



STRATEGIC
INVESTIGATIONS
AND SEMINARS

PROFESSIONAL FORENSIC SOLUTION PROVIDER

REPORT EXECUTIVE SUMMARY
RFP 0008/2015
FORENSIC AUDIT TO VERIFY PRASA PAYMENTS
4 October 2016

Disclaimer:

This report is a summary of conclusions and remedial actions and must not be interpreted to be relevant to all 20 cases relevant to this engagement.

The content of this presentation must be interpreted with the conclusions and actions relevant to the vendors in mind.

It is relevant to note that to date of this report the only Procurement Files received from PRASA are listed below in order of the engagement file number and with reference to the supplier number:

1. 107902-Nondela Gedeza Investments
2. 108860-Lebepe Quantity Surveyors
3. 106202-Superfecta Trading 209 Cc
4. 107730-Blue Flame Advertising
5. 109067-Highpana Projects
6. 105781-Otis (Pty) Ltd

In addition to the above we received Tender Advice documentation, but no Procurement Files from PRASA for the suppliers listed below in order of the engagement file number and with reference to the supplier number:

11. 100702-Afri Guard (Pty) Ltd
12. 101532-Hlanganani Protection
13. 102016-Futuris Guarding Systems
14. 101821-Vusa Isizwe Security Services
15. 101820-Sinqobile Equestrian Security
16. 102017-Changing Tides 208 (Pty) Ltd
17. 100526-Enlightened Security
18. 102115-R1 Security Services
19. 102125-Vimtsire Security Services
20. 102117-Royal Security Cc

PRASA failed to provide any Procurement Files or Tender Advice documentation for the suppliers listed below, whom in return also fail to respond to requests for information. Suppliers listed in order of the engagement file number and with reference to the supplier number:

7. 102722-Protea Coin Assets in Transit

8. 102914-Transnet Ltd

9. 100841-Lennings Rail Service

10. 103001-Mmashela Investments Cc

Access to the information and documentation required to conclude this engagement and render an actionable conclusion were proven to be impossible in most cases and that speaks to a lack of seriousness and adherence to comply with standard practises in Document Management, Supply Chain Management and Project Management.

This Scope of Work for this engagement were to;

- ◆ Investigate the procurement processes which were followed in the appointment of the suppliers.
- ◆ Determine whether the appointments of identified service providers were made in line with relevant prescripts and were approved by relevant authorities.
- ◆ Establish where applicable, whether deviations were in-line with relevant

This Scope of Work for this engagement were to;

- ◆ Determine whether payments correspond to the respective bid price and/or contractual agreement.
- ◆ Identify all persons or entities that unduly benefited as a result of irregular conduct.
- ◆ Advise on the remedial actions which must be taken in instances of maladministration and/or where

SUMMARIZED CONCLUSIONS

Compliance to Procurement Processes

1. Compliance to Procurement Processes

- The result of our examination of the procurement processes followed in the award of the bids relevant to this engagement, is that no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA SCM Policy (Feb 2009) or where relevant PRASA SCM Policy (May 2014).

2. Violation of relevant Criminal law

- Based on our examination, there is currently insufficient evidence to indicate a violation of relevant criminal law, however, because concealment and deception are elements of fraud, no assurances can be given that the fraud does not exist.

3. Violation of of the PRASA SCM Policy **(Feb 2009/May 2014)**

- Based on our examination, there is currently sufficient evidence to indicate that violations of PRASA SCM Policy (Feb 2009) occurred, in that;
 - ❖ the Accounting Officer (AO) failed to establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM System in line with Clause 14 of the PRASA SCM Policy (Feb 2009);

3. Violation of of the PRASA SCM Policy **(Feb 2009/May 2014)**

- ❖ The Group Chief Executive Officer (GCEO) failed to ensure PRASA has and maintains appropriate SCM system which is fair, equitable, transparent, competitive and cost-effective in line with Clause 9.3.3 of the PRASA SCM Policy (Feb 2009);
- ❖ The Chief Procurement Officer (CPO) failed to manage the overall Supply Chain Management function within PRASA in line with Clause 9.7.1 of the PRASA SCM Policy (Feb 2009);

3. Violation of of the PRASA SCM Policy **(Feb 2009/May 2014)**

- ❖ The Chief Procurement Officer (CPO) failed to ensure the implementation of Supply Chain Management Policy and Procedures in line with Clause 9.7.2 of the PRASA SCM Policy (Feb 2009);
- ❖ The Chief Procurement Officer (CPO) failed to perform all monitoring activities in line with Clause 9.7.6 of the PRASA SCM Policy (Feb 2009);

3. Violation of of the PRASA SCM Policy **(Feb 2009/May 2014)**

- ❖ The Chief Procurement Officer (CPO) failed to perform all monitoring and performance management activities on the Cross Functional Sourcing Committee (CSFC) as set out in Clause 9 of the PRASA SCM Policy (Feb 2009);
- ❖ The Chief Procurement Officer (CPO) and the Management of the Supply Chain Management (SCM) Department failed to perform effective Contract Administration activities required by

3. Violation of of the PRASA SCM Policy

(Feb 2009/May 2014)

- ❖ The Chief Procurement Officer (CPO) and the Management of the Supply Chain Management (SCM) Department failed to perform effective Contract Administration activities required by Clause 9.11.4 of the PRASA SCM Policy (Feb 2009);
- ❖ The Chief Procurement Officer (CPO) and the Management of the Supply Chain Management (SCM) Department failed to perform effective Contract Administration activities required by

3. Violation of of the PRASA SCM Policy

(Feb 2009/May 2014)

- ❖ The Chief Procurement Officer (CPO) and the Management of the Supply Chain Management (SCM) Department failed to perform effective Contract Administration activities required by Clause 9.11.6 of the PRASA SCM Policy (Feb 2009);
- ❖ The Chief Procurement Officer (CPO) and the Management of the Supply Chain Management (SCM) Department failed to perform effective Contract Administration activities required by

3. Violation of of the PRASA SCM Policy **(Feb 2009/May 2014)**

- ❖ The Chief Procurement Officer (CPO) and the Management of the Supply Chain Management (SCM) Department failed to ensure the supplier database is up to date required by Clause 11.2.1.c) of the PRASA SCM Policy (Feb 2009);
- ❖ The Management of the Supply Chain Management (SCM) Department failed to manage and coordinate the Supply Chain Management function in line with Clause 9.1.2 of the PRASA SCM Policy (Feb 2009);

3. Violation of of the PRASA SCM Policy (Feb 2009/May 2014)

- ❖ The Management of the Supply Chain Management (SCM) Department failed to manage the contract for services in line with Clause 9.1.6 of the PRASA SCM Policy (Feb 2009);

4. Fiduciary Duties of the Board of PRASA

- Based on our examination, there is currently sufficient evidence to indicate that violations of Section 50 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
 - ❖ as the Accounting Authority of PRASA, a public entity, the Board failed to exercise the duty of utmost care to ensure reasonable protection of the records of the public entity required by Clause 1(a) of Appendix 1B of the PRASA Powers and Authority

5. General Responsibilities of the Board of PRASA

- Based on our examination, there is currently sufficient evidence to indicate that violations of Section 51 of the Public Finance Management Act (Act 1 of 1999), as amended, occurred in that;
- ❖ as the Accounting Authority of PRASA, a public entity, the Board failed to ensure the existence and maintenance of effective, efficient and transparent systems of financial and risk management and internal control required by Clause 1(a)(i) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;

5. General Responsibilities of the Board of PRASA

- ❖ as the Accounting Authority of PRASA, a public entity, the Board failed to take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity required by Clause 1(b)(ii) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;

5. General Responsibilities of the Board of PRASA

- ❖ as the Accounting Authority of PRASA, a public entity, the Board failed to comply and ensure compliance by the public entity, with the provisions of the Public Finance Management Act (Act 1 of 1999), as amended, required by Clause 1(b)(h) of Appendix 1C of the PRASA Powers and Authority of the Board and Delegation of Authority Document;

SUMMARIZED CONCLUSIONS

Appointment of Service Provider(s)
– Delegation of Authority

1. Appointment of the service provider was made in line with relevant prescripts

- The result of our examination into, if the appointment of the service providers relevant to this engagement was made in line with relevant prescripts, is that to a greater extent no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements contained in the PRASA SCM Policy (Feb 2009/May 2014).

Refer to Annexure A for the Compliance Review results

2. Appointment of the service provider was approved by relevant authorities

- The result of our examination into, if the appointment of the service providers relevant to this engagement was made in line with relevant prescripts, is that in most of the cases either insufficient or no evidence was presented to us or could be gathered through our efforts, to support the proper adherence to the requirements of the PRASA Powers and Authority of the Board and Delegation of Authority.

SUMMARIZED CONCLUSIONS

Compliance to Deviation Processes

1. If deviations were in-line with relevant prescripts

- The result of our examination into if any deviation were in-line with relevant prescripts in the award of the bids to the suppliers relevant to this engagement, was inconclusive in that no evidence was presented to us or could be gathered through our efforts, to determine if;
 - any deviation in fact occur;
 - any deviation was handled in-line with relevant prescripts;
 - any deviation was approved in-line with relevant delegation of authorities;

SUMMARIZED CONCLUSIONS

Payment Review

1. If payments correspond with bid price and/or contractual agreement

- The result of our examination into if payments correspond with bid price and/or contractual agreement in the award of the bids to the suppliers relevant to this engagement, were;
 - ❖ that most suppliers failed to provide any financial data as requested;
 - ❖ that in most cases the existence of discrepancies in the financial data from the suppliers and PRASA could not be determined;

1. If payments correspond with bid price and/or contractual agreement

- ❖ that in most cases no contractual agreement is available to determine if payments correspond with bid price and/or contractual agreement;
- ❖ that there are discrepancies in the financial data received from PRASA in comparing the PRASA data sets.

SUMMARIZED CONCLUSIONS

Unduly benefited persons or entities

1. If individuals unduly benefitted from irregular conduct

The result of our examination, after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any individual unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate individuals to have unduly benefitted from irregular conduct, does not exist.

2. If entities unduly benefitted from irregular conduct

The result of our examination after efforts to obtain additional information than that contained in the file provided by PRASA was unsuccessful, was that there is currently insufficient evidence to indicate that any entity, except in reality most of the suppliers, unduly benefitted as a result of irregular conduct, however, because concealment and deception are elements of fraud and corruption, no assurances can be given that such evidence that may implicate entities to have unduly benefitted from irregular conduct, does not exist

REMEDIAL ACTIONS

1

The Accounting Authority/Officer of PRASA, a public entity, in office during the timeline of the relevant engagements, should be charged in terms of Sections 86 of the Public Finance Management Act (Act 1 of 1999), as amended with contravening the listed sections of the Public Finance Management Act (Act 1 of 1999), as amended;

◆ Relevant to Section 86(1) with;

- ✓ Sections 38 (1) (a) i - General responsibilities of accounting officers
- ✓ Sections 38 (1) (a) iii - General responsibilities of accounting officers

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- ◆ Relevant to Section 86(1) with;
 - ✓ Sections 38 (1) (g) - General responsibilities of accounting officers
 - ✓ Sections 39 (1) b - Accounting officers' responsibilities relating to budgetary control
 - ✓ Sections 40 (1) a - Accounting officers' reporting responsibilities

1

- ◆ Relevant to Section 86(2) with;
 - ✓ Sections 50 - Fiduciary duties of accounting authorities
 - ✓ Sections 51 - General responsibilities of accounting authorities

- ◆ Relevant to Section 86(3) with;
 - ✓ Sections 66 (3) - Restrictions on borrowing, guarantees and other commitments

2

- ◆ Disciplinary action need to be initiated against the Chief Procurement Officer of PRASA, in office during the timeline relevant of this engagement that was supposed to have insured the proper following of the Supply Chain Management Policy for Gross Negligence in the dereliction of duties.

3

- ◆ Disciplinary action need to be initiated against the Chief Financial Officer of PRASA, in office during the timeline relevant of this engagement that was supposed to have insured the proper following of the Financial Management of Public funds for Negligence in the dereliction of duties.

4

- ◆ Disciplinary action need to be initiated against Management of the Supply Chain Management (SCM) Department of PRASA, in office during the timeline relevant of this engagement and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

5

◆ Disciplinary action need to be initiated for all employees of PRASA, in office during the timeline during the timeline relevant of this engagement and involved in the Supply Chain Management function and that was supposed to have insured the proper following of the Supply Chain Management Policy for Negligence in the dereliction of duties.

6

- ◆ An order be given to the relevant suppliers as legal person and its Director(s) in office during the timeline relevant of this engagement to compel them to hand over all proposals submitted to PRASA, communication with PRASA and financial records pertaining to transactions and events leading up to services rendered in the relevant periods or face been listed on the National Treasury's Database of Restricted Suppliers.

7

- ◆ Civil action need to be initiated against the supplier as legal person and its Director(s) in office during the timeline relevant of this engagement to recover money that was improperly paid, only if the supplier cannot provide evidence that a relevant Notice to Proceed was received from PRASA and all the reports relevant to the invoicing was submitted to PRASA.

8

- ◆ Relevant to and due to alleged leasehold being between government companies (TRANSNET and PRASA) the suggestion is that the boards of both entities sign a new resolution to;
 - review and then confirm all the leasehold agreements between them, only after;
 - a full asset audit is done of all the properties owns by Transnet and leased by PRASA;
 - an examination is concluded to determine if Transnet are improperly acting as a subletting agent through Propnet or directly, for other buildings rented by any of the PRASA operations;
 - it is determined to be proper that PRASA lease direct from TRANSNET at less than market related tariffs.

10

- ◆ Annexure C indicates that some security suppliers are also task since 01 December 2011 to render services at Eastern Cape Metrorail, PRASA Crescent and Mainline Passenger Services, but no related financial transactions can be found in the records provided by PRASA on 28 June 2016 or from suppliers that submitted financial information.
- ◆ This should be examined further to determine the validity and implementation status.

11

- ❖ ALL security services provided to PRASA by Changing Tides 208 should be stopped immediately due to the fact that PSIRA registration cannot be confirmed.
- ❖ Security Service can only be continued after valid confirmation of PSIRA registration.

12

- ◆ Civil and possible Criminal action need to be initiated against the supplier as legal person and its Director(s) and the Chief Procurement Officer of PRASA in office during the timeline of Changing Tides 208 contract engagements to recover all amounts paid to the supplier whilst not in possession of valid PSIRA registration;
- only if the supplier cannot provide evidence of PSIRA registration during that time.

13

- ◆ According to the financial records provided by the supplier, PRASA still did not pay an amount of R 2 188 396.44 (VAT inclusive) which correspond with the amount approved by GCEO: TSHEPO LUCKY MONTANA in the Recommendation Report dated 30 April 2013.
- ◆ This should be paid immediately, only if PRASA can not show any acceptable reason why this should not be paid.

CLOSING COMMENTS

- ◆ The PRASA vendor files relevant to this engagement reeks of mismanagement, misstatement of material facts and lack of taking the public service offered by PRASA seriously. It is a disgrace to the Public Sector and government owned entities.
- ◆ The time allocated to this engagement was not sufficient due to the delays caused by the lack of access to required information in order to conduct this engagement in more depth.

- ◆ The lack of information, paired with the unwillingness to cooperate or in some cases being unable to cooperate seriously hampers the rendering of operative conclusions.
- ◆ It is the conclusion of the Team that the processes of awarding the reviewed files were not being properly planned, governed and documented resulting in highly questionable deviations from recognised standards, overspending and lack of proper contract-, risk-, and financial management.

The end

**Nick Olivier
Chief Executive Officer
Strategic Investigations and Seminars (Pty) Ltd
Certified Fraud Examiner**

