

PRASA FORENSIC INVESTIGATIONS

ITEM	FORENSIC INVESTIGATOR	SERVICE PROVIDER	CONTRACT AMOUNT	PROCUREMENT METHOD	FINDINGS
1	NEXUS	EBCONT	R68 681 000.00	Confinement basis	<p>Procurement processes: There have been significant delays with the submission of information relating to procurement and contract management. This information has been requested on a repetitive basis since April 2016. Some information we only received in the week prior to our reporting deadline, 31 October 2016.</p> <p>Payment verification: The payments affected to Ebcont was in line with the contractual terms between PRASA and Ebcont for milestones delivered</p>
2	NEXUS	FOCUS PROJECT MANAGEMENT	R38 000 000.00	Open Tender	<p>Procurement processes: the contract award to TTR/Focus for the technical support on the In-Cab Signalling system of PRASA was in line with relevant prescripts. Mosholi, erroneously communicated to the service provider that they were awarded a contract at a cost of R38 million higher than what was approved by the CEO. The error was corrected.</p> <p>Payment verification: We conclude that Focus was paid in line with their contract terms and contract values for the technical assistance on PRASA's In-Cab Signalling system. No over expenditure was noted.</p>
3	NEXUS	INTENSE	R54 090 070.26	Open Tender	<p>Background searches: Intense did not comply with the compulsory tender document requirements of the tender in that they did not submit some of the documents.</p> <p>Procurement processes: The whole amount of the Intense tender is irregular. The total price of Intense is R54 090 070.26 cheaper than Intense. Dr Phungula misrepresented the CTPC's award to Intense, to the GCEO.</p> <p>The are sufficient grounds to report the Intense contract to the SA Police Services, ito section 34 of PRECCA. Payment verification: Some invoices which were paid are missing. Some delivery notes are missing.</p> <p>Finance failed to supply us with all the invoices which were paid.</p> <p>Finance failed to supply us with the asset register regarding the equipment.</p> <p>Security could not supply an accurate stock record of the equipment received and equipment in stores from the supplier. A large number of the equipment are not distributed to the regions.</p>
4	NEXUS	LENONG GENERAL ROAD MAINTENANCE CC	R25 754 181.56	Open Tender	<p>Procurement processes: Lenong was not registered at the CIDB at the time of tender evaluation and award.</p> <p>The tender for the upgrade of the drainage at Dube -Phefeni was not advertised and the award was not published on the CIDB tender bulletin website.</p> <p>It should be noted that there have been significant delays with the submission of information relating to procurement and contract management with a significant amount of information not submitted at all. This information has been requested on a repetitive basis since April 2016.</p> <p>Payment verification: Based on our investigation on the invoices and payments we can conclude that Lenong was paid in line with their contract terms and contract values on both drainage upgrade contracts in Elandsfontein and Cluster A: Dube-Phefeni.</p>

5	NEXUS	MOTSWAKO OFFICE SOLUTIONS	R75 578 479.15	Open Tender	<p>Procurement processes: We conclude that the appointment of Motswako was irregular. We would however, recommend that the Motswako appointment be condoned following the outcome of the National Treasury investigation as no bidders were prejudiced with the processes followed.</p> <p>Payment verification: Based on our investigation on the invoices and payments we can conclude that Motswako was paid in line with their contract terms and contract value. No over expenditure was noted</p>
6	NEXUS	PREMIER SAYINA AFRICA	R52 752 167.25	Open Tender	<p>Background searches: PSA submitted a Letter of Good Standing which expired on 31 July 2011. The evaluation of the standard bidding documents submitted was not as prescribed in Section 217 of the Constitution fair and transparent. All the expenditure is irregular.</p> <p>Procurement processes: Not all the tenderers completed tender submissions for tender HO/PRASA CRES/00/1/2011 - Conducting, Manufacturing and Installing Signage were supplied and are missing. The bid evaluation committee incorrectly allocated 36,5% BEE shareholding, instead of 26%. PSA indicated that Imbani Holdings held 26% shares in PSA. The bid evaluation committee did not incorrectly calculate Ascott's BEE score, as alleged by Ascott. The appointment of PSA was irregular, due to the Letter of Good Standing and the BEE score.</p> <p>Payment verification: The CAPEX budget for the project was approved. Mr Kubheka certified the PSA invoices, in stating that PSA delivered the services according PRASA's standards. PSA received the amount of R52 752 167.25 for work performed</p>
7	NEXUS	RESURGENT RISK MANAGEMENT	R52 871 837.32	Confinement basis	<p>Background searches: SARS responded that it did not issue RRM's TCC with ref no 0064/2015/0005510417. RRM denied that SARS did not provide it, and referred the issue for legal advice.</p> <p>Appointment of RRM through confinement: A budget was not secured for the SRTVA project before or after the GCEO signed the confinement request. The amounts of R43 291 621,06 (FY 2016) and R9 580 216,26 (FY 2017) were spent irregularly. Mantsane failed to prevent irregular expenditure when participating in the process that followed after the 2014 December meeting, which culminated in the 1 March approval (Exhibit 13 - which he drafted). Mantsane failed to prevent irregular expenditure when participating in the process that followed after the 2014 December meeting, which culminated in the 1 March approval (Exhibit 13 - which he drafted).</p>

8	NEXUS	SA FENCE & GATE	R209 874 559.79	Open Tender	<p>Background searches: Requirements for tender number HO/SCM/225/11/2011 included that service providers to have a minimum CIDB grading of 6SQ. SAFG's grading (at the time of submitting their proposal) was 8SQPE - Potentially Emerging indicating that they could tender for contracts in excess of R130m.</p> <p>Procurement processes: Tender Award (R209 million) Mbatha and Mosholi of PRASA transgressed CIDB regulation 18(1) and 24 in that they did not ensure that PRASA advertised the tender on CIDB's I-Tender website as well as the award of the tender on CIDB's RoP. PRASA (Mbatha and Mosholi) failed to adhere to applicable legislation and in so doing incurred irregular expenditure as indicated in Treasury Practice Note 4 of 2008/2009 PRASA did not follow correct SCM procedures in the procurement of the additional lights nor did the FCIP (who approved the original contract) approve the commitment. The award is thus irregular.</p> <p>Payment verification: 29 payments amounting to R286 639 418.36 were paid to SAFG during the span of the project.</p>
9	NEXUS	SYSTEM APPLICATIONS PRODUCTS (SAP)	R44 796 300.00	Confinement basis	<p>Background searches: SAP will enable all applications to secure a strong integration of all key processes. SAP offers a variety of software solutions to various business lines and industries across South Africa. SAP is VAT registered and has been in good standing with SARS for the past couple of years. We were unable to verify SAP's BEE status. SAP has a BEE teaming agreement with Hages Infosystems. NT's restricted supplier database does not list SAP or its directors. SAP and its directors did not declare any interests as per the Parliamentary Register. Procurement processes: SAP and PRASA entered into an Initial Agreement regarding software services and implementation, which states that SAP must provide proposals to PRASA to extend the SAP implementation in PRASA. The three contracts represent further phases of implementation of SAP within PRASA, therefore normal tender regulations and procedures were not applicable to the award. Software Maintenance Order Forms are available as agreed upon in the MOU. SoW's were entered into regarding REM and EAM as agreed upon in the Initial Agreement. Single sourcing was justified in terms of the award of the three contracts. There is a lack of proper record keeping in SCM.</p> <p>Payment verification: SAP invoiced according to the correct payment process concerning all three contracts. There is a lack of proper record keeping in the finance department.</p>

10	NEXUS	TENSION OVERHEAD SERVICES	R7 589.36	Open Tender	<p>Background searches: Tractionel complies with the following: TCC, BBEE, CIDB, VAT and CIPC Tractionel became part of Consolidated Infrastructure Group Limited (CIG), an investment company listed on the Johannesburg Stock Exchange KNS was involved in at least three major projects, of which the PRASA project was one, when it ran into financial difficulty. The company was subsequently liquidated. Procurement processes: PRASA decided not to go out on tender for the completion of the remaining 20% of the work PRASA negotiated with the subcontractors to, on specific terms, continue with the project. Due to time delays, the fact that no-one was on site for a long period of time and the surrounding community, theft and vandalism increased the cost of the project substantially The project was eventually finalised and handed over to PRASA. Payment verification: Tractionel was paid R7 589.36 (0.03%) more than the contract amount which amounts to unauthorised expenditure. However, in terms of the SCM Policy any variation is limited to 10% of the value of the contract.</p>
11	NEXUS	SNG	R39 179 488.83	Open Tender	<p>Background searches: There is general compliance with industry specific regulations and professional bodies by the SNG Consortium. However, most documents related to SNG and not Sekela Xabiso. SNG's letter of good standing is valid. SNG and Sekela Xabiso's BEE certificates were valid. Members of the SNG Consortium stated that they were part of SAICA but current verification indicate they are not (As confirmed by SAICA). Procurement processes: The SNG Consortium was awarded this tender after an evaluation process was followed that was fair, transparent, equitable, cost effective and competitive. There were eight bids evaluated and SNG Consortium's bid price was the lowest. Price submitted by SNG Consortium is different from amount awarded. No information provided for the variance. Payment verification: Appears to be over spending in the second year. However, over the three-year period the total amount invoiced and paid was in line with the budgets that were estimated. Poor record keeping by the finance department.</p>
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RECOMMENDATIONS

Procurement processes: The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly.

Procurement processes: There was a delay in providing the documentation and data, or for misplacing / destroying / losing the documentation / data. The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly. payment verification:

Background searches: The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly. Procurement processes: The Board should consider instituting disciplinary charges against the employees who were responsible and involved in the tender and contract for their failure to adhere to the relevant prescripts of the SCM Policy. Disciplinary charges are preferred against the role player employees in terms of the award of the tender. Fraud charges should be instituted against Dr Phungula. The Board should consider complying with the reporting duty in terms of section 34 of PRECCA. Payment verification: A surprise stock count should be performed on equipment in store and reconciled with stock distributed to the regions. A comprehensive review should be conducted of equipment received against equipment paid. Distribution of the stock to the regions should be prioritized.
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Procurement process: We recommend that the relevant disciplinary steps be taken against PRASA SCM officials (and in specific the sourcing specialist SCM Dimakatso Mathe) for: For not complying with the CID regulations 24 and 18, when they failed to advertise and publish the award of the upgrade of the drainage at Dube -Phefeni tender. The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly.

Procurement processes: We recommend that the Motswako appointment be condoned following the outcome of this National Treasury investigation as no bidders were prejudiced with the processes followed.

It was not within our scope to investigate where documentation is, or who is directly responsible for the delay in providing the documentation and data, or for misplacing destroying / losing the documentation / data. The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly. **Payment verification:** Based on our findings, we do not make any recommendations.

Background searches: Due to incomplete records, we cannot determine who exactly was responsible for verifying the Letter of Good Standing, and therefore do not make any recommendation.

Procurement processes: We recommend that PRASA institute disciplinary steps against the following SCM/BEC members for failing to prevent irregular expenditure - Mr Shezi, Mr Mdluli, Mr Kubheka, Mr Mkandla, Mr Swart, Mr Dinthe, Mr Tshabile and Mrs Mbabama.
The Board of PRASA must report the irregular appointment of PSA.

Background searches: Further follow-up with SARS should be conducted before any steps are considered, as it is possible that SARS' records may be incorrect. **Appointment of RRM through confinement:** Disciplinary action against Mantsane for financial misconduct (contravention of section 57), inter alia for -

Dereliction of duties

Failing to prevent irregular expenditure

Criminal action against Phungula and Mantsane on a charge of fraud, for misrepresenting what the CTPC had approved in the recommendation report

Criminal action against the GCEO for failing to comply with his fiduciary duties (section 50) and general responsibilities (section 51) in his capacity as a member of the Accounting Authority.

That the Board considers reporting the RRM contract to the SA Police Services in terms of section 34 of PRECCA, to ensure compliance with its reporting duty.

Background searches: Based on the available information, and the non-compliance in respect of the relevant CIDB regulations, we recommend that the expenditure be declared irregular and that all payments made under this contract (HO/SCM/225/11/2011) be reported by PRASA to National Treasury as irregular expenditure. PRASA should institute disciplinary action against Mr Chris Mbatha and Ms Ms Matshidiso Mosholi, in that they failed to ensure that PRASA advertised tender HO/SCM/225/11/2011 on CIDB's I-Tender website as well as the subsequent award of the tender on CIDB's RoP and in so doing contravened section 57 of the PFMA in that they failed to prevent irregular expenditure. PRASA report the award of tender HO/SCM/225/11/2011 amounting to R209 874 559.79 to National Treasury as irregular expenditure. **Procurement process:** PRASA to report the following to National Treasury:
* provision of lights in the original contract amounting to R2 471 061.00 to be fruitless and wasteful as well as irregular expenditure as this could have been avoided had PRASA taken due care. *award of the R58 153 296.72 commitment for additional lights to National Treasury as irregular expenditure. * additional cost amounting to R27 986 245.65 to National Treasury as this could have been avoided had due care been taken. procurement through Top 6 in terms of PRECCA to the SAPS for investigation.
Payment verification: Due to the contravention of CIDB regulation 18(1) the award of the SAFG contract is irregular and all payments in respect of this contract is regarded as irregular. PRASA must report to National Treasury all expenses incurred amounting to R295 292 897.77 as irregular. PRASA must identify all employees who authorised payments in excess of 46% and request them to provide reasons why the company should not take disciplinary action against them.

Background searches: No recommendations are made. **Procurement processes:** It was not within our scope to investigate where documentation is, or who is directly responsible for the delay in providing the documentation and data, or for misplacing / destroying / losing the documentation / data. The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly. **Payment verification:** It was not within our scope to investigate where documentation is, or who is directly responsible for the delay in providing the documentation and data, or for misplacing / destroying / losing the documentation / data. The PRASA Board should investigate the root causes for the delay or omission in providing the required data / documentation; and act accordingly.
PRASA to implement and enforce a document retention and archiving policy relating to payment information, which is in line with NT Regulations prescripts.
SAP contracts to be attached to all SAP invoices.
PRASA to implement a payment process policy.

