



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

Rebuilding Public Works – Intensifying the struggle against corruption – Tough action will be taken

High profile cases of alleged over-pricing in relation to leases, renovations of ministerial houses and security provisions for the residence of the president, as well as the findings of the Competition Commission in relation to the construction sector, all tell the same story: collusion and corruption are endemic within some elements of the Department of Public Works (DPW) and certain sections of the property and construction industry.

It is not enough to lament. It cannot be business as usual. With this in mind I want to announce the following steps already taken:

The SIU was requested to assist DPW in terms of proclamation R38 of 2010, published in the Government Gazette on 30 July 2010. The focus areas were:

- Specific contracts and tenders;
- Leasing of buildings for client departments;
- Prestige accommodation; and
- General procurement irregularities.

The SIU investigation has already made major progress and is continuously assisting the Department to identify, investigate and redress improprieties including

but not limited to fraud, corruption and maladministration within the Supply Chain Management component of Public Works with the aim of:

- Identifying systematic weaknesses;
- Identifying procurement irregularities;
- Identifying corrupt practices;
- Recovering any losses identified; and
- Facilitating the instituting of criminal and/or civil action where appropriate.

As a result one Deputy Director General has been dismissed. A former Acting Director General and the Head of Property Management are facing disciplinary hearings. The SIU has investigated approximately forty cases of which about thirteen have been finalised and their recommendations implemented.

Some of the cases completed by the SIU include:

Braamfontein Leases - Corruption that resulted in the Department paying R28 million for six (6) unoccupied buildings.

The Department has begun civil proceedings against the landlord to recover the R28 million. Two officials were implicated: one was dismissed and the other resigned before the disciplinary hearing. Criminal investigations against the former officials and landlord are underway.

116 Herbert Baker Lease – the lease was procured irregularly. The Head of Property Management is facing a disciplinary hearing. The Department is seeking to recover an amount of R6.3 million.

Skilpadhek Border Post Settlement Investigation - Corruption that resulted in the Department unjustifiably paying the amount of R50 864 592.58. The Department has instituted civil proceeding to recover the R50 million and criminal investigations are underway.

Skilpadhek, Golelo, Lebombo Border Posts – There was irregular appointment of a programme management firm that resulted in fruitless and wasteful expenditure of R3.5 million. The payment was made without supporting documents. Seven (7)

officials are to face disciplinary action for authorising payments without supporting documentation.

114 Vermeulen Street - Independent Police Investigation Directorate – The lease was procured irregularly, fraudulently and through fronting. Two officials are facing disciplinary hearings. A criminal case was reported to SAPS. The Department also instituted civil proceedings to declare the lease invalid. The matter is before the High Court.

SAPS Lease Middestad – The lease was procured irregularly. The Department approached the High Court to declare the lease invalid and the matter is pending. The former Acting Director General was suspended and a disciplinary hearing completed. The Department has saved R780 millions.

SAPS Lease: Transnet – The lease was awarded irregularly and was subsequently cancelled. The Department saved R1.86 billion.

Prestige – Pretoria - The SIU has completed the investigation into the Prestige Portfolio in Pretoria involving renovations of Ministerial houses. The investigation revealed that approximately R27 million was spent to renovate houses with R4.7 million paid without supporting documents. Like many projects at the Department, the investigation found that bills of quantity were excessively inflated and Supply Chain prescripts were not complied with in appointing service providers.

Implicated officials will face disciplinary processes for fruitless and wasteful expenditure. The Department will institute civil proceedings to recover the money unjustifiably paid.

Prestige – Cape Town - I have recently requested the SIU to focus on construction projects which include the Prestige Portfolio in Cape Town, in particular the high cost of renovating Ministerial houses. Our investigation has revealed amongst other things, that an amount of approximately R100 million was spent on renovating eleven houses. I suspect that similar irregularities of corruption, inflation of bills of quantity and fruitless and wasteful expenditure are likely to be discovered.

CGO Renovation – DPW Head Office - I have started an investigation into the renovation of the CGO (Central Government Office) building that is the Head Office

of Public Works in Pretoria. Preliminary investigation has shown that the initial budget for the contract to renovate the building in 2009 was R59 million. However, when the project was completed in August 2011, the cost had sky-rocketed to R325 million.

Twenty-three further cases are still being investigated by the SIU and we are in the process of approaching the President to extend the proclamation for the SIU to focus on capital projects. DPW spends about R150 million a month on capital projects, therefore this concern should be addressed urgently.

Nkandla security upgrade of the Presidential private residence - We are working closely with the SIU. I established a multi-departmental task team to conduct a preliminary investigation into the construction work at the Nkandla residence. The findings and recommendations of the task team have been announced. I have since met with the SIU to request them to further investigate the matter.

I have announced a zero tolerance approach to corruption within the Department. Enhancing investigative and forensic capacity in the Department to enforce compliance will certainly have a deterrent effect. Probably more important is the need to put in place transparent and robust supply chain management systems which make it easy for weak people to do the right thing, and difficult for bad people to do the wrong thing.

Our efforts to rebuild DPW have received the full support of other ministers and relevant departments, including Finance, Home Affairs, Public Service and Administration, Monitoring and Evaluation in the Presidency, and Rural Development and Land Reform. DPW is working closely with National Treasury, including:

- Jointly reviewing all lease agreements;
- With the Department of Health, DPW will constitute a pilot project to review and tighten up procurement systems and practices;
- At the end of last year, National Treasury agreed for DPW to re-direct unspent capital expenditure for the purposes of turning around the Department. This was

based on a jointly agreed seven-year plan to Rebuild Public Works, to be reflected in annual performance and MTEF plans.

- Already, through our Internal Audit Unit, we have completed 19 internal investigations into allegations of impropriety and are currently undertaking a further 53 investigations. In this way internal capacity is being developed – and specifically funded by National Treasury as part of the Plan to Rebuild Public Works.

Elements of the Plan to Rebuild Public Works and develop a robust framework to combat corruption include the following:

- Establishment of a dedicated Supply Chain Management Branch.
- Establishment of a separate Risk Management Branch which will include a specialised Compliance and Investigative Unit. SARS is providing invaluable advice in this respect.
- More generally, financial and procurement systems are being reviewed and strengthened to guard against fraud and corruption.
- As part of our current endeavour to achieve a clean audit, a sample of 10% of construction projects will be interrogated/inspected in detail with a view to picking up any irregularities.

Further elements of the Plan to Rebuild Public Works include:

- The stabilisation of the leadership of the Department. For the first time since 2008, DPW now has a permanent Director General (DG) – who is highly experienced and eminently qualified to oversee the finances and management of the Department. We have also appointed a permanent CFO.
- Under the DG's Office we now have in place a team to oversee and implement the Plan to Rebuild Public Works.

- Where we lack capacity we have engaged service providers – the dreaded consultants. This has been necessary to compile and verify the Immovable Assets Register, to support the project to achieve a Clean Audit, and in the review of leases. The difference is this that we are simultaneously building in-house capacity. Thus in the case of the Clean Audit project, the Department has employed 60 unemployed commerce graduates to do some of the work and to receive on-the-job training.
- In this way we are beginning to turn the tide against outsourcing. Where contracts for horticultural services have ended, these will be replaced by full-time employment – under dedicated management - within the Department.
- From the dedicated turnaround budget for the next four years which has been availed by National Treasury, DPW will be employing over 200 technical professionals – including engineers, quantity surveyors, architects, project managers and accountants. These will bring the requisite skills and expertise to deliver high quality infrastructure projects in a cost effective manner. They will greatly assist us to control prices and to manage contracts with service providers. [In the same vein, Public Works is supporting the holding of the first national conference of the Project and Construction Management Professions to take place next month (April 10-12).]
- Professional teams will also manage relations with our clients – including our Prestige clients. It is clear to us that proper controls and effective management are key to service delivery and securing value for money.

There is still a long way to go. Rebuilding Public Works is a process not an event. Those who have illicitly gained from the previous chaos in DPW will resist change, but only the guilty need fear the turnaround process. The vast majority of staff is actively participating in the plan to Rebuild Public Works.

My job now is to create an environment in which the majority of officials and employees of DPW – who remain committed to service delivery – are able to use their skills and experience to good effect.

It is crucial that we grasp this point: that in the days ahead, as heads roll as a result of the findings of the SIU investigations, we are simultaneously rebuilding Public Works – putting in place the framework necessary to combat corruption and allowing the Department to focus on its core mandate and service delivery.

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