Briefing to Prospective Bidders

Intervention to Improve the Audit Outcomes of National Department of Public Works

Tender No: HP 12/077

Presented by Cox Mokgoro Stabilisation Team 22 November 2012
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- NDPW operating context
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NDPW Core Business
NDPW Core Business

- Provider of accommodation for government Departments

- Enabler of sustainable economic growth through infrastructure development

- Regulatory authority & leader in transforming the construction & property sectors

- Lead co-ordinator in optimising state funding for job creation through Expanded Public Works Programme ("EPWP")
Problem Statement
(Why this intervention?)
## Problem Statement – Deteriorating performance

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>NDPW</th>
<th>PMTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/2008</td>
<td>Unqualified</td>
<td>Unqualified</td>
</tr>
<tr>
<td>2008/2009</td>
<td>Qualified</td>
<td>Adverse</td>
</tr>
<tr>
<td>2009/2010</td>
<td>Qualified</td>
<td>Qualified</td>
</tr>
<tr>
<td>2010/2011</td>
<td>Disclaimed</td>
<td>Disclaimed</td>
</tr>
<tr>
<td>2011/2012</td>
<td>Disclaimed</td>
<td>Disclaimed</td>
</tr>
<tr>
<td>2012/2013</td>
<td>🙄</td>
<td>😞</td>
</tr>
</tbody>
</table>

Situation calls for decisive action – hence TURNAROUND!!!!
Problem statement (cont’d)

- In-adequate staff capacity within NDPW & PMTE
- Challenges experienced in construction projects
  - Lead times unreasonably long
  - Projects halted mid-stream or abandoned
  - Possible abuse of Contract Price Adjustment Provisions (CPAC)
  - High levels of variation orders
  - Poor project planning
  - Sub-optimal end cost of projects
- Change management
  - Stakeholder buy-in
  - Behavioural change
NDPW Operating Context
NDPW Operating Context

- National Treasury approved establishment of PMTE in March 2006
- PMTE focus – management of government’s property portfolio
- To-date, PMTE not fully operationalised
- Separate finance units for PMTE & Department
- Different basis of accounting
  - Modified cash for Department
  - Accrual accounting for PMTE
- 12 centres of operations, 11 Regional offices & Head Office
Scope of Services Required
Scope of services

- Clear negative audit findings in areas of Finance & SCM
- Conduct comprehensive analysis of infrastructure projects to identify potential risks to be managed by Department
- Conceptualise & implement a change management strategy
- Manage a Skills Transfer Programme for NDPW & PMTE staff within finance & SCM units
- Engage interns from unemployed graduates & take them through a structured Skills Development Plan
Project Resourcing
# Project Resources

<table>
<thead>
<tr>
<th>ROLE</th>
<th>Cycle 1 9 Jan 13 to 31 Jul 13</th>
<th>Cycle 2 1 Aug 13 to 15 Dec 13</th>
<th>Cycle 3 2 Jan 14 to 31 Jul 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Managers</td>
<td>14</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Accountants</td>
<td>35</td>
<td>28</td>
<td>31</td>
</tr>
<tr>
<td>SCM Specialists</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>SCM Practitioners</td>
<td>42</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>IT Specialists</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>OD Specialist</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Change Management Specialist</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Construction Projects Specialist</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>SubTotal</strong></td>
<td><strong>101</strong></td>
<td><strong>69</strong></td>
<td><strong>82</strong></td>
</tr>
<tr>
<td>Interns</td>
<td>64</td>
<td>64</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>165</strong></td>
<td><strong>133</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

**BIG BANG approach** for quick stabilisation of Department
# Project Resources – Minimum qualifications & experience

<table>
<thead>
<tr>
<th>ROLE</th>
<th>Qualifications</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Managers</td>
<td>Chartered Accountant</td>
<td>5 years post articles</td>
</tr>
<tr>
<td>Accountants</td>
<td>B degree in Accounting</td>
<td>5 years</td>
</tr>
<tr>
<td>SCM Specialists</td>
<td>Relevant B degree / Diploma</td>
<td>10 years</td>
</tr>
<tr>
<td>SCM Practitioners</td>
<td>Relevant B degree / Diploma</td>
<td>5 years</td>
</tr>
<tr>
<td>IT Specialists</td>
<td>Relevant B degree / Diploma</td>
<td>5 years</td>
</tr>
<tr>
<td>OD Specialist</td>
<td>Relevant B degree / Diploma</td>
<td>5 years</td>
</tr>
<tr>
<td>Change Management Specialist</td>
<td>Relevant B degree / Diploma</td>
<td>10 years</td>
</tr>
<tr>
<td>Construction Projects Specialist</td>
<td>Relevant B built environment degree / Diploma</td>
<td>10 years</td>
</tr>
</tbody>
</table>
Project Deliverables
Cycle 1 (9 January to 31 July 2013)

- Irregular expenditure – identify, report & eradicate
- Document control – supporting doc for all payments & document registry for retrieval
- SCM – compliant supplier data base, BPR, contract management capability, all transactions compliant
- Leases – validation of existing data, systems controls enhancement, proper accounting recognition
- Related party transactions – quantification & disclosure of PMTE, clients & entities
- Facilitate proper year-end procedures
Project deliverables

- Cycle 1 - 9 January 2013 to 31 July 2013 (cont’d)
  - Debtors management – reconstruct & reconcile, impair, collection
  - Creditors – payment tracking for 30 day deadline, proper accounting treatment
  - Accruals – system to identify & record
  - Contingent liabilities – all cases assessed & reported
  - Financial reporting – formalised month, quarterly & year-end procedures
  - Budget management – detailed & appropriate reporting
  - Financial policies & procedures
Project deliverables

- **Cycle 1** - 9 January 2013 to 31 July 2013 (cont’d)
  - Information Technology – enhance the control environment for IAR, leases & payments
  - Skills transfer – NDPW & PMTE staff as well as interns
  - Infrastructure projects analysis – identification of risk areas, SCM processes, operational requirements (eg. CPAP & VO’s)

- **Cycles 2** (1 Aug 2013 to 15 Dec 2013) & **Cycle 3** (2 Jan 2014 to 31 July 2014)
  - Continuation of cycle 1 – higher levels of efficiency, contract management capability operational, close out of interns programme & audit support
Other salient considerations for bid
Other salient considerations for bid

- Tools of trade for deployed staff will be for the cost of the bidder
- NDPW to provide office space
- Deployed staff to remain unchanged per cycle
- As the project progresses, the Department reserves right to request resources to be redirected due to changed circumstances & requirements
- Formation of consortia for bid encouraged
- Encourage consortium partners to include firms that would qualify for classification as SMMEs as per dti classification
Evaluation of bids
Evaluation of bids

- Submission of bids in **two envelope system** will be applied
  - **Envelope 1**: Technical proposal with all returnable docs sealed & clearly marked
  - **Envelope 2**: Financial offer sealed & clearly marked

- As such, evaluation in two phases
  - Phase 1: Functionality criteria considered
  - Phase 2: Price & Preference of phase 1 qualified bids

- Minimum score of 70 for qualification under functionality needed to proceed to phase 2 evaluation
## Evaluation of bids – functionality criteria

<table>
<thead>
<tr>
<th>Functionality criteria</th>
<th>Sub-criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach paper detailing methodology</td>
<td>Understanding of the business, challenges &amp; proposed solution</td>
<td>30</td>
</tr>
<tr>
<td>Organisational model &amp; staffing</td>
<td>Experience of staff</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Qualifications of staff</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Management of project</td>
<td>10</td>
</tr>
<tr>
<td>Adequacy of contingency plan / assurance plan</td>
<td>Financial penalties linked to specified deliverables</td>
<td>10</td>
</tr>
<tr>
<td>Bidder’s experience wrt specific aspects of the project / comparable projects</td>
<td>Proven track record of turning around negative outcomes</td>
<td>10</td>
</tr>
<tr>
<td>Presentation</td>
<td>Consistency with documented proposal, value adds, external tech support, management of national footprint, etc.</td>
<td>20</td>
</tr>
</tbody>
</table>

**TOTAL POINTS**

100
Evaluation of bids – functionality criteria

- To ensure consistency for evaluation, approach paper must be developed on methodology for:
  - Finance & SCM
  - Infrastructure projects analysis
  - Change management strategy
  - Skills Transfer Program for NDPW & PMTE staff
  - Skills Development Plan for Interns

- Presentation by bidders
  - Notifications of dates for presentations will be sent during 1st week of December 2012
  - Presentation will take place between 10th & 14th of December 2012
  - Presentations will be held at IDT
  - Prescribed 45 minutes presentation & 15 minutes for questions & clarifications
  - 3 members per bidding team
Project costing
Project costing

- Cost must be fixed for the duration of the project
- Costs must be inclusive of following
  - Staffing costs
  - Subsistence & travel
  - Disbursements
  - Any other related costs
- Disclosure of calculation details optional
- VAT must be included
GOOD LUCK
&
THANK YOU