA	Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
PSR	Public Service Regulations, 2001
SCM	Supply chain management
TR	Treasury Regulations, March 2005

1. EXECUTIVE SUMMARY

1.1 BACKGROUND

1.1.1 On 14 September 2009, the Minister of Water and Environmental Affairs (Minister) provided the Auditor-General of South Africa (AGSA) with a document containing allegations which indicated possible non-compliance with supply chain management processes during the appointment of some service providers at the Department of Water Affairs (DWA).

1.1.2 The scope of this investigation was determined following a review of the document provided. The letter of engagement between the AGSA and the Minister was signed on 21 December 2009. The scope as set out in the engagement letter between the AGSA and the Minister was to investigate the procurement process followed in (a) the extension of a contract for information technology services and the appointment of service providers for the following:

- (b) Upgrading of the Trivec Surveillance system
- (c) Change management project
- (d) Establishing of a women's organisation and the hosting of the women in water, sanitation and forestry awards
- (e) Rendering of travel reservation services

1.1.3 This report accordingly provides the AGSA's conclusions on the allegations investigated.

1.1.4 In line with the AGSA's *Policy, standards and guidelines: investigations*, due care was taken to confirm the factual accuracy of the findings in this report.

1.2 FINDINGS

1.2.1 The findings in this report should be addressed decisively by the Minister with the support of the senior management of the DWA. However, corrective action limited to the specific individual findings alone would most likely address the symptoms, but not the underlying causes. This approach carries the risk of deficiencies recurring in future. It is therefore imperative that the underlying causes contributing to the deficiencies be properly understood and addressed as part of the corrective actions to be taken in response to this report.

1.2.2 The underlying causes that affect sound management can be summarised in three interrelated key areas, namely:

- 1.2.2.1 **Quality of reporting:** This area includes the entity's ability to retain records appropriately and to use these as a basis to provide relevant, accurate and complete management information to the leadership, those charged with governance and the oversight authorities. Quality information management enables quality monitoring, proper decision-making and oversight.
- 1.2.2.2 **Effective governance arrangements:** This focus area covers the effectiveness of functions and tools such as audit committees, internal audit, enterprise risk management (including fraud risk management), internal control frameworks and policy frameworks.
- 1.2.2.3 **Adequate leadership oversight:** This category underscores the importance of leadership creating the correct environment in the organisation. It includes the manner in which leadership monitors performance and compliance and the way in which ethical behaviour is promoted. Leadership oversight is also about preventing an organisational culture of impunity and acting decisively to correct deficiencies.
- 1.2.3 The findings relating to the awarding of the five tenders are predominantly due to non-adherence to policies, directives and delegated authority by senior management of the DWA. The significant findings highlighted in this report are indicative of inadequate compliance and oversight by the leadership in the area of supply chain management (SCM):
- 1.2.3.1 As required by section 38(1)(a)(iii) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), a Procurement User manual (1 April 2007) exists at the DWA. However, instances were identified where officials of the DWA did not always appropriately adhere to the DWA Procurement User manual and the procurement directives issued by the National Treasury (NT). The PFMA stipulates that, where procurement prescripts are contravened, the expenditure incurred should be regarded as irregular expenditure. The irregular expenditure can be condoned *ex post facto*. The appointments of service providers mentioned in paragraph 1.1.2 above are individually addressed below.

(a) **Extension of the contract for information technology services**

- (i) The DWA could not provide the investigating team with a signed copy of a contract with the service provider. According to paragraph 2.3 of the SCM Practice Note 1 of 2003, a formal contract should be entered into with the successful bidder after the adjudication and award of a bid.

- (ii) According to an unsigned copy of a contract with the service provider, the DWA entered into a contract with the service provider for a period of 36 months with a contract amount of R180 million. This contract was then extended on numerous occasions, whereby the total period of extension was 49 months. The extensions also had the effect of increasing the initial value of the contract by 587%.
- (iii) The extensions of the contract are in contravention of the DWA Procurement User manual and the DWA Delegation of Authority (1 September 2006) in view of the following:
 - The submission for the extension (variation order 41) was only made on 18 February 2009, in the month in which the contract was due to expire. The DWA Procurement User manual, paragraph 14.16.1, provides that applications for extensions should be submitted to the departmental bid adjudication committee (DBAC) well in advance, and preferably a month before the original contract period expires.
 - The contract has already been extended by 49 months in contravention of paragraph 14.16.3 of the DWA Procurement User manual which provides that contract periods may only be extended for a maximum period of a year.
 - Paragraph 14.16.3 of the DWA Procurement User manual provides that new proposals should be obtained after the original contract period has been extended by a year. This provision was not complied with in this particular case.
 - Although the DWA Delegation of Authority indicates that the original contract value may not be increased by more than 50% without sound reasons, the original contract value of the contract has been increased by 587%. This is in direct contravention of the stipulations of paragraph 36.4 of the DWA Delegation of Authority.
 - The Director-General (DG) of the DWA approved the extension (variation order 41) despite the fact that the DBAC was unwilling to approve the extension.

- The Chief Financial Officer (CFO), who chairs the DBAC, signed variation order 41 despite the fact that the DBAC did not approve the extension.
- (iv) The acting DG and the DBAC approved a further extension (variation order 42) for the period 1 December 2009 to 31 March 2010 in contravention of the DWA Procurement User manual. Payments made to the service provider in respect of variation orders approved in contravention of the DWA Procurement User manual and the DWA Delegation of Authority therefore constitute irregular expenditure.

(b) Upgrading of the Trivec Surveillance system

- (i) The Chairperson of the DBAC approved the request to approach a sole provider on 31 October 2008 and the appointment of the service provider as the sole provider of the Trivec Surveillance system on 15 December 2008. No significant deviations from the normal procurement processes were identified in the appointment of the service provider. However, the service provider was appointed in contravention of the Treasury Regulations of March 2005 (TR) and practice notes issued by the NT in view of the following:
- No evidence could be obtained that the appointment of the service provider in terms of TR16A6.4 was reported to the AGSA as required by paragraph 3 of the SCM Practice Note 6 of 2007/08.
 - The DWA could not provide the investigating team with a copy of the contract with the service provider. According to paragraph 2.3 of the SCM Practice Note 1 of 2003, a formal contract should be entered into with the successful bidder after the adjudication and award of the bid.

(c) Change management project

- (i) The DG signed a submission dated 15 October 2008 recommending that the DBAC should approve the deviation from the procurement policy for the appointment of the service provider.
- (ii) On 24 October 2008 the DBAC approved the deviation from inviting competitive bids and the appointment of the service provider as a single source service provider to support the change management process within the DWA.

- (iii) The DG reported the appointment in terms of TR16A6.4 to the NT.
- (iv) The DWA paid the service provider an amount of R289 902 for services rendered for September 2008 before a contract between the two parties had been signed.
- (v) According to the minutes of the DBAC of 16 January 2009, the DBAC decided that payments made to the service provider constituted irregular expenditure and took a resolution that the DG had to condone the irregular expenditure.
- (vi) The DG condoned the irregular payment made to the service provider for September 2008 on 5 February 2009.
- (vii) The appointment was made in contravention of the DWA Procurement User manual, TR and Public Service Regulations, 2001 (PSR) in view of the following:
 - In terms of paragraph 6.8.4 of the DWA Procurement User manual the deviation from inviting competitive bids must be submitted to the DBAC. Furthermore, in terms of the said paragraph the submission must indicate what the implications would be should the DBAC insist upon the invitation of tenders.
 - The implications of insisting on a tender process were not included in the submission to the DBAC for deviation from inviting competitive bids in the appointment of the service provider. Furthermore, in the submission it was indicated that the service provider had previously been involved with the system master plan of DWA. However, the service provider was not registered on the preferred supplier list.
 - The service provider (an individual) and the DG are co-directors of two entities. Therefore, a personal relationship exists between the two persons. The DG signed the submission dated 15 October 2008 to appoint the service provider, recommending that the DBAC should approve the deviation from the procurement policy for the appointment of the service provider. No evidence could be found that the DG recused herself from the appointment process

of the service provider as required by the PSR read with the Senior Management handbook, 2003 (SMS handbook).

- No evidence could be obtained that the appointment of the service provider in terms of TR16A6.4 was reported to the AGSA as required by paragraph 3 of the SCM Practice Note 6 of 2007/08.

(viii) As procurement legislation and regulations have been contravened in the appointment of the service provider, all payments made to the service provider, amounting to R1,187 million, should be regarded as irregular expenditure and reported in accordance with the stipulations of the PFMA.

(d) **Establishing a women's organisation and the hosting of the women in water, sanitation and forestry awards**

(i) Two projects for the appointment of a service provider for establishing a women's organisation and the hosting of the women in water, sanitation and forestry awards were cancelled due to flawed procurement processes. The service provider was appointed without an open bidding process and the appointment was approved by the Chairperson of the DBAC. The appointment was made in contravention of the DWA Procurement User manual and the TR in view of the following:

- On 13 June 2008 the DBAC resolved to cancel the tender and also resolved that a new bidding process had to be followed through the office of the DG. Contrary to this decision the DWA, without inviting competitive bids, approached the service provider to submit a proposal on 18 June 2008. The service provider did not submit a proposal when the original invitation for proposals was issued.
- The submission of the Director: Gender and Disability (approved by the DG) dated 20 June 2008 indicates that all the necessary procedural arrangements to appoint the service provider were followed. However, the service provider was approached and requested to submit a proposal without approval by the DBAC to deviate from the normal procurement process of inviting competitive bids. Reasons for not inviting competitive bids were also not recorded as required in terms of paragraph 6.8.4 of the DWA Procurement User manual.

- The submission from the Director: Gender and Disability to the DBAC for approval and ratification to appoint the service provider was dated 20 June 2008. The DBAC ratified and approved the appointment of the service provider on 23 June 2008. However, the invitation to bid (SBD1.1) was only signed by the service provider after the approval of the DBAC on 24 June 2008.
- The proposal submitted by the service provider was for an amount of R3 890 740 (VAT inclusive). However, the contract signed was for an amount of R4 356 931 (VAT inclusive). No evidence could be found that the DBAC approved the increased amount.
- The DG reported the appointment of the service provider in terms of TR16A6.4 to the NT on 6 November 2008, in accordance with paragraph 3.1 of the SCM Practice Note 6 of 2007/08. However, the amount reported was only R3 million and not the amount of the contract namely R4 356 931. Furthermore, no evidence could be obtained that the appointment of the service provider in terms of TR16A6.4 was reported to the AGSA as required by paragraph 3 of the SCM Practice Note 6 of 2007/08.
- As the deviation from the normal procurement process through not inviting competitive bids was not approved by the DBAC, all payments made to the service provider amounting to R4 115 378 should be regarded as irregular expenditure.

(e) Rendering of travel reservation services

- (i) The DWA advertised the intention of appointing multiple service providers for the rendering of travel reservation services. Five bids were received and after evaluation of the bids, the bid evaluation committee (BEC) recommended a service provider (A). However, the DG did not agree with the composition of the BEC as the main users of the services were not part of the committee and ordered that the proposals be re-evaluated. A separate BEC established by the DG recommended the appointment of three service providers (B, C & D) after a second evaluation of the proposals. These service providers were disqualified by the first BEC for not complying with bid specifications.

- (ii) The appointment of the three service providers (B, C & D) was made in contravention of the DWA Procurement User manual and the TR in view of the following:
- The three service providers (B, C & D) were approached by the DWA and asked to amend their prices. The other service provider (A) who also submitted a bid proposal was not afforded the same second opportunity. Paragraph 10.10.2 of the DWA Procurement User manual specifically states that this should not be allowed, since it is tantamount to an unfair second opportunity for the tenderer.
 - Although the specifications in the bid proposal indicated that the quoted prices should be firm for the contract period of 24 months, all three the service providers (B, C & D) who were awarded the tender did not comply with this requirement, as their proposals indicated firm prices for 12 months only. According to the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) an acceptable tender means a tender which, in all respects, complies with the specifications and conditions of the tender as set out in the tender document. As the three tenders of the service providers (B, C & D) did not comply with all the specifications they are, according to the definition, not acceptable and the service providers should therefore have been disqualified and not awarded the tender.
 - The service provider (A) was not recommended because they indicated in their proposal that their prices were firm for a period of 36 months, although the specifications referred to a contract period of 24 months. The reference to the contract period of 36 months did not in any way affect the quoted prices as these were unit prices per service rendered and not the total price based on a period of 36 months. In evaluating the proposal the DBAC did not ensure that disqualifications were justified and that valid and accountable reasons/motivations were furnished for the passing over of bids in accordance with the requirements of paragraph 2.5 of the NT circular dated 24 March 2006.

1.3 RECOMMENDATIONS

- 1.3.1 Overall, the DWA's risk assessment requires a thorough examination to address the risks that may impact negatively on the integrity of the SCM system. Furthermore, the DWA's compliance with SCM prescripts requires urgent attention.
- 1.3.2 Specific recommendations are also made in the report.

2. INTRODUCTION

- 2.1 The functions of the AGSA in supporting constitutional democracy in South Africa are described in section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) (Constitution) as well as the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA). Section 5(1)(d) of the PAA specifically gives the AGSA the authority to carry out an appropriate investigation if the AGSA considers it to be in the public interest or upon the receipt of a complaint or request. In this context, the AGSA investigates allegations in order to facilitate public accountability by reporting the findings emanating from the investigation to management and those charged with governance. Ultimately, the findings and recommendations in this report are intended to enable management and those charged with governance to implement measures that will ensure effective governance.
- 2.2 On 14 September 2009, the AGSA was requested by the Minister to conduct an investigation into allegations made by officials of the DWA. In line with its mandate, the AGSA decided to investigate the allegations made and an engagement letter with the Minister was signed on 21 December 2009. The engagement letter outlines the scope and terms of the investigation.

3. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

- 3.1 Within the context of the public service and state-owned entities, the primary responsibility for the prevention and detection of fraud and error rests with the management of the entity and those charged with governance. Management needs to set the proper tone and create and maintain a culture of honesty and a high standard of professional ethics. Furthermore, management must establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring the orderly and efficient conduct of the entity's business.

- 3.2 On the other hand, those charged with the governance of an entity must ensure, through the oversight of management, the integrity of an entity's accounting and financial reporting systems and that appropriate controls are in place, including those for monitoring risk, financial control and compliance with the law.
- 3.3 The Minister is the executive authority of the DWA. In terms of section 4.1 of the PFMA, the executive authority of a department is responsible for policy matters and outcomes. Furthermore, in terms of section 85(2) of the Constitution, the executive authority is also responsible for developing and implementing national policy and for the coordination of the functions of the department.
- 3.4 The DG, in her capacity as the accounting officer of the DWA, is responsible for outputs and implementation and is accountable to Parliament for the management of the implementation of the DWA's budget. Furthermore, in terms of section 38(1)(ii) of the PFMA, the DG is responsible for ensuring that the DWA has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.
- 3.5 The findings and recommendations in this report are intended to enable the Minister and management to implement the necessary measures and steps to ensure effective accounting and internal control systems.

4. SCOPE OF THE ASSIGNMENT

- 4.1 During a discussion on 14 September 2009, the Minister provided the AGSA with a document indicating possible non-compliance with supply chain management processes in the appointment of some service providers.
- 4.2 The scope of an investigation was determined following a review of the documents provided. The letter of engagement between the AGSA and the Minister was signed on 21 December 2009. The scope as set out in the engagement letter between the AGSA and the Minister was to investigate the procurement process followed in (a) the extension of a contract for information technology services and in the appointment of service providers for the following:
- (b) Upgrading of the Trivec Surveillance system
 - (c) Change management project
 - (d) Establishing of a women's organisation and the hosting of the women in water, sanitation and forestry awards
 - (e) Rendering of travel reservation services

5. PURPOSE, OBJECTIVES AND APPROACH OF THE INVESTIGATION

- 5.1 The purpose of the investigation is to verify and pronounce on the veracity of the allegations made. The report, with its findings and recommendations, is aimed at enabling the management to implement measures to strengthen governance and prevent further occurrences of irregular expenditure.
- 5.2 The investigation was performed in terms of the Auditor-General's *Policy, standards and guidelines: Investigations*.
- 5.2.1 The Minister suspended the DG on 21 July 2009 pending the outcome of an investigation. The Deputy Director-General (DDG): Corporate Services was appointed as acting DG on 22 July 2009.
- 5.2.2 The AGSA conducted interviews with some of the employees of the DWA in order to obtain clarity on the allegations. Once this had been done, a meeting was held with the acting DG of the DWA to explain the modus operandi to be followed during the investigation. The investigation commenced with the collation of relevant documentation from the DWA.
- 5.2.3 Once the documentation had been scrutinised and analysed, interviews were conducted with the relevant officials and management of the DWA. The execution of the investigation on site at the offices of the DWA ended on 22 February 2010. This was followed by a review of the conclusions and the finalisation of the draft management report. The progress of the investigation was discussed with the Minister on 25 February 2010. The preliminary findings were also discussed with the DG on 3 March 2010, to give her an opportunity to give timely inputs. Conclusions are based on documentation and information provided up to 5 March 2010.

6. REGULATORY FRAMEWORK

- 6.1 The documentation collated was compared against the prevailing prescripts such as:
- Constitution
 - PFMA
 - PPPFA and its associated regulations
 - SCM: A guide for accounting officers/ authorities, February 2004
 - Treasury Regulations for departments, trading entities, constitutional institutions and public entities issued in terms of the PFMA, March 2005

- Practice notes issued by the NT
- DWA: User manual: Directives in respect of procurement, 1 April 2007 (DWA Procurement User manual)
- Disposal and acquisition management delegated by the accounting officer, 1 September 2006 (DWA Delegation of Authority)
- Senior Management Handbook, 2003 issued in terms of the PSR and read with the Public Service Act, 2004 (Act No. 103 of 1994)
- NT circular on Code of conduct for bid adjudication committees (BACs), March 2006

The above list of the relevant prescripts is, however, by no means exhaustive.

7. LIMITATIONS OF THE REPORT

- 7.1 Although the work performed incorporates our understanding of the relevant prescripts and the law as it stands, we do not express an opinion on the legal effect of the facts or the guilt or innocence of any person(s) or party, but merely state the facts as they have come to our attention. In the case of disciplinary hearings or civil and criminal litigation, this report may only be used as a reference document.
- 7.2 The report is based on the facts established from documentation and information provided and/or obtained during the course of the investigation. Should further documentation or information be obtained, this may influence the findings and conclusions made.
- 7.3 The validity or authenticity of the relevant records and information subjected to analysis was generally not verified. This information was accepted at face value unless stated otherwise.
- 7.4 The procedures applied were designed to enable the identification of irregular and unlawful acts, but the AGSA cannot provide assurance that the procedures applied have detected all such acts, if any.
- 7.5 The investigation focused on compliance with acts, regulations and prescripts during the procurement process. The economical procurement and efficient and effective utilisation of goods and services (value for money) were not probed.

8. RESPONSE FROM THE MANAGEMENT OF THE DEPARTMENT OF WATER AFFAIRS

- 8.1 The management report on the outcome of the investigation was issued to the acting DG on 16 March 2010 for comments. A copy of the report was also submitted to the Minister in her capacity as the executive authority of the DWA. A response was received from the acting DG of the DWA on 25 March 2010. The response is included in paragraph 10 of this report.

9. FINDINGS AND RECOMMENDATIONS

9.1 ALLEGATIONS

Following the allegations made, the procurement process followed in (a) the extension of a contract for information technology services (9.2) and the appointment of service providers for the following were probed to establish possible contravention of the prevailing prescripts:

- (b) Upgrading of the Trivec Surveillance system (9.3)
- (c) Change management project (9.4)
- (d) Establishing of a women's organisation and the hosting of the women in water, sanitation and forestry awards (9.5)
- (e) Rendering of travel reservation services (9.6)

9.2 EXTENSION OF THE CONTRACT FOR INFORMATION TECHNOLOGY SERVICES

9.2.1 CONTEXT

- 9.2.1.1 An allegation was made that a tender for the rendering of information technology services was supposed to be published in mid-June 2008, in order for a successful bidder to start on 1 March 2009. This process was apparently stopped by the DG in order to review the specifications. Furthermore, it was alleged that the minutes of the DBAC meeting held on 6 March 2009 highlighted that the contract of the service provider expired on 28 February 2009 and that no variation order for extending the contract was submitted. Notwithstanding the above, the DG approved the extension of the contract on 27 February 2009 without following the due SCM processes.

- 9.2.1.2 A tender for information technology services was advertised in February 2009, but was subsequently withdrawn. The DDG: Corporate Services made a submission to the DG on 18 February 2009 for the extension of the contract with the service

provider for nine months from 1 March 2009 to 30 November 2009. The submission indicates that the contract was extended to afford the DWA adequate time to appoint a new service provider. The period of nine months took into account the time required to publish and evaluate the tender, perform due diligence and conclude a contract with a new service provider. However, the submission did not specify the nature of services to be provided, nor did it indicate the cost implications of extending the contract. The DG approved the extension on 27 February 2009 for nine months from 1 March 2009 to 30 November 2009.

- 9.2.1.3 According to the minutes of the DBAC meeting held on 6 March 2009, the Director: Northern Operations raised a concern that the existing contract had expired on 28 February 2009 and that no variation order had been submitted to the DBAC to request the extension of the contract. The minutes further indicate that the Director: Administration had called the office of the Chief Information Officer (CIO) and discussed the extension of the contract with the Deputy Director: Information Services. The deputy director apparently indicated that the DG had approved the extension of the contract. A resolution was made that a copy of the approved variation order should be submitted to the DBAC for notification.
- 9.2.1.4 On 18 March 2009 the DDG: Corporate Services notified the Chairperson of the DBAC that the DG approved the extension of the contract from 1 March 2009 to 30 November 2009 at a total cost of R344 million (VAT inclusive).
- 9.2.1.5 The DDG: Corporate Services indicated in a submission to the DG on 19 May 2009, that the DBAC took note of the approval for the extension of the contract. Furthermore, the DDG: Corporate Services indicated in the submission that the DBAC took a resolution on 20 March 2009 whereby the DG had to sign the variation order amounting to R344 million for the extension of the contract. Handwritten notes on the submission (apparently made by the DG) indicated that she was not prepared to sign the variation order, but that the project manager should approve the variation order. However, the variation order for the extension amounting to R344 million was only approved by the CFO on 23 November 2009 on condition that the extension had already been approved by the DG.
- 9.2.1.6 Minutes of the DBAC meeting held on 27 November 2009 indicate that the DBAC decided not to approve the extension (variation order 41) as it had previously been decided that no further extension would be granted. The minutes also indicate that the DG had already approved the submission for the extension of the contract period and that the CFO had signed the variation order. During the same meeting, the DBAC noted that the acting DG approved a further extension of the contract (variation order 42) from 1 December 2009 to 31 March 2010 with a cost

implication of R80 million. The minutes of the meeting indicated that the DBAC subsequently approved the extension.

9.2.2 FINDINGS

9.2.2.1 The DWA could not provide the investigating team with a signed copy of the initial contract with the service provider. According to paragraph 2.3 of the SCM Practice Note 1 of 2003, a formal contract should be entered into with the successful bidder after the adjudication and award of a bid.

9.2.2.2 According to an unsigned copy of the contract, the DWA entered into a contract with the service provider for a period of 36 months with a contract amount of R180 million. This contract was then extended on a yearly basis from 1 March 2006 to 28 February 2009, in terms of variation orders numbers 1 to 40 totalling R632 million. The contract was further extended for a period of nine months from 1 March 2009 to 30 November 2009 in terms of variation order number 41 amounting to R344 million. The contract was again extended from 1 December 2009 to 31 March 2010 for a further amount of R80 million (variation order 42). Consequently, the total variation orders numbers 1 to 42 amounted to R1,056 billion (R632 million + R344 million + R80 million). Taking into account all the variation orders, the period of extension of the contract was 49 months (36 months + 9 months + 4 months) and the original contract value of R180 million increased by 587% due to the extensions of the contract.

9.2.2.3 The extensions of the contract were approved in contravention of the DWA Procurement User manual and the DWA Delegation of Authority in view of the following:

- (a) The first submission in respect of the extension of the contract (variation order 41) for the period 1 March 2009 to 30 November 2009 was only made on 18 February 2009, the month in which the contract was due to expire. The DWA Procurement User manual, paragraph 14.16.1 provides that applications for extensions should be submitted to the DBAC well in advance and preferably a month before the contract period expires.
- (b) The contract has already been extended by 49 months in contravention of paragraph 14.16.3 of the DWA Procurement User manual which provides that contract periods may only be extended for a maximum period of a year.
- (c) Paragraph 14.16.3 of the DWA Procurement User manual provides that new proposals should be obtained after the original contract period has

been extended by a year, which was not complied with in this particular case.

- (d) Although the DWA Delegation of Authority indicates that the original contract value may not be increased by more than 50% without sound reasons, the original contract value of the contract has been increased by 587%. This is in direct contravention of the stipulations of paragraph 36.4 of the DWA Delegation of Authority.
- (e) The DG approved the extension (subsequently recorded in variation order 41) despite the fact that the DBAC was unwilling to approve the extension.
- (f) The CFO, who chairs the DBAC, signed variation order 41 despite the fact that the DBAC did not approve the extension.
- (g) The acting DG and the DBAC approved the extension for the period 1 December 2009 to 31 March 2010 (variation order 42), also in contravention of the DWA Procurement User manual.

9.2.2.4 Payments made to the service provider in respect of variation orders approved in contravention of the DWA Procurement User manual and the DWA Delegation of Authority therefore constitute irregular expenditure.

9.2.3 **RECOMMENDATIONS**

9.2.3.1 Appropriate corrective action should be considered by the Minister against officials of the DWA for approving the extension of the contract on various occasions in contravention of the DWA Procurement User manual and the DWA Delegation of Authority.

9.2.3.2 Contract period extensions, where appropriate, should be finalised well in advance before the contract expires and should be properly approved by the DBAC and the DG.

9.2.3.3 The total amount paid to the service provider for the periods when the contract was extended in contravention of the DWA Procurement User manual and the DWA Delegation of Authority should be reported as irregular expenditure in terms of the requirements of the PFMA.

9.3 UPGRADING OF THE TRIVEC SURVEILLANCE SYSTEM

9.3.1 CONTEXT

- 9.3.1.1 It was alleged that the service provider was appointed in contravention of the SCM prescripts.
- 9.3.1.2 In a submission dated 17 October 2008 the Chief Engineer: Dam Safety Surveillance requested the Chairperson of the DBAC to approve that the service provider be the sole provider of the Trivec Surveillance system in terms of paragraph 6.8 of the DWA Procurement User manual. The reasons for not inviting competitive bids were stated. The request was approved by the Chairperson of the DBAC on 31 October 2008.
- 9.3.1.3 The BEC recommendation, dated 27 October 2008, indicated that the bid proposal of the service provider had been reviewed and the BEC members recommended the appointment of the service provider to the Departmental Control Committee (DCC).
- 9.3.1.4 In a submission dated 25 November 2008 the Chief Engineer: Dam Safety Surveillance requested the Chairperson of the DBAC to provisionally approve the proposal of the service provider subject to a tax clearance certificate being issued to the supplier by the South African Revenue Service. The Chairperson of the DBAC approved the proposal of the service provider on 15 December 2008.
- 9.3.1.5 The DG reported the appointment of the service provider in terms of TR16A6.4 to the NT on 6 November 2008.

9.3.2 FINDINGS

- 9.3.2.1 The Chairperson of the DBAC approved the request to approach a sole provider on 31 October 2008 and the appointment of the service provider as the sole provider of the Trivec Surveillance system on 15 December 2008. The following contraventions of the TR and practice notes issued by the NT were noted:
- (a) The DWA could not provide the investigating team with a copy of the contract with the service provider. According to paragraph 2.3 of the SCM Practice Note 1 of 2003, a formal contract document should be entered into with the successful bidder after the adjudication and award of the bid.

- (b) No evidence could be obtained that the appointment of the service provider in terms of TR16A6.4 was reported to the AGSA as required by paragraph 3 of the SCM Practice Note 6 of 2007/08.

9.3.3 **RECOMMENDATION**

- 9.3.3.1 The DWA should consider taking appropriate corrective action against officials of the DWA for contraventions of the TR and the practice notes issued by the NT.

9.4 **CHANGE MANAGEMENT PROJECT**

9.4.1 **CONTEXT**

- 9.4.1.1 It was alleged that the appointment of the service provider in terms of TR16A6.4 did not conform to the SCM prescripts.

- 9.4.1.2 The DDG: Corporate Services made a submission dated 15 October 2008 to the DG, recommending that the DBAC should approve the deviation from the procurement policy for the appointment of the service provider as a single source provider in terms of the DWA Procurement User manual, paragraph 6.8.4. The DG approved the recommendation on 15 October 2008.

- 9.4.1.3 According to the minutes of the DBAC meeting held on 17 October 2008 the DBAC approved the appointment of the service provider on the following conditions:

- Approved subject to the team including Black Economic Empowerment (BEE) to work with the service provider.
- Proper costing being done and the amount of R2,5 million being taken as an indicative cost which is the limit.

- 9.4.1.4 On 24 October 2008, the Chairperson of the DBAC approved the deviation from policy and the appointment of the service provider as a single source service provider in terms of paragraph 6.8.4 of the DWA Procurement User manual.

- 9.4.1.5 According to the letter of notification that was signed on behalf of the DG on 27 October 2008, the service provider (an individual) was considered for the appointment. Finalisation of the appointment was dependent on the following:

- Successful negotiations on the terms and conditions of the appointment.
- Approval by the DBAC of the terms and conditions of the negotiations.

- Conclusion of an agreement between the DWA and the service provider.

9.4.1.6 Furthermore, according to the standard professional service contract signed between the DWA and the service provider during October 2008, the service provider was appointed to render technical assistance to support the change management process within the DWA. The contract period commenced in October 2008 and expired on 31 March 2009 with a contract amount of R2,5 million.

9.4.1.7 The DG reported the appointment of the service provider in terms of TR16A6.4 to the NT on 6 November 2008.

9.4.1.8 The service provider was subsequently requested by the DWA to extend the project to cater for the facilitation of the strategic planning session of the finance branch, which would be done in the form of a two-day workshop to be facilitated by the service provider on 21 and 22 January 2009. The variation order dated 20 January 2009 pertaining to this was signed by the DBAC on 20 January 2009 for the amount of R99 792.

9.4.1.9 The DWA paid the service provider an amount of R289 902 for services rendered for September 2008 before a contract between the two parties had been signed.

9.4.1.10 According to the minutes of the DBAC of 16 January 2009, the DBAC regarded the payments made to the service provider for rendering change management services as irregular expenditure. The amount of irregular expenditure was not indicated in the minutes. The DBAC resolved that:

- the service provider should be paid for services rendered
- the irregular expenditure should be referred to the accounting officer to condone.

9.4.1.11 The DG condoned the irregular payment made to the service provider for September 2008 on 5 February 2009.

9.4.1.12 The DWA reported a payment of R289 902 to the service provider as irregular expenditure to the NT on 12 March 2009. However, this amount was not disclosed in the annual report of the DWA for 2008-09.

9.4.2 FINDINGS

- 9.4.2.1 In terms of paragraph 6.8.4 of the DWA Procurement User manual the deviation from inviting competitive bids must be submitted to the DBAC. Furthermore, in terms of the said paragraph the submission must indicate what the implications would be, should the DBAC insist upon the invitation of tenders.
- 9.4.2.2 The above information was not included in the submission dated 15 October 2008 to the DBAC for deviation from inviting competitive bids in the appointment of the service provider. Furthermore, in the submission it was indicated that the service provider had previously been involved with the system master plan of DWA. However, the service provider was not registered on the preferred supplier list.
- 9.4.2.3 The AGSA established that the service provider (an individual) and the DG are co-directors of two entities. Therefore, a personal relationship exists between the two persons. The DG signed the submission dated 15 October 2008 to appoint the service provider recommending that the DBAC should approve the deviation from the procurement policy for the appointment of the service provider. This was done in contravention of the PSR read with chapter 6, paragraph 10.4 of the SMS handbook which states, “senior managers should not allow themselves to be improperly influenced by personal relationships. They should recuse themselves from any decision when there might be a conflict between their personal relationships/interests and the public interest.” No evidence could be found that the DG recused herself from the appointment process of the service provider.
- 9.4.2.4 No evidence could be obtained that the appointment of the service provider in terms of TR16A6.4 was reported to the AGSA as required by paragraph 3 of SCM Practice Note 6 of 2007/08.

9.4.3 RECOMMENDATIONS

- 9.4.3.1 The DWA should consider taking appropriate corrective action against officials of the DWA in view of the following:
- (a) The service provider was appointed in contravention of the DWA Procurement User manual.
 - (b) The DG did not disclose a conflict of interest, or failed to recuse herself from the procurement process in the appointment of the service provider in contravention of the PSR read with the SMS handbook.

9.4.3.2 As procurement legislation and regulations have been contravened in the appointment of the service provider, all the payments made to the service provider amounting to R1,187 million should be regarded as irregular expenditure and reported in accordance with the stipulations of the PFMA.

9.5 **ESTABLISHING OF A WOMEN'S ORGANISATION AND THE HOSTING OF THE WOMEN IN WATER, SANITATION AND FORESTRY AWARDS**

9.5.1 **CONTEXT**

9.5.1.1 It was alleged that the service provider (A) was appointed without following a competitive bidding process. It was further alleged that the approval in terms of TR16A6.4 did not comply with the SCM prescripts.

9.5.1.2 Two projects were registered for the appointment of a service provider for the establishing of a women's organisation and the hosting of the women in water, sanitation and forestry awards (project no. WP 9921 and project no. WP 9987). However, both projects were subsequently cancelled by the DBAC. According to an internal audit report dated 9 February 2009, the following procurement processes were followed for the projects:

(a) **Project no. WP 9921**

- (i) An open tender process was followed for project no. WP 9921 on 23 April 2008 as instructed by the DBAC.
- (ii) As a result of the importance and urgency of the bid, it was advertised in the Sowetan, City Press and Sunday Times newspapers as well as the Government Bulletin. The bid closed on 13 May 2008.
- (iii) The BEC selected service provider (B) as the successful bidder.
- (iv) On 30 May 2008, two submissions were made to the DBAC, namely a request to cancel bid WP 9921 and a request (bid WP 9987) to deviate from the procurement process and to appoint another service provider (C) as the preferred bidder.
- (v) Both submissions were favourably considered and approved by the DBAC.
- (vi) On 13 June 2008, the cancellation of project no. WP 9921 was advertised in the Government Tender Bulletin.

(b) **Project no. WP 9987**

- (i) On 2 June 2008, the service provider (C) selected by the DBAC submitted their proposal to the DWA and was asked to present the proposal to the DWA on 3 June 2008.
- (ii) On 6 June 2008, the recommendation to appoint the service provider (C) as a preferred bidder was referred back to the DBAC which resolved as follows:
 - A valid tax clearance certificate of the preferred bidder (C) should be attached.
 - The individual score sheets of the BEC members should be attached.
- (iii) The DBAC also requested that the SCM unit prepare a short report on the process from the time the proposal was received by the DWA right up to the stage of motivation and subsequent cancellation of the tender.
- (iv) The SCM unit drafted a report dated 11 June 2008 which concluded as follows:
 - The SCM practitioner was not present during the evaluation process.
 - Only three score sheets were submitted to the SCM unit on 9 June 2008 for consolidation purposes.
 - The preferred service provider (C) did not have a tax clearance certificate at the time of evaluation.
- (v) On 13 June 2008, and based on the SCM unit's report, the DBAC decided not to approve the appointment of the preferred service provider (C) and requested the cancellation of project no. WP 9987.
- (vi) The DBAC also resolved that a new bidding process should be followed through the Office of the DG.
- (vii) On 20 June 2008, the deputy Chairperson of the DBAC approved the cancellation of project no. WP 9987.

9.5.1.3 The Director: Gender and Disability made a submission (approved by the DG on 20 June 2008) to the DBAC. The purpose of the submission was to request the DBAC to ratify and approve the appointment of a service provider (A) as the preferred selected professional service provider. It was stated in the submission that all the necessary procedural arrangements were followed. According to the submission, the service provider (A) was approached, and requested to submit a proposal and a tax clearance certificate to the DWA. A proposal was received from the service provider (A) on 18 June 2008 for an amount of R3 890 740 (VAT inclusive). According to the submission, the proposal was evaluated by a task team chaired by the DG and made up of the following other officials:

- (a) Director: Strategic Support
- (b) Director: Gender and Disability
- (c) Director: Office of the DG

9.5.1.4 The Chairperson of the DBAC approved the ratification and approval of the appointment of the service provider (A) on 23 June 2008. A letter of appointment was sent on 25 June 2008 and a contract was subsequently signed on 30 June 2008 for an amount of R4 356 932 (VAT inclusive).

9.5.2 FINDINGS

9.5.2.1 On 13 June 2008 the DBAC resolved to cancel project no. WP 9987 and also resolved that a new bidding process had to be followed through the office of the DG. Contrary to this decision the DWA without inviting competitive bids approached the service provider (A) to submit a proposal on 18 June 2008. The service provider (A) did not submit a proposal when the original invitation for proposals was issued.

9.5.2.2 The submission of the Director: Gender and Disability (approved by the DG) dated 20 June 2008 indicates that all the necessary procedural arrangements to appoint the service provider (A) were followed. However, the service provider (A) was approached and requested to submit a proposal without approval by the DBAC to deviate from the normal procurement process of inviting competitive bids. Reasons for not inviting competitive bids were also not recorded as required in terms of paragraph 6.8.4 of the DWA Procurement User manual.

9.5.2.3 The submission from the Director: Gender and Disability to the DBAC for approval and ratification to appoint the service provider (A) was dated 20 June 2008. The DBAC ratified and approved the appointment of the service provider (A) on 23

June 2008. However, the invitation to bid was only signed by the service provider (A) after the approval of the DBAC on 24 June 2008.

- 9.5.2.4 The proposal submitted by the service provider (A) was for an amount of R3 890 740 (VAT inclusive). However, the contract signed was for an amount of R4 356 932 (VAT inclusive). No evidence could be found that the DBAC approved the increased amount.
- 9.5.2.5 The DG reported the appointment of the service provider (A) in terms of TR16A6.4 to the NT on 6 November 2008, in accordance with paragraph 3.1 of SCM Practice Note 6 of 2007/08. However, the amount reported was only R3 million and not the amount of the contract namely R4 356 932. Furthermore, no evidence could be obtained that the appointment of the service provider (A) in terms of TR16A6.4 was reported to the AGSA as required by paragraph 3 of SCM Practice Note 6 of 2007/08.
- 9.5.2.6 As the deviation from the normal procurement process for not inviting competitive bids was not approved by the DBAC, all the payments made to the service provider (A) amounting to R4 115 378 should be regarded as irregular expenditure.

9.5.3 **RECOMMENDATIONS**

- 9.5.3.1 Corrective action should be considered by the DWA against officials in view of the appointment of the service provider (A) in contravention of the TR, the practice notes issued by the NT and the DWA Procurement User manual.
- 9.5.3.2 Compliance with the relevant policies and procedures in the appointment of the service providers should be strictly enforced by the DWA, as non-compliance with these may potentially lead to litigation and lawsuits against the DWA by those services providers who feel they have been unfairly treated.
- 9.5.2.3 The DWA should determine the reasons for signing a contract with the service provider (A) at a higher amount than that of the bid proposal.
- 9.5.2.4 As procurement legislation and regulations have been contravened in the appointment of the service provider (A), all payments made to the service provider amounting to R4,115 million should be regarded as irregular expenditure and reported in accordance with the stipulations of the PFMA.

9.6 RENDERING OF TRAVEL RESERVATION SERVICES

9.6.1 CONTEXT

9.6.1.1 It was alleged that the appointment of three service providers for the rendering of travel reservation services to the DWA for a period of 24 months was in contravention of the SCM prescripts.

9.6.1.2 Extension of the contract with the existing service provider

- (a) The Director: Administration made a submission dated 23 September 2008 to the Chairperson of the DCC requesting approval for the extension of the contract with the existing service provider (A) as their contract had expired on 31 January 2008. A variation order was issued to extend their contract for a period of six months from 1 February 2008 to 31 July 2008 in order to afford the DWA enough time to appoint a new service provider to provide travel reservation services. According to the submission, the contract was then extended for a further two months from 1 August 2008 to 30 September 2008.
- (b) The submission by the Director: Administration on 23 September 2008 sought to obtain approval from the DCC to extend the contract for a further period of three months from 1 October 2008 to 31 December 2008. The Chairperson of the DCC approved the extension for the three months on 25 September 2008.

9.6.1.3 Appointment of three service providers for the rendering of travel reservation services

- (a) The Director: Administration made a submission to the Chairperson of the DBAC on 29 September 2008 requesting approval to appoint three service providers for rendering travel reservation services for a period of 24 months. The Chairperson of the DBAC approved the submission on 31 October 2008.
- (b) The advertisement for the appointment of three service providers was placed on 17 October 2008 in the Government Tender Bulletin with a closing date of 30 October 2008.
- (c) In a submission by the SCM unit to the Deputy Director: Acquisition Management dated 7 November 2008, it was indicated that five tenders were received for the rendering of travel reservation services. According to

the submission, the evaluation panel recommended the awarding of the bid to service provider (A) who fully complied with the specifications and who attained the third highest points. The submission of the evaluation panel also indicated it would be impractical to appoint more than one service provider. The preferred service provider (A) was the only tenderer that complied with the specifications. The other four did not comply with the compulsory fees and the firm contract period of 24 months. However, although the bids of the three service providers (B, C & D) were not responsive, the three bids were further evaluated and scored. The submission was not approved by the Deputy Director: Acquisition Management.

- (d) The Assistant Director: Fleet and Travel Services indicated that the outcome of this evaluation was submitted to the DG for approval and not to the DBAC as usual. She also indicated that the DG did not agree with the outcome and instead ordered that the tender be re-evaluated by a different BEC selected by her.

9.6.1.4 Second evaluation of the bids received for the rendering of travel reservation services

- (a) According to a submission dated 10 November 2008 by the DDG: Corporate Services, the DG had requested that all the documents relating to the evaluation of this tender be submitted to her office. The submission also indicated that files containing departmental tenders in respect of the rendering of travel reservation services, copies of approved specification documents as well as copies of minutes of the DBAC meetings, were attached to the submission and sent to the DG. Furthermore, the investigating team noted a handwritten comment on the said submission that appears to have been made by the DG on 14 November 2008. The comment reads, *I hereby decide to overrule the decision of the DBAC with regard to the composition of the evaluation panel. The biggest users of the service must be part of the panel as they are the one who are at the cool face of the service (sic). I hereby instruct as follows:*

- (i) 1 rep from ODG
- (ii) 1 rep from Regions
- (iii) 1 rep from P&R
- (iv) 1 person from CS
- (v) 1 person from Finance.

- (b) The Director: Administration made a submission to the Chairperson of the DBAC on 27 November 2008 recommending the appointment of the three bidders (B, C & D) as service providers for the rendering of travel reservation services for a 24-month period. According to the submission, service provider (A) was not recommended as the bidder did not attach the pricing schedule and the service contract was not firm for 24 months but for 36 months. This recommendation was made after a second evaluation team had evaluated the proposals.
- (c) The Chairperson of the DBAC approved the recommendation on 1 December 2008 for an estimated cost of R120 million for a 24-month period.
- (d) The DDG: Corporate Services made a submission to the DG on 5 December 2008 and recommended that the DG approve the recommendation to appoint the three service providers (B, C & D). The DG approved the recommendation on 10 December 2008.
- (e) The three service providers (B, C & D) appointed were approached by the DWA and asked to reduce their prices as the prices they had quoted were excessive in comparison with that quoted by service provider (A). The investigating team reviewed the document that indicates the prices that were negotiated with the three service providers (B, C & D) and consequently reduced. Service provider (A) was not afforded the same opportunity.

9.6.2 FINDINGS

9.6.2.1 In appointing the three service providers (B, C & D), the DWA deviated from the provisions of the DWA Procurement User manual, SCM prescripts and practices:

- (a) Although the specifications in the bid proposal indicated that the quoted prices should be firm for the period of the contract of 24 months, the three service providers (B, C & D) who were awarded the tender did not comply with this requirement, as their proposals indicated firm prices only for 12 months. According to the PPPFA, an acceptable tender means a tender which, in all respects, complies with the specifications and conditions of the tender as set out in the tender document. As the three bidders (B, C & D) did not comply with all the specifications they are, according to the definition, not acceptable and should therefore have been disqualified and not awarded the tender.

- (b) The reason given for not recommending service provider (A) was that they indicated in their proposal that their prices were firm for a period of 36 months, although the specifications referred to a contract period of 24 months. The reference to the contract period of 36 months did not in any way affect the quoted prices, as these were unit prices per service rendered and not the total price based on a period of 36 months. The DBAC did not ensure that disqualifications were justifiable, and that valid and accountable reasons/motivations were furnished for the passing over of bids in accordance with the requirements of paragraph 2.5 of the NT circular dated 24 March 2006.
- (c) The three service providers (B, C & D) were approached by the DWA and asked to amend their prices. Paragraph 10.10.2 of the DWA Procurement User manual specifically states that this should not be allowed since this is tantamount to an unfair second opportunity for the tenderer. Service provider (A) was not afforded the same second opportunity.

9.6.3 RECOMMENDATIONS

- 9.6.3.1 Appropriate corrective action should be considered against officials of the DWA in view of the appointment of the three service providers (B, C & D) in contravention of the DWA Procurement User manual and SCM prescripts.
- 9.6.3.2 Corrective actions should also be considered against officials for their failure to ensure that the bids were fairly evaluated and that qualification criteria were consistently applied during the evaluation and adjudication process as stipulated in the SCM practice notes.
- 9.6.3.3 As SCM prescripts have been contravened in the appointment of the three service providers, all payments made to the service providers amounting to R85,6 million should be regarded as irregular expenditure and reported in accordance with the stipulations of the PFMA.

9.7 COMPOSITION OF THE DEPARTMENTAL BID ADJUDICATION COMMITTEE

9.7.1 CONTEXT

- 9.7.1.1 Although this was not specifically alleged, the AGSA also noted that the composition of the DBAC was not in compliance with the prescripts. In terms of paragraph 3.2.3 of the NT circular dated 24 March 2006, "The Bid Adjudication Committee should be composed of cross functional teams comprising senior officials of whom at least one must be a supply chain practitioner."

9.7.2 FINDINGS

9.7.2.1 The current members of the DBAC, as obtained from DBAC, are indicated in the table below.

Table 2: Current members of the DBAC

No.	Member
1	CFO (Chairperson)
2	Chief Director: Financial Management (Vice Chairperson)
3	Director: Administration
4	Corporate Executive: Construction Support
5	Director: Water Management Institution Governance
6	Director: Strategic Asset Management
7	Director: Northern Operations
8	Deputy Director: WS Support
9	Director: Forestry Regulation
10	Director: Hydrological Services
11	CIO: Information Management

9.7.2.2 There is no SCM representative on the DBAC. In terms of the DWA Delegation of Authority and the NT circular, at least one of the committee members must be an SCM practitioner.

9.7.3 RECOMMENDATION

9.7.3.1 The DWA should ensure that the DBAC is composed of functional teams comprising senior officials, of whom at least one must be an SCM practitioner.

10. EXCERPT OF THE RESPONSE FROM THE MANAGEMENT OF THE DEPARTMENT OF WATER AFFAIRS

10.1 The DWA noted the findings and recommendations of the AGSA and the caution expressed by the AGSA in respect of the underlying causes which may have contributed to the deficiencies in paragraph 1.2.1 of the report. The DWA will examine its current processes and procedures relating to:

- The quality of reporting
- Effective governance arrangements
- Adequate leadership oversight

- 10.2 The DWA will take steps to remedy any defects in the way these matters are currently dealt with and make any necessary changes and improvements to give effect to the report. The DWA will specifically improve its compliance with all the legislation, rules, regulations and other prescripts which govern the calling for and the award of tenders to prevent a recurrence of the unsatisfactory state of affairs identified by the AGSA.
- 10.3 The DWA also wants to assure the AGSA that, whilst the DWA has not commented on the other findings and recommendations, the DWA has noted them and will take corrective action immediately to address the issues identified by the AGSA.
- 10.4 The steps to be taken will be discussed with the Minister who will also be updated regularly on the implementation processes undertaken by the DWA.
- 10.5 A letter from the DWA will be forwarded to the NT reporting on irregular expenditure as alluded to in the report, a copy of which will be forwarded to the AGSA on confirmation that the NT has acknowledged receipt thereof.
- 10.6 The Minister has authorised that disciplinary action be taken against the current accounting officer who is presently on special leave, which action is to commence by 31 March 2010.

11. APPRECIATION

The assistance rendered during the investigation by the officials of the DWA is appreciated.



Auditor-General

Pretoria

14 May 2010



Accountability

Integrity

Independence

Impartiality