



STRATEGIC
INVESTIGATIONS
AND SEMINARS

PROFESSIONAL FORENSIC SOLUTION PROVIDER

FINAL REPORT and EXECUTIVE SUMMARY

RFP 0008/2015

**FORENSIC AUDIT TO VERIFY PRASA
PAYMENTS**

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RE: RFP 008/2015 - FORENSIC AUDIT TO VERIFY PRASA PAYMENTS

The Supplementary Preliminary Report dated 15 July 2016 has reference.

1) Introduction

This Abbreviated Final Report is provided with the Scope of Work as stipulated in Section 3 of this document in mind and are supported by **Annexures A - E**.

The Full Report consist of the Final Report and the Documents that are made reference to in this report. Documents under Annexure E are filed in order of the engagement file number (e.g. 1), followed by the Document reference (e.g. A) and then the page number (e.g. 1) – (E.g. 1.A.1).

The content of the Full Report is evident of the difficulty of accessing information related to this engagement from both PRASA and the relevant Suppliers. The lack of information, paired with the unwillingness to cooperate or in some cases being unable to cooperate seriously hampers the rendering of operative conclusions.

2) Background

It is relevant to note that to date of this report the only Procurement Files received from PRASA are listed below in order of the engagement file number and with reference to the supplier number:

1. 107902-Nondela Gedeza Investments
2. 108860-Lebepe Quantity Surveyors
3. 106202-Superfecta Trading 209 Cc
4. 107730- Blue Flame Advertising
5. 109067-Highpana Projects
6. 105781-Otis (Pty) Ltd

In addition to the above we received Tender Advice documentation, but no Procurement Files from PRASA for the suppliers listed below in order of the engagement file number and with reference to the supplier number:

11. 100702-Afri Guard (Pty) Ltd
12. 101532-Hlanganani Protection
13. 102016-Futuris Guarding Systems
14. 101821-Vusa Isizwe Security Services
15. 101820-Sinqobile Equestrian Security
16. 102017-Changing Tides 208 (Pty) Ltd
17. 100526-Enlightened Security
18. 102115-R1 Security Services
19. 102125-Vimtsire Security Services
20. 102117-Royal Security Cc

PRASA failed to provide any Procurement Files or Tender Advice documentation for the suppliers listed below, whom in return also fail to respond to requests for information. Suppliers listed in order of the engagement file number and with reference to the supplier number:

7. 102722-Protea Coin Assets in Transit
8. 102914-Transnet Ltd
9. 100841-Lennings Rail Service
10. 103001-Mmashela Investments Cc

Access to the information and documentation required to conclude this engagement and render an actionable conclusion were proven to be impossible in most cases and that speaks to a lack of seriousness and adherence to comply with standard practises in Document Management, Supply Chain Management and Project Management.

The above caused the detailed investigation and analysis phase of this assignment to be a challenge from the onset, even with the valiant effort of Teddy Phoma at SCM Compliance: PRASA Corporate, to facilitate the access to information and documentation.

3) Scope of Work

Strategic Investigations and Seminars (Pty) Ltd was engaged to verify the 20 PRASA contracts listed below:

1	107902	Nondela Gedeza Investments
2	108860	Lebepe Quantity Surveyors
3	106202	Superfecta Trading 209 Cc
4	107730	Blue Flame Advertising
5	109067	Highpana Projects
6	105781	Otis (Proprietary) Limited
7	102722	Protea Coin Assets in Transit
8	102914	Transnet Ltd.
9	100841	Lennings Rail Service
10	103001	Mmashela Investments Cc
11	100702	Afri Guard (Pty)Ltd
12	101532	Hlanganani Protection
13	102016	Futuris Guarding Systems
14	101821	Vusa Isizwe Security Services
15	101820	Sinqobile Equestrian Security
16	102017	Changing Tides 208 (Pty) Ltd
17	100526	Enlightened Security
18	102115	R1 Security Services
19	102125	Vimtsire Security Services
20	102117	Royal Security Cc

This Scope of work for this engagement were to;

- ❖ Investigate the procurement processes which were followed in the appointment of the suppliers.
- ❖ Determine whether the appointments of identified service providers were made in line with relevant prescripts and were approved by relevant authorities.
- ❖ Establish where applicable, whether deviations were in-line with relevant prescripts.
- ❖ Determine whether payments correspond to the respective bid price and/or contractual agreement.
- ❖ Identify all persons or entities that unduly benefited as a result of irregular conduct.
- ❖ Advise on the remedial actions which must be taken in instances of maladministration and/or where improper conduct has been detected.

4) Legislative Framework

The following acts, regulations, policies and directives were considered in the execution of this engagement and filed under Annexure B:

- 4.1. PRASA Powers and Authority of the Board and Delegation of Authority (undated);
- 4.2. PRASA Supply Chain Management (SCM) Policy approved 26 February 2009; *
- 4.3. Resolution-Amendment to PRASA Supply Chain Management (SCM) Policy dated 29 May 2014; **
- 4.4. Implementation of procedures to address internal control weaknesses memorandum by PRASA dated 20 September 2013;
- 4.5. Supply Chain Management: PRASA Directive dated 2 April 2014 and signed 3 April 2014;
- 4.6. PRASA Audit Outcome Memorandum: A comprehensive SCM instructions Directive dated 13 October 2014 and signed 10 October 2014;
- 4.7. National Treasury Instructions 01 of 2013/2014: Cost Containment Measures dated 19 December 2013.
- 4.8. Other Sources:
 - 4.8.1. Constitution of the Republic of South Africa Act No 108 of 1996;
 - 4.8.2. Public Finance Management Act No 1 of 1999, as amended;
 - 4.8.3. Broad Based Black Economic Empowerment Act, 53 of 2003 and its Codes of Good Practices;
 - 4.8.4. Preferential Procurement Policy Framework Act (PPPFA) 2000;
 - 4.8.5. PPPFA Regulations and Regulation Implementation;
 - 4.8.6. Other National Treasury Guidelines and Instructions

* Note that the paragraph numbering in the 4.2. PRASA Supply Chain Management (SCM) Policy approved 26 February 2009 is not always sequential making cross referencing problematic. It is advisable to take note of additional cross references like page numbers, etc.

** Note that even though this Resolution was signed by the Chairman of the Board of Control and the bullets under 1.1.1 was included in the amendment, the copy of the Amended PRASA Supply Chain Management (SCM) Policy (Revision 3: September 2013) provided to us is not signed as mandated by 1.1.2 of said resolution and a signed could not be provided to us on request as it seems that such document does not exist. Therefor an assumption is made that the resolution of 29 May 2014 resulted in the bringing into effect of the Amended PRASA Supply Chain Management (SCM) Policy (Revision 3: September 2013).

5) Final Summary: Scope of Work

5.1. NONDELA GEDEZA INVESTMENTS

Engagement File number: 1

Supplier Number: 107902

5.1.1. Compliance to Procurement Processes

The effective date of the agreement was 1 September 2012 therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-1 to this report.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available.

The only documents that can be used for context are;

- 5.1.1.1. a partially signed (no date) Memorandum of Agreement (MOA) between PRASA and the Supplier (NONDELA). This agreement was signed on behalf of NONDELA by MDUDUZI MNYANDU in Port Shepstone with two witnesses but without a date of signature and for PRASA by STEPHEN NGOBENI without witnesses nor date,¹
- 5.1.1.2. a “Cleaning and Maintenance of Railway Stations” submission by NGInvest cc dated November 2011,²
- 5.1.1.3. a partially signed Addendum-1 and submission e-mail to a “BEVERLEY CLARKE” working for PRASA,³
- 5.1.1.4. Tax Clearance Certificate dated 2013-07-24 and after the Agreement Effective Date of the Memorandum of Agreement (MOA),⁴
- 5.1.1.5. Exempted Micro Enterprise Certificate issued 1 October 2012 and expiring 30 September 2013, accompanied by an EmpowerDex cover letter dated 3 November 2013,⁵
- 5.1.1.6. Notice of Termination dated 1 October 2015 signed by ALBERT MDLULI from PRASA.⁶
- 5.1.1.7. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Nondela Gedeza Investments,⁷

¹ Document 1.A.1-14

² Document 1.B.1-9

³ Document 1.C.1-3

⁴ Document 1.D.1

⁵ Document 1.E.1-2

⁶ Document 1.F.1

⁷ Document 1.G.1-3

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ❖ The result of our examination of the procurement processes followed in the award of the bid to the supplier that led to the Memorandum of Agreement partially signed in 2012, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-1.
- ❖ The result of our examination of the procurement processes followed in the extension with 1 year of the Memorandum of Agreement by means of a partially signed Addendum No.1 in December 2013, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009).
- ❖ The result of our examination of the procurement processes followed in the extension with a further (3rd year) of the Memorandum of Agreement by means of a partially signed Addendum No.1 in December 2013, is that this extension was improper because Clause 1.2.3 of the Memorandum of Agreement partially signed in 2012 only makes provision for the contract to be renewed for a further year after the Date of Termination. No evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009) in relation to the 3rd year extension of the contract.
- ❖ It is further deduced from the content of the Notice of Termination dated 1 October 2015 signed by ALBERT MDLULI from PRASA that makes reference to irregularities in the extension of the original Memorandum of Agreement, that there was a further extension attempt after the improper 3rd year of contract ended. However, no evidence is available to review, in support of the content of this Notice of Termination.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ❖ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ❖ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);

- The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that:
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that:
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.1.2. Appointment of Service Provider(s) – Delegation of Authority

The effective Date of the Contract was 1 September 2012. The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective on 1 September 2012 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts in the award of the bid to the supplier that led to the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-1.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider was approved by relevant authorities in the award of the bid to the supplier that led to the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority in that;
 - No evidence was presented to us or could be gathered through our efforts to **show authorisation** to STEPHEN NGOBENI to sign the Memorandum of Agreement (2012) on behalf of PRASA;
 - No evidence was presented to us or could be gathered through our efforts to show that, if there was relevant authorisation to STEPHEN NGOBENI in place to sign the Memorandum of Agreement (2012) on behalf of PRASA, that such **authorisation fell within the approved monetary bracket** which is in this case R 5'000'000.00 (Exclusive of VAT) as per clause 7.1 Memorandum of Agreement (2012);
 - No evidence was presented to us or could be gathered through our efforts to show **the title** of STEPHEN NGOBENI when he signed the Memorandum of Agreement (2012) on behalf of PRASA in order to indicate Board Approved Authority;
 - No evidence was presented to us or could be gathered through our efforts to show **the date** on which STEPHEN NGOBENI signed the Memorandum of Agreement (2012) on behalf of PRASA.

5.1.3. Compliance to Deviation Processes

It is noticeable that the “*General Duties and Obligations of Nondela*” as stipulated on pages 5-7 in Clauses 4-6 of the Memorandum of Agreement partially signed in 2012 differs from the “*Summary Understanding of the Brief*”, “*Scope of Work*” and “*Project Objectives*” found on pages 3-5 in Clauses 2, 3 and 5 of the proposal “Cleaning and Maintenance of Railway Stations” submission by NGInvest cc dated November 2011.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts in the award of the bid to the supplier that led to the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.1.4. Payment Review

In the “Budget Projections” found on page 3-5 under Clauses 9 of the proposal “Cleaning and Maintenance of Railway Stations” submission by NGInvest cc dated November 2011, the provider indicated proposed Expenditure;

- Year 1 of R 18’188’000.00 (VAT inclusivity not indicated); *
- Year 2 of R 17’172’800.00 (VAT inclusivity not indicated);
- Year 3 of R 17’636’800.00 (VAT inclusivity not indicated);

***Due to the contract term being one year as per clauses 1.2.2 and 1.2.3 of the Memorandum of Agreement (2012), the initial examination only made a comparison using the proposed amount relevant to Year 1 and subsequent to Addendum No.1 took into account years 2 and 3.**

The contractual agreement stipulates the total amount to be paid by PRASA for the project to be R 5’000’000.00 (Exclusive of VAT) as per clauses 7.1 and 7.2 of the Memorandum of Agreement (2012).

The partially signed Addendum-1 indicates the Initial Contract Value to be R 10’000’000.00 (VAT inclusivity not indicated), this amount differs from contracted amount of R 5’000’000.00 (Exclusive of VAT) as per clauses 7.1 and 7.2 of the Memorandum of Agreement (2012).

The partially signed Addendum No.1 makes reference to an Adjustment Contract Value, but no evidence was made available to motivate or support the reasons for the adjustment, nor the extension for a further two years.

The partially signed Addendum-1 further indicates the Extension in Contract Value for the first year of extension to be R 11’400’000.00 (VAT inclusivity not indicated), and for the second year of extension to be R 16’500’000.00 (VAT inclusivity not indicated).

Table 1 below indicates a comparison of the financial records provided by the supplier with the questionable Value Adjustments and Extensions as per partially signed Addendum No.1, but using only the original Contract Value.

The result indicates an R 21 240 206 .78 (VAT inclusivity not available) overspending and overpayment to the supplier on this agreement.

It also indicates that according to PRASA an R 4 018 162.39 (VAT inclusivity not available) underspending and underpayment to the supplier on this agreement. This could be indicative of the manipulation of the accounting records at PRASA but can also point to manipulation of the financial records at the supplier.

Period	Total Invoiced	Total Paid Supplier Records	Supplier Variance	Total Paid PRASA Records	PRASA-SUPPLIER Variance	Contract Value	Contract Variance Supplier Records	Contract Variance PRASA Records
01/09/2012-31/08/2013	R 12 286 954,75	R 12 286 954,75	R 0,00	R 9 085 800,00	-R 3 201 154,75	R 5 000 000,00	-R 7 286 954,75	-R 4 085 800,00
01/09/2013-31/08/2014	R 24 952 974,39	R 23 455 886,72	R 1 497 087,67	R 16 851 907,60	R 6 603 979,12	R 11 400 000,00	-R 12 055 886,72	-R 5 451 907,60
01/09/2014-30/09/2015	R 18 568 724,41	R 18 397 365,31	R 171 359,10	R 2 944 130,01	R 15 453 235,30	R 16 500 000,00	-R 1 897 365,31	R 13 555 869,99
Table 1						R 32 900 000,00	-R 21 240 206,78	R 4 018 162,39

Table 2 below indicates a comparison of the financial records provided by the supplier only with the questionable Value Adjustments and Extensions as per partially signed Addendum No. 1.

The result indicates an R 16 240 206 .78 (VAT inclusivity not available) overspending and overpayment to the supplier on this agreement.

It also indicates that according to PRASA an R 9 018 162.39 (VAT inclusivity not available) underspending and underpayment to the supplier on this agreement. This could be indicative of the manipulation of the accounting records at PRASA but can also point to manipulation of the financial records at the supplier.

Period	Total Invoiced	Total Paid Supplier Records	Supplier Variance	Total Paid PRASA Records	PRASA-SUPPLIER Variance	Contract Value	Contract Variance Supplier Records	Contract Variance PRASA Records
01/09/2012-31/08/2013	R 12 286 954,75	R 12 286 954,75	R 0,00	R 9 085 800,00	-R 3 201 154,75	R 5 000 000,00	-R 7 286 954,75	-R 4 085 800,00
Addendum-1 Adjustment						R 5 000 000,00	-R 2 286 954,75	R 914 200,00
01/09/2013-31/08/2014	R 24 952 974,39	R 23 455 886,72	R 1 497 087,67	R 16 851 907,60	R 6 603 979,12	R 11 400 000,00	-R 12 055 886,72	-R 5 451 907,60
01/09/2014-30/09/2015	R 18 568 724,41	R 18 397 365,31	R 171 359,10	R 2 944 130,01	R 15 453 235,30	R 16 500 000,00	-R 1 897 365,31	R 13 555 869,99
Table 2						R 37 900 000,00	-R 16 240 206,78	R 9 018 162,39

Table 3 indicates that according to the financial records provided by PRASA on 28 June 2016, the supplier was paid R 18 856 059.67 (VAT inclusivity not available) less than the amount the supplier claimed to have been paid and that according to the supplier records the total of unpaid invoices amounts to R 1 668 446.77 (VAT inclusivity not available)

Table 3

Period	Total Invoiced	Total Paid Supplier Records	Supplier (Overpaid)/Unpaid	Total Paid PRASA Records	PRASA-SUPPLIER Variance	Contract Value
01/09/2012-30/09/2015	R 55 808 653,55	R 54 140 206,78	R 1 668 446,77	R 28 881 837,61	R 18 856 059,67	R 37 900 000,00

The released value, according to PRASA, for the transaction was R 22 829 987.74 (VAT inclusivity not available).

The above data indicates that the financial record of PRASA and those of the supplier does not match.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement related to the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1, were;
- that discrepancies are present in the financial data provided to us by both the supplier and PRASA;
 - that according to the financial records provided by the supplier for the 1st year, the supplier was paid R 7 286 954,75 (VAT inclusivity not available) more than the agreed amount as per than related to the Memorandum of Agreement partially signed in 2012, **not** taking into account the content of Addendum No. 1.
 - that according to the financial records provided by PRASA for the 1st year, the supplier was paid R 4 085 800,00 (VAT inclusivity not available) more than the agreed amount as per than related to the Memorandum of Agreement partially signed in 2012, **not** taking into account the content of Addendum No. 1.
 - that according to the financial records provided by the supplier for the 1st and 2nd years, the supplier was paid R 14 342 841,47 (VAT inclusivity not available) more than the agreed amount, assuming that the approval processes of Addendum No. 1 were proper, which remains unproven;
 - that according to the financial records provided by PRASA for the 1st and 2nd years, the supplier was paid R 4 537 707.60 (VAT inclusivity not available) more than the agreed amount, assuming that the approval processes of Addendum No. 1 were proper, which remains unproven;
 - that the extension of the contract for a 3rd year to a value of R 16 500 000 (VAT inclusivity not available) was improper;
 - the result of the improper extension of the contract for a 3rd year was that, according to the financial records of the supplier, it was paid R 18 397 365,31 (VAT inclusivity not available) without proper authorization;
 - the result of the improper extension of the contract for a 3rd year was that, according to the financial records of the supplier, it was paid R 2 944 130.01 (VAT inclusivity not available) without proper authorization.

5.1.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, other than the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.1.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office on the effective date of the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Office** of PRASA, in office on the effective date of the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against **STEPHEN NGOBENI** that signed the Memorandum of Agreement in 2012 for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated for **Management of the Supply Chain Management (SCM) Department** of PRASA, in office on the effective date of the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **all employees** of PRASA, in office on the effective date of the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

Civil action need to be initiated against the supplier as legal person and its Directors in office on the effective date of the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1 that was supposed to have insured the proper execution of the contractual obligations and for Negligence in the dereliction of duty and fiduciary care.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Member in office** on the effective dates of the Memorandum of Agreement partially signed in 2012 and the subsequent extension thereof in Addendum No.1 to recover the paid R 18 397 365,31 (VAT inclusivity not available) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.2. LEBEPE QUANTITY SURVEYORS

Engagement File number: 2

Supplier Number: 108860

5.2.1. Compliance to Procurement Processes

The effective Date of the Contract was 28 November 2012 and the Bidding processes were initiated in late 2011 therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-2: i-iii to this report.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available.

The only documents that can be used for context are;

- 5.2.1.1. a partially signed (no signature from recommender CHRIS MBATHA as CPO: PRASA) Recommendation Report relating to the develop a database of emerging professionals or the use by PRASA SCM Departments by inviting emerging professionals in the construction industry to submit bids to become part of such panel under Tender number HO/SCM/226/11/2011. The recommendations in this unsigned report were approved on 15 May 2012, with instruction to make the list smaller over a 2-year period, by the GCEO: TSHEPO LUCKY MONTANA,⁸
- 5.2.1.2. a "Notice to Proceed" to the benefit of Lebepe Quantity Surveyors for quantity surveying, architectural and town planning services for the preliminary design of an office block in Hatfield next to PRASA House dated 26 July 2012,⁹
- 5.2.1.3. a Purchase Requisition with number 6421 and requested and signed on 18 July 2012 with a cost estimate of +- R500'000-00 by A MABITSELA, the Line Manager A LINDEQUE and a procurement official B SITHEMBILE¹⁰
- 5.2.1.4. an "Acceptance of Notice" dated 27 July 2012 and signed by TE LEBEPE on behalf of Lebepe Quantity Surveyors for quantity surveying, architectural and town planning services for the preliminary design of an office block in Hatfield next to PRASA,¹¹
- 5.2.1.5. an "Acceptance of Notice" dated 31 July 2012 and NOT signed by TE LEBEPE on behalf of Lebepe Quantity Surveyors for the same services as found in "Acceptance of Notice" dated 27 July 2012, with text indicating the acceptance of including the Architect and Town Planner in this project,¹²

⁸ Document 2.A.1-14

⁹ Document 2.B.1-2

¹⁰ Document 2.C.1

¹¹ Document 2.D.1

¹² Document 2.E.1

- 5.2.1.6. a “Notice to Proceed” to the benefit of Lebepe Quantity Surveyors for the provision of quantity surveying, architectural, town planning, civil engineering, structural engineering, electrical engineering, mechanical engineering, fire safety, geotechnical engineering and health and safety services dated 28 November 2012,¹³
- 5.2.1.7. e-Mail correspondence with subject “Appointment of Other Consultants: PRASA House” dated 16 and 18 November 2012 between TSHEPO LEBEBE and ANNETTE LINDEQUE, who forward the e-mail to ALBERT MDLULI and BONGIWE SITHEMBILE,¹⁴
- 5.2.1.8. a “Check list for Professional Services” signed and dated on 12 April 2014 by an UNKNOWN PRASA CRES-SCM COMPLIANCE employee falsely indicating compliance,¹⁵
- 5.2.1.9. Tax Clearance Certificate valid from 08 July 2013 and VAT103i dated 11 April 2014, all dates after the Notices to Proceed were issued,¹⁶
- 5.2.1.10. CK1 document for Lebepe Quantity Surveyors CC 2007/06234/23 indicating TSHEPO EDWIN LEBEPE (ID 6711095402083) as only member,¹⁷
- 5.2.1.11. Exempted Micro Enterprise Certificate issued 13 September 2013 and expiring 12 September 2014, a date after the Notices to Proceed,¹⁸
- 5.2.1.12. a continuation of the e-Mail correspondence in 5.2.1.7 with subject “Appointment of Other Consultants: PRASA House” dated from 16 November 2012 to 5 December 2012 between TSHEPO LEBEBE, ANNETTE LINDEQUE, ALBERT MDLULI, BONGIWE SITHEMBILE and JACOB MOLEFE, NTOMBEZININGI and TARA PHILISWA NGGUBANE including 6 purchase requisitions,¹⁹
- 5.2.1.13. a partially signed Client/Consultant Professional Service Agreement dated 04 August 2013 and only signed by TSHEPO LEBEPE on behalf of Lebepe Quantity Surveyors and with the agreement and effective date noted as 28 November 2012,²⁰
- 5.2.1.14. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Lebepe Quantity Surveyors,²¹
- 5.2.1.15. a statement of accounts and 5 related invoices issued to PRASA by Lebepe Quantity Surveyors from 2 July 2013 to 31 March 2014.²²

¹³ Document 2.F.1-2

¹⁴ Document 2.G.1-3

¹⁵ Document 2.H.1

¹⁶ Document 2.H.2-3

¹⁷ Document 2.H.4

¹⁸ Document 2.H.5

¹⁹ Document 2.I.1-9

²⁰ Document 2.J.1-23

²¹ Document 2.K.1

²² Document 2.L.1-6

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed in the award of Tender Number HO/SCM/226/11/2011 to develop a panel of emerging professionals in the construction industry for the use by PRASA SCM departments and that led to the Recommendation Report approved on 15 May 2012, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-2: i.
- ◆ The result of our examination of the procurement processes followed in the issuing of the Notice to Proceed dated 26 July 2012 by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-2: ii.
- ◆ The result of our examination of the procurement processes followed in the issuing of the Notice to Proceed dated 28 November 2012 by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-2: iii.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);

- The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that:
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.2.2. Appointment of Service Provider(s) – Delegation of Authority

The Recommendation Report's approval date, and the dates of both the Notices to Proceed were dated in 2012. The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective on during 2012 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider to the panel as intended by HO/SCM/226/11/2011 and approved on 15 May 2012, was made in line with relevant prescripts, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-2: i.

- ❖ The result of our examination into, if the “Notice to Proceed” issued to the benefit of Lebepe Quantity Surveyors for quantity surveying, architectural and town planning services for the preliminary design of an office block in Hatfield next to PRASA House dated 26 July 2012 and signed by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management, was made in line with relevant prescripts, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-2: ii.
- ❖ The result of our examination into, if the “Notice to Proceed” issued to the benefit of Lebepe Quantity Surveyors for the provision of quantity surveying, architectural, town planning, civil engineering, structural engineering, electrical engineering, mechanical engineering, fire safety, geotechnical engineering and health and safety services dated 28 November 2012 and signed by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management, was made in line with relevant prescripts, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-2: iii.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ❖ The result of our examination into, if the appointment of the service provider to the panel as intended by HO/SCM/226/11/2011 and approved on 15 May 2012, was approved by relevant authorities, is that the GCEO: TSHEPO LUCKY MONTANA had sufficient authority to approve the Recommendation Report, BUT the fact that he approved the report without the signature of the recommender CHRIS MBATHA as CPO: PRASA raises flags into the otherwise proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.
- ❖ The result of our examination into, if the issuing of the “Notice to Proceed” to the benefit of Lebepe Quantity Surveyors for quantity surveying, architectural and town planning services for the preliminary design of an office block in Hatfield next to PRASA House dated 26 July 2012 and signed by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management, is that no evidence was presented to us or could be gathered through our efforts, to support the appointment was approved by relevant authorities and in proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority in that;
 - No evidence was presented to us or could be gathered through our efforts to **show authorisation** to NTOMBEZININGI SHEZI to sign the “Notice to Proceed” dated 26 July 2012 on behalf of PRASA;
 - No evidence was presented to us or could be gathered through our efforts to show that if there were relevant authorisation to NTOMBEZININGI SHEZI in place to sign “Notice to Proceed” dated 26 July 2012 on behalf of PRASA, that such **authorisation fell within the approved monetary** brackets, due to the lack of documentary evidence to indicate the amount **approved**.

- ❖ The result of our examination into, if the issuing of the “Notice to Proceed” dated 28 November 2012 to the benefit of Lebepe Quantity Surveyors for the provision of quantity surveying, architectural, town planning, civil engineering, structural engineering, electrical engineering, mechanical engineering, fire safety, geotechnical engineering and health and safety services signed by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management, is that no evidence was presented to us or could be gathered through our efforts, to support the appointment was approved by relevant authorities and in proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority in that;
 - No evidence was presented to us or could be gathered through our efforts to **show authorisation** to NTOMBEZININGI SHEZI to sign the “Notice to Proceed” dated 28 November 2012 on behalf of PRASA;
 - No evidence was presented to us or could be gathered through our efforts to show that if there were relevant authorisation to NTOMBEZININGI SHEZI in place to sign “Notice to Proceed” dated 28 November 2012 on behalf of PRASA, that such **authorisation fell within the approved monetary** brackets, due to the lack of documentary evidence to indicate the amount **approved**.

5.2.3. Compliance to Deviation Processes

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ❖ The result of our examination into if the appointment of the service provider to the panel as intended by HO/SCM/226/11/2011 and approved on 15 May 2012 and any related deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

- ❖ The result of our examination into if the issuing of the “Notice to Proceed” dated 26 July 2012 to the benefit of Lebepe Quantity Surveyors for quantity surveying, architectural and town planning services for the preliminary design of an office block in Hatfield next to PRASA House signed by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management and any related deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

- ❖ The result of our examination into if the issuing of the “Notice to Proceed” dated 28 November 2012 to the benefit of Lebepe Quantity Surveyors for the provision of quantity surveying, architectural, town planning, civil engineering, structural engineering, electrical engineering, mechanical engineering, fire safety, geotechnical engineering and health and safety services signed by NTOMBEZININGI SHEZI in the capacity of SM: Supply Chain Management and any related deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.2.4. Payment Review

Information provided by PRASA, seemingly extracted from the SAP system, indicated that the Target Value linked to this supplier was R 24’772’440.78 (VAT inclusivity not indicated). It also indicates that the Released Value as on the unknown date of information provided by PRASA was R 11’357’909.84 (VAT inclusivity not indicated).

No monetary value was indicated in the Recommendation Report nor in the Notices to Proceed dated in 2012. The only reference to fees that are made is that the supplier will be remunerated using Government’s Gazetted rates applicable in these disciplines.

The supplier provided us with the following financial information related to the “Notice to Proceed” dated 26 July 2012.

Invoice #	PRASA1-01/2013
Invoice Date	10 April 2013
As-built Drawings	R 107 730,00
Geotechnical Investigations	R 518 774,10
Land Surveying	R 59 280,00
Underground Services Investigations to Municipal Connections	R 102 999,00
Subtotal	R 788 783,10
VAT @ 14% (Non VAT supplier at the time of Invoice)	R -
Total	R 788 783,10

The supplier provided us with the following financial information related to the “Notice to Proceed” dated 28 November 2012.

Invoice #	PRASA1-02/2013	PRASA1-03/2013	PRASA1-04/2014	PRASA1-05/2014	Total per
Invoice Date	02 July 2013	15 September 2013	28 February 2014	31 March 2014	Category
Quantity Surveying Fees	R 484 344,75	R 484 344,75	R -	R 1 130 137,75	R 2 098 827,25
Structural Engineering Fees	R -	R 1 345 086,00	R -	R 258 750,00	R 1 603 836,00
Town and Regional Planning Fees	R 235 296,00	R 128 250,00	R -	R -	R 363 546,00
Architectural Fees	R 646 000,00	R 844 000,00	R -	R 570 000,00	R 2 060 000,00
Electrical Engineering Fees	R 853 495,20	R 853 495,20	R -	R 374 340,00	R 2 081 330,40
Mechanical Engineering Fees	R 764 282,28	R 764 282,28	R -	R 335 211,53	R 1 863 776,09
Civil Engineering Fees	R 513 000,00	R 427 500,00	R -	R -	R 940 500,00
Health and Safety Fees	R 28 850,00	R 91 150,00	R -	R 30 000,00	R 150 000,00
Sustainability Consultancy	R 46 600,00	R 84 000,00	R 200 180,00	R -	R 330 780,00
Disbursements	R -	R 43 107,00	R 183 559,21	R 437 486,31	R 664 152,52
Subtotal	R 3 571 868,23	R 5 065 215,23	R 383 739,21	R 3 135 925,59	
VAT (Non VAT supplier at the time of Invoice)	R -	R -	R -		
VAT @ 14% (Irregular VAT charge: VAT period starts 2014/04/01)				R 439 029,58	R 439 029,58
Total	R 3 571 868,23	R 5 065 215,23	R 383 739,21	R 3 574 955,17	R 12 595 777,84
Running Total	R 3 571 868,23	R 8 637 083,46	R 9 020 822,67	R 12 595 777,84	

According to the financial records provided by the supplier and listed above, PRASA paid them R13 384 560.94 (VAT partially included, even though irregular).

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid R 13 548 311.08 (VAT inclusivity not available).

The released value, according to PRASA, for the transaction was R 13 414 530.94 (VAT inclusive).

This is less than R 163 750.14 (VAT inclusivity not available) of the amount the supplier claimed to have been paid. This amount is made up as indicated in the table below, but cannot be seen in the financial records provided by the supplier and therefore is questionable.

Account	Assignment	Document Number	Document Date	Amount in local currency	Purchasing Document	Reference	Clearing Document	Text
108860	20150516	5100016829	2015-05-16	(44 593,38)	4500049616	WAT-1/2015	2000015047	Fees for servcs rendrd,NSIP:Watervol Boven
108860	20150516	5100016857	2015-05-16	(44 593,38)	4500049624	MAKH-1/2015	2000015047	Professional fees:NSIP Makhado station
108860	20150516	5100016859	2015-05-16	(44 593,38)	4500049618	MOK-1/2015	2000015047	Professional fees:NSIP Mokopane station

The above data indicates that the financial records of PRASA and those of the supplier does not match.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The results of our examination into if payments correspond with bid price and/or contractual agreement related to the Recommendation Report or Notices to Proceed dated in 2012, were that;
 - discrepancies are existing in the financial data provided to us by both the supplier and PRASA;
 - no reasonable comparison can be made between the original quotes submitted relevant to the Notices to Proceed dated in 2012, the amounts linked to the Purchase Requisitions and the actual relevant invoices submitted for payment by the supplier;
 - the supplier improperly included VAT to the amount of R 439 029.58 the invoice PRASA1-05/2014 dated 31 March 2014;
 - the supplier improperly received payment of R 163 750.14 (VAT inclusivity is unknown).

5.2.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, other than the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.2.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office on the effective dates of the Recommendation Report or the Notices to Proceed dated in 2012, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers

- Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities
- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities
 - ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Office** of PRASA, a public entity, in office on the effective dates of the Recommendation Report or the Notices to Proceed dated in 2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office on the payment dates relevant to invoices submitted for work done related to the Recommendation Report or the Notices to Proceed dated in 2012 that was supposed to have insured the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against **CHRIS MBATHA**, that did not sign the Recommendation Report before sending it to the GCEO: TSHEPO LUCKY MONTANA, for approval for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **Management of the Supply Chain Management (SCM) Department** of PRASA in office on the effective dates of the Recommendation Report or the Notices to Proceed dated in 2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

Disciplinary action need to be initiated for **all employees** of PRASA in office on the effective dates of the Recommendation Report or the Notices to Proceed dated in 2012 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Member in office** on the effective dates of the Recommendation Report or the Notices to Proceed dated in 2012 that was supposed to have insured the proper execution of the contractual obligations and for Negligence in the dereliction of duty and fiduciary care, only if the supplier cannot provide evidence that all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 8

The South African Revenue Service (SARS) should conduct an VAT audit for the supplier as legal to insured that proper VAT claims was submitted in April 2014 to the extent that the VAT charged to PRASA in the March 2014 invoice was declared in a proper manner.

Remedial Action Advise – 9

Civil action need to be initiated against the **supplier as legal person and its Member in office** on the effective dates of the Recommendation Report or the Notices to Proceed dated in 2012 to recover the R 163 750.14 (VAT inclusivity not available) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.3. SUPERFECTA TRADING 209 CC

Engagement File number: 3

Supplier Number: 106202

5.3.1. Compliance to Procurement Processes

The procurement processes occurred late 2012 and the Notice to Proceed and Acceptance thereof were dated in April 2013 therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-3 to this report.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available.

The only documents that can be used for context are;

- 5.3.1.1. Declarations of interest and Confidentiality Agreements of 5 Tender Evaluation Committee members,²³
- 5.3.1.2. SCM Recommendation Report for tender HO/CRES/269/09/2012 signed on 11 March 2013 by the recommender REBECCA SETINO in the capacity of Senior Manager: SCM and approved by TARA NGUBANE on 27 March 2013 in the capacity of Acting Chief Executive Officer of PRASA,²⁴
- 5.3.1.3. Tender Collection Sheet for HO/CRES/269/09/2012,²⁵
- 5.3.1.4. Attendance Register for Briefing Session dated 21 September 2012,²⁶
- 5.3.1.5. Memorandum to appoint Tender Evaluation Team members signed 6 November 2012 by NTOMBEZININGI SHEZI,²⁷
- 5.3.1.6. SCM: Tender Opening Register dated 17 October 2012,²⁸
- 5.3.1.7. Notice to Proceed dated 3 April 2013 and signed by REBECCA SETINO in the capacity of Senior Manager: SUPPLY CHAIN MANAGEMENT and Acceptance of the Notice to Proceed signed on 8 April 20123 by NELLY MTYOSI in the capacity of General Manager for Superfecta Trading 206 CC,²⁹
- 5.3.1.8. Security Screening Report dated 24 February 2013 signed by KABELO MANTSANE in the capacity of Head Group Corporate Security,³⁰
- 5.3.1.9. statement of account from Superfecta (received from supplier),³¹

²³ Document 3.A.1-10

²⁴ Document 3.B.1-6

²⁵ Document 3.C.1-3

²⁶ Document 3.D.1-5

²⁷ Document 3.E.1-2

²⁸ Document 3.F.1-2

²⁹ Document 3.G.1-3

³⁰ Document 3.H.1-2

³¹ Document 3.I.1

5.3.1.10. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Superfecta,³²

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ❖ The result of our examination of the procurement processes followed in the award of tender HO/CRES/269/09/2012, is that the evidence presented to us or that could be gathered through our efforts, only partially support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-3.
- ❖ The procedures followed in the initial stages of procurement up to the acceptance of notice to proceed were marginally not adhering to the PRASA SCM Policy (Feb 2009). It is the processes after the award that cannot be verified, especially the Contract Administration and Contract Management components.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ❖ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ❖ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);

³² Document 3.J.1-2

- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;

- as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
- as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
- as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.3.2. Appointment of Service Provider(s) – Delegation of Authority

The Notice to Proceed and Acceptance thereof were dated in April 2013. The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective on the relevant dates in April 2013 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts in the award of tender HO/CRES/269/09/2012 to the supplier, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-3.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider for tender HO/CRES/269/09/2012, was approved by relevant authorities, is that the ACTING CEO: TARA NGUBANE had sufficient authority to approve the Recommendation Report on 27 March 2013, resulting in proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

- ❖ The result of our examination into, if the appointment of the service provider was approved by relevant authorities in the procedural issuing of the Notice to Proceed signed on 3 April 2013 by REBECCA SETINO in the capacity of Senior Manager: Supply Chain Management, is that due to the ACTING CEO: TARA NGUBANE having sufficient authority to approve the Recommendation Report on 27 March 2013, the issuing of the Notice to proceed on 3 April 2013 was in-line with proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.3.3. Compliance to Deviation Processes

Due to the unavailability and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for the refurbishment of the old Intersite Offices at Park Station, it is not possible to determine if any Deviation to the original Scope of Work occurred.

We can however confirm based on a site visit in September 2016 that refurbishment work at the old Intersite Offices at Park Station were done. The site now hosts various banks, retail stores and food outlets. Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ❖ The result of our examination into if any deviation were in-line with relevant prescripts in the award of tender HO/CRES/269/09/2012 to the supplier, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.3.4. Payment Review

According to the financial records provided by PRASA it seems that Superfecta had a previous engagement with PRASA for which PRASA paid them R1 797 380.24 (VAT inclusivity unknown). This amount is excluded from the analysis that follows, due to irrelevance.

The approved project cost for tender HO/CRES/269/09/2012 was R 11 856 544.42 (Including VAT). The subsequent Notice to Proceed signed on 3 April 2013 by REBECCA SETINO confirmed this amount.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid R 12 540 144.10 (VAT inclusive).

The supplier provided us with the following financial information related to the “Notice to Proceed” dated 3 April 2013.

Based on the information tabled below the project took just under 12 months to complete. Due to the absence of a Tax Clearance Certificate valid at the time of the project or evidence supporting VAT registration at the time an assumption is made that the supplier included VAT in the Invoices tabled below.

Refurbishment and Work Done Park Station (Old Intersite)	Amount
INV 13457 - 28 June 2013	R 408 172,71
INV 13831 - 29 July 2013	R 863 599,15
INV 14320 - 28 August 2013	R 463 259,02
INV 14344 - 30 September 2013	R 2 037 309,09
INV 14482 - 30 October 2013	R 1 601 748,04
INV 14544 - 29 November 2013	R 2 795 400,98
INV 14728 - 6 February 2014	R 944 282,79
INV 14823 - 14 March 2014	R 522 354,22
INV 14839 - 25 March 2014	R 1 852 078,53
Total Invoiced by supplier	R 11 488 204,53
Total Project Cost (Incl. VAT)	R 11 856 544,42
Variance between Invoiced and Approved Cost	R 368 339,89
Total Paid (Incl. VAT) PRASA Records	R 12 540 144,10
Variance between Invoiced and Total Paid: PRASA Records	R -1 051 939,57
Variance between Contract Value and Total Paid: PRASA Records	R -683 599,68

The above data indicates that the financial records of PRASA and those of the supplier does not match.

The result indicates that, according to the financial records provided by the supplier, R 368 339.89 (VAT inclusive) was underspend by the supplier on this agreement.

It furthermore indicates that, according to financial records provided by PRASA, they paid the supplier R 1 051 939.57 (VAT inclusive) more than the sum of all invoiced submitted by the supplier.

Lastly, the result indicates that, according to financial records provided by PRASA, that R 683 599.68 (VAT inclusive) was overspend by PRASA on this agreement.

The released value, according to PRASA, for the same period was R 11 295 133.28 (VAT inclusive).

The above variances could be indicative of the manipulation of the accounting records at PRASA but can also point to manipulation of the financial records at the supplier.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ❖ The result of our examination into if payments correspond with bid price and/or contractual agreement related to tender HO/CRES/269/09/2012, were;
 - that discrepancies are present in the financial data provided to us by both the supplier and PRASA;

- that in comparing **Invoice Amounts and Approved Cost**, the supplier invoiced PRASA R 368 339.89 (VAT inclusive) **less** than the approved Total Project Cost;
- that in comparing **Invoice Amounts and Paid amounts according to PRASA**, the supplier was paid R 1 051 939.57 (VAT inclusive) by PRASA **more** than the sum of all invoiced submitted by the supplier;
- that in comparing **Contract Value and Paid amounts according to PRASA**, the supplier was paid R 683 599.68 (VAT inclusive) by PRASA **more** than the approved Total Project Cost.

5.3.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, other than the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.3.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of tender HO/CRES/269/09/2012, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline of tender HO/CRES/269/09/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of tender HO/CRES/269/09/2012 that was supposed to have insured the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated for **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of tender HO/CRES/269/09/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of tender HO/CRES/269/09/2012 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the timeline of tender HO/CRES/269/09/2012 to recover the R 1 460 112.28 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.4. BLUE FLAME ADVERTISING (PTY) LTD

Engagement File number: 4

Supplier Number: 107730

5.4.1. Compliance to Procurement Processes

The procurement processes commenced early 2012, the GCEO Recommendation Report approved on 31 July 2012, the Notice to Proceed and Acceptance thereof were dated 8 August 2012, the agreement signed on 1 October 2012, Addendum No.1 signed on 31 October 2012 and the Recommendation for increase in contract amount was signed 30 April 2013, therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-4 to this report.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available.

The only documents that can be used for context are;

- 5.4.1.1. a Purchase Requisition with number 18610 and requested and signed on 16 February 2012 with no cost estimate by L RANCHO, the Line Manager Z MAVIMBELA and a procurement official M MASHOLI,³³
- 5.4.1.2. e-mailed invitations to tender send from JOSEPH MAGORO on 17 February 2012 to 6 suppliers with the ADVERT DRAFT MEDIA DESIGN CAMPAING attached thereto,³⁴
- 5.4.1.3. Attendance Register for Briefing Session dated 20 February 2012 and presentation slides,³⁵
- 5.4.1.4. Attendance Register for Tender Evaluation dated 24 February 2012 and Declarations of interest by members and Confidentiality Agreements dated 29 February 2012 and Technical Evaluation score sheets dated 29 February 2012,³⁶
- 5.4.1.5. Memorandum to recommend that the Group Chief Procurement Officer approves the redefinition and limitations of scope of the Request for Proposals relevant to tender HO/CORPAFFAIRS/246/02/2012 dated 27 March 2012 even though it is not clear of the recommendation was in fact approved,³⁷
- 5.4.1.6. updated request for proposal documents send to 5 of the 6 suppliers originally invited to tender on 17 February 2012,³⁸
- 5.4.1.7. response form Blue Flame Advertising and Marketing signed by SOLLY SEGALO and dated 11 May 2012,³⁹

³³ Document 4.A.1

³⁴ Document 4.B.1-7

³⁵ Document 4.C.1-15

³⁶ Document 4.D.1-28

³⁷ Document 4.E.1-7

³⁸ Document 4.F.1-15

³⁹ Document 4.G.1-4

- 5.4.1.8. SCM tender opening register dated 22 June 2012 indicating only 3 bids received,⁴⁰
- 5.4.1.9. memorandums to appoint the tender evaluation team dated 18 June 2012 and 20 June 2012,⁴¹
- 5.4.1.10. attendance register for tender evaluation dated 27 June 2012 and Declarations of interest by members and Confidentiality Agreements dated 27 June 2012 and Technical Evaluation score sheets dated 27 June 2012,⁴²
- 5.4.1.11. tender advice from Corporate Tender and Procurement Committee (CTPC) dated 31 July 2012 approving BlueFlame as supplier with a transaction value of R 18 246 471.21 (VAT Inclusive) and Declarations of interest by CTPC members dated 31 July,⁴³
- 5.4.1.12. GCEO recommendation report recommended by CHRIS MBATHA as GCPO: PRASA and approved by the GCEO: TSHEPO LUCKY MONTANA to appoint BlueFlame as supplier with a transaction value of R 18 246 471.21 (VAT Inclusive),⁴⁴
- 5.4.1.13. notices send to 2 unsuccessful bidders dated 08 and 11 November 2012 signed by M MOSHOLI in the capacity of Manager: Procurement Supply Chain Management,⁴⁵
- 5.4.1.14. notice to proceed dated and signed 7 August 2012 and issued to BlueFlame by M MOSHOLI in the capacity of Manager: Procurement Supply Chain Management,⁴⁶
- 5.4.1.15. acceptance of appointment dated and signed 8 August 2012 by SOLLY SEGALO in the capacity of Chief Executive Officer of BlueFlame,⁴⁷
- 5.4.1.16. tax clearance certificate approved on 23 February 2012 and expiring 22 February 2013,⁴⁸
- 5.4.1.17. Master Agreement signed and dated 1 October 2012 and Addendum No.1 signed and dated 31 October 2012,⁴⁹
- 5.4.1.18. tender recommendation report seeking approval of additional funds for a value of R 2 188 396.44 (VAT Inclusive) recommended by CHRIS MBATHA as CPO: PRASA and approved by the GCEO: TSHEPO LUCKY MONTANA signed and dated 30 April 2013,⁵⁰
- 5.4.1.19. statement of account from BlueFlame dated (received from supplier) 11 May 2016,⁵¹

⁴⁰ Document 4.H.1

⁴¹ Document 4.I.1-4

⁴² Document 4.J.1-21

⁴³ Document 4.K.1-18

⁴⁴ Document 4.L.1-11

⁴⁵ Document 4.M.1-2

⁴⁶ Document 4.N.1-2

⁴⁷ Document 4.O.1

⁴⁸ Document 4.P.1

⁴⁹ Document 4.Q.1-22

⁵⁰ Document 4.R.1-6

⁵¹ Document 4.S.1-2

5.4.1.20. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to BlueFlame,⁵²

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ❖ The result of our examination of the procurement processes followed in the award of tender HO/CORPAFFAIRS/246/02/2012, is that the evidence presented to us or that could be gathered through our efforts, only partially support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-4.
- ❖ The procedures followed in the initial stages of procurement up to the acceptance of notice to proceed were marginally not adhering to the PRASA SCM Policy (Feb 2009). It is the processes after the award that cannot be verified, especially the Contract Administration and Contract Management components.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ❖ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ❖ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);

⁵² Document 4.T.1

- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;

- as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
- as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
- as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.4.2. Appointment of Service Provider(s) – Delegation of Authority

The supplier recommendation was approved on 31 July 2012, the Master Agreement and subsequent Addendum No 1 signed respectively 1 and 31 October 2012 and the approval of additional funds signed and dated 30 April 2013.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective on the relevant dates in 2012 and 2013 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts in the award of tender HO/CORPAFFAIRS/246/02/2012 to the supplier, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-4.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider for tender HO/CORPAFFAIRS/246/02/2012, was approved by relevant authorities, is that the GCEO: TSHEPO LUCKY MONTANA had sufficient authority to approve the Recommendation Reports dated 31 July 2012 and 30 April 2013, resulting in proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

- ❖ The result of our examination into, if the appointment of the service provider was approved by relevant authorities in the procedures leading to the Master Agreement and subsequent Addendum No 1 signed respectively 1 and 31 October 2012 for tender HO/CORPAFFAIRS/246/02/2012 by TIRO HOLELE in the capacity of Group Strategy Officer, is that due to the GCEO: TSHEPO LUCKY MONTANA having sufficient authority to approve the Recommendation Reports dated 31 July 2012 and 30 April 2013, the signing of the Master Agreement and subsequent Addendum No 1 respectively dated 1 and 31 October 2012, was in-line with proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.4.3. Compliance to Deviation Processes

Due to the unavailability and absence of the suppliers original Bid Submission or the detailed specifications of the work that were to be done for the provision of marketing, communication and advertising services it is not possible to determine if any Deviation to the original Scope of Work occurred. It seems however from the documentation received unlikely that unapproved deviation from the project scope occurred

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ❖ The result of our examination into if any deviation were in-line with relevant prescripts in the award of tender HO/CORPAFFAIRS/246/02/2012 to the supplier, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any unapproved deviation in fact occur;
 - any approved deviation was not handled in-line with relevant prescripts.
- ❖ The result of our examination into if any approval of deviation were in-line with relevant delegation of authorities in the award of tender HO/CORPAFFAIRS/246/02/2012 to the supplier, was that the deviation that was recorded was approved in-line with relevant delegation of authorities.

5.4.4. Payment Review

It is noteworthy to highlight various amounts throughout the documentation received;

- ❖ Document 4.E.7: “*The advertising launch is limited to a value of R 2 000 000 payable form the Corporate Affairs – Marketing Budget*” – this was the recommendation in the 27 March 2012 report. It is unclear of CHRIS MBATHA approved the recommendations or not.
- ❖ Document 4.K.13: “*The value of this appointment should be limited to R 10m excl. VAT of which 20% (in line with industry norm) shall be allocated to Agency Fees and the balance of R8m allocated to production and media buying*” – this was the recommendation in the 30 July 2012 report. It is unclear of CHRIS MBATHA approved the recommendations or not.

Despite these recommendations an initial approved amount of R 18 246 471.21 (Including VAT) was awarded without motivation. This amount was subsequently increased resulting in the total approved project cost for tender HO/CORPAFFAIRS/246/02/2012 was R 20 434 867.65 (Including VAT).

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid R 21 026 796.43 (VAT inclusive).

The supplier provided us with the following financial information related to the work done on tender HO/CORPAFFAIRS/246/02/2012.

BlueFlame Services Provided to PRASA	Amount
Television Media	R 14 834 720,00
TVC Production Cost	R 4 658 366,04
Production Variance (Post Final Film Editing)	R 897 916,44
Total Invoiced by supplier	R 20 391 002,48
Total payments received by supplier from PRASA	R 18 202 606,04
Total unpaid Invoices: Supplier Records	R 2 188 396,44
Total Project Cost (Incl. VAT)	R 20 434 867,65
Variance between Invoiced and Approved Cost	R 43 865,17
Total Paid (Incl. VAT) PRASA Records	R 21 026 796,43
Variance between Invoiced and Total Paid: PRASA Records	R -635 793,95
Variance between Total Receipt: Supplier Records and Total Paid: PRASA Records	R -2 824 190,39
Variance between Contract Value and Total Paid: PRASA Records	R -591 928,78

The above data indicates that the financial records of PRASA and those of the supplier does not match.

The result indicates that, according to the financial records provided by the supplier, R 43 865 .17 (VAT inclusive) was underspend by the supplier on this agreement.

According to the financial records provided by the supplier, PRASA still did not pay an amount of R 2 188 396.44 (VAT inclusive) which correspond with the amount approved by GCEO: TSHEPO LUCKY MONTANA in the Recommendation Report dated 30 April 2013.

It furthermore indicates that, according to financial records provided by PRASA, they paid the supplier R 635 793.95 (VAT inclusive) more than the sum of all invoiced submitted by the supplier.

Then it shows that, according to financial records provided by PRASA, they paid the supplier R 2 824 109.39 (VAT inclusive) more than what the supplier actually claims to have received.

Lastly, the result indicates that, according to financial records provided by PRASA, that R 591 928.78 (VAT inclusive) was overspend by PRASA supplier on this agreement.

The released value, according to PRASA, for the transaction was R 15 281 196.43 (VAT inclusive).

The above variances could be indicative of the manipulation of the accounting records at PRASA but can also point to manipulation of the financial records at the supplier.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement related to tender HO/CORPAFFAIRS/246/02/2012, were;
 - that discrepancies are present in the financial data provided to us by both the supplier and PRASA;
 - that in comparing **Invoice Amounts and Approved Cost**, the supplier invoiced PRASA R 43 865.17 (VAT inclusive) **less** than the approved Total Project Cost;
 - that in comparing **Invoice Amounts and Paid amounts according to PRASA**, the supplier was paid R 635 793.95 (VAT inclusive) by PRASA **more** than the sum of all invoiced submitted by the supplier;
 - that in comparing **Contract Value and Paid amounts according to PRASA**, the supplier was paid R 591 928.78 (VAT inclusive) by PRASA **more** than the approved Total Project Cost;
 - that in comparing **Total Receipts declared by the supplier and Paid amounts according to PRASA**, PRASA claim to have paid the supplier R 2 824 190.39 (VAT inclusive) **more** than is claimed to have been received by the supplier;
 - that after nearly 2 years since the last work are alleged to have been completed and invoiced the supplier claims that PRASA still need to pay the supplier R 2 188 396.44 (VAT inclusive). **This is a concern as additional interest and legal fees could occur related to this and could be interpreted as fruitless and wasteful expenditure.**

5.4.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, other than the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.4.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of tender HO/CORPAFFAIRS/246/02/2012, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Group Chief Procurement Officer** of PRASA, CHRIS MBATHA, in office during the timeline of tender HO/CORPAFFAIRS/246/02/2012 for not properly indicating if the recommendations of the 27 March 2012 report were approved or not. This is Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of tender HO/CORPAFFAIRS/246/02/2012 that was supposed to have insured the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against the **Chief Procurement Office** of PRASA, in office during the timeline of tender HO/CORPAFFAIRS/246/02/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of tender HO/CORPAFFAIRS/246/02/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of tender HO/CORPAFFAIRS/246/02/2012 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the timeline of tender HO/CORPAFFAIRS/246/02/2012 to recover the R 2 824 190.39 (VAT inclusive) that was improperly paid to the supplier by PRASA, only if the supplier cannot provide evidence that these funds was never received.

Remedial Action Advise – 8

PRASA must pay the supplier of tender HO/CORPAFFAIRS/246/02/2012 the unpaid R 2 188 396.44 (VAT inclusive) that is still outstanding with interest calculated by a properly qualified Chartered Accountant (SA), only if the PRASA cannot provide evidence that this payment was in fact paid to the supplier.

5.5. HIGHPANA PROJECTS CC

Engagement File number: 5

Supplier Number: 109067

5.5.1. Compliance to Procurement Processes

The procurement processes occurred early 2013 and the Letter of Appointment and Acceptance thereof was dated 27 May 2013 therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-5 to this report.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available.

The only documents that can be used for context are;

- 5.5.1.1. a Purchase Requisition with number 18685 and requested and signed on 16 January 2013 with a cost estimate of R25000 for the placement of the tender advert, by K SINGH, the Line Manager L MDEKAZI and a procurement official V CHETTY,⁵³
- 5.5.1.2. copy of the newspaper advert which included tender HO/SCM/415/11/2012,⁵⁴
- 5.5.1.3. collection of document register, which included documents relevant to tender HO/SCM/415/11/2012,⁵⁵
- 5.5.1.4. undated Attendance Register for Briefing Session relevant to HO/SCM/415/11/2012,⁵⁶
- 5.5.1.5. tender opening register dated 12 February 2013,⁵⁷
- 5.5.1.6. undated memorandum appointing the technical evaluation team members, signed by REBECCA SETINO in the capacity of Senior Manager: Supply Chain: PRASA Cres and Declarations of Interest and Confidentiality Agreements of 4 Tender Evaluation Committee members,⁵⁸
- 5.5.1.7. SCM Recommendation Report for tender HO/SCM/415/11/2012 signed on 17 May 2013 by the recommender SHIHLE MNDAWENI in the capacity of the Chairperson of Technical Committee, and evaluation sheets,⁵⁹
- 5.5.1.8. Memorandum from Programme Management Team (PMT) dated 20 May 2013 and compiled by MICHAEL DLAMINI from the EPMO Team on 12 May 2013 and issued to VINCE GAMA: SAD Senior Manager including conclusions for HO/SCM/415/11/2012,⁶⁰

⁵³ Document 5.A.1-2

⁵⁴ Document 5.B.1

⁵⁵ Document 5.C.1-4

⁵⁶ Document 5.D.1-3

⁵⁷ Document 5.E.1-3

⁵⁸ Document 5.F.1-10

⁵⁹ Document 5.G.1-46

⁶⁰ Document 5.H.1-4

- 5.5.1.9. SCM Recommendation Report for tender HO/SCM/415/11/2012 signed on 20 May 2013 by the recommender REBECCA SETINO in the capacity of Senior Manager: SCM and approved by TARA NGUBANE on 22 May 2013 in the capacity of Acting Chief Executive Officer of PRASA, including Security Screening Report dated 26 March 2013 signed by KABELO MANTSANE in the capacity of Head Group Corporate Security,⁶¹
- 5.5.1.10. notices to 13 unsuccessful bidders dated 6 January 2014 signed by PORTIA MABITSELA in the capacity of Supply Chain Management Compliance and Governance Specialist,⁶²
- 5.5.1.11. letter of appointment for tender HO/SCM/415/11/2012 to Highpana Projects dated 27 May 2013 and issued by by the recommender REBECCA SETINO in the capacity of Senior Manager: SCM and accepted by SANDRA APPANA on 27 May 2013,⁶³
- 5.5.1.12. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Highpana Projects,⁶⁴

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ❖ The result of our examination of the procurement processes followed in the award of tender HO/SCM/415/11/2012, is that the evidence presented to us or that could be gathered through our efforts, only partially support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-5.
- ❖ The procedures followed in the initial stages of procurement up to the acceptance of notice to proceed were marginally not adhering to the PRASA SCM Policy (Feb 2009). It is the processes after the award that cannot be verified, especially the Contract Administration and Contract Management components.
- ❖ It is a concern that the conclusions documented in the proposal review report issued by the Programme Management Team were not taken into account or alternatively addressed in the approved recommendation report dated 22 May 2013.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ❖ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

⁶¹ Document 5.I.1-9

⁶² Document 5.J.1-13

⁶³ Document 5.K.1-4

⁶⁴ Document 5.L.1

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
 - The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
 - The **Management of the Supply Chain Management (SCM)**

Department failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);

- **The Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that:
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that:
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.5.2. Appointment of Service Provider(s) – Delegation of Authority

The procurement processes occurred early 2013 and the Letter of Appointment and Acceptance thereof was dated 27 May 2013 after the recommendation was approved by TARA NGUBANE on 22 May 2013 in the capacity of Acting Chief Executive Officer of PRASA.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective on the relevant dates in May 2013 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ❖ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts in the award of tender HO/SCM/415/11/2012 to the supplier, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-5.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ❖ The result of our examination into, if the appointment of the service provider for tender HO/SCM/415/11/2012, was approved by relevant authorities, is that the ACTING CEO: TARA NGUBANE had sufficient authority to approve the Recommendation Report on 22 May 2013, resulting in proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.
- ❖ The result of our examination into, if the appointment of the service provider was approved by relevant authorities in the procedural issuing of the Letter of Appointment on 27 May 2013 by REBECCA SETINO in the capacity of Senior Manager: Supply Chain Management, is that due to the ACTING CEO: TARA NGUBANE having sufficient authority to approve the Recommendation Report on 22 May 2013, the issuing of the Letter of Appointment on 27 May 2013 was in-line with proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.5.3. Compliance to Deviation Processes

Due to the unavailability and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for the refurbishment of the Durban Station Business Express Lounge, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts in the award of tender HO/SCM/415/11/2012 to the supplier, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.5.4. Payment Review

The approved project cost for tender HO/SCM/415/11/2012 was R 13 371 680.16 (Including VAT). The Letter of Appointment on 27 May 2013 by REBECCA SETINO confirmed this amount.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid R 15 306 044.78 (VAT inclusive).

The released value, according to PRASA, for the transaction was R 14 281 680.16 (VAT inclusive).

The supplier failed to provide us with the necessary financial information related to tender HO/SCM/415/11/2012, therefore no comparison between the records could be done.

Highpana Project Services Provided to PRASA	Amount
No Financial Information received from Highpana Projects	Unknown
Total Invoiced by supplier	Unknown
Total payments received by supplier from PRASA	Unknown
Total unpaid Invoices: Supplier Records	Unknown
Total Project Cost (Incl. VAT)	R 13 371 680,16
Variance between Invoiced and Approved Cost	Unknown
Total Paid (Incl. VAT) PRASA Records	R 15 306 044,78
Variance between Invoiced and Total Paid: PRASA Records	Unknown
Variance between Total Receipt: Supplier Records and Total Paid: PRASA Records	Unknown
Variance between Contract Value and Total Paid: PRASA Records	R -1 934 364,62

Regrettably the above data cannot reflect that the financial records of PRASA and those of the supplier match or not.

It does however indicate that, according to financial records provided by PRASA, they paid the supplier R 1 934 364.62 (VAT inclusive) more than was approved by PRASA on this agreement.

The above variances could be indicative of the manipulation of the accounting records at PRASA.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement related to tender HO/SCM/415/11/2012, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that in comparing **Contract Value and Paid amounts according to PRASA**, the supplier was paid R 1 934 364.62 (VAT inclusive) by PRASA **more** than the approved Total Project Cost.

5.5.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, other than the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.5.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of tender HO/SCM/415/11/2012, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control

- Sections 40 (1) a - Accounting officers' reporting responsibilities
- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities
- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline of tender HO/SCM/415/11/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of tender HO/SCM/415/11/2012 that was supposed to have insured the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of tender HO/SCM/415/11/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated against **REBECCA SETINO** in the capacity of Senior Manager: Supply Chain Management, in that she did not document the conclusions documented in the proposal review report issued by the Programme Management Team in the approved recommendation report dated 22 May 2013, as she was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 6

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of tender HO/SCM/415/11/2012 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the timeline of tender HO/SCM/415/11/2012 to recover the R 1 934 364.62 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 8

In order be given to the **supplier as legal person and its Director(s) in office** during the timeline of tender HO/SCM/415/11/2012 to force them to hand over all financial record pertaining to this tender or face been listed on the National Treasury's Database of Restricted Suppliers.

5.6. OTIS (PTY) LTD
Engagement File number: 6
Supplier Number: 105781

5.6.1. Compliance to Procurement Processes

The procurement processes commenced late 2012 and the Recommendation was approved on 17 April 2013 therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-6 to this report.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available.

The only documents that can be used for context are;

- 5.6.1.1. a Request for Proposals with tender number HO/CRES/**275/10/201** for the installation of goods and passenger lifts and escalators at Park Station with closing date 30 November 2012,⁶⁵
- 5.6.1.2. a Tender notice and Invitation to tender with tender number HO/CRES/**275/10/2012** for the installation of goods and passenger lifts and escalators at Park Station with closing date 30 November 2012,⁶⁶
- 5.6.1.3. an Attendance Register dated 6 February 2013, seemingly for a for Briefing Session relevant to Lifts and Escalators with an unclear tender number,⁶⁷
- 5.6.1.4. tender opening register dated 20 February 2013 for tender number HO/CRES/**265/06/2012**,⁶⁸
- 5.6.1.5. invitations to 4 vendors to a tender briefing session held on 20 March 2013 for tender number HO/CRES/**265/06/2012** dated 19 March 2013 signed by ALBERT MDLULI in the capacity of SCM Manager Supply Chain Management,⁶⁹
- 5.6.1.6. declarations of interests by 5 members of Technical Evaluation team for tender number HO/CRES/**275/08/2012** dated for meeting held on 15 March 2013; and confidentiality agreements by Technical Evaluation team members for tender number HO/CRES/**275/09/2012** date ranging from 15 March 2012, 15 February 2012, 15 March 2012, 15 March 2013,⁷⁰
- 5.6.1.7. an Attendance Register dated 20 March 2013 at 10:45 with OTIS (Pty) Ltd and at 11:30 with Kone Elevators both under tender number HO/CRES/**265/06/2012**,⁷¹

⁶⁵ Document 6.A.1

⁶⁶ Document 6.A.2

⁶⁷ Document 6.B.1-2

⁶⁸ Document 6.C.1

⁶⁹ Document 6.D.1-4

⁷⁰ Document 6.E.1-10

⁷¹ Document 6.F.1-2

- 5.6.1.8. SCM Recommendation Report for tender number HO/CRES/265/06/2012 signed on 17 April 2013 by the recommender REBECCA SETINO in the capacity of Senior Manager: SCM and approved on the same date by TARA NGUBANE in the capacity of Acting Chief Executive Officer of PRASA, including SCM Evaluations and Security Screening Report dated 10 April 2013 signed by KABELO MANTSANE in the capacity of Head Group Corporate Security,⁷²
- 5.6.1.9. notices to 4 unsuccessful bidders for tender number HO/CRES/265/06/2012 dated 26 July 2013 signed by ALBERT MDLULI in the capacity of SCM Manager,⁷³
- 5.6.1.1. an Attendance Register dated 7 May 2013 between OTIS (Pty) Ltd and PRASA under tender number HO/CRES/268/06/2012,⁷⁴
- 5.6.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to OTIS (Pty) Ltd,⁷⁵

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ❖ The result of our examination of the procurement processes followed in the award of tender HO/CRES/265/06/2012, is that the evidence presented to us or that could be gathered through our efforts, only partially support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-6.
- ❖ It is a concern that 5 different tender reference numbers are referenced to in the documentation in the file provided by PRASA.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ❖ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ❖ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);

⁷² Document 6.G.1-15

⁷³ Document 6.H.1-4

⁷⁴ Document 6.I.1

⁷⁵ Document 6.J.1-4

- The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.6.2. Appointment of Service Provider(s) – Delegation of Authority

The procurement processes occurred late 2012 the recommendation for tender HO/CRES/265/06/2012 was approved by TARA NGUBANE on 17 April 2013 in the capacity of Acting Chief Executive Officer of PRASA.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective on 17 April 2013 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts in the award of tender HO/CRES/265/06/2012 to the supplier, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-6.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider for tender HO/CRES/265/06/2012, was approved by relevant authorities, is that the ACTING CEO: TARA NGUBANE had sufficient authority to approve the Recommendation Report on 17 April 2013, resulting in proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.6.3. Compliance to Deviation Processes

Due to the unavailability and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for the installation of Goods and Passenger Lifts and Escalators at Park Station, it is not possible to determine if any Deviation to the original Scope of Work occurred.

We can however confirm based on a site visit in September 2016 that Park Station have OTIS Lifts and Escalators installed, that some of them is not working even if OTIS are paid for maintenance thereof on a regular basis and that without the original specifications we cannot confirm if the OTIS Lifts and Escalators installed at Park Station in fact comply with the required scope of work.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts in the award of tender HO/CRES/265/06/2012 to the supplier, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.6.4. Payment Review

According to the financial records provided by PRASA it seems that OTIS had previous engagement with PRASA for which PRASA related to Upgrading of Lifts and maintenance work on lifts and escalators at various sites.

The approved project cost for tender HO/CRES/265/06/2012 was R 11 731 190.12 (Including VAT).

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 13 224 144.30 (VAT inclusive) for the period 19 March 2013 to 24 June 2016 of which R 11 284 084.78 (VAT inclusive) was for the installation of lifts and escalators of which R 10 034 284.71 (VAT inclusive) was for the installation of lifts and escalators at Park Station. Without the original specifications we cannot confirm if the OTIS Lifts and Escalators installed at Park Station in fact comply with the required scope of work or that any of these installations have reference to tender HO/CRES/265/06/2012.

The remainder of the payments made to the supplier was seemingly of upgrades and maintenance work done on lifts and escalators at PRASA HOUSE and METROPARK. No SCM documentation were made available to match these payments to an order or to confirm that maintenance work relates to a specific tender.

The approved recommendation for tender HO/CRES/265/06/2012 included 16 months' free maintenance and the examination of the financial records provided by PRASA on 28 June 2016 it seems that no payments were made for maintenance work done on lifts and escalators at PARK STATION.

The supplier failed to provide us with the necessary financial information related to tender HO/CRES/265/06/2012, therefore no comparison between the records could be done.

OTIS Services Provided to PRASA	Amount
No Financial Information received from Otis	R -
Total Invoiced by supplier	R -
Total payments received by supplier from PRASA	Unknown
Total unpaid Invoices: Supplier Records	Unknown
Total Project Cost (Incl. VAT)	R 11 731 190,12
Variance between Invoiced and Approved Cost	Unknown
Total Paid (Incl. VAT) for installation of lifts and escalators from 2013/03/19-2016/06/24 according to PRASA Records	R 11 284 084,78
<i>2013/10/03: Purchasing Document # 4500024830: "Park Station Install of lifts and eacala"</i>	R 6 465 177,12
<i>2013/10/03: Purchasing Document # 4500024830: "Park Station: Install of lifts and Escallators"</i>	R 1 663 498,94
<i>2014/03/04: Purchasing Document # 4500031926: "PARK STN: INSTAL. OF LIFTS(4) AND ESCALATORS(8)"</i>	R 1 905 608,65
<i>2015/01/21: Purchasing Document # 4500048621: "Installation of 4 lifts& 8 escalators"</i>	R 1 249 800,07
Variance between Invoiced and Total Paid: PRASA Records	Unknown
Variance between Total Receipt: Supplier Records and Total Paid: PRASA Records	Unknown
Variance between Contract Value and Total Paid: PRASA Records	R 447 105,34

The released value, according to PRASA, for the transaction was R 11 284 084.78 (VAT inclusive). These variances could be indicative of the manipulation of the accounting records at PRASA.

Regrettably the above data cannot reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement related to tender HO/CRES/265/06/2012, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that in comparing **Contract Value and Paid amounts according to PRASA**, the supplier was paid less than the approved Total Project Cost, but the amount is unclear due to the lack of accurate descriptors in the financial records and the absence of an agreement and specifications.
 - that the approved recommendation for tender HO/CRES/265/06/2012 included 16 months' free maintenance and there are multiple lifts and escalators at PARK STATION that does not work, indicates that the supplier is either not aware of the maintenance issue of that the supplier just do not comply with the recommendation, Due to the absence of an agreement and specifications it is not possible to clarify this.

5.6.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefited from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefited as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefited from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefited from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefited as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefited from irregular conduct, does not exist.

5.6.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of tender HO/CRES/265/06/2012, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline of tender HO/CRES/265/06/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of tender HO/CRES/265/06/2012 that was supposed to have insured the proper following of the Financial Management of Public funds for Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of tender HO/CRES/265/06/2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of tender HO/CRES/265/06/2012 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

In order be given to the **supplier as legal person and its Director(s) in office** during the timeline of tender HO/CRES/265/06/2012 to compel them to hand over all financial record pertaining to this tender or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 7

In order be given to the **supplier as legal person and its Director(s) in office** during the timeline of tender HO/CRES/265/06/2012 to compel them to determine when maintenance became due on the lifts and escalators at Park Station and if such due date fell within the 16 months' free maintenance period to do the needed maintenance work on the lifts and escalators at Park Station or face been listed on the National Treasury's Database of Tender Defaulters.

5.7. PROTEA COIN ASSET IN TRANSIT

Engagement File number: 7

Supplier Number: 102722

5.7.1. Compliance to Procurement Processes

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefore the necessary information/documentation related to the procurement process were not available. PRASA only indicated that "Procurement documents could not be located for this contract".

Based on the financial records provided by PRASA payments to the supplier started in May 2010 and the last was in December 2014. The 2 transactions in the scope of work under this engagement seemed to have a Validity start date of 13 July 2013 and a Validity end date of 7 December 2013, therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-7 to this report.

The only documents that can be used for context are;

5.7.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁷⁶

5.7.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Protea Coin,⁷⁷

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that no evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-7.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);

⁷⁶ Document 7.A.1-2

⁷⁷ Document 7.B.1-4

- The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.7.2. Appointment of Service Provider(s) – Delegation of Authority

Based on the financial records provided by PRASA payments to the supplier started in May 2010 and the last was in December 2014. The 2 transactions in the scope of work under this engagement seemed to have a Validity start date of 13 July 2013 and a validity end date of 7 December 2013.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from the validity start date of 13 July 2013 to the Validity end date of 7 December 2013 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-7.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.7.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.7.4. Payment Review

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual with PRASA, it is not possible to determine the approved project cost.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 4 790 985.94 (VAT inclusivity not known) for the period 24 May 2010 to 15 December 2014. This amount made up as follows based on the descriptors in the financial records provided by PRASA on 28 June 2016;

R 542 348,73	Unknown
R 303 582,35	Alarms
R 1 611,70	Additional Fixed Panic
R 621 543,56	Security Services
R 464 709,38	Security Bills
R 2 268 631,56	Security Payment
R 198 816,00	Maintenance for Alarm Monitoring
R 124 260,00	Security Contract
R 218 135,42	Security
R 44 460,00	Stop-loss Bags
R 2 887,24	Miscellaneous (Battery/Panel
R 4 790 985.94	TOTAL

The supplier failed to provide us with the necessary financial information related to the work done for PRASA, therefore no comparison between the records could be done.

The 2 transactions in the scope of work under this engagement seemed to have a validity start date of 13 July 2013 and a validity end date of 7 December 2013. According to the financial records provided by PRASA on 28 June 2016, only 6 invoices from the supplier were captured by PRASA to a total amount of R 153 429.07 (VAT inclusivity not known).

The released value, according to PRASA, for the same period was R 1 607 559.66 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA.

Protea Security (1983) and Coin Security Group (1979) merged to form Protea Coin Group in 2007. Shield Security started out in 1985 and Magnum Security in 1989. Bidvest acquired Shield Security in 1998 and Magnum Security in 2002. The latter merged in 2010 to form Bidvest Magnum Group.

Subsequently, Protea Coin Group (2007) and Bidvest Magnum (2010) merged to form Bidvest Protea Coin in November 2013.

Regrettably the data available cannot reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that the supplier provided various security related services to PRASA for over 4 years and this with the fact that both PRASA and the supplier cannot or will not provide any documentation is improper and highly irregular.

5.7.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.7.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers

- Sections 38 (1) (g) - General responsibilities of accounting officers
- Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
- Sections 40 (1) a - Accounting officers' reporting responsibilities
- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities
- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013 that was supposed to have insured the proper following of the Financial Management of Public funds for Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

In order be given to the **supplier as legal person and its Director(s) in office** during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013 to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the timeline of the 2 transactions in the scope of work under this engagement having a Validity start date of 13 July 2013 and a validity end date of 7 December 2013 to recover the R 124 260.00 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 8

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the timeline of payments made by PRASA from 24 May 2010 to the last one on 15 December 2014 to recover the R 4 790 985.94 (VAT inclusive) that was improperly paid to the supplier, only if the supplier cannot provide evidence that the relevant Notices to Proceed were received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.8. TRANSNET

Engagement File number: 8

Supplier Number: 102914

5.8.1. Compliance to Procurement Processes

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available. PRASA only indicated that “This contract was loaded to facilitate payments to Transnet for rental of office space in their building in Cape Town, this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet”.

Based on the financial records provided by PRASA payments to the supplier started in 26 May 2008 and the last was on 22 June 2016. The 7 transactions related to the rental of the 6th floor of the Propnet building, Adderley street Cape Town and in the scope of work under this engagement seemed to have a Validity start date of 07 May 2015 and a Validity end date of 7 December 2015, therefore both the PRASA SCM Policies (Feb 2009 and May 2014) could apply for the purpose of the Compliance Review. Due to the fact that PRASA claims this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet, there is no expectation of procurement documentation and therefore the result of a compliance review, which can be found under Annexure A-8 to this report, should be treated with the necessary context.

The only documents that can be used for context are;

5.8.1.1. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to TRANSNET,⁷⁸

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is inconclusive in so far as PRASA claims this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet.
- ◆ Nevertheless, a supplier file should still be kept documenting the relevant information and terms of a leasehold agreement.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

⁷⁸ Document 8.A.1-46

Conclusion - 3 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.8.2. Appointment of Service Provider(s) – Delegation of Authority

PRASA claims this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet, there is no expectation of procurement documentation, therefore it is not possible to determine who signed the alleged leasehold agreement.

It is my understanding that Propnet acts as the custodian of all property records for the Transnet Group and also acts as custodian for all surplus property assets not required for core business operations.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and no other details of the leasehold agreement are available to determine a start date, therefore an assumption is made that the PRASA Powers and Authority of the Board and Delegation of Authority document was valid at the time of signature of the alleged leasehold agreement and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ❖ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is inconclusive in so far as PRASA claims this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ❖ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is inconclusive in so far as PRASA claims this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet and therefor no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.8.3. Compliance to Deviation Processes

PRASA claims that this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet and due to the unavailability of any SCM documentation, a signed Contractual Agreement it is not possible to determine if any Deviation to the original Scope of Work occurred.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ❖ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.8.4. Payment Review

PRASA claims that this does not relate to a procurement process but rather a leasehold agreement between Metrorail WC and Transnet and due to the unavailability of any SCM documentation, a signed Contractual Agreement it is not possible to determine to determine the approved project cost.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 42 599 870.98 (VAT inclusivity not known) for the period 26 May 2008 to 22 June 2016. This amount made up as follows based on the descriptors in the financial records provided by PRASA on 28 June 2016;

R 1 756 390,60	Unknown
R 1 570,00	New Key Locks
R 4 967,47	Miscellaneous Recoveries
R 19 761,90	Boardroom Rental
R 817 683,33	Office Rental
R 1 089 349,48	Rental of Propnet Parking
R 69 386,37	Rental of Vehicles
R 37 657 772,73	Rental Propnet Bldg.
R 7 396,49	Telkom Charges
R 418 376,00	Transnet Rail Engineering
R 757 216,61	Utility Bills
R 42 599 870,98	TOTAL

The supplier failed to provide us with the necessary financial information related to the relevant lease of the 6th floor of the Propnet Building in Cape Town, therefore no comparison between the records could be done.

The 7 transactions in the scope of work under this engagement seemed to have a validity start date of 5 May 2015 and a validity end date of 7 December 2015. According to the financial records provided by PRASA on 28 June 2016, no transactions between the supplier and PRASA was recorded during that period.

The released value, according to PRASA, for the same period was R 2 433 221.64 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA.

Concerning data gaps for the following periods are noticeable:

- ❖ 25 May 2012-24 to February 2013; and
- ❖ 26 February 2013 to 24 February 2016.

Regrettably the data available cannot reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that the supplier provided various security related services to PRASA for over 4 years and this with the fact that both PRASA and the supplier cannot or will not provide any documentation is improper and highly irregular, no matter if it is a leasehold agreement between 2 related government companies.

5.8.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

- ◆ The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

- ◆ It does however seem like Transnet could be improperly acting as a subletting agent for other buildings rented by Metrorail Western Cape, e.g. The Bellstar Junction Building in Bellville. Further examination fall outside of the scope of this engagement, but further examination of all leaseholds should be conducted.

5.8.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of the 7 transactions related to the rental of the 6th floor of the Propnet building, Adderley street Cape Town and in the scope of work under this engagement seeming to have a Validity start date of 07 May 2015 and a Validity end date of 7 December 2015, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the of the 7 transactions related to the rental of the 6th floor of the Propnet building, Adderley street Cape Town and in the scope of work under this engagement seeming to have a Validity start date of 07 May 2015 and a Validity end date of 7 December 2015 that was supposed to have insured the proper following of the Financial Management of Public funds for Negligence in the dereliction of duties.

Remedial Action Advise – 3

Due to this alleged leasehold is between 2 government companies the suggestion is that the boards of both entities sign a new resolution to review and then confirm all the leasehold agreements between them, only after;

- ◆ a full asset audit is done of all the properties owns by Transnet and leased by PRASA;
- ◆ an examination is concluded to determine if Transnet are improperly acting as a subletting agent through Propnet or directly, for other buildings rented by any of the PRASA operations;
- ◆ it is determined to be proper that PRASA lease direct from TRANSNET at less than market related tariffs.

5.9. LENNINGS RAIL SERVICE

Engagement File number: 9

Supplier Number: 1000841

5.9.1. Compliance to Procurement Processes

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available. PRASA only indicated that "Procurement documents could not be located for this contract".

Based on the financial records provided by PRASA payments to the supplier started in January 2010 and the last was in October 2013. The transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seemed to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013, therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-9 to this report.

The only documents that can be used for context are;

- 5.9.1.1. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Protea Coin,⁷⁹

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that no evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-9.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);

⁷⁹ Document 9.A.1-2

- The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;

- as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.9.2. Appointment of Service Provider(s) – Delegation of Authority

Based on the financial records provided by PRASA payments to the supplier started in January 2010 and the last was in October 2013. The transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seemed to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from the Validity start date of 4 September 2013 and a Validity end date of 30 October 2013 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-9.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.9.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.9.4. Payment Review

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual with PRASA, it is not possible to determine the approved project cost.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 21 532 930.18 (VAT inclusivity not known) for the period 31 January 2010 to 01 October 2013. This amount made up as follows based on the descriptors in the financial records provided by PRASA on 28 June 2016;

R 2 764 110,93	Unknown
R 834 941,58	Capex
R 3 723 683,36	Maintenance
R 4 090 449,24	Maintenance Trolley
R 5 006 657,05	Material
R 2 999 085,08	Repair and Service
R 1 161 531,59	Measurement
R 772 471,35	Work Done
R 21 352 390.18	TOTAL

The transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seemed to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013. Examining the financial records provided by PRASA on 28 June 2016, it shows that the last invoice captured was dated 31 December 2012 for CAPEX, therefore it does not show any payments related to this supplier that falls within the validity period.

The released value, according to PRASA, for the same period was R 8 093 099.78 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA.

The supplier failed to provide us with the necessary financial information related to the work done for PRASA, therefore no comparison between the records could be done.

The supplier, Lennings Rail Services, is a division of Aveng Manufacturing, a division of Aveng (Africa) (Pty) Ltd (Reg:1931/003300/07), a subsidiary of Aveng Holdings (1944/08119/06).

Regrettably the data available cannot reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that no contractual agreement is available to determine if payments correspond with bid price and/or contractual agreement;
 - that the available financial information shows no payment, related to this supplier, that falls within the validity.

5.9.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.9.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of the transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seeming to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline the transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seeming to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of the transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seeming to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013, that was supposed to have insured the proper following of the Financial Management of Public funds for Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of the transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seeming to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of the transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seeming to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

In order be given to the **supplier as legal person and its Director(s) in office** during the timeline of the transaction in the scope of work under this engagement, for Hire and Maintenance of 3kv DC Overhead, seeming to have a Validity start date of 4 September 2013 and a Validity end date of 30 October 2013 to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the period 31 January 2010 to 01 October 2013 to recover the R 21 352 930.18 (VAT inclusive) that was improperly paid to the supplier, only if the supplier cannot provide evidence that the relevant Notices to Proceed were received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.10. MMASHELA INVESTMENTS CC

Engagement File number: 10

Supplier Number: 103001

5.10.1. Compliance to Procurement Processes

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

Based on the financial records provided by PRASA payments to the supplier started in April 2010 and the last was in January 2013. The 2 transactions in the scope of work under this engagement, for provision of locum doctor, seemed to have a Validity start date of 17 August 2012 and a Validity end date of 30 September 2012, therefore the PRASA SCM Policy (Feb 2009) applies for the purpose of the Compliance Review, the result of which can be found under Annexure A-10 to this report.

The only documents that can be used for context are;

5.10.1.1. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Protea Coin,⁸⁰

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that no evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009). Refer to Annexure A-10.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

Conclusion - 3 – Regarding violation of the PRASA SCM Policy (Feb 2009)

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - the **Accounting Officer (AO)** failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);
 - The **Group Chief Executive Officer (GCEO)** failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);

⁸⁰ Document 10.A.1-2

- The **Chief Procurement Officer (CPO)** failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.3 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.5 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to perform effective Contract Administration activities required by Clause 9.11.8 of the PRASA SCM Policy (Feb 2009);
- The **Chief Procurement Officer (CPO)** and the **Management of the Supply Chain Management (SCM) Department** failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);
- The **Management of the Supply Chain Management (SCM) Department** failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

Conclusion - 4 – Regarding violation of the Fiduciary Duties of the Board of PRASA as set out in Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;

- as the **Accounting Authority** of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority of the Board and Delegation of Authority Document

Conclusion - 5 – Regarding violation of the General Responsibilities of the Board of PRASA as set out in Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended

- ◆ Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document
 - as the **Accounting Authority** of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document

5.10.2. Appointment of Service Provider(s) – Delegation of Authority

Based on the financial records provided by PRASA payments to the supplier started in April 2010 and the last was in January 2013. The 2 transactions in the scope of work under this engagement, for provision of locum doctor, seemed to have a Validity start date of 17 August 2012 and a Validity end date of 30 September 2012.

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from the Validity start date of 17 August 2012 and a Validity end date of 30 September 2012 and that this assumption will remain until PRASA can provide clarification on this.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009). Refer to Annexure A-10.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.10.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.10.4. Payment Review

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual with PRASA, it is not possible to determine the approved project cost.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 2 293 184.10 (VAT inclusivity not known) for the period 01 April 2010 to 31 January 2013. This amount made up as follows based on the descriptors in the financial records provided by PRASA on 28 June 2016;

R	50 616,00	Unknown
R	1 344 060,00	Occupational Health Services
R	185 364,00	Medical
R	244 872,00	Health Services
R	468 272,10	Material
R	2 293 184,10	TOTAL

The 2 transactions in the scope of work under this engagement, for provision of locum doctor, seemed to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012. Examining the financial records provided by PRASA on 28 June 2016, it shows that the only 2 invoices were captured during the validity period totaling R 252 396.00 (VAT inclusivity not known).

The released value, according to PRASA, for the validity period was R 1 206 992.10 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA.

The supplier failed to provide us with the necessary financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ❖ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that no contractual agreement is available to determine if payments correspond with bid price and/or contractual agreement;
 - that the available financial information shows no payment, related to this supplier, that falls within the validity.

5.10.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefited from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefited as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefited from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.10.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline of the 2 transactions in the scope of work under this engagement, for provision of locum doctor, seeming to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012 and a Validity end date of 30 October 2013, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline the 2 transactions in the scope of work under this engagement, for provision of locum doctor, seeming to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement, for provision of locum doctor, seeming to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012 and a Validity end date of 30 October 2013, that was supposed to have insured the proper following of the Financial Management of Public funds for Negligence in the dereliction of duties.

Remedial Action Advise – 4

Disciplinary action need to be initiated against **Management of the Supply Chain Management (SCM) Department** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement, for provision of locum doctor, seeming to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012 and a Validity end date of 30 October 2013 and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 5

Disciplinary action need to be initiated for **all employees** of PRASA, in office during the timeline of the 2 transactions in the scope of work under this engagement, for provision of locum doctor, seeming to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012 and a Validity end date of 30 October 2013 and **involved in the Supply Chain Management function** and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

Remedial Action Advise – 6

In order be given to the **supplier as legal person and its Director(s) in office** during the timeline of the 2 transactions in the scope of work under this engagement, for provision of locum doctor, seeming to have a validity start date of 17 August 2012 and a validity end date of 30 September 2012 and a Validity end date of 30 October 2013 to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 7

Civil action need to be initiated against the **supplier as legal person and its Director(s) in office** during the period 01 April 2010 to 31 January 2013 to recover the R 2 293 184.10 (VAT inclusive) that was improperly paid to the supplier, only if the supplier cannot provide evidence that the relevant Notices to Proceed were received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.11. AFRI-GUARD (PTY) LTD

Engagement File number: 11

Supplier Number: 100702

5.11.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.11.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁸¹

5.11.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Afri-Guard,⁸²

⁸¹ Document 11.A.1-2

⁸² Document 11.B.1-5

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.11.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.11.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.11.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 42 668 687.044 (VAT inclusivity not known) for the period 03 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 32 877 316,48 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with the necessary financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.11.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.11.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

5.12. HLANGANANI PROTECTION SERVICES

Engagement File number: 12

Supplier Number: 101532

5.12.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.12.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁸³

5.12.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Hlanganani Protection Services,⁸⁴

⁸³ Document 12.A.1-2

⁸⁴ Document 12.B.1-6

5.12.1.3. Invoice and Credit Note Summary from 1 -31 March 2016 received from supplier,⁸⁵

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.12.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

⁸⁵ Document 12.C.1

5.12.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.12.4. Payment Review

PRASA provided the various extensions bundle under [Annexure C](#) for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 107 889 360.75 (VAT inclusivity not known) for the period 23 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 88 339 767,10 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with sufficient financial information related to the work done for PRASA, therefore no comparison between the records could be done. The one document we did receive from the supplier corresponded with the financial records provided by PRASA on 28 June 2016.

Regrettably the data available cannot sufficiently reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide sufficient financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.12.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.12.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 5

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 3 124 685.55 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.13. FUTURIS GUARDING SYSTEMS

Engagement File number: 13

Supplier Number: 102016

5.13.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.13.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁸⁶

5.13.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Futuris Guarding Systems,⁸⁷

⁸⁶ Document 13.A.1-2

⁸⁷ Document 13.B.1-5

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.13.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.13.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.13.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 59 027 339.77 (VAT inclusivity not known) for the period 01 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 41 133 642,06 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with any financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot sufficiently reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.13.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.13.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 5

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 118 044.15 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.14. VUSA-ISIZWE SECURITY (PTY) LTD

Engagement File number: 14

Supplier Number: 101821

5.14.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.14.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁸⁸

5.14.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Vusa-Isizwe Security,⁸⁹

⁸⁸ Document 14.A.1-2

⁸⁹ Document 14.B.1-6

5.14.1.3. Affidavit of Work from Operation Director TJ MASEKO dated 26 August 2016,⁹⁰

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.14.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

⁹⁰ Document 12.C.1

5.14.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.14.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 199 651 437.63 (VAT inclusivity not known) for the period 13 March 2010 to 16 May 2016.

The released value, according to PRASA, was R 164 445 630,29 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier provided us with sufficient financial information related to the work done for PRASA, however a full comparison between the records could not be finalized at the time of the report due to the delayed delivery of financial information.

An ad-hoc check of the statements received from the supplier for January 2015 and January 2016 corresponded with the financial records provided by PRASA on 28 June 2016.

It is likely that the data available sufficiently reflect that the financial records of PRASA and those of the supplier match.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier provided sufficient financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA is unlikely;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.14.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.14.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ❖ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ❖ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 27 904 425.38 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 5

Annexure C indicates that the supplier also is task since 01 December 2012 to render services at Mainline Passenger Services, but no related financial transactions can be found in the records provided by PRASA on 28 June 2016 or in the reviewed financial information from the supplier. This should be examined further to determine the validity and implementation status.

Vendor	Site Description	Extension from	Extension to	Recommendation Monthly
101821 VUSA ISIZWE SECURITY SERVICES	Mainline Passenger Services	2012-12-01	2013-07-31	1 196 316,00
Contract will carry on as per Teddy up to 12 months and thereafter until next period	No Information	2013-08-01	2014-03-31	n/a
	Mainline Passenger Services	2014-04-01	2015-03-31	783 079,68
	Mainline Passenger Services	2015-04-01	2016-03-31	783 079,68
	Mainline Passenger Services	2016-04-01	2016-05-31	n/a

5.15. SINQOBILE EQUESTRIAN SECURITY SERVICES (PTY) LTD

Engagement File number: 15

Supplier Number: 101820

5.15.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.15.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁹¹

5.15.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Sinqobile Equestrian Security Services,⁹²

⁹¹ Document 15.A.1-2

⁹² Document 15.B.1-6

5.15.1.3. Affidavit of Work from the Director CS NDWANDWE dated 18 August 2016,⁹³

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.15.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

⁹³ Document 15.C.1-3

5.15.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.15.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 121 846 324.44 (VAT inclusivity not known) for the period 17 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 101 671 012,88 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier provided us with sufficient financial information related to the work done for PRASA, however a full comparison between the records could not be finalized at the time of the report due to the delayed delivery of financial information.

An ad-hoc check of the statements received from the supplier for January 2015 and January 2016 corresponded with the financial records provided by PRASA on 28 June 2016.

It is likely that the data available sufficiently reflect that the financial records of PRASA and those of the supplier match.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier provided sufficient financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA is unlikely;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.15.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.15.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 1 108 205.88 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.16. CHANGING TIDES 208 (PTY) LTD

Engagement File number: 16

Supplier Number: 102017

5.16.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.16.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority indicating that the supplier is NOT found on the legislative compelled registration database,⁹⁴

5.16.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Changing Tides 208,⁹⁵

⁹⁴ Document 16.A.1-2

⁹⁵ Document 16.B.1-6

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.16.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.16.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.16.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 118 130 472.89 (VAT inclusivity not known) for the period 12 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 100 097 090,65 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with any financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot sufficiently reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.16.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.16.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 5

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 13 157 995.18 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 6

ALL security services provided to PRASA should be stopped immediately due to the fact that PSIRA registration cannot be confirmed. Security Service can only be continued if valid confirmation of PSIRA registration.

Remedial Action Advise – 7

Civil and possible Criminal action need to be initiated against the **supplier as legal person and its Director(s) and the Chief Procurement Officer** of PRASA in office during the timeline to recover all amounts paid to the supplier whilst not in possession of valid PSIRA registration, only if the supplier cannot provide evidence of PSIRA registration during that time.

5.17. ENLIGHTENED SECURITY

Engagement File number: 17

Supplier Number: 100526

5.17.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.17.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁹⁶

5.17.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Enlightened Security,⁹⁷

⁹⁶ Document 17.A.1-2

⁹⁷ Document 17.B.1-7

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.17.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.17.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.17.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 245 753 560.82 (VAT inclusivity not known) for the period 18 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 100 097 090,65 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with any financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot sufficiently reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.17.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.17.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 5

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 1 301 216.97 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 6

Annexure C indicates that the supplier also is task since 01 December 2011 to render services at Eastern Cape Metrorail, PRASA Crescent and Mainline Passenger Services, but no related financial transactions can be found in the records provided by PRASA on 28 June 2016. This should be examined further to determine the validity and implementation status.

Vendor	Site Description	Extension from	Extension to	Recommendation Monthly
100526 Enlightened Security	Eastern Cape Metrorail	2012-12-01	2013-07-31	805 277,76
Contract will carry on as per Teddy up to 12 months and thereafter until next period	No Information	2013-08-01	2014-03-31	n/a
	Eastern Cape	2014-04-01	2015-03-31	1 199 090,76
	Eastern Cape	2015-04-01	2016-03-31	1 199 090,76
	Eastern Cape	2016-04-01	2016-05-31	n/a
	PRASA Crescent	2011-12-01	2012-11-30	242 364,00
	PRASA Crescent	2012-12-01	2013-07-31	290 016,00
Contract will carry on as per Teddy up to 12 months and thereafter until next period	No Information	2013-08-01	2014-03-31	n/a
	Prasa Crescent	2014-04-01	2015-03-31	391 539,84
	PRASA Crescent	2015-04-01	2016-03-31	391 539,84
	PRASA Crescent	2016-04-01	2016-05-31	n/a
	Mainline Passenger Services	2012-12-01	2013-07-31	1 596 175,56
Contract will carry on as per Teddy up to 12 months and thereafter until next period	No Information	2013-08-01	2014-03-31	n/a
	Mainline Passenger Services	2014-04-01	2015-03-31	1 712 986,80
	Mainline Passenger Services	2015-04-01	2016-03-31	1 712 986,80
	Mainline Passenger Services	2016-04-01	2016-05-31	n/a

5.18. R1 SECURITY SERVICES

Engagement File number: 18

Supplier Number: 102115

5.18.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.18.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,⁹⁸

5.18.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to R1 Security Services,⁹⁹

⁹⁸ Document 18.A.1-2

⁹⁹ Document 18.B.1-6

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.18.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.18.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.18.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 107 200 968.14 (VAT inclusivity not known) for the period 12 March 2010 to 31 May 2016.

The released value, according to PRASA, was R 86 116 217,31 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with any financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot sufficiently reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.18.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.18.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 5

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 6 435 783.96 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 6

Annexure C indicates that the supplier also is task since 01 December 2011 to render services at PRASA Crescent, but no related financial transactions can be found in the records provided by PRASA on 28 June 2016. This should be examined further to determine the validity and implementation status.

Vendor	Site Description	Extension from	Extension to	Recommendation Monthly
102115 R1 SECURITY SERVICES	PRASA Crescent	2011-12-01	2012-11-30	367 650,00
	PRASA Crescent	2012-12-01	2013-07-31	389 709,00
Contract will carry on as per Teddy up to 12 months and thereafter until next period	No Information	2013-08-01	2014-03-31	n/a

5.19. VIMTSIRE SECURITY SERVICES

Engagement File number: 19

Supplier Number: 102125

5.19.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.19.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,¹⁰⁰

5.19.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Vimtsire Security Services,¹⁰¹

¹⁰⁰ Document 19.A.1-2

¹⁰¹ Document 19.B.1-5

- 5.19.1.3. Affidavit of Work from the P NEMUTANDANI dated 29 August 2016,¹⁰²
5.19.1.4. statement of account dated 23 August 2016,¹⁰³

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.19.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

¹⁰² Document 19.C.1

¹⁰³ Document 19.D.1-5

5.19.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefor the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.19.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 114 422 089.51 (VAT inclusivity not known) for the period 24 April 2010 to 20 May 2016.

The released value, according to PRASA, was R 94 991 787,01 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier provided us with sufficient financial information related to the work done for PRASA, however a full comparison between the records could not be finalized at the time of the report due to the delayed delivery of financial information.

An ad-hoc check of the statements received from the supplier for January 2015 and January 2016 corresponded with the financial records provided by PRASA on 28 June 2016.

It is likely that the data available sufficiently reflect that the financial records of PRASA and those of the supplier match.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier provided sufficient financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA is unlikely;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.19.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.19.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 6 828 094.91 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

5.20. ROYAL SECURITY CC

Engagement File number: 20

Supplier Number: 102117

5.20.1. Compliance to Procurement Processes

This security supplier's agreement is according to PRASA categorized as a legacy contract.

The term "legacy contracts" is used loosely in PRASA and there is no official definition for this. When PRASA refer to legacy contracts they are simply referring to contracts that were inherited by PRASA when Metrorail and Mainline Passenger Services moved over from Transnet and PRASA simply took on those contracts and did not go out on a competitive bidding process.

In terms of the Feb 2009 SCM Policy, variations and extensions are not covered. Approving official each have delegations and these contain a clause that gives them powers to vary a contract by a maximum of 10% or a certain amount, depending on the level.

In terms of the May 2014 Policy, all variations and extensions and any Variation of Contracts that amounts to extension of scope of work and/or increasing the liability of PRASA shall be limited to 10% of the value of the contract and shall be recommended by the CPO for approval by the GCEO subject to the delegation of authority of the GCEO.

This has been the case with security contracts since inheriting them, there have been unsuccessful attempts to go out on a competitive bidding process for these services.

Efforts to obtain any file or additional information from PRASA was unsuccessful, therefor the necessary information/documentation related to the procurement process were not available.

For the purpose of this report we bundled all Recommendation and Tender Advice documents as a Security Suppliers bundle under Annexure C. No Compliance review document for the vendors included in the Security Suppliers bundle will be filed under Annexure A of this report as PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

The only other documents that can be used for context are;

5.20.1.1. a letter dated 16 September 2016 from the Private Security Industry Regulatory Authority confirming legislative compelled registration,¹⁰⁴

5.20.1.2. PRASA payment report received on 28 June 2016 from TEDDY PHOMA at SCM Compliance: PRASA Corporate related to Royal Security,¹⁰⁵

¹⁰⁴ Document 20.A.1-2

¹⁰⁵ Document 20.B.1-5

Conclusion - 1 – Regarding Compliance to the Procurement Processes

- ◆ The result of our examination of the procurement processes followed, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding violation of relevant Criminal law

- ◆ Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

5.20.2. Appointment of Service Provider(s) – Delegation of Authority

The PRASA Powers and Authority of the Board and Delegation of Authority provided to us is undated and therefore an assumption is made that the document was effective from February 2012 to date and that this assumption will remain until PRASA can provide clarification on this.

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

Conclusion - 1 – Regarding if the appointment of the service provider was made in line with relevant prescripts

- ◆ The result of our examination into, if the appointment of the service provider was made in line with relevant prescripts, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009 and May 2014). Refer to Annexure C.

Conclusion - 2 – Regarding if the appointment of the service provider was approved by relevant authorities

- ◆ The result of our examination into, if the appointment of the service provider, was approved by relevant authorities, is that the evidence presented to us or that could be gathered through our efforts, supports the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

5.20.3. Compliance to Deviation Processes

Due to the unavailability of any SCM documentation and absence of the suppliers original Bid Submission, a signed Contractual Agreement or the specifications of the work that were to be done for PRASA, it is not possible to determine if any Deviation to the original Scope of Work occurred.

Efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, therefore the necessary information/documentation related to any Deviation Processes were not available.

Conclusion - 1 – Regarding if deviations were in-line with relevant prescripts

- ◆ The result of our examination into if any deviation were in-line with relevant prescripts, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities.

5.20.4. Payment Review

PRASA provided the various extensions bundle under Annexure C for all security contracts which were, in each case, approved by the GCEO.

A Payment Analyses comparing the information found in Annexure C with financial records provided by PRASA on 28 June 2016 are under Annexure D.

According to the financial records provided by PRASA on 28 June 2016, the supplier was paid a total of R 229 860 355.74 (VAT inclusivity not known) for the period 30 April 2010 to 31 May 2016.

The released value, according to PRASA, was R 195 610 652,59 (VAT inclusivity not known). These variances could be indicative of the manipulation of the accounting records at PRASA or because of period corresponding assumptions made.

The supplier failed to provide us with any financial information related to the work done for PRASA, therefore no comparison between the records could be done.

Regrettably the data available cannot sufficiently reflect that the financial records of PRASA and those of the supplier match or not.

Conclusion - 1 – Regarding if payments correspond with bid price and/or contractual agreement

- ◆ The result of our examination into if payments correspond with bid price and/or contractual agreement, were;
 - that the supplier failed to provide any financial data as requested;
 - that the existence of discrepancies in the financial data from the supplier and PRASA could not be determined;
 - that there are discrepancies in the financial data received from PRASA in comparing the data sets.

5.20.5. Unduly benefited persons or entities

Conclusion - 1 – Regarding if individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

Conclusion - 2 – Regarding if entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, not even the supplier, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist.

5.20.6. Remedial Actions

Remedial Action Advise – 1

The **Accounting Authority/Officer** of PRASA, a public entity, in office during the timeline, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended,

- ◆ Relevant to Section 86(1) with;
 - Sections 38 (1) (a) i - General responsibilities of accounting officers
 - Sections 38 (1) (a) iii - General responsibilities of accounting officers
 - Sections 38 (1) (g) - General responsibilities of accounting officers
 - Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - Sections 40 (1) a - Accounting officers' reporting responsibilities

- ◆ Relevant to Section 86(2) with;
 - Sections 50 - Fiduciary duties of accounting authorities
 - Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

Remedial Action Advise – 2

Disciplinary action need to be initiated against the **Chief Procurement Officer** of PRASA, in office during the timeline for not successfully go out on a competitive bidding process for these security services, as the CPO was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 3

Disciplinary action need to be initiated against the **Chief Financial Officer** of PRASA, in office during the timeline for not insuring the proper following of the Financial Management of Public funds for Gross Negligence in the dereliction of duties.

Remedial Action Advise – 4

In order be given to the **supplier as legal person and its Director(s)** in office during the timeline to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the period noted or face been listed on the National Treasury's Database of Restricted Suppliers.

Remedial Action Advise – 5

Civil action need to be initiated against the **supplier as legal person and its Director(s)** in office during the timeline to recover the R 9 665 4666.86 (VAT inclusive) that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

Remedial Action Advise – 6

Annexure C indicates that the supplier also is task since 01 December 2012 to render services at Metrorail Passenger Service, but no related financial transactions can be found in the records provided by PRASA on 28 June 2016. This should be examined further to determine the validity and implementation status.

Vendor	Site Description	Extension from	Extension to	Recommendation Monthly
102117 Royal Security cc	Mainline Passenger Services	2012-12-01	2013-07-31	1 671 217,20
Contract will carry on as per Teddy up to 12 months and thereafter until next period	No Information	2013-08-01	2014-03-31	n/a
	Mainline Passenger Services	2014-04-01	2015-03-31	1 851 682,62
	Mainline Passenger Services	2015-04-01	2016-03-31	1 851 682,62
	Mainline Passenger Services	2016-04-01	2016-05-31	n/a

6) Closing Comment

The mere fact that access to the required information in order to conduct this engagement is nearly impossible or delayed, speaks to a lack of seriousness and adherence to comply with standard practises in document management.

It is clear that the detailed investigation and analysis phase of this assignment will be a challenge from the onset. It is however appreciated by the Team that Teddy Phoma at SCM Compliance, PRASA Corporate facilitates the access to information.

The PRASA vendor files relevant to this engagement reeks of mismanagement, misstatement of material facts and lack of taking the public service offered by PRASA seriously. It is a disgrace to the Public Sector and government owned entities.

The time allocated to this engagement was not sufficient due to the delays caused by the lack of access to required information in order to conduct this engagement in more depth.

The lack of information, paired with the unwillingness to cooperate or in some cases being unable to cooperate seriously hampers the rendering of operative conclusions.

It is the conclusion of the Team that the processes of awarding the reviewed files were not being properly planned, governed and documented resulting in highly questionable deviations from recognised standards, overspending and lack of proper contract-, risk-, and financial management.

Duly signed on Friday 30th September 2016 in Pretoria



**Nick Olivier – Certified Fraud Examiner
Chief Executive Officer
Strategic Investigations and Seminars (Pty) Ltd**

7) Annexures

7.1. Annexure A - Results of SCM Policy Compliance Review

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Nondela Gedeza Investments: Vendor: 107902: Engagement File 1 Cleaning Services

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
			Yes/No/NA	Document(s) on file		Fully Comply	Could not be verified	Partially Comply
Needs Assessment	Clause 10.2	35	No			x		
Bid Conditions	Clause 11.4.2.1	35	No			x		
Specifications	Clause 11.4.2.2	35	No			x		
Data sheets/Drawings	Clause 11.4.2.3	35	No			x		
Invitation to Bid	Clause 11.4.2.4	35	No			x		
Pricing Schedules	Clause 11.4.2.5	35	No			x		
National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No			x		
Specific Contract Agreement	Clause 11.4.2.7	36	No			x		
Preference Claim Form	Clause 11.4.2.8	36	Yes	1.E.1-2			x	Exempted Micro Enterprise Certificate issued 1 October 2012 (1 day)
Tax Clearance Certificate	Clause 11.4.2.9	36	Yes	1.D.1			x	TCC in File Dated 2013-7-24 and after the Agreement Effective Date
Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	No			x		
Bidders past SCM Practices	Clause 11.4.2.11	36	No			x		
Specific Conditions of Delivery	Clause 11.4.2.12	36	No			x		
Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No			x		
Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No			x		
Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No			x		
Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No			x		
Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No			x		
Determination if Performance Security Required	Clause 11.4.4	36	No			x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
Determination of criteria and weightings	Clause 11.4.5	37	No			x		
Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No			x		
Bid Documentation Fee Required	Clause 11.4.10	37	No			x		
Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No			x		
Bid Closing Date and Time (Exception approval)	Clause 11.4.8	37	No			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Nondela Gedeza Investments: Vendor 107902: Engagement File 1 : Cleaning Services

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #		Yes/No/NA			Fully Comply	Could not be verified	Partially Comply
Availability of Bid Documents on invitation	Clause 11.4.12	37		No			x		
Bid Cancellation Notice Ratification	Clause 11.4.13	37		NA					
Bid Cancellation Notice Publication	Clause 11.4.14	38		NA					
Bid Briefing Session by CFSC	Clause 9.9.8	26		No			x		
Bid Receipt Register	Clause 11.4.17	38		No			x		
Bid Copies rejected	Clause 11.4.18	38		No			x		
Late Bids rejected	Clause 11.4.19	38		No			x		
Late Bids Register	Clause 11.4.19	38		No			x		
Appointment of CFSC Members	Clauses 9.9	25		No			x		
Approval by GC&O of Appointment of independent experts as CFSC Members	Clauses 9.9	25		No			x		
Declaration of Interest and Confidentiality Agreements by CFSC members	Clause 8.1	17		No			x		
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38		No			x		
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38		Yes	1.B.1-9			x	Only indication of the purpose of Bid ToR can be deducted from a Nov 11 submission from Supplier.
BEE status Verification	Clause 11.9.5	46		No			x		
Disqualification of Bids	Clause 11.5.2	38		No			x		
Notices of Disqualified Bids	Clause 11.5.3	39		No			x		
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39		No			x		
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39		No			x		
Notices of Acceptance	Clause 11.6.3	39		No			x		
De-Briefing Session	Clause 11.6.4	40		No			x		
Publication of award: CIDB Website	Clause 11.6.5	40		NA					Non-Construction Bid
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39		No			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Nondela Gedeza Investments: Vendor 107902: Engagement File 1 Cleaning Services

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
			Yes/No/NA	Yes		Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	Yes	Yes	1.A.1-14		x	Copy of the Contract on file is incompletely signed by PRASA and witnesses
Contract Administration: Change Control	Clause 11.10.2	47	Yes	Yes	1.C.1-3		x	Copy of Addendum-1 on file is incompletely signed by PRASA and witnesses
Contract Administration: Performance Management	Clause 11.10.2	47	No	No			x	Evidence of feedback reports by 2 suppliers but none on the PRASA response
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	Yes	Yes			x	
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No			x	
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No	No			x	
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No	No			x	
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No			x	
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No			x	
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No			x	
Order Processing: Contract purchase	Clause 12.1.5	49	No	No			x	
Vendor Performance: Monitoring	Clause 12.3	51	No	No			x	
Maintain records to ensure audit trail	Clause 9.9.15	26	No	No			x	
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No	No			x	
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No			x	
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No			x	
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No			x	
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No	No			x	

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Lebepe Quantity Surveyors: Vendor 108860: Engagement File 2 Tender HO/SCM/226/11/2011 Notice to Proceed Professional Services Dated 28 November 2012	Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
				Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment	
										No
	Needs Assessment	Clause 10.2	35	No				x		
	Bid Conditions	Clause 11.4.2.1	35	No				x		
	Specifications	Clause 11.4.2.2	35	No				x		
	Data sheets/Drawings	Clause 11.4.2.3	35	No				x		
	Invitation to Bid	Clause 11.4.2.4	35	No				x		
	Pricing Schedules	Clause 11.4.2.5	35	No				x		
	National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No				x		
	Specific Contract Agreement	Clause 11.4.2.7	36	No				x		
	Preference Claim Form	Clause 11.4.2.8	36	No				x		
	Tax Clearance Certificate	Clause 11.4.2.9	36	No				x		
	Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	No				x		
	Bidders past SCM Practices	Clause 11.4.2.11	36	No				x		
	Specific Conditions of Delivery	Clause 11.4.2.12	36	No				x		
	Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No				x		
	Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No				x		
	Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No				x		
	Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No				x		
	Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No				x		
	Determination if Performance Security Required	Clause 11.4.4	36	No				x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
	Determination of criteria and weightings	Clause 11.4.5	37	No				x		
	Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No				x		
	Bid Documentation Fee Required	Clause 11.4.10	37	No				x		
	Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No				x		
	Bid Closing Date and Time (Exception approval)	Clause 11.4.8	37	No				x		

Checklist: PRASA SCM Policy (Feb 2009); Report Reference 4.2 - Lebepe Quantity Surveyors: Vendor 108860: Engagement File 2 Tender HO/SCM/226/11/2011 Notice to Proceed Professional Services Dated 28 November 2012	Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
			Page #	Yes/No/NA	Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
	Availability of Bid Documents on Invitation	Clause 11.4.12	37	No	No			x		
	Bid Cancellation Notice Ratification	Clause 11.4.13	37	No	No			x		
	Bid Cancellation Notice Publication	Clause 11.4.14	38	No	No			x		
	Bid Briefing Session by CFSC	Clause 9.9.8	26	No	No			x		
	Bid Receipt Register	Clause 11.4.17	38	No	No			x		
	Bid Copies rejected	Clause 11.4.18	38	No	No			x		
	Late Bids rejected	Clause 11.4.19	38	No	No			x		
	Late Bids Register	Clause 11.4.19	38	No	No			x		
	Appointment of CFSC Members	Clauses 9.9	25	No	No			x		
	Approval by GCEO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No	No			x		
	Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No	No			x		
	Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No	No			x		
	Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No	No			x		
	BEE status Verification	Clause 11.9.5	46	No	No			x		
	Disqualification of Bids	Clause 11.5.2	38	No	No			x		
	Notices of Disqualified Bids	Clause 11.5.3	39	No	No			x		
	Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	No	No			x		
	Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	No	No			x		
	Notices of Acceptance	Clause 11.6.3	39	Yes	Yes		2.F.1-2		x	Notice to Proceed Signed by N Shezi No Acceptance
	De-Briefing Session	Clause 11.6.4	40	No	No			x		
	Publication of award: CIDB Website	Clause 11.6.5	40	No	No			x		
	Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	No	No			x		

Checklist: PRASA SCM Policy (Feb 2009); Report Reference 4.2 -
 Lebepe Quantity Surveyors: Vendor 108860: Engagement File 2
 Tender HO/SCM/226/11/2011
 Notice to Proceed Professional Services Dated 28 November 2012

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Document on file Reference		Fully Comply	Could not be verified	Partially Comply
Contract Administration: Signed Contract	Clause 11.10.2	47	Yes	Yes	2.1.1-23			x	Only Signed by Vendor on 04/08/2013. No info to support what the actual services were
Contract Administration: Change Control	Clause 11.10.2	47	No	No			x		
Contract Administration: Performance Management	Clause 11.10.2	47	No	No			x		
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No	No			x		
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No			x		
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No	No			x		
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No	No			x		
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No			x		
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No			x		
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No			x		
Order Processing: Contract purchase	Clause 12.1.5	49	Yes	Yes	2.1.1-9			x	Purchase Requisitions were issued but seems open-ended
Vendor Performance: Monitoring	Clause 12.3	51	No	No			x		
Maintain records to ensure audit trail	Clause 9.9.15	26	No	No			x		
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No			x		
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No	No			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Superfecta Trading 209 CC: Vendor 106202: Engagement File 3 Tender HO/SCM/269/08/2012 Refurbishment of Old Intersite Offices at Park Station	Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
				Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment	
										Document Reference
	Needs Assessment	Clause 10.2	35	No			x			
	Bid Conditions	Clause 11.4.2.1	35	No			x			
	Specifications	Clause 11.4.2.2	35	No			x			
	Data sheets/Drawings	Clause 11.4.2.3	35	No			x			
	Invitation to Bid	Clause 11.4.2.4	35	No			x			
	Pricing Schedules	Clause 11.4.2.5	35	No			x			
	National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No			x			
	Specific Contract Agreement	Clause 11.4.2.7	36	No			x			
	Preference Claim Form	Clause 11.4.2.8	36	No			x			
	Tax Clearance Certificate	Clause 11.4.2.9	36	No			x			
	Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	Yes	3-A.1-10	x				Documents of Lesego Mosime not on file
	Bidders past SCM Practices	Clause 11.4.2.11	36	No			x			
	Specific Conditions of Delivery	Clause 11.4.2.12	36	No			x			
	Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No			x			
	Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No			x			
	Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No			x			
	Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No			x			
	Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No			x			
	Determination if Performance Security Required	Clause 11.4.4	36	No			x			Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
	Determination of criteria and weightings	Clause 11.4.5	37	No			x			
	Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No			x			
	Bid Documentation Fee Required	Clause 11.4.10	37	No			x			
	Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	Yes	3.B.2	x				Compliance deducted from Recommendation Report
	Bid Closing Date and Time (Exception approval)	Clause 11.4.8	37	NA						

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Superfecta Trading 209 CC: Vendor 106202: Engagement File 3 Tender HO/SCM/269/08/2012 Refurbishment of Old Intersite Offices at Park Station	Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
				Yes/No/NA	Document(s) on file		Fully Comply	Could not be verified	Partially Comply
	Availability of Bid Documents on Invitation	Clause 11.4.12	37	Yes		3.C.1-3	x		Compliance deducted from the 27 Tenders Collected (17-28/9/2012)
	Bid Cancellation Notice Ratification	Clause 11.4.13	37	NA					
	Bid Cancellation Notice Publication	Clause 11.4.14	38	NA					
	Bid Briefing Session by CFSC	Clause 9.9.8	26	Yes		3.D.1-5	x		Held 2012-09-21
	Bid Receipt Register	Clause 11.4.17	38	Yes		3.F.1-2	x		Dated 2012-10-17
	Bid Copies rejected	Clause 11.4.18	38	No			x		
	Late Bids rejected	Clause 11.4.19	38	No			x		
	Late Bids Register	Clause 11.4.19	38	No			x		
	Appointment of CFSC Members	Clauses 9.9	25	Yes		3.E.1-2	x		Appointment to Tender Evaluation Team (6/11/2012)
	Approval by GCEO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No			x		
	Declaration of Interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No			x		
	Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	Yes		3.B.6-7	x		
	Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	Yes		3.B.6-7	x		
	BEE status Verification	Clause 11.9.5	46	No			x		
	Disqualification of Bids	Clause 11.5.2	38	No			x		
	Notices of Disqualified Bids	Clause 11.5.3	39	No			x		
	Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	Yes		3.B.1-7	x		
	Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	Yes		3.B.5	x		Copy of the Recommendation Report on file is signed and approved by Acting CEO: PRASA
	Notices of Acceptance	Clause 11.6.3	39	Yes		3.G.2-3	x		Notice to Proceed (3/4/2013)
	De-Briefing Session	Clause 11.6.4	40	No			x		
	Publication of award: CIDB Website	Clause 11.6.5	40	No			x		
	Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	No			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 -
 Superfecta Trading 209 CC: Vendor 106202: Engagement File 3
 Tender HO/SCM/269/08/2012
 Refurbishment of Old Intersite Offices at Park Station

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
			Yes/No/NA	Document(s) on file		Fully Comply	Could not be verified	Partially Comply
Contract Administration: Signed Contract	Clause 11.10.2	47	No			x		
Contract Administration: Change Control	Clause 11.10.2	47	No			x		
Contract Administration: Performance Management	Clause 11.10.2	47	No			x		
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No			x		
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No			x		
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No			x		
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	NA					
Contract Assignment: Written Consent	Clause 11.10.4	48	No			x		
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No			x		
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No			x		
Order Processing: Contract purchase	Clause 12.1.5	49	No			x		
Vendor Performance: Monitoring	Clause 12.3	51	No			x		
Maintain records to ensure audit trail	Clause 9.9.15	26	Yes				x	Many documents missing
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	Yes		3.H.1-2	x		Security Screening Report (14/2/2013)
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No				x	
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No				x	
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No				x	
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	NA				x	

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Blue Flame Advertising (Pty) Ltd: Vendor 107730: Engagement File 4 Tender HO/CorpAffairs/246/02/2012 Media Campaign and Image Documentation	Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
				Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
	Needs Assessment	Clause 10.2	35	Yes	x	4.A.1	x		Purchase Requisition no. 18610 dated 16 February 2012
	Bid Conditions	Clause 11.4.2.1	35	No			x		
	Specifications	Clause 11.4.2.2	35	No			x		
	Data sheets/Drawings	Clause 11.4.2.3	35	No			x		
	Invitation to Bid	Clause 11.4.2.4	35	Yes	x	4.B.1-7			6 Invitation E-mails send 17/2/2012 with advert attached thereto
	Pricing Schedules	Clause 11.4.2.5	35	No			x		
	National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No			x		
	Specific Contract Agreement	Clause 11.4.2.7	36	No			x		
	Preference Claim Form	Clause 11.4.2.8	36	No			x		
	Tax Clearance Certificate	Clause 11.4.2.9	36	Yes	x	4.P.1			
	Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	Yes	x	4.D.1-26 4.J.1-21 4.K.14-18			4.D: Attendance register and DoI + CA dates differs 4.K: Declarations of interest only
	Bidder's past SCM Practices	Clause 11.4.2.11	36	No			x		
	Specific Conditions of Delivery	Clause 11.4.2.12	36	No			x		
	Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No			x		
	Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No			x		
	Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No			x		
	Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No			x		
	Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No			x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
	Determination if Performance Security Required	Clause 11.4.4	36	No			x		
	Determination of criteria and weightings	Clause 11.4.5	37	No			x		
	Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	Yes		4.B.7		x	Not in Newspaper: RFP send per e-mail
	Bid Documentation Fee Required	Clause 11.4.10	37	No			x		
	Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	Yes		4.B.7		x	Timeline deducted from Advert: Advert out 17/2/2012; Briefing 20/2/2012; submission closed 24/2/2012
	Bid Closing Date and Time (Exception approval)	Clause 11.4.8	37	NA					

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Blue Flame Advertising (Pty) Ltd: Vendor 107730: Engagement File 4 Tender HO/CorpAffairs/246/02/2012 Media Campaign and Image Documentation	Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
				Yes/No/NA	Yes		Fully Comply	Could not be verified	Partially Comply	Comment
	Availability of Bid Documents on Invitation	Clause 11.4.12	37	Yes		4.C.1-2	x			Compliance deducted from the 5 suppliers attending the Briefing Session (20/2/2012)
	Bid Cancellation Notice Ratification	Clause 11.4.13	37	Yes		4.E.1-7	x			Memorandum dated 27/3/2012 Approval ?
	Bid Cancellation Notice Publication	Clause 11.4.14	38	Yes		4.F.1-15	x			Notice of new Bid Submission Date issued to 5 suppliers
	Bid Briefing Session by CFSC	Clause 9.9.8	26	Yes		4.C.1-15	x			Held 20/2/2012 and none after extension
	Bid Receipt Register	Clause 11.4.17	38	Yes		4.H.1	x			Dated 22/6/2012
	Bid Copies rejected	Clause 11.4.18	38	No				x		
	Late Bids rejected	Clause 11.4.19	38	No				x		
	Late Bids Register	Clause 11.4.19	38	No				x		
	Appointment of CFSC Members	Clauses 9.9	25	Yes		4.I.1-4	x			Dated 18/6/2012 replaced by 20/6/2012 team
	Approval by GCEO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No				x		
	Declaration of Interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No				x		
	Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	Yes		4.K.9-13 4.L.5	x			
	Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	Yes		4.K.9-13	x			
	BEE status Verification	Clause 11.9.5	46	No				x		
	Disqualification of Bids	Clause 11.5.2	38	No				x		
	Notices of Disqualified Bids	Clause 11.5.3	39	No				x		
	Recommendation to appoint supplier: CFSC/D/TPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	Yes		4.L.1-11	x			Copy of the Recommendation Report on file is signed and approved by GCEO: PRASA
	Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	Yes		4.L.10	x			Notice to Proceed (7/8/2012): Acceptance from Blue Flame (8/8/2012)
	Notices of Acceptance	Clause 11.6.3	39	Yes		4.M.1-2 4.O.1	x			
	De-Briefing Session	Clause 11.6.4	40	No				x		
	Publication of award: CIBB Website	Clause 11.6.5	40	NA						Not a Construction Bid
	Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	Yes		4.M.1-2			x	No Debriefing Session

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 -
 Blue Flame Advertising (Pty) Ltd: Vendor 107730: Engagement File 4
 Tender HO/CorpAffairs/246/02/2012
 Media Campaign and Image Documentation

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
			Yes/No/NA	Yes/No/NA		Fully Comply	Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	Yes	Yes	4.Q.1-22	x			
Contract Administration: Change Control	Clause 11.10.2	47	Yes	Yes	4.R.1-6	x			
Contract Administration: Performance Management	Clause 11.10.2	47	No	No			x		
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No	No			x		
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No	4.S.1-2		x		According to supplier R2'188'396,44 remains unpaid by PRASA
Contract Term: Less than 3 years rule	Clause 11.10.3	48	Yes	Yes	4.R.1-6	x			
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	NA	NA					
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No			x		
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No			x		
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No			x		
Order Processing: Contract purchase	Clause 12.1.5	49	No	No			x		
Vendor Performance: Monitoring	Clause 12.3	51	No	No			x		
Maintain records to ensure audit trail	Clause 9.9.15	26	Yes	Yes				x	Many documents missing
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	Yes	Yes			x		
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No			x		
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	NA	NA			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 -
Highpana Projects (Pty) Ltd: Vendor 109067: Engagement File 5
Tender HO/SCM/415/11/2012
Refurbishment: Business Express Lounges

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Fully Comply	Could not be verified		Partially Comply	Comment	
									Yes
Needs Assessment	Clause 10.2	35	Yes		x	5.A.1-2			
Bid Conditions	Clause 11.4.2.1	35	No				x		
Specifications	Clause 11.4.2.2	35	No				x		
Data sheets/Drawings	Clause 11.4.2.3	35	No				x		
Invitation to Bid	Clause 11.4.2.4	35	No				x		
Pricing Schedules	Clause 11.4.2.5	35	No				x		
National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No				x		
Specific Contract Agreement	Clause 11.4.2.7	36	No				x		
Preference Claim Form	Clause 11.4.2.8	36	No				x		
Tax Clearance Certificate	Clause 11.4.2.9	36	No				x		
Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	Yes		x	5.F.1-10			
Bidders past SCM Practices	Clause 11.4.2.11	36	No				x		
Specific Conditions of Delivery	Clause 11.4.2.12	36	No				x		
Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No				x		
Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No				x		
Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No				x		
Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No				x		
Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No				x		
Determination if Performance Security Required	Clause 11.4.4	36	No				x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
Determination of criteria and weightings	Clause 11.4.5	37	No				x		
Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	Yes			5.B.1	x		
Bid Documentation Fee Required	Clause 11.4.10	37	Yes			5.B.1	x		R 5000 Non-Refundable No reconciled records/evidence available
Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	Yes			5.B.1	x		
Bid Closing Date and Time (Exception approval)	Clause 11.4.8	37	N/A						

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Highpana Projects (Pty) Ltd: Vendor 109067: Engagement File 5 Tender HO/SCM/415/11/2012 Refurbishment: Business Express Lounges

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review			
		Page #	Yes/No/NA	Yes	No		Fully Comply	Could not be verified	Partially Comply	Comment
Availability of Bid Documents on Invitation	Clause 11.4.12	37	Yes	Yes	No	5.C.1-4	x			Deducted from Collection Register
Bid Cancellation Notice Ratification	Clause 11.4.13	37	N/A	N/A	No					
Bid Cancellation Notice Publication	Clause 11.4.14	38	N/A	N/A	No					
Bid Briefing Session by CFSC	Clause 9.9.8	26	Yes	Yes	No	5.D.1-2	x			
Bid Receipt Register	Clause 11.4.17	38	Yes	Yes	No	5.E.1-3		x		Incomplete
Bid Copies rejected	Clause 11.4.18	38	No	No	No			x		
Late Bids rejected	Clause 11.4.19	38	No	No	No			x		
Late Bids Register	Clause 11.4.19	38	No	No	No			x		
Appointment of CFSC Members	Clauses 9.9	25	No	No	No			x		
Approval by GCEO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No	No	No			x		
Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No	No	No			x		
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No	No	No			x		
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No	No	No			x		
BEE status Verification	Clause 11.9.5	46	No	No	No			x		
Disqualification of Bids	Clause 11.5.2	38	No	No	No			x		
Notices of Disqualified Bids	Clause 11.5.3	39	No	No	No			x		
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	Yes	Yes	No	5.G.1-46	x			
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	Yes	Yes	No	5.I.7	x			
Notices of Acceptance	Clause 11.6.3	39	Yes	Yes	No	5.K.1-4	x			
De-Briefing Session	Clause 11.6.4	40	No	No	No			x		
Publication of award: CIDB Website	Clause 11.6.5	40	No	No	No			x		
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	Yes	Yes	No	5.J.1-13	x			13 Letters on file

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 -
 Highpana Projects (Pty) Ltd: Vendor 109067: Engagement File 5
 Tender HO/SCM/415/11/2012
 Refurbishment: Business Express Lounges

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	No	No			x		
Contract Administration: Change Control	Clause 11.10.2	47	No	No			x		
Contract Administration: Performance Management	Clause 11.10.2	47	No	No			x		
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No	No			x		
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No			x		
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No	No			x		
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No	No			x		
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No			x		
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No			x		
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No			x		
Order Processing: Contract purchase	Clause 12.1.5	49	No	No			x		
Vendor Performance: Monitoring	Clause 12.3	51	No	No			x		
Maintain records to ensure audit trail	Clause 9.9.15	26	No	No			x		
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No			x		
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No	No			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - OTIS (Pty) Ltd: Vendor 105781: Engagement File 6 Tender HO/CRES/265/06/2012 Lifts and Escalators at Park Station

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes	No		Fully Comply	Could not be verified	Partially Comply
Needs Assessment	Clause 10.2	35	No				x		
Bid Conditions	Clause 11.4.2.1	35	No				x		
Specifications	Clause 11.4.2.2	35	No				x		
Data sheets/Drawings	Clause 11.4.2.3	35	No				x		
Invitation to Bid	Clause 11.4.2.4	35	No				x		
Pricing Schedules	Clause 11.4.2.5	35	No				x		
National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No				x		
Specific Contract Agreement	Clause 11.4.2.7	36	No				x		
Preference Claim Form	Clause 11.4.2.8	36	No				x		
Tax Clearance Certificate	Clause 11.4.2.9	36	No				x		
Declaration of interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	Yes			6.E.1-10		x	Dol ref: Tender HO/CRES/275/08/2012 Conf. Agr. Ref.: Tender HO/CRES/275/09/2012 No appointment Memorandum
Bidders past SCM Practices	Clause 11.4.2.11	36	No				x		
Specific Conditions of Delivery	Clause 11.4.2.12	36	No				x		
Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No				x		
Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No				x		
Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No				x		
Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No				x		
Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No				x		
Determination if Performance Security Required	Clause 11.4.4	36	No				x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
Determination of criteria and weightings	Clause 11.4.5	37	No				x		
Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	Yes			6.A.1-2		x	Tender HO/CRES/275/10/2012
Bid Documentation Fee Required	Clause 11.4.10	37	Yes			6.A.1-2	x		R 1000 Non-Refundable No reconciled records/evidence available
Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No				x		
Bid Closing Date and Time (Exception approval)	Clause 11.4.8	37	No				x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - OTIS (Pty) Ltd: Vendor 105781: Engagement File 6 Tender HO/CRES/265/06/2012 Lifts and Escalators at Park Station

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
			Yes/No/NA	Yes/No/NA		Fully Comply	Could not be verified	Partially Comply	Comment
Availability of Bid Documents on Invitation	Clause 11.4.12	37	Yes	Yes	6.C.1			x	Deducted from Tender Opening Register HO/CRES/265/06/2012
Bid Cancellation Notice Ratification	Clause 11.4.13	37	No	No			x		
Bid Cancellation Notice Publication	Clause 11.4.14	38	No	No			x		
Bid Briefing Session by CFSC	Clause 9.9.8	26	Yes	Yes	6.B.1-2 6.D.1-4			x	No tender ref/Date of briefing does not correspond with advert nor with 6.D1-4 HO/CRES/265/06/2012
Bid Receipt Register	Clause 11.4.17	38	Yes	Yes	6.C.1			x	Incomplete HO/CRES/265/06/2012
Bid Copies rejected	Clause 11.4.18	38	No	No			x		
Late Bids rejected	Clause 11.4.19	38	No	No			x		
Late Bids Register	Clause 11.4.19	38	No	No			x		
Appointment of CFSC Members	Clauses 9.9	25	No	No			x		
Approval by GCEO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No	No			x		
Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No	No			x		
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No	No			x		
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No	No			x		
BEE status Verification	Clause 11.9.5	46	No	No			x		
Disqualification of Bids	Clause 11.5.2	38	No	No			x		
Notices of Disqualified Bids	Clause 11.5.3	39	No	No			x		
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	Yes	Yes	6.G.1-15			x	HO/CRES/265/06/2012
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	Yes	Yes	6.G.8			x	
Notices of Acceptance	Clause 11.6.3	39	No	No			x		
De-Briefing Session	Clause 11.6.4	40	No	No			x		
Publication of award: CIDB Website	Clause 11.6.5	40	No	No			x		
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	Yes	Yes	6.H.1-4			x	4 Letters on file: HO/CRES/265/06/2012

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 -
 OTIS (Pty) Ltd: Vendor 105781: Engagement File 6
 Tender HO/CRES/265/06/2012
 Lifts and Escalators at Park Station

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	No	No			x		
Contract Administration: Change Control	Clause 11.10.2	47	No	No			x		
Contract Administration: Performance Management	Clause 11.10.2	47	No	No			x		
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No	No			x		
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No			x		
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No	No			x		
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No	No			x		
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No			x		
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No			x		
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No			x		
Order Processing: Contract purchase	Clause 12.1.5	49	No	No			x		
Vendor Performance: Monitoring	Clause 12.3	51	No	No			x		
Maintain records to ensure audit trail	Clause 9.9.15	26	No	No			x		
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No			x		
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No			x		
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No	No			x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Protea Coin Assist in Transit: Vendor 102722: Engagement File 7 The provision of cash in transit	Supporting Document		SCM Policy			Document(s) on file		Result of Compliance Review		
	SCM Policy Reference	Page #	Yes/No/NA	Document on file Reference	Fully Comply	Could not be verified	Partially Comply	Comment		
Needs Assessment	Clause 10.2	35	No			x				
Bid Conditions	Clause 11.4.2.1	35	No			x				
Specifications	Clause 11.4.2.2	35	No			x				
Data sheets/Drawings	Clause 11.4.2.3	35	No			x				
Invitation to Bid	Clause 11.4.2.4	35	No			x				
Pricing Schedules	Clause 11.4.2.5	35	No			x				
National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No			x				
Specific Contract Agreement	Clause 11.4.2.7	36	No			x				
Preference Claim Form	Clause 11.4.2.8	36	No			x				
Tax Clearance Certificate	Clause 11.4.2.9	36	No			x				
Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	No			x				
Bidders past SCM Practices	Clause 11.4.2.11	36	No			x				
Specific Conditions of Delivery	Clause 11.4.2.12	36	No			x				
Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No			x				
Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No			x				
Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No			x				
Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No			x				
Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No			x				
Determination if Performance Security Required	Clause 11.4.4	36	No			x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities		
Determination of criteria and weightings	Clause 11.4.5	37	No			x				
Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No			x				
Bid Documentation Fee Required	Clause 11.4.10	37	No			x				
Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No			x				
Bid Closing Date and Time (exception approval)	Clause 11.4.8	37	No			x				

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Fully Comply	Could not be verified		Partially Comply	Comment	
Availability of Bid Documents on Invitation	Clause 11.4.12	37	No		x				
Bid Cancellation Notice Ratification	Clause 11.4.13	37	No		x				
Bid Cancellation Notice Publication	Clause 11.4.14	38	No		x				
Bid Briefing Session by CFSC	Clause 9.9.8	26	No		x				
Bid Receipt Register	Clause 11.4.17	38	No		x				
Bid Copies rejected	Clause 11.4.18	38	No		x				
Late Bids rejected	Clause 11.4.19	38	No		x				
Late Bids Register	Clause 11.4.19	38	No		x				
Appointment of CFSC Members	Clauses 9.9	25	No		x				
Approval by GCFO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No		x				
Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No		x				
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No		x				
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No		x				
BEE status Verification	Clause 11.9.5	46	No		x				
Disqualification of Bids	Clause 11.5.2	38	No		x				
Notices of Disqualified Bids	Clause 11.5.3	39	No		x				
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	No		x				
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	No		x				
Notices of Acceptance	Clause 11.6.3	39	No		x				
De-Briefing Session	Clause 11.6.4	40	No		x				
Publication of award: CIDB Website	Clause 11.6.5	40	No		x				
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	No		x				

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	No	No				x	
Contract Administration: Change Control	Clause 11.10.2	47	No	No				x	
Contract Administration: Performance Management	Clause 11.10.2	47	No	No				x	
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No	No				x	
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No				x	
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No	No				x	
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No	No				x	
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No				x	
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No				x	
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No				x	
Order Processing: Contract purchase	Clause 12.1.5	49	No	No				x	
Vendor Performance: Monitoring	Clause 12.3	51	No	No				x	
Maintain records to ensure audit trail	Clause 9.9.15	26	No	No				x	
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No	No				x	
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No				x	
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No				x	
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No				x	
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No	No				x	

**Checklist: PRASA SCM Policy (Feb 2009 and May 2014): Report Reference 4.2 -
Transnet: Vendor 102914: Engagement File 8
Propnet Rental 6th Floor**

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
			Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
Needs Assessment	Clause 10.2	35	No			x		
Bid Conditions	Clause 11.4.2.1	35	No			x		
Specifications	Clause 11.4.2.2	35	No			x		
Data sheets/Drawings	Clause 11.4.2.3	35	No			x		
Invitation to Bid	Clause 11.4.2.4	35	No			x		
Pricing Schedules	Clause 11.4.2.5	35	No			x		
National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No			x		
Specific Contract Agreement	Clause 11.4.2.7	36	No			x		
Preference Claim Form	Clause 11.4.2.8	36	No			x		
Tax Clearance Certificate	Clause 11.4.2.9	36	No			x		
Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	No			x		
Bidders past SCM Practices	Clause 11.4.2.11	36	No			x		
Specific Conditions of Delivery	Clause 11.4.2.12	36	No			x		
Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No			x		
Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No			x		
Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No			x		
Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No			x		
Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No			x		
Determination if Performance Security Required	Clause 11.4.4	36	No			x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
Determination of criteria and weightings	Clause 11.4.5	37	No			x		
Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No			x		
Bid Documentation Fee Required	Clause 11.4.10	37	No			x		
Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No			x		
Bid Closing Date and Time (exception approval)	Clause 11.4.8	37	No			x		

**Checklist: PRASA SCM Policy (Feb 2009 and May 2014): Report Reference 4.2 -
Transnet: Vendor 102914: Engagement File 8
Propnet Rental 6th Floor**

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Document on file Reference		Fully Comply	Could not be verified	Partially Comply
Availability of Bid Documents on Invitation	Clause 11.4.12	37	No	No				x	
Bid Cancellation Notice Ratification	Clause 11.4.13	37	No	No				x	
Bid Cancellation Notice Publication	Clause 11.4.14	38	No	No				x	
Bid Briefing Session by CFSC	Clause 9.9.8	26	No	No				x	
Bid Receipt Register	Clause 11.4.17	38	No	No				x	
Bid Copies rejected	Clause 11.4.18	38	No	No				x	
Late Bids rejected	Clause 11.4.19	38	No	No				x	
Late Bids Register	Clause 11.4.19	38	No	No				x	
Appointment of CFSC Members	Clauses 9.9	25	No	No				x	
Approval by GCFO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No	No				x	
Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No	No				x	
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No	No				x	
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No	No				x	
BEE status Verification	Clause 11.9.5	46	No	No				x	
Disqualification of Bids	Clause 11.5.2	38	No	No				x	
Notices of Disqualified Bids	Clause 11.5.3	39	No	No				x	
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	No	No				x	
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	No	No				x	
Notices of Acceptance	Clause 11.6.3	39	No	No				x	
De-Briefing Session	Clause 11.6.4	40	No	No				x	
Publication of award: CIDB Website	Clause 11.6.5	40	No	No				x	
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	No	No				x	

**Checklist: PRASA SCM Policy (Feb 2009 and May 2014): Report Reference 4.2 -
Transnet: Vendor 102914: Engagement File 8
Propnet Rental 6th Floor**

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
			Yes/No/NA	Document		Fully Comply	Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	No				x		
Contract Administration: Change Control	Clause 11.10.2	47	No				x		
Contract Administration: Performance Management	Clause 11.10.2	47	No				x		
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No				x		
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No				x		
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No				x		
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No				x		
Contract Assignment: Written Consent	Clause 11.10.4	48	No				x		
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No				x		
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No				x		
Order Processing: Contract purchase	Clause 12.1.5	49	No				x		
Vendor Performance: Monitoring	Clause 12.3	51	No				x		
Maintain records to ensure audit trail	Clause 9.9.15	26	No				x		
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No				x		
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No				x		
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No				x		
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No				x		
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No				x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Lennings Rail Service: Vendor 100841: Engagement File 9 Hire and Maintenance of 3kv DC Overhead	Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review		
				Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
	Needs Assessment	Clause 10.2	35	No			x		
	Bid Conditions	Clause 11.4.2.1	35	No			x		
	Specifications	Clause 11.4.2.2	35	No			x		
	Data sheets/Drawings	Clause 11.4.2.3	35	No			x		
	Invitation to Bid	Clause 11.4.2.4	35	No			x		
	Pricing Schedules	Clause 11.4.2.5	35	No			x		
	National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No			x		
	Specific Contract Agreement	Clause 11.4.2.7	36	No			x		
	Preference Claim Form	Clause 11.4.2.8	36	No			x		
	Tax Clearance Certificate	Clause 11.4.2.9	36	No			x		
	Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	No			x		
	Bidders past SCM Practices	Clause 11.4.2.11	36	No			x		
	Specific Conditions of Delivery	Clause 11.4.2.12	36	No			x		
	Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No			x		
	Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No			x		
	Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No			x		
	Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No			x		
	Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No			x		
	Determination if Performance Security Required	Clause 11.4.4	36	No			x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
	Determination of criteria and weightings	Clause 11.4.5	37	No			x		
	Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No			x		
	Bid Documentation Fee Required	Clause 11.4.10	37	No			x		
	Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No			x		
	Bid Closing Date and Time (exception approval)	Clause 11.4.8	37	No			x		

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Fully Comply	Could not be verified		Partially Comply	Comment	
Availability of Bid Documents on Invitation	Clause 11.4.12	37	No		x				
Bid Cancellation Notice Ratification	Clause 11.4.13	37	No		x				
Bid Cancellation Notice Publication	Clause 11.4.14	38	No		x				
Bid Briefing Session by CFSC	Clause 9.9.8	26	No		x				
Bid Receipt Register	Clause 11.4.17	38	No		x				
Bid Copies rejected	Clause 11.4.18	38	No		x				
Late Bids rejected	Clause 11.4.19	38	No		x				
Late Bids Register	Clause 11.4.19	38	No		x				
Appointment of CFSC Members	Clauses 9.9	25	No		x				
Approval by GCFO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No		x				
Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No		x				
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No		x				
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No		x				
BEE status Verification	Clause 11.9.5	46	No		x				
Disqualification of Bids	Clause 11.5.2	38	No		x				
Notices of Disqualified Bids	Clause 11.5.3	39	No		x				
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	No		x				
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	No		x				
Notices of Acceptance	Clause 11.6.3	39	No		x				
De-Briefing Session	Clause 11.6.4	40	No		x				
Publication of award: CIDB Website	Clause 11.6.5	40	No		x				
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	No		x				

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
			Yes/No/NA	Document(s) on file		Fully Comply	Could not be verified	Partially Comply	Comment
Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Lenings Rail Service: Vendor 100841: Engagement File 9 Hire and Maintenance of 3kv DC Overhead	Contract Administration: Signed Contract	47	No				x		
	Contract Administration: Change Control	47	No				x		
	Contract Administration: Performance Management	47	No				x		
	Contract Administration: Corrective action in deviation from Contract	47	No				x		
	Contract Administration: Manage Payment Process	47	No				x		
	Contract Term: Less than 3 years rule	48	No				x		
	Contract Term: Less than 5 years rule (Lease of Immovable Property)	48	No				x		
	Contract Assignment: Written Consent	48	No				x		
	Contract Monitoring: Site Inspections	48	No				x		
	Contract Monitoring: Regular Meetings	48	No				x		
	Order Processing: Contract purchase	49	No				x		
	Vendor Performance: Monitoring	51	No				x		
	Maintain records to ensure audit trail	26	No				x		
	Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	52	No				x		
	Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	52	No				x		
Risk Management by Accounting Officer: SCM System: Acceptance of cost	52	No				x			
Risk Management by Accounting Officer: SCM System: Pro-Active Management	53	No				x			
Risk Management by Accounting Officer: SCM System: Contractual assignment	53	No				x			

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Mmashela Investments: Vendor 1030001: Engagement File 10 Provision of locum doctor

Supporting Document	SCM Policy Reference	SCM Policy Page #	Document(s) on file		Document on file Reference	Result of Compliance Review			
			Yes/No/NA	Document on file		Fully Comply	Could not be verified	Partially Comply	Comment
Needs Assessment	Clause 10.2	35	No				x		
Bid Conditions	Clause 11.4.2.1	35	No				x		
Specifications	Clause 11.4.2.2	35	No				x		
Data sheets/Drawings	Clause 11.4.2.3	35	No				x		
Invitation to Bid	Clause 11.4.2.4	35	No				x		
Pricing Schedules	Clause 11.4.2.5	35	No				x		
National Industrial Participation Programme (NIPP)	Clause 11.4.2.6	36	No				x		
Specific Contract Agreement	Clause 11.4.2.7	36	No				x		
Preference Claim Form	Clause 11.4.2.8	36	No				x		
Tax Clearance Certificate	Clause 11.4.2.9	36	No				x		
Declaration of Interest and Confidentiality Agreements by BEC members	Clause 11.4.2.10	36	No				x		
Bidders past SCM Practices	Clause 11.4.2.11	36	No				x		
Specific Conditions of Delivery	Clause 11.4.2.12	36	No				x		
Clear Special Conditions of Contract in Bid Documentation	Clause 11.5.2.1	36	No				x		
Special Conditions of Contract: Legal Services Enforceability Review	Clause 11.4.2.3	36	No				x		
Special Conditions of Contract part of Contract	Clause 11.4.2.4	36	No				x		
Special Conditions of Contract linked to Delivery and Payment Schedule	Clause 11.4.2.4	36	No				x		
Special Conditions of Contract: Approval by Chief Procurement Office (CPO)	Clause 11.4.3	36	No				x		
Determination if Performance Security Required	Clause 11.4.4	36	No				x		Section 7 of Feb 2004 National Treasury SCM: A guide for accounting officers / authorities
Determination of criteria and weightings	Clause 11.4.5	37	No				x		
Invitation to Bid: Newspaper Advert	Clause 11.4.7	37	No				x		
Bid Documentation Fee Required	Clause 11.4.10	37	No				x		
Bid Closing Date and Time (3 week rule)	Clause 11.4.8 / 11.4.16	37	No				x		
Bid Closing Date and Time (exception approval)	Clause 11.4.8	37	No				x		

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Mmashela Investments: Vendor 103001: Engagement File 10 Provision of locum doctor

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Document on file Reference		Fully Comply	Could not be verified	Partially Comply
Availability of Bid Documents on Invitation	Clause 11.4.12	37	No	No				x	
Bid Cancellation Notice Ratification	Clause 11.4.13	37	No	No				x	
Bid Cancellation Notice Publication	Clause 11.4.14	38	No	No				x	
Bid Briefing Session by CFSC	Clause 9.9.8	26	No	No				x	
Bid Receipt Register	Clause 11.4.17	38	No	No				x	
Bid Copies rejected	Clause 11.4.18	38	No	No				x	
Late Bids rejected	Clause 11.4.19	38	No	No				x	
Late Bids Register	Clause 11.4.19	38	No	No				x	
Appointment of CFSC Members	Clauses 9.9	25	No	No				x	
Approval by GCFO of Appointment of independent experts as CFSC Members	Clauses 9.9	25	No	No				x	
Declaration of interest and Confidentiality Agreements by CFSC members	Clause 8.1	17	No	No				x	
Phase 1 Evaluation: Critical Criteria	Clause 11.5.1.1	38	No	No				x	
Phase 2 Evaluation: Bid Conditions	Clause 11.5.1.2	38	No	No				x	
BEE status Verification	Clause 11.9.5	46	No	No				x	
Disqualification of Bids	Clause 11.5.2	38	No	No				x	
Notices of Disqualified Bids	Clause 11.5.3	39	No	No				x	
Recommendation to appoint supplier: CFSC/DTPC/RTPC	Clause 9.5+6 and 11.6.1	21+22+39	No	No				x	
Approval of award to bid in line with Delegation of Authority (DoA)	Clause 11.6.2	39	No	No				x	
Notices of Acceptance	Clause 11.6.3	39	No	No				x	
De-Briefing Session	Clause 11.6.4	40	No	No				x	
Publication of award: CIDB Website	Clause 11.6.5	40	No	No				x	
Letters to unsuccessful bidders and notice of debriefing	Clause 11.6.3	39	No	No				x	

Checklist: PRASA SCM Policy (Feb 2009): Report Reference 4.2 - Mmashela Investments: Vendor 103001: Engagement File 10 Provision of locum doctor

Supporting Document	SCM Policy Reference	SCM Policy		Document(s) on file		Document on file Reference	Result of Compliance Review		
		Page #	Yes/No/NA	Yes/No/NA	Fully Comply		Could not be verified	Partially Comply	Comment
Contract Administration: Signed Contract	Clause 11.10.2	47	No	No				x	
Contract Administration: Change Control	Clause 11.10.2	47	No	No				x	
Contract Administration: Performance Management	Clause 11.10.2	47	No	No				x	
Contract Administration: Corrective action in deviation from Contract	Clause 11.10.2	47	No	No				x	
Contract Administration: Manage Payment Process	Clause 11.10.2	47	No	No				x	
Contract Term: Less than 3 years rule	Clause 11.10.3	48	No	No				x	
Contract Term: Less than 5 years rule (Lease of Immovable Property)	Clause 11.10.3	48	No	No				x	
Contract Assignment: Written Consent	Clause 11.10.4	48	No	No				x	
Contract Monitoring: Site Inspections	Clause 11.10.5	48	No	No				x	
Contract Monitoring: Regular Meetings	Clause 11.10.5	48	No	No				x	
Order Processing: Contract purchase	Clause 12.1.5	49	No	No				x	
Vendor Performance: Monitoring	Clause 12.3	51	No	No				x	
Maintain records to ensure audit trail	Clause 9.9.15	26	No	No				x	
Risk Management by Accounting Officer: SCM System: Identification (Case-by-Case)	Clause 14	52	No	No				x	
Risk Management by Accounting Officer: SCM System: Allocation to Manage Risk	Clause 14	52	No	No				x	
Risk Management by Accounting Officer: SCM System: Acceptance of cost	Clause 14	52	No	No				x	
Risk Management by Accounting Officer: SCM System: Pro-Active Management	Clause 14	53	No	No				x	
Risk Management by Accounting Officer: SCM System: Contractual assignment	Clause 14	53	No	No				x	

7.2. **Annexure B - Legislative Framework Supporting Documents**

Only available in the printed version of this report

7.3. Annexure C – Security Suppliers Recommendation and Tender Advice bundle

Only available in the printed version of this report

7.4. Annexure D – Security Suppliers Payment Analyses

Vendor	Site Description	Tender Advice	Recommendation	Date of Approval	Extension from	Extension to	Advice Total	Recommendation Monthly	Number of Months	Period Type	Actual Monthly Ave.	Monthly Variance	Recommendation Total	Actual Total Prasa Records	Total Variance	Percentage Increase/Decrease
100702 ARI GUARD (PTY) LTD Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2012-12-01 2013-08-01	2013-07-31 2014-03-31	5 788 418,24 n/a	480 701,52 n/a	8 8	8 Months period n/a	459 882,32 475 628,52	- 20 839,20 n/a	3 645 612,16 n/a	3 678 898,56 3 805 026,16	(166 713,60) n/a	-2,78% 3,4%
101532 HLANGANANI PROTECTION Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2014-05-29 n/a	2014-04-01 2015-04-01	2015-03-31 2016-03-31	7 795 882,88 n/a	649 590,24 569 816,00	12 2	12 Months period Month to Month	627 749,27 624 546,25	- 21 840,98 - 54 730,25	7 532 991,18 6 637 792,00	7 532 991,18 7 804 554,94	(262 091,70) (656 762,94)	31,98% -0,51%
102016 FUTURIS GUARDING SYSTEMS Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	15 417 250,56 n/a	1 284 770,88 n/a	8 8	8 Months period n/a	1 532 241,37 1 382 151,09	247 470,49 n/a	10 278 167,04 n/a	12 257 930,97 10 897 208,70	1 979 768,93 n/a	33,85% -11,10%
101821 VUSA BIZUME SECURITY SERVICES Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	23 404 291,20 n/a	1 950 357,60 n/a	8 8	8 Months period n/a	3 092 866,07 2 624 344,40	1 142 498,47 n/a	15 602 860,80 n/a	27 895 706,69 20 994 755,19	12 232 848,83 n/a	24,82% -15,15%
102012 SINDQIBILE EQUESTRIAN SECURITY Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	18 888 290,40 n/a	1 571 524,20 n/a	8 8	8 Months period n/a	1 468 942,17 1 373 502,40	- 102 620,93 n/a	12 572 193,60 n/a	11 751 217,38 12 361 521,60	(820 976,22) n/a	3,55% -6,49%
102017 CHANGING TIDES 208 (PTY) LTD Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	23 404 291,20 n/a	1 950 357,60 n/a	8 8	8 Months period n/a	1 738 385,83 1 704 609,60	- 211 971,77 n/a	15 602 860,80 n/a	13 807 086,62 13 656 876,70	(1 695 774,18) n/a	36,10% -1,94%
100526 Enlightened Security Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	38 282 112,00 n/a	3 190 170,00 n/a	8 8	8 Months period n/a	3 082 850,81 2 939 405,10	- 107 325,19 n/a	25 321 408,00 n/a	24 662 806,51 23 675 240,79	(658 601,49) n/a	-10,63% -4,00%
102115 R1 SECURITY SERVICES Also - PD-460000354 Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	51 683 258,88 n/a	4 306 938,24 n/a	12 2	12 Months period Month to Month	3 768 669,27 3 957 761,37	314 000,94 n/a	51 683 258,88 n/a	46 426 439,52 9 417 983,31	1 069 570,94 n/a	2,732% 2,30%
102125 VINTSIRE SECURITY SERVICES Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	15 348 894,56 n/a	1 275 707,88 n/a	8 8	8 Months period n/a	1 915 256,85 1 547 866,80	639 548,97 n/a	10 205 663,04 n/a	15 322 054,78 12 379 654,36	5 146 301,74 n/a	28,98% -19,20%
102117 Royal Security cc Contract will carry on as per 'Tender' up to 12 months and thereafter until next period.	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	32 170 024,80 n/a	2 680 835,40 n/a	8 8	8 Months period n/a	3 402 821,75 3 364 380,48	721 786,35 n/a	21 446 682,20 n/a	27 220 974,02 26 914 243,80	5 776 290,82 n/a	35,68% -1,13%
	Gauteng/Metroral No Information	✓ ⊖	✓ ⊖	2013-02-04 n/a	2013-08-01 2014-04-01	2013-07-31 2014-03-31	43 472 357,60 n/a	3 622 713,13 n/a	12 12	12 Months period Month to Month	3 525 002,30 3 599 995,50	293 750,19 421 975,50	43 472 357,60 38 133 840,00	42 300 027,62 43 197 546,02	5 065 706,02 n/a	2,12% 0,05%

7.5. Annexure E – Footnote Referenced Documentation

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