

DPW
ZERO TOLERANCE AGAINST
FRAUD AND CORRUPTION
CONFERENCE
2007/09/25-26
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public works
Department
Public Works
REPUBLIC OF SOUTH AFRICA

SUPPLY CHAIN MANAGEMENT ELEMENTS

- DEMAND MANAGEMENT
- ACQUISITION MANAGEMENT
- LOGISTICS MANAGEMENT
- DISPOSAL MANAGEMENT
- PERFORMANCE MANAGEMENT
- RISK MANAGEMENT



TYPICAL CORRUPT TENDENCIES PER SCM ELEMENT

- DEMAND
 1. Disclosure of confidential information to business partners (Unfair advantage)
 2. Withholding of Info from rest of market
 3. Fictitious/Overstatement of needs
 4. Make tender estimates known to the market



TENDENCIES....(continued)

3. Tender Administration- Bid documents not being safely kept and being handled by individuals prior to formal evaluation. – Ignoring of admin processes during closure and opening of bids



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TENDENCIES....(continued)

- ACQUISITION

1. Sourcing strategies- setting strategies that favour particular sections of the supply side market (Ensuring requirements that ensure the **unjustified** marginalization of new entrants to the market).- Defining delivery scopes loosely in order to exploit them later through variations
2. Bid Specification and Evaluation Committees- Unfair and biased assessment of bids by bid committees. – Utilization of the same individuals in committees all the time resulting in the same results.(**Committee members should be rotated**).
3. **Variation orders to be properly managed and controlled. Do not add other requirements to initial specifications.
(Contract periods should not be extended)**
4. **Each committee member should sign recommendations before final submission**



TENDENCIES....(continued)

- LOGISTICS
 1. Placing of excessive un-required orders
 2. Certification and payment of invoices without proper verification of delivery
 3. Theft and sale of store items-**Tighten security and asset verification**
 4. Contract Management- Allowing poor performance by service providers to go unpunished by not invoking contract conditions
Terms and conditions of contracts should be adhered to.
Better guidance on how to restrict defaulting suppliers.
Give short term contracts where we are not sure of deliverables.
 5. Allowing unfair contract extensions and variations
 6. Keeping the business relationship to continue loosely without formal signing of contracts and SLA's.
 7. **Procurement personnel should not sign invoices for payment, only the manager incurring the expense should.**
 8. **Managers should account for invoices not certified within a set period**



TENDENCIES....(continued)

- DISPOSALS
 1. Disposing of government property that is in perfect working condition
 2. Disclosure of classified information such as reserve prices
 3. Collusion at auctions
 4. More visible action to be taken by management in cases of fraud in disposals.
 5. Committee to certify the absoluteness of items to be disposed



TENDENCIES....(continued)

- Performance
 1. Absence of a complaints mechanism-**Formal complaints mechanisms to be implemented.**
 2. Failing to undertake and present analysis of SCM results in order to hide the real situation- Denying authority the opportunity to see reality, question it and make decisions to ensure improvement
 3. **Publication of tender results and tender statistics**



SCM AS A TOOL TO PREVENT FRAUD AND CORRUPTION

- Utilization of Bid specific cross functional teams in acquisitions
- Removal of non-civil servants with business interests in procurement decision making
- Proper management and safekeeping of classified information on up-coming acquisitions (**No prior discussions with landlords**)
- Rotation of staff and **project managers** in all areas of SCM
- Segregation of functions in all steps of SCM
- Automation of processes such as acquisition by means of quotations



Continuous evaluation of the SCM results

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SCM..... (continued)

- Tight and clear policies on SCM
- Clearly defined business engagements in terms of contracts and SLA's
- Job specific **TRAINING** of all SCM functionaries including line managers
- Involvement of managers in operations given our immature and non-automated systems
- **Capacity to be increased at Regional Procurement offices and more training to be provided.**
- **Decision making powers not to be limited to procurement staff.**



PITFALLS IN PROCUREMENT POLICIES AND PROCESSES

- Constitutionally procurement is undertaken on a competitive basis. As a result there is no limit on the number of contracts per service provider.

ASGISA?

- As a result even when worrying trends of dominance by specific enterprises emerge, very little can be done, hence need to strengthen controls to ensure that it happens fairly.



Other Resolutions.....

- Vetting of individuals involved in procurement
- Screening of service providers doing business with DPW



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