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## **Media Statement**

### **PUBLIC WORKS MAKING PROGRESS IN A FIGHT AGAINST FRAUD, CORRUPTION AND MALADMINISTRATION**

– The National Department of Public Works is making steady progress in its fight against corruption, fraud and maladministration. This was a unanimous view of the members of the Parliamentary Standing Committee on Public Accounts (SCOPA) after their briefing session with the Departmental delegation in Parliament yesterday. .

The Director-General of the Department of Public Works, Mr Mziwonke Dlabantu, led the delegation from the Department that briefed the Committee on the progress of its fight against fraud and corruption in the Department. They were joined in support by the Minister, Mr. T.W Nxesi who made a brief appearance and the Deputy Minister, Mr. Jeremy Cronin.

For the past two financial years (2010/11 and 2011/12) the Department has received a disclaimer audit opinion from the Auditor-General, citing incompleteness of irregular, fruitless and wasteful expenditure, governance issues as well as lack of internal controls and other systems as being prime causes. One of the priorities of the Department towards a clean audit was to ensure completeness of irregular and fruitless and wasteful expenditure. This required that all payments processed and bids awarded from 2009/10 to 2012/13 had to be reviewed to identify any potential irregular and fruitless and wasteful expenditure, as recommended by the Auditor-General. This exercise entailed an analysis of 1.3 million transactions with a rand value of approximately R97 billion. As a consequence, 59 000 transactions (4% of total) were identified as irregular with a total rand value of R3.6 billion (3.7% of total) as at year-ended 31 March 2013. The Department is of the view that this detailed introspection exercise has provided it with a firm basis to understand the enormity of the task ahead to move the next trajectory in dealing with all the irregular expenditure as prescribed by National Treasury

The department remains committed to ethos of sound financial management enshrined in the Constitution and the Public Financial Management Act. In collaboration with the National Treasury, steps are being taken to address the systemic issues identified within the SCM and leasing environments

Since the introduction of the Turn Around strategy in the Department in early 2012, Public Works had been making steady progress, leading to the attainment of a qualified audit report in 2012/13 as opposed to another Disclaimer for the main vote even though the Property Management and Trading Entity (PMTE) attained a disclaimer based on a single item of leases. This is a substantial improvement from the previous years whereby the disclaimer could be attributed to 13 items.

The briefing session was a follow on to the one that the Department had with the SCOPA at the beginning of August this year during SCOPA's site visit of the premises of the Department in Tshwane. At that earlier briefing session, again members of the Committee had expressed appreciation for the headway that the current leadership of the Department was making in turning the Department around. The Committee then requested for a special occasion to thoroughly interrogate the issues of irregular expenditure, financial misconduct and the strategy to fight fraud and corruption and to understand the progress to date.

The Director-General reported that the Department was steaming ahead with its efforts of uprooting fraud and corruption in the Department. The latest report indicated that a total of 200 cases of fraud and corruption were reported to the Department in the period 2009 /10 to 2012/13. Out of the 150 cases for which investigations have been initiated, 89 cases have been completed and issued to Management whilst 54 were at the reporting phase and seven were work in progress.

The Special Investigation Unit, which was brought into the Department to investigate various issues of maladministration by the Presidential proclamation in 2011, was busy with 12 cases, whilst three cases were with the SAPS for criminal prosecutions. Of note, criminal cases have been initiated against the service providers (private sector companies) for collusion and corrupt relationships with the Departmental officials and as a consequence of this collusion, officials have been dismissed.

Some of the steps taken to remedy irregular expenditure include the completed review of all transaction for the financial year 2012/2013, obtaining special dispensation from National Treasury with regard to new leasing contract and the re-registering of suppliers and reconstruction of the SCM database which has been identified as the major contributing factor with regard to irregular expenditure on quotations.

In their own words, the Committee acknowledged that never before in their experience, had the Department in the last five years been so incisive, frank, comprehensive and ruthless in confronting the ills which were plaguing the organization.

**Ends**

**Issued by:**

**National Department of Public Works**