



public works
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STATEMENT BY MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE, PATRICIA DE LILLE

DPWI INITIATES INTERNAL AUDIT INTO ITS KWAZULU NATAL FLOOD INTERVENTION PROJECTS

Since April, the Department of Public Works and Infrastructure activated various services to respond to the damage caused to State-owned properties by the severe flooding in KwaZulu Natal earlier this year.

Last week, the deputy minister and I visited a number of these sites to inspect the progress of the repair work done by DPWI through contractors.

However, in relation to the work done by DPWI for flood intervention projects, I held a meeting with the office of the Auditor General (AG) who also visited the projects to conduct a live audit at the sites to inspect the work and financial processes.

The office of the AG briefed me on their initial findings which are being further scrutinised and findings will be tabled in a final audit report by the AG on the DPWI's flood intervention projects in KZN.

I have communicated my appreciation to the AG's office for their work to conduct oversight and an independent audit of these projects to ensure that we determine whether all procurement and financial process were done in a lawful and proper manner.

In the interest of transparency, I can today confirm that we have received a brief preliminary report from the AG's office on its live audit and I have acted swiftly to avoid a repeat of the PPE corruption experienced in the country during the COVID 19 pandemic.

The initial report has been processed in the department for officials to respond to the risks identified and provide supporting documentation on various matters. Based on the response from the department and further investigations, the AG's office will then complete their final audit report on the KZN flood intervention projects. The final report is awaited from the AG's office.

The live audit was conducted by the AG's office to determine the procurement process followed by the department to appoint service providers, perform physical verification of the work done and assess contract management records.

The preliminary report from the AG's team identified a number of risks:

- Contract awards were made to companies owned by the same director
- Some awards were made to newly registered companies that never traded with the department before
- Awards were made to companies that never traded with the department in the previous three years
- Awards were made to service providers who are owned by employees of the state
- Some awards were made to suppliers that do not exist on government's Central Supplier Database

These initial results are extremely worrying and I have engaged the department on these risks and findings to get to the facts and determine which officials need to face consequences where wrongdoing is confirmed.

The AG's preliminary audit findings revealed:

- Service providers were approached by departmental management using a deviation process where there was no competition amongst service providers and no market analysis done to assess price reasonability
- Five quotations exceeding R1million were awarded to the same company
- The quoted amount by the service providers exceeds the authorised amount
- Quotations were received after the contract had already commenced on site
- Projects were not completed within the stipulated time

The AG's office recommended an investigation into instances of non-compliance to determine the real root cause of the risks and that irregular expenditure identified from the projects should be included in the 2022/23 annual financial statements.

The AG's office also confirmed that the matter has been referred to the labour relations and legal services unit to investigate further.

When I was first notified of the above information by the AG's office, I immediately asked whether we could stop payments to contractors until the full investigations and final audits are completed.

The regional manager of DPWI in KZN has confirmed that no services have been paid thus far. All payments and services will be subject to approval and ratification by the relevant committees such as the bid adjudication committee and delegated authority.

In order to investigate the flags by the AG's office further, the department's Internal Audit unit also conducted an audit on the KZN flood intervention projects.

The department's Internal Audit unit also visited the sites and were accompanied by the relevant senior management in the department in the KZN region.

Similar areas of concern were highlighted by the Internal Audit Team as was highlighted by the team from the AG's office.

The Internal Audit Unit in the department engaged the region on its findings and the region expressed a view that most findings should be resolved with information and clarifications provided and that this will necessitate a review of the overall Internal Audit unit's conclusion.

The initial conclusion by the Internal Audit unit found that key controls implemented by management were found to be inadequate and ineffective to minimise the identified risks to a minimal or acceptable level.

These initial findings are disappointing and worrying and I will work with the department and AG's office to get to the bottom of all risks identified and where there is clear evidence of wrongdoing, we will ensure that officials face serious consequences.

It is extremely disappointing that we continue to see such flags being raised on work where government is needing to respond to an emergency and bring about service delivery to people in need in a responsible manner.

In a time when there is so much work to be done in our country to deliver services to communities in need, it is truly sad that such information has come to light and my constant appeal to officials is to conduct their work with integrity and due diligence because we are entrusted with public funds and public funds must be spent wisely and for public good.

ENDS.

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