

Abacus Financial Crime Advisory

Forensic investigation in the
Repair and Maintenance
Programme at 1 Military
Hospital

**Presentation to the
Parliamentary Standing
Committee**

09 February 2022



Outline of presentation

- High-level background
- Mandate objectives
- Factual findings
- Recommendations

Purpose of presentation

To provide feedback to the Parliamentary Standing Committee on Defence of the findings, conclusions and recommendations flowing from the forensic investigation of into the Repair and Maintenance programme at 1 Military Hospital (including subsequent Refurbishment project)

Background

- 1 MIL initially constructed during 1972 to 1983
- To provide medical services to the President, Deputy President, national dignitaries and SANDF members
- DPW responsible for the maintenance at 1 MIL
- DPW inundated with maintenance of state facilities resulting in significant maintenance backlog
- In 1999, in an attempt to address the backlog, DPW launched the **Repair And Maintenance Programme (RAMP)**
- Initial RAMP projects focussed on maintenance of prisons and courts - projects were successfully executed

Mandate objectives

- Focus of our mandate: to investigate why 1 MIL was dysfunctional & non-functional
- Specific mandate objectives included:
 - The procurement processes followed in the appointment of the contractors
 - Any unsound relationships that may have existed between DOD officials and the appointed contractors
 - The extent of which the programs, plans and objectives regarding RAMP were adhered to

Mandate objectives

- The reasons for the delay in the progress at 1 MIL – root cause and mitigation
- The procurement of medical equipment (CT scanners, etc)
- During our investigation it became pertinent to include in our mandate, the contribution of the subsequent Refurbishment project, to the status of 1 MIL – this was performed at no further financial implication & cost to the DOD
- Investigation from October 2019 to December 2020

Overview of phases

RAMP	RAMP expansion	Refurbishment
2006 - 2009 (assessment 2001)	2010 – 2011	2012 – to date
Led by DPW	Led by DPW	Led by DPW (2012 – 2014)
		Led by DOD (2014 – to date)
Initial estimate R232 million	Initial estimate R156 million	
Actual cost – R431 million		

RAMP – 2000 to 2009

Timeline on RAMP – 1 MIL

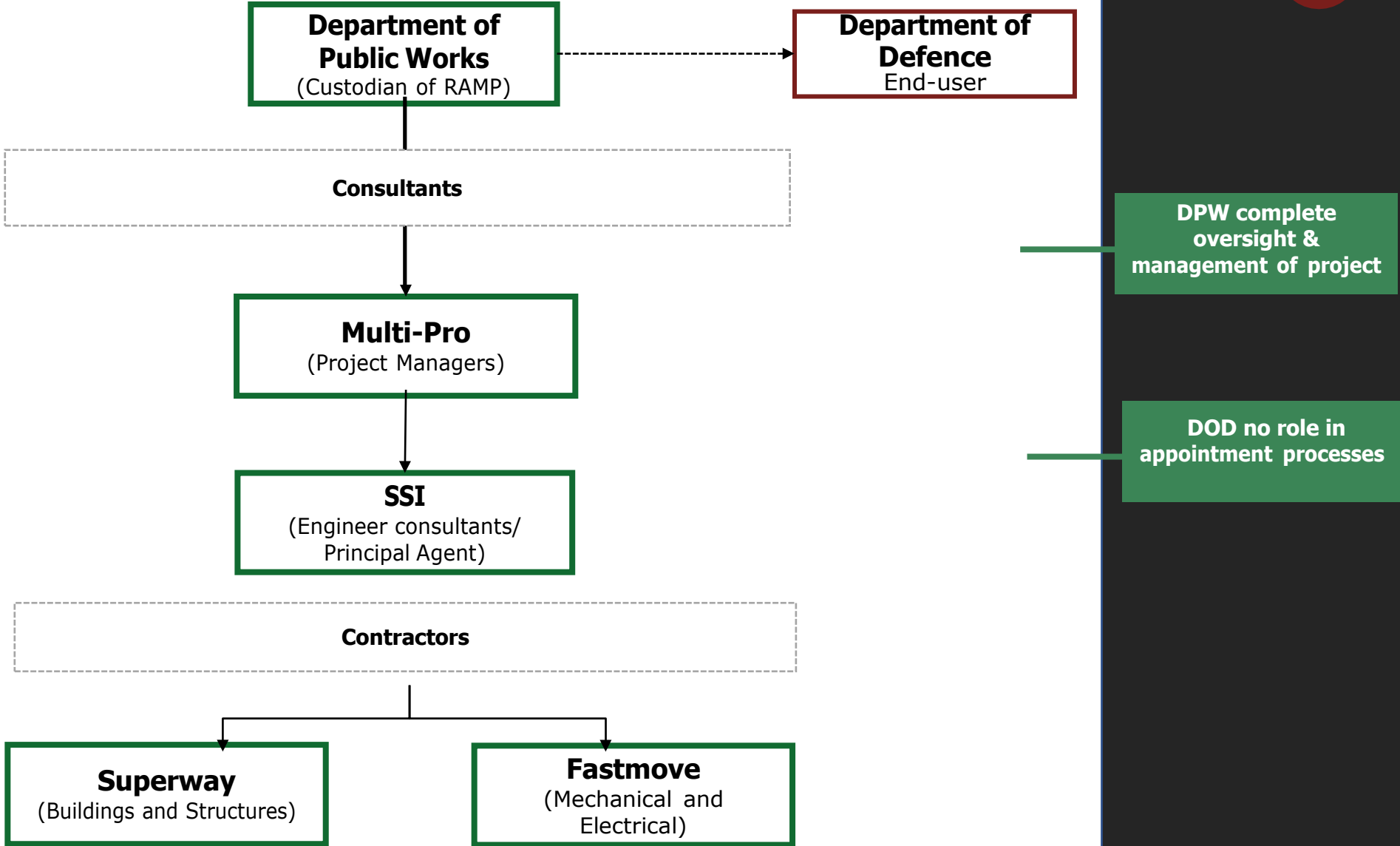
December 2000	SSI appointed by DPW as principal engineers for RAMP
January 2001	Multi-Pro appointed by DPW as RAMP project manager
January 2001 – March 2001	Status quo assessment by SSI on 1 Military Hospital
April 2001	Status quo report, including cost estimates issued by SSI
Hiatus	
October 2005	Cost estimates for electrical and mechanical services prepared by SSI
February 2006	Cost estimates for structural and wet services prepared by SSI
July 2006	Tender for RAMP 1 Military Hospital advertised by DPW
October 2006	Fastmove and Superway appointed by DPW as contractors for RAMP 1 Military Hospital
October 2009	Contractual end date of RAMP 1 Military Hospital

Four years hiatus – continued dilapidation

Cost estimates without extensive status quo assessment

Significant delay in appointment of contractors

Role players on RAMP – 1 MIL



Note: Only those structures/levels relevant to the investigation have been represented in this diagram

Introduction to RAMP – 1 MIL

- Owing to initial RAMP successes, DPW decided to expand RAMP projects to other departments
- In 2001 – significant engagement between DPW & DOD led to agreement to implement RAMP at 1 MIL
- Initial status quo assessment conducted in 2001
- In 2004, 1 MIL served with probation notices for non-compliance with Occupational Health and Safety Act
- For continuous operation of 1 MIL, DPW appointed contractors on a three-year period (2006 to 2009)
- Only two contractors part of scope of our investigation

Tshwane Fire
Department &
Department of Labour

No subsequent
extensive status quo
assessment

Appointments on RAMP – 1 MIL

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Five years time
lapsed since 1 MIL
assessment

DPW rejected SSI
recommendation

- Superway – Structural building & internal wet services
- Fastmove – Electrical & mechanical infrastructure
- SSI raised concerns to DPW about Fastmove:
 - Insufficient experience
 - Ability to carry out project of size & nature
 - Uncertainty about OHS compliance
- SSI recommendation – lapse bid validity & reissue tender
- DPW rejected recommendation & appointed Fastmove

Findings relating to challenges on RAMP – 1 MIL

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- Old infrastructure – extensive repairs required at 1 MIL
- Difference in expectations between DPW & DOD
- 1 MIL fully operational during RAMP – deviation in execution
- Constant scope changes – on-site instructions outside scope
- Lack of co-ordination by DPW resulted in:
 - Time delays, additional funding requirements
 - Late appointment of other service providers
 - Rework required due to damages caused
 - On-site theft & damages to work done

Delays due to
reallocation of
departments

No QS monitoring
BoQs

Findings of RAMP – 1 MIL

- DPW failed in its oversight responsibility to ensure a complete status quo performed prior to appointment of contractors
- Complexity of execution of RAMP with 1 MIL operational – failure by DPW & DOD to appropriately plan execution of RAMP 1 MIL
- Failures by DPW to appoint a single principal agent to manage RAMP at 1 MIL
- Oversight failure by DPW to effectively coordinate on-site execution
- Significant variation orders to accommodate scope changes on-site – oversight failure by DOD

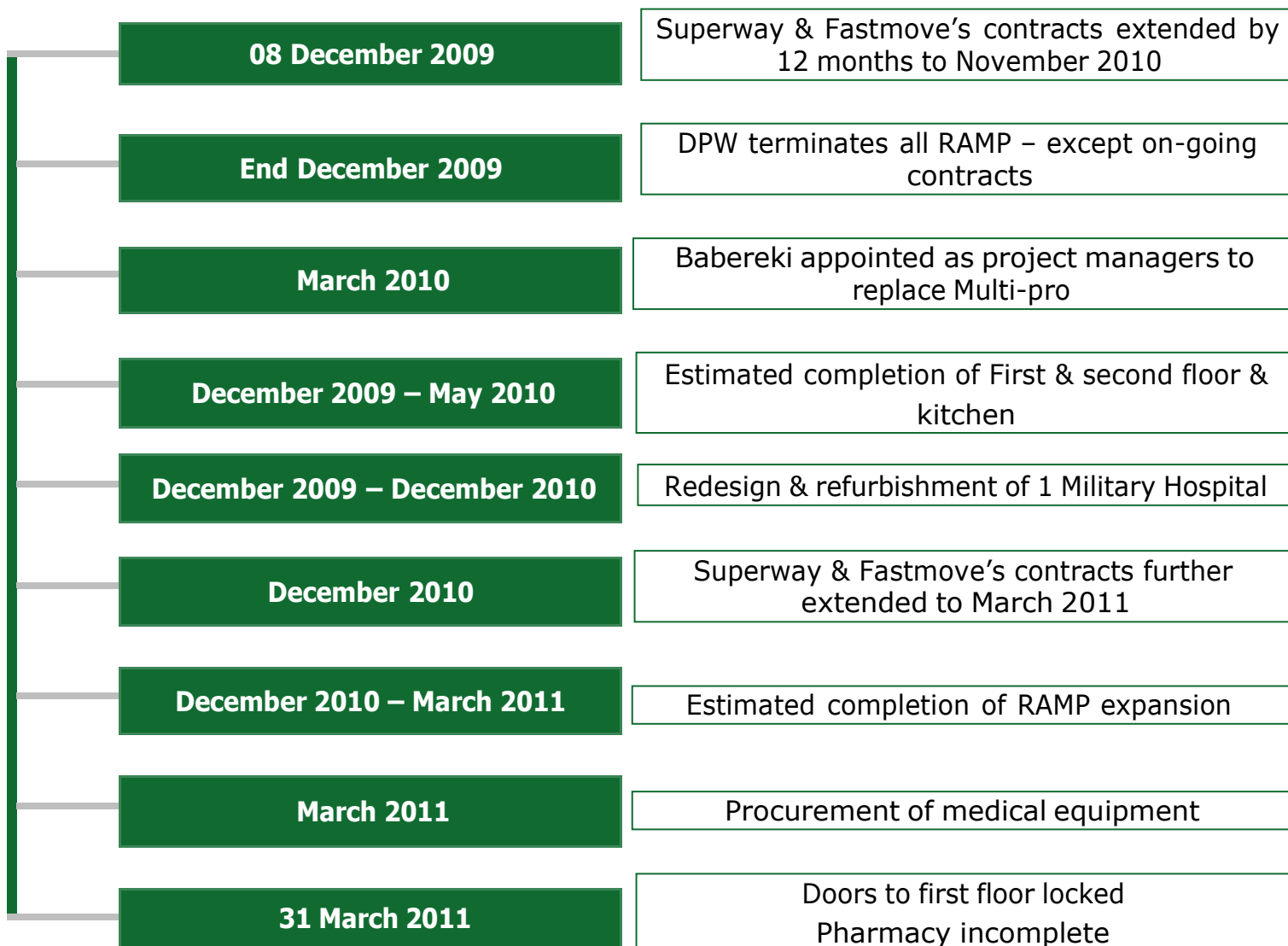
Preventable delays & Funding requirements

Recommendations on RAMP – 1 MIL

- Recommended that our report be shared with the Director-General of DPW for consideration of:
 - DPWs significant failures to co-ordinate and manage consultants & contractors on RAMP at 1 MIL
 - DPWs lack of oversight of the RAMP at 1 MIL which contributed to the current state of 1 MIL

RAMP expansion – 2010 to 2011

Timeline on RAMP expansion



Further contract extension

Introduction to RAMP expansion

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- Early December 2009 RAMP expansion approved by DPW for 1 MIL
- End December 2009, DPW terminated all RAMP contracts (except ongoing) as RAMP did not deliver on intended purpose
- Critical areas to be completed for 2010 Soccer World Cup identified
- RAMP expansion significantly different from RAMP principles – introduction of “**redesign & refurbishment**” – informal meeting
- However, since March 2011, the first floor remained locked & non-operational at date of investigation

Extension due to pressure (political)

75% work completed at 1 MIL

Floors 1 & 2 prioritised for completion by May 2010

Common understanding no longer RAMP

Findings on RAMP expansion

- All contracts on RAMP at 1 MIL were extended – except for Multi-pro contract
- Babereki was appointed through a negotiated procedure, as per DPW Acquisition and Disposal Management document
- A negotiated procedure:
 - A deviation from the normal procurement process
 - Bids are solicited from a single service provider
 - Only permissible as a matter of urgency or emergency & competitive bidding or other acquisition procedures are impractical

Irregular appointment

Urgency must be unforeseen

Not dilatory conduct

Findings on RAMP expansion

- Babereki's quote was R4 million, but paid R14 million
- We concluded that Babereki's appointment did not meet the requirements of a negotiated procurement process
- Therefore appointment was irregular
- We further concluded that R14 million paid by DPW to Babereki is irregular expenditure
- Babereki refusal to engage with us to account for the payments made to them

Irregular expenditure

Findings on RAMP expansion

Disguised as RAMP

- Decision to depart from RAMP was made at an “off-the-record” meeting between officials from DPW & DOD
- Decision by DPW & DOD officials was not converted to contractual arrangements – particularly with contractors
- The Bill of Quantities and budget were guesstimates to obtain approval & budget – impossible to hold contractors accountable
- Total estimated for RAMP expansion – R106 million
- Inclusion of statutory requirements estimated at – R50 million
- Total cost estimate for RAMP expansion – R156 million

Findings of RAMP expansion

No oversight & coordination

- The first floor redesign was conducted & managed by inexperienced & unqualified individuals:
 - Colonel Du Preez from 1 MIL (Laboratory assistant)
 - Mr Kritzinger from SSI (Architectural technologist)
- Resulting in significant design flaws:
 - Passage leading to the theatre complex too narrow to allow hospital beds to fit through the passage
 - Equipment did not fit through doors – never installed
 - Professionals/doctors not satisfied with outcome

Findings of RAMP expansion

- Medical equipment valued at R20 million was procured without involvement or guidance from principal agent/contractors
- This resulted in newly purchased medical equipment not fitting through the doors of the first floor
- Medical equipment became obsolete without ever being used
- The procurement of medical equipment to be regarded as fruitless & wasteful expenditure
- We concluded that the relevant DOD officials be held accountable for the fruitless & wasteful expenditure

General Dabula
GOC 1 MIL

General Fortuin
SAMHS facilities
manager

Colonel Du Preez
1 MIL representative

Findings of RAMP expansion

- On 31 March 2011, doors to the first floor were locked & first floor remained non-operational – still the case
- Flowing from the non-operation of the first floor, additional funding of R40 million was requested by DOD to complete first floor – funding approved
- DPW refused extension & request DOD to register new refurbishment project
- Overall conclusion the RAMP expansion project was a manufactured & manipulated procurement process – therefore irregular

Refurbishment project

Recommendations of RAMP expansion

DPW & DOD

Initial estimated costs

- We recommended that senior executive officials who participated in the manipulation of the RAMP expansion be held accountable for this irregular conduct
- We further recommended that all the expenditure to the value of R156 million, relating to RAMP expansion be regarded as irregular expenditure
- Further, we recommended that the expenditure relating to RAMP expansion be classified as fruitless and wasteful expenditure

Expenditure on RAMP (2001 – 2011)

- Expenditure analysis for RAMP & RAMP expansion relating to consultants & contractors within our scope

Consultant/contractor	Period of involvement	Approved budget	Amount paid
Multi- pro	December 2001 – March 2010	-	R7 947 578
SSI	December 2001 – March 2011	-	R28 971 506
Subtotal – consultants			R36 919 084
Fastmove	November 2006 – March 2011	R124 133 793	R215 366 215
Superway	November 2006 – March 2011	R108 418 560	R201 409 832
Babereki	March 2010 – March 2011	R4 190 722	R14 540 042
Subtotal – contractors		R236 743 075	R431 316 089
Total payments			R468 235 173

No distinction of RAMP and RAMP expansion payments

Discrepancies in the final accounts of contractors

Excessive quantities and pricing

- Superway – 86% overrun
- Fastmove – 73% overrun
- Babereki – 347% overrun

Refurbishment – 2011 to date

Overview of Refurbishment

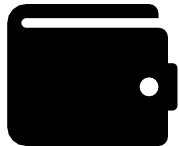


August 2012 – to date



Project initiated by DPW

Project transferred to DOD



Cost estimate – R1.4 billion



Outsourcing cost incurred – R1 billion

Initially not part of scope

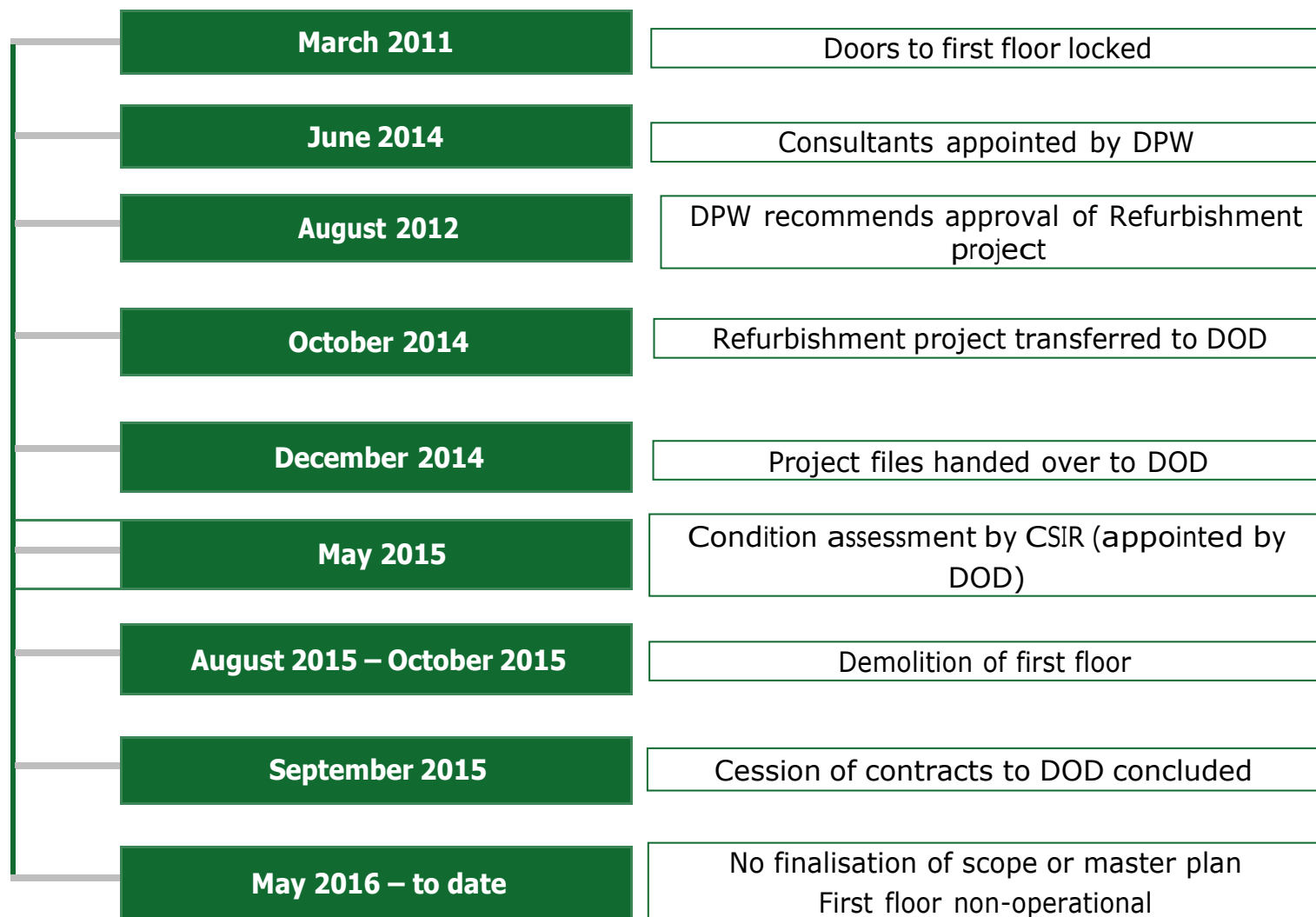
Contracts ceded

June 2019

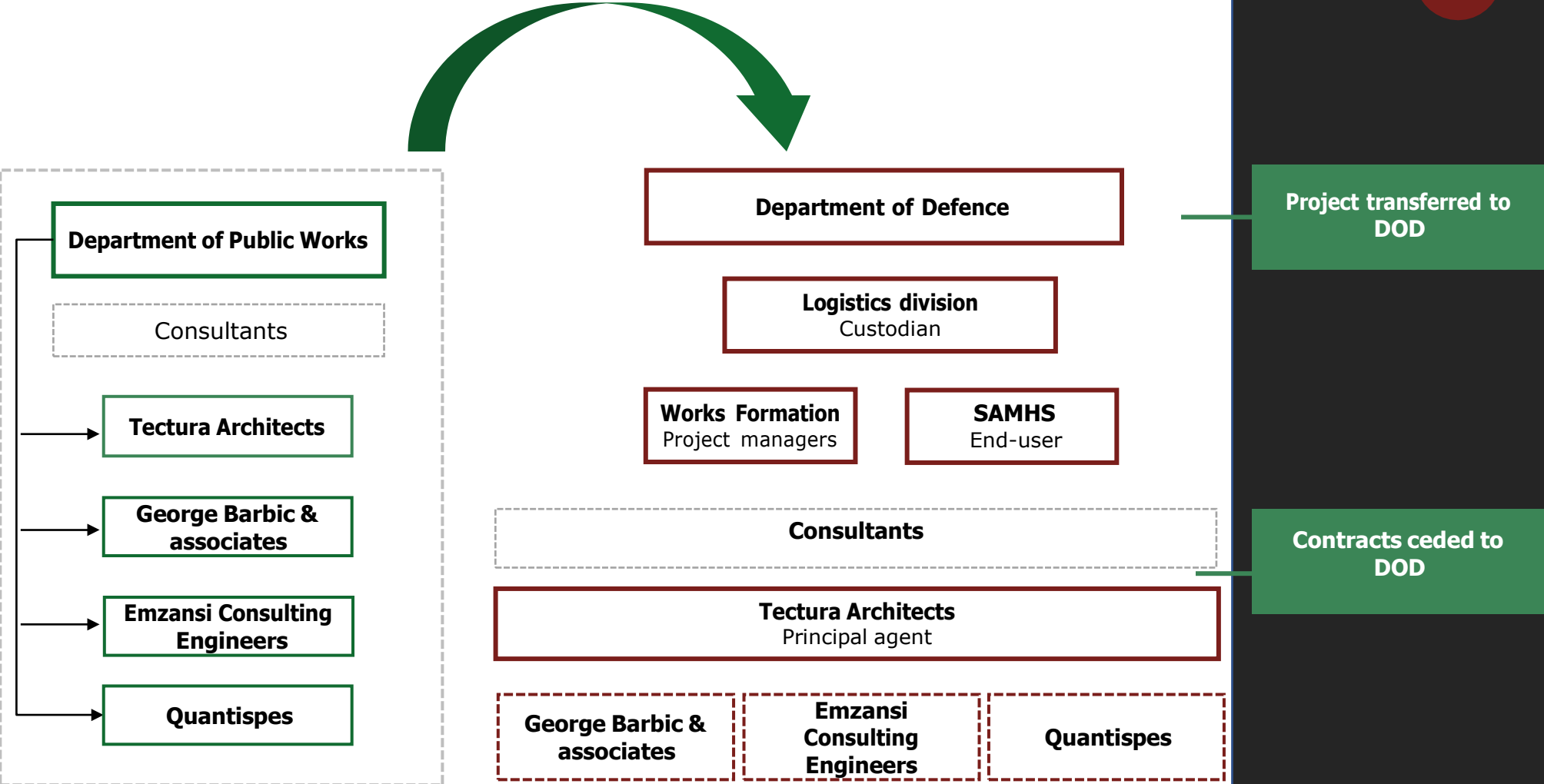
FY 2019/2020

Timeline on Refurbishment

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Role players on Refurbishment



Cession: A bilateral juristic act whereby by agreement, a cedent (DPW) transfers its rights to a cessionary (DOD)

Note: Only those structures/levels relevant to the investigation have been represented in this diagram

Findings on Refurbishment

- DPW took almost two years (August 2012 to April 2014) to issue the final Procurement Instruction for the Refurbishment of 1 MIL
- We found that significant delay by DPW was due to:
 - Slow procurement process and inefficiencies in DPW
 - Poor & insufficient project management activities by DPW
- Transfer of the Refurbishment project to the DOD only finalised in October 2014 – Two years delay
- Cession concluded in September 2015 – one year delay in the progression of the Refurbishment project

Before transfer of Refurbishment

Oversight & management transferred to DOD

Findings on Refurbishment

- CSIR performed condition assessment on 1 MIL resulting in changes in scoping & planning
- Significant time delay before DPW & later Works Formation realised need for specialised health technologists
- This failure demonstrates technical shortcomings within DPW & Works Formation
- Appointment of health technologists approved in April 2016 – only appointed two years later – July 2018

Additions to scope

Lack of oversight & management by DOD

Findings on Refurbishment

- DOD procurement environment not familiar with regulatory prescripts & technical requirements involved for infrastructure procurement
- Resulting in significant delays in finalising relevant procurement documentation to appoint contractors for construction work required as part of Refurbishment project
- Works Formation operating without the in-house support of professionals, such as mechanical, electrical, electronic, structural and civil engineers

DOD inability to appoint contractors

Lack of competency & capability

Findings on cost of Refurbishment

- Impact of delays in finalisation of Refurbishment project over time caused escalation of estimated project costs including medical equipment

Date	Building/construction work or Floor One and related services - estimated final costs (including VAT)	Medical equipment - estimated final costs (including VAT)	Total estimated costs
October 2016	R387 445 518	R591 730 313	R979 175 831
March 2017	R387 445 518	R659 649 283	R1 047 094 801
July 2017	R435 631 429	R659 649 283	R1 095 280 712
November 2018	R459 588 222	R760 399 817	R1 219 988 039
December 2018	R459 588 222	R777 346 685	R1 236 934 907
February 2019	R515 455 056	R869 021 114 (if purchased)	R1 384 476 170
June 2019	R515 455 056	R888 379 191	R1 403 834 247

Consequences of Refurbishment delays

- Non-operation of first floor necessitated continued incurrence of significant outsourcing costs

Financial year	Costs incurred
2010/2011	R45.9 million
2011/2012	R69.9 million
2012/2013	R71.2 million
2013/2014	R82.3 million
2014/2015	R88.5 million
2015/2016	R98.2 million
2016/2017	R138.7 million
2017/2018	R177.8 million
2018/2019	R130.3 million
2019/2020	R182.4 million
Total cost	R1 085.2 billion

Conclusions on Refurbishment

- Significant delays between initiation of project in DPW, in 2012 until transfer & cession to DOD in 2015
- Lack of expertise & clear plan during initial phase in DPW
- DOD Works Formation lacked appropriate expertise, capacity and capability to lead & implement 1 MIL Refurbishment project
- Extensive procurement delays within DOD as a result of need to have appropriate health technologists as part of team
- The procurement & appointment of health technologists took approximately two years

Delays in approvals

Conclusions on Refurbishment

- Significant delays in procurement process due to lack of CIDB requirements & compliance within DOD procurement environment
- Constant scope changes as a result of the lack of a clear direction & master plan for 1 MIL
- At time of our report no contractors appointed yet neither any procurement processes in place to proceed with such appointment

Conclusions on Refurbishment

- We identified an unsound relationship between General Fortuin and Tectura – principal agent resulting in possible corrupt payments
- An inquiry was initiated by the Hawks in 2016, but abandoned due to the relocation of General Fortuin
- In 2021, at the request of the DOD, we provided the Hawks with the evidential material relating to the unsound relationship

Recommendations on Refurbishment

- Recommended that the current role & responsibilities of DOD Works Formation be reconsidered – particularly relating to 1 MIL
- An alternative & workable solution be put in place to address the lack of the required expertise, capacity, capability & ensure that the refurbishment project proceeds
- Recommended that current procurement processes & policies within DOD be addressed to ensure ability to procure construction capabilities

Recommendations on refurbishment

- Recommended that through the appropriate structures within the DOD, a clear master plan be designed & agreed upon
- Recommended that a clear line of responsibility & accountability be established within the DOD relating to Refurbishment project
- Recommended that the findings relating to unsound relationship involving General Fortuin & Tectura be considered & progressed with the Hawks

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