



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

Presentation to the Standing Committee on Public Accounts on the 2020/21 Annual Report of the Department of Water & Sanitation

14 September 2022

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Introduction: DWS strategic priorities

- Plan and implement a range of major projects to augment national bulk water resource infrastructure
- Guide and lead the development of other water resources, including groundwater and desalination
- Establish the National Water Resource Infrastructure Agency (NWRIA)
- Strengthen the role of DWS in supporting and intervening in municipalities where municipal water and sanitation services are failing
- Strengthen regulatory interventions to address pollution of the environment and communities from waste-water
- Increase participation of private sector finance and skills in the water sector
- Continue to improve water-use license turnaround times and promote transformation in water-use
- Guide and lead increased water-use efficiency and demand and conservation management
- Implement the DWS Turnaround and Financial Recovery Plan
- Reduce irregular, unauthorized and wasteful expenditure and ensure consequence management for financial misconduct in DWS
- Improve revenue collection across the water value chain

Filling of posts

- A total of 23 Senior Management posts have been filled since the start of the 2021/2022 financial year which includes the post of Director-General that was filled with effect from 1 January 2022.
- The CFO and all other DDG posts are also filled.
- All Chief Director posts have been filled (except for the post that was vacated by the current CFO) – the new incumbent will assume duty on 1 October 2022.
- One vacant Director post (Forensic Investigation and Quality Assurance) is in the process of being filled.
- The Department is currently prioritising the filling of other critical vacancies in line with the Compensation of Employees budget allocation for the 2022 MTEF, focusing particularly on technical positions
- The Minister has recently approved a revised organogram with minor amendments to the organogram approved by the MPSA in 2020, to enable the department to better implement the strategic priority of improving municipal water services.
 - The new structure will now be captured on PERSAL, and after a matching and placing process has been completed, the department will have more accurate data on vacancies

PART 1: OVERVIEW OF NON-FINANCIAL AND FINANCIAL PERFORMANCE



Comparison of non-financial and financial performance

Programme		% budget spent	% actual achievement	Areas of under performance
1	Administration	94.5%	53%	<ul style="list-style-type: none"> • Implementation of the financial recovery and turnaround plan • Expenditure of annual budget • Number of debtor days • Implementation of 2020/21 annual international relations programme • Implementation of coaching and mentorship programme for levels 14, 15 and 16
2	Water Planning & Information Management	85.8%	74%	<ul style="list-style-type: none"> • Completion of feasibility studies and implementation readiness studies for water and wastewater services projects (RBIG) • Completion of district municipalities (DMs) with completed 5-year reliable water and sanitation services delivery implementation plans • Development of National Water and Sanitation Bill • Approval of National Water Resources Strategy Edition 3 (NWRS-3)
3	Water Infrastructure Development	84.3%	45%	<ul style="list-style-type: none"> • Bulk raw water projects ready for implementation and under construction • Regional bulk infrastructure projects under construction and completed • Implementation of COVID-19 intervention projects • Replacement of bucket sanitation backlog systems in formal settlements • Completion of maintenance and dam safety rehabilitation projects • Rehabilitation of conveyance systems
4	Water Sector Regulation	84.3%	85%	<ul style="list-style-type: none"> • Assessment wastewater systems for compliance with the Green Drop regulatory requirements • Gazetting of regional water utilities for establishment
Total		85%	62%	

Financial highlights 2020/21 (Main Account)

- During the 2020/21 financial year the Department spent 85% of its budget, of which 88%, 91%, 100% and 51% is on Compensation of employees, Goods and Services, Transfers & subsidies and Payments for capital assets respectively.
- The Department (inclusive of the Water Entities) has developed and is currently implementing a Financial Recovery Plan, the efforts for which have resulted improved controlled environment including unqualified audit opinions in the subsequent financial years.
- Of the reported unspent funds for the year, there were invoices in process of certification and commitments still to be billed. In this regards a rollover request was submitted to National Treasury.
- Assets consist mainly of projects advances to the Water Boards, unauthorised expenditure from previous years awaiting Parliament approval and contingent assets currently before court.
- Liabilities including accruals and payables reduced in line with the financial recovery plan.

Financial highlights 2020/21 (Main Account)

Details	2021	2020	Movement	% Change
	R'000	R'000	R'000	
Revenue	17 017 081	16 482 656	534 425	3.24%
Expenditure	14 502 613	15 217 606	(714 993)	-4.70%
Bank balance favourable	1 712 555	250 266	1 462 289	584.29%
Prepayments and advances	156 965	357 255	(200 290)	-56.06%
Contingent assets	3 207 651	2 904 688	302 963	10.43%
Accruals and payables	878 582	960 964	(82 382)	-8.57%
Commitments	5 701 069	5 808 429	(107 360)	-1.85%
Contingent liabilities	14 843 232	14 993 442	(150 210)	-1.0%
Unauthorised expenditure	641 109	641 109	-	-
Fruitless & wasteful expenditure	63 552	76 304	(12 752)	-16.71%
Irregular expenditure	9 903 612	9 632 915	270 697	2.81%

Financial highlights (Water Trading)

Details	2021	2020	Movement	Change
	R'000	R'000	R'000	%
Revenue	15 590 441	16 371 134	(780 693)	-5%
Expenditure	9 901 163	10 795 823	(894 660)	-8%
Bank balance favourable	1 403 143	1 063 048	340 095	32%
Trade receivables	20 934 340	17 920 736	3 013 604	17%
Contingent assets	32 925	33 179	(254)	-1%
Financial liabilities	17 077 256	19 921 951	(2 844 695)	-14%
Payables from exchange transactions	2 239 779	1 122 105	1 117 674	100%
Commitments	1 691 822	1 896 013	(204 191)	-11%
Contingent liabilities	436 206	276 140	160 066	58%
Fruitless and wasteful expenditure	223 169	65 577	157 592	240%
Irregular expenditure	7 909 028	7 729 033	179 995	2%

Infrastructure allocations and expenditure as at 31 March 2021

Earmarked, specifically and exclusively appropriated infrastructure items	Adjusted budget	Actual expenditure	Available budget	Expenditure as % of adjusted budget
	R'000	R'000	R'000	%
Regional Bulk Infrastructure Grant 5B	2 005 605	2 005 605	-	100%
Water Services Infrastructure Grant 5B	3 367 557	3 367 557	-	100%
Total	5 373 162	5 373 162	-	100%
Regional Bulk Infrastructure Grant 6B	3 487 951	1 714 712	1 773 239	49%
Water Services Infrastructure Grant 6B	591 064	314 907	276 157	53%
Regional Bulk Infrastructure Grant 6B: Covid-19 and drought relief Interventions (Goods and services)	306 534	299 521	7 013	98%
Regional Bulk Infrastructure Grant 6B: Vaal River System Remedial Intervention (Goods and services)	314 000	166 732	147 268	53%
Total	4 699 549	2 495 872	2 203 677	53%
Magalies Water Board (RBIG)	98 000	98 000	-	100%
Sedibeng Water Board (RBIG)	271 306	271 306	-	100%
Umgeni Water Board (RBIG)	440 006	440 006	-	100%
Total	809 312	809 312	-	100%
Water Trading Entity - Acid mine drainage and other capital projects	2 175 045	2 175 045	-	100%
Water Trading Entity: Operations and maintenance	203 915	203 915	-	100%
Komati Basin Water Authority (KOBWA)	233 093	233 093	-	100%
Total	2 612 053	2 612 053	-	100%
Grand Total	13 494 076	11 290 399	2 203 677	84%

Measures to improve spending

The Department has implemented measures to improve spending, fast track implementation of projects and mitigate the risks of stagnant projects and under-expenditure.

- **Compensation of employees**

- As per the Human Resources Plan, all the prioritized and critical posts are being filled within the approved compensation of employees' budget ceiling.
- Accelerated recruitment plan and organisational structure alignment initiatives are being implemented to ensure optimal human resources capacity.

- **Local government conditional grants**

- Continued support to affected Municipalities.
- Collaboration with National and Provincial Treasuries together with the Department of Cooperative Government and Traditional Affairs in strengthening compliance and service delivery in affected municipalities.

- **Operational and Capital expenditure**

- Improved project management capacity of the Department and Implementing Agents.
- Community engagement programmes have been facilitated in all the provinces to assist in unlocking projects affected by community unrests, this will unlock the current capital projects commitments.
- The Department has implemented early warning systems for timely budget reprioritizations from low spending projects to projects with capacity to spend additional budget allocation. This is performed on a monthly basis.
- Contractual disputes in projects are being attended to through the legal services unit.

- **Infrastructure Procurement Strategy**

- In compliance with the Framework for Infrastructure Delivery and Procurement Management, the Department has development Infrastructure Procurement Strategy to improve procurement processes.

PART 2: OVERVIEW OF THE AUDITOR-GENERAL'S REPORT



Audit outcomes

- The 2020/21 audit outcomes:
 - The main vote received qualified audit opinion with findings.
 - The WTE received unqualified audit opinion with findings
- The audit qualification was resolved in the 2021/22 financial year.
- Detailed audit action plans have been put in place with specific corrective actions and milestones, with progressive implementation towards achieving a clean audit (**see Annexure A**)
- Preventative measures being implemented incorporate the following:
 - Awareness, staff training and development
 - Strengthening internal controls
 - Compliance and governance structures
 - Consequence management
- The Department is proactively engaging with the Office of the Accountant-General on matters related to accounting treatment of some of the transactions.
- The following slides discuss some of the key irregularities raised by the AG

Amounts paid to a contractor for site re-establishment cost and standing time

AGSA Report	Action Plan & Progress
<p>There were delays in the procurement process of permanent load cells required to finalise the project, this resulted in the project being put on hold from 15 January 2018, at this stage the project was 96% complete.</p> <p>The non-compliance resulted in a material financial loss comprising of two elements amounting to R28 824 618 for the entity.</p> <p>The accounting officer committed to appoint a professional service provider who will conduct an investigation into the material irregularity. The investigation report is expected to be finalised on 30 April 2022.</p> <p>I will follow up on the implementation of the planned actions during my next audit.</p>	<p>The investigation was concluded and recommended amongst others that the following key actions to be taken:</p> <ul style="list-style-type: none">• Implement disciplinary action against officials within the entity as their actions or delayed actions resulted in the financial loss.• Appoint a dedicated financial manager to the Hazelmerre Dam Project to ensure that the financial controls are rigorously enforced.• The recommendations of the investigation report are being implemented and the project completion is being monitored closely to ensure that the approved finalisation date is adhered to.

Material irregularity: Payment made to a consultant firm without evidence of work performed

AG Report	Action Plan & Progress
<p>Payment made to a consulting firm without evidence of work performed</p> <p>A payment of R17 900 594 was made on the 20 April 2018 to a consulting firm for financial management services, without the required progress report supporting that the work had been performed. The payment for services not delivered was a result of ineffective internal control relating to the approval and processing of payments, as required by treasury regulation 8.1.1.</p> <p>The non-compliance with legislation was likely to result in a material financial loss if the amount paid is not recovered from the firm.</p> <p>A contingent asset of R17 700 594 to this matter has been disclosed in note 20.2, of the financial statements.</p>	<ul style="list-style-type: none">• Disciplinary action was taken against responsible Officials, who subsequent resigned from the Department.• Disciplinary proceedings continued for the Official who is still in the Public Service.• Disciplinary hearing started in October 2021. The hearing proceeded on 19-21 July 2022. The hearing will continue on 3-5 October 2022.• The matter was reported to the South African Police Services, and it is currently before the High Court.• Possible recovery of the R 17 900 594 paid to the service provider. Refer to Contingent Asset Note in this regard.

Material irregularity: Interest on advance payments

AG Report	Action Plan & Progress
<p>Payment not made within 30 days resulting in additional interest.</p> <p>The entity entered into a contract with service provider with a contract value of R154 million (incl. VAT) which required a 10% advance payment on the contract value. WTE did not make the advance payment as per the contract provisions. This resulted in the service provider issuing a letter of demand and consequently, in court proceedings. The court ordered the entity to pay the service provider interest of R2,2 million and the applicant's taxed party-party costs. The interest expense results in a financial loss. The party-party costs have not yet been paid by the entity as ordered by the court and therefore should be considered as a likely financial loss.</p>	<ul style="list-style-type: none">• The department entered into a contract with Bigen Africa in which the former agreed to pay an advance payment. The department refused to pay the advance payment and the Bigen Africa took the department to court for payment of the advance amounting to R13 526 895.90 and an interest amounting to R2 264 736.60. The court awarded the order to Bigen Africa.• In line with the recommendations of the investigation report the Department issued claim letters to the former Officials.• Based on the representations by the former Officials the Department subsequently instructed the Office of the State Attorney to do the recovery from the former officials. Follow-ups are being made with the Office of State Attorney.

Effective and appropriate steps not taken to collect all money due to the entity

AGSA Report

Accrued revenue raised in prior years that should have been billed had not been invoiced to the customers for water they had actually consumed and/or used. This practice of accruing revenue but not invoicing for it occurred over a number of years. This non-compliance with legislation was likely to result in a material financial loss of R346 223 000.

The accounting officer implemented the following actions:
Appointed the Chief Director: Revenue Management, with a commencement date of 01 June 2021 and Chief Director: Water Use Licence Operation, with a commencement date of 01 October 2021. In addition staff members responsible for billing customers received on-the-job training;

- a) Implemented an effective record management system;
- b) Made follow ups with customers to confirm the accuracy and completeness of information submitted for registration on the entity's systems.

This enabled the issuing of water user licenses and ability to bill the customers
The accounting officer has also since billed all the customers previously recognised as accrued revenue.
The material irregularity has therefore been resolved.

Action Plan & Progress

The material irregularity has been resolved and management continues to monitor and implement controls to prevent recurrence.

PART 3: FEEDBACK ON THE FINANCIAL RECOVERY PLAN



Summary of status report

Broad strategies	Key outputs	Status
Funding and budget management	Implementation of audit action plans	Internal and External Audit Action Plans were developed and are being implemented.
	Zero balance on overdraft	Positive bank balance achieved.
	Implementation of debt collection and revenue enhancement strategy	Implementation of Revenue enhancement strategy, credit control and intergovernmental relations.
Expenditure control, financial governance and accountability	Implementation of the accruals and payables management plan	Prior years accruals and payables have been reduced through payments made from reprioritised budgets.
	Fruitless and wasteful expenditure condonations and remedial measures.	Preventative measures have been implemented to ensure that no further incidents are reported.
	Irregular expenditure condonations and remedial measures report	Condonation requests have been submitted to National Treasury. Irregular expenditure was incurred on running contracts which were declared as irregular in the previous financial years.
	Report on implementation of exit strategies on irregular contracts	Legal review of irregular contracts is in progress. This includes work by the SIU and Legal Services.
Alignment of strategic intent	Align strategy, annual performance plans (APP) and budgets	Strategy and APP have been aligned to Estimates of National Expenditure and Procurement Plans.
Capital budget and asset management	Comprehensive reconciliations of assets and liabilities to enable maintenance of proper accounting records for management and reporting purposes.	Status reports have been compiled for infrastructure assets with remedial actions. Annual engineer's reviews have been compiled with remedial actions

Progress on Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Details	Main Account		Water Trading Entity	
	2022/23 (Q1) R'000	2021/22 R'000	2022/23 (Q1) R'000	2021/22 R'000
Unauthorised expenditure	641 109	641 109	-	-
Fruitless and wasteful expenditure	16 813	16 813	206 808	206 808
Irregular expenditure	9 459 330	9 459 106	7 102 949	7 082 046



- No **unauthorised expenditure** was incurred since the prior period incidents.
- The Unauthorized Expenditure relates to overspending on Bucket eradication and War on Leaks programmes in prior years and was reported to National Treasury for processing to Parliament.
- **Fruitless and wasteful expenditure** relates mainly to costs that could not be recovered from projects, these were incurred on internal and external construction projects. Further incidents were noted on the WTE and are currently at an assessment stage.
- Included in the **Irregular Expenditure** is an amount of R8.800 billion submitted for condonation.
- The reported incidents of unauthorized, irregular, fruitless and wasteful expenditure are at various processing stages, including investigations (by the department, Special Investigating Unit and South African Police Service), disciplinary proceedings and court proceedings.
- The Department appointed a panel of Professional Service Providers (PSPs) to augment the current investigation capacity of the Internal Audit Unit.

Summary of Unauthorised Expenditure

Details	2022/23 (Q1) R'000	2021/22 R'000
Bucket eradication programme	292 269	292 269
War on Leaks programme	348 840	348 840
Closing balance	641 109	641 109

- No unauthorised expenditure incurred in 2021/22 and 2022/23 financial years.
- Reported to National Treasury for processing to Parliament, awaiting outcome.
- The amount of R292.269 million relates to over-spending of the vote in the 2016/17 financial year, mainly as a result of the payment of expenditure on the Bucket Eradication Programme (BEP)
- The amount of R348.840 million relates to over-spending of the main division within the vote and is attributable to the expenditure incurred on War on Leaks (WoL) Programme without a budget in 2017/18 financial year.

Summary of Fruitless and Wasteful Expenditure

Details	Main Acc	WTE	Total
	2022/23 (Q1) R'000	2022/23 (Q1) R'000	R'000
Opening balance	16 813	206 808	223 621
Additions (New cases)	-	-	-
Deductions (Amounts recoverable)	-	-	-
Deductions (Amounts written-off)	-	-	-
Closing balance	16 813	206 808	223 621

- Fruitless and wasteful expenditure relates mainly to costs that could not be recovered and capitalised to projects, these were incurred on internal and external construction projects.
- Investigations are being accelerated to enable finalisation before the end of 2022/23 financial year.
- Further incidents were noted on the WTE and are currently at an assessment stage.

Summary of irregular expenditure

Details	Main Acc	WTE	Total R'000
	2022/23 (Q1) R'000	2022/23 (Q1) R'000	
Opening balance	9 459 106	7 082 046	16 541 152
Additions	224	20 903	21 127
Condonations	-	-	-
Closing balance	9 459 330	7 102 949	16 562 279
Of which:			
Condonations in progress	6 176 170	2 641 307	8 817 477
Submitted for investigation	265 405	1 770 315	2 035 720
Assessment	3 017 755	2 691 327	5 709 082
Total	9 459 330	7 102 949	16 562 279
Percentage breakdown			
Condonations in progress	65%	37%	53%
Submitted for investigation	3%	25%	12%
Assessment	32%	38%	35%
Total	100%	100%	100%

- Of the irregular expenditure R16.562 billion, total amount of R8.817 billion is in the process of condonation with R2.035 billion submitted for investigation and R5.709 billion under assessment.
- A panel of Professional Service Providers (PSPs) Forensic Audit and Investigators, are assisting to accelerate the investigations in progress.
- Current cases include:
 - Main Account: Proper process not followed when appointing the official to the post of the Deputy Director.
 - WTE: Emergency procurement not supported by National Treasury in the previous financial year.

Irregular expenditure in process of condonation

Description	Main Account	WTE	Total	Status/ Comments
	R'000	R'000	R'000	
Giyani Water Services Project	3 381 034	-	3 381 034	The disciplinary hearing was concluded. The employee was found not guilty. Department has taken the matter on review. The matter is currently in the labour court. The department is reviewing the Presiding Office's report verdict in the labour court. Awaiting the outcome of the review application.
Upgrading of the Thukela Goedertrouw Scheme	-	477 310	477 310	Two employees implicated. Department has taken the matter on review. The matter is currently in the labour court. The department is reviewing the Presiding Officer's verdict at the Labour Court. The other employee has been served with a charge sheet. Labour Court review will determine the way forward on this matter.
Desalination Plant Richards Bay	301 168	9 684	310 852	Two employees implicated. Both employees implicated have been served with charge sheets. Hearing in respect of one employee is nearing conclusion (leading of evidence has been concluded and the employee was found guilty on 9 of the 10 charges). Pronouncement of sanction is awaited. Hearing resumed on 10 August 2022. Final outcome is expected in October 2022.
Support and maintenance of SAP ECC6	-	285 951	285 951	Disciplinary file currently being processed by Labour Relations.

Irregular expenditure in process of condonation

Description	Main Account	WTE	Total	Status/ Comments
	R'000	R'000	R'000	
Unlimited SAP licences	-	285 000	285 000	Hearing is nearing conclusion (leading of evidence has been concluded and the employee was found guilty on 9 of the 10 charges). Pronouncement of sanction is awaited. Hearing resumed on 10 August 2022. Final outcome is expected in October 2022. Combined Civil litigation is underway (DWS and SIU).
War on Leaks Project	823 130	1 499 330	2 322 460	Disciplinary file currently being processed by Labour Relations.
Bucket Eradication Project	1 503 707	-	1 503 707	Disciplinary file currently being processed by Labour Relations.
Financial advisory services	17 901	-	17 901	Disciplinary hearing started in October 2021. The hearing proceeded on 19-21 July 2022. The hearing will continue on 3-5 October 2022. (Managed by Gauteng Finance Department). Furthermore Civil Litigation is underway for recovery of costs incurred.
Isiphethu	-	17 188	17 188	Representation has been made by the employee. Decision has to be made whether disciplinary action will proceed.
Payments made without a Purchase Order	-	66 844	66 844	Condonation application under consideration by National Treasury.
Transfer payments	114 879		114 879	Condonation application under consideration by National Treasury.
Gift of the Givers	20 376		20 376	Condonation application under consideration by National Treasury.
Dube ZT of CTSAP Investigators	3 477		3 477	Condonation application under consideration by National Treasury.
Total	<u>6 165 672</u>	<u>2 641 307</u>	<u>8 806 979</u>	

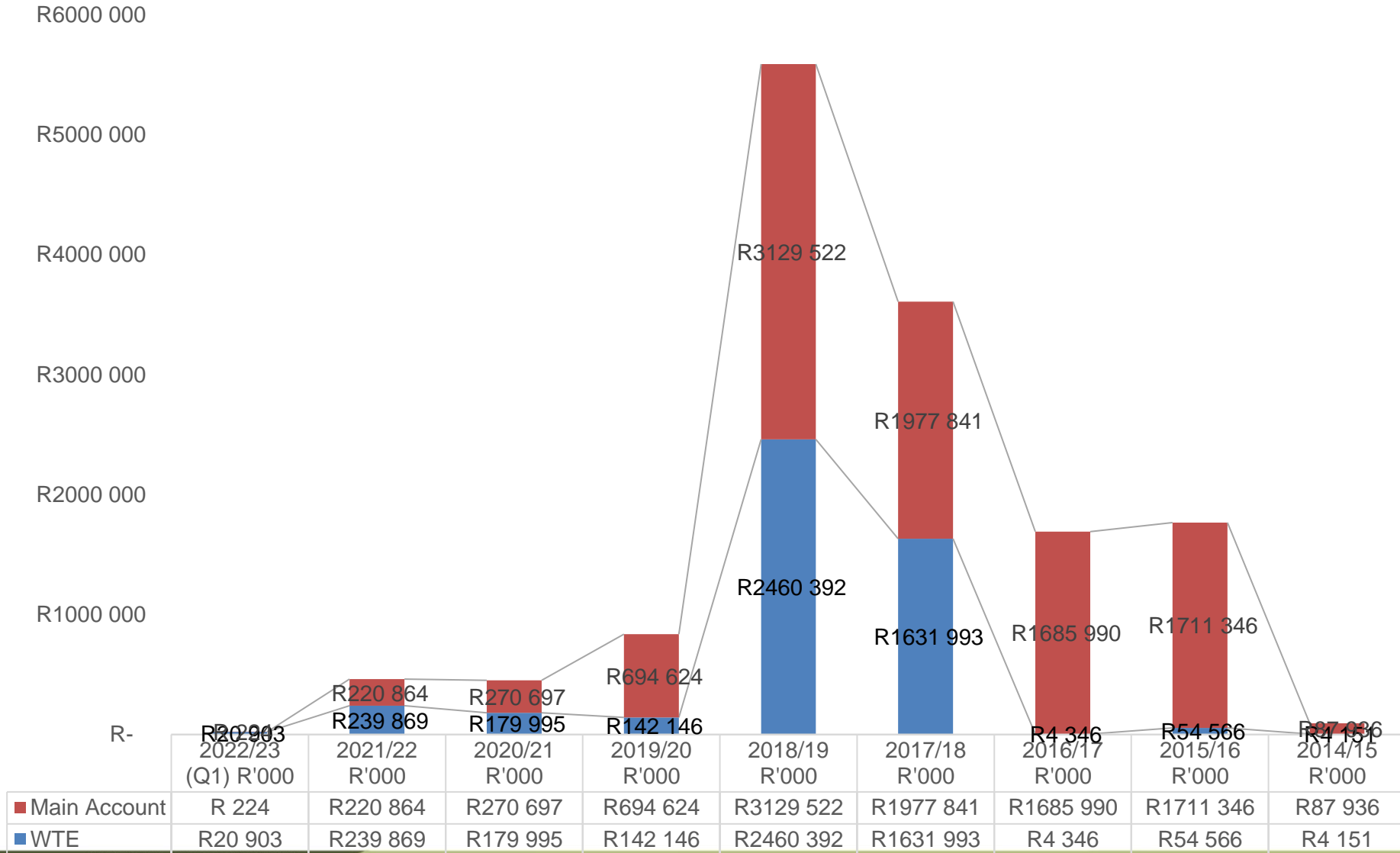
Irregular expenditure condoned by National Treasury

Details	R'000	Description
Caps M – Cleaning services	53 587	This incident has been condoned by the National Treasury on 05 May 2022, and it applies to both Main Account and WTE.
Alteram Solutions – Call Centre (CRM)	230 545	This incident has been condoned by the National Treasury on 07 June 2022, and it applies to WTE.
Private Security Services	967 491	This incident has been condoned by the National Treasury on 07 June 2022, and it applies to both Main Account and WTE.
EOH Mthombo – Information Technology Services	236 349	This incident has been condoned by the National Treasury on 07 June 2022, and it applies to Main Account.
Total	1 487 972	

- In total the amount of irregular expenditure condoned by National Treasury is R1.488 billion.
- The department ensures that remedial actions are taken, to ensure that a similar irregular expenditure is not incurred in future.
- The Department strengthened and enhanced internal controls for procurement processes, procedures and contract management so as to address root causes of irregular expenditure.

Irregular expenditure trend analysis

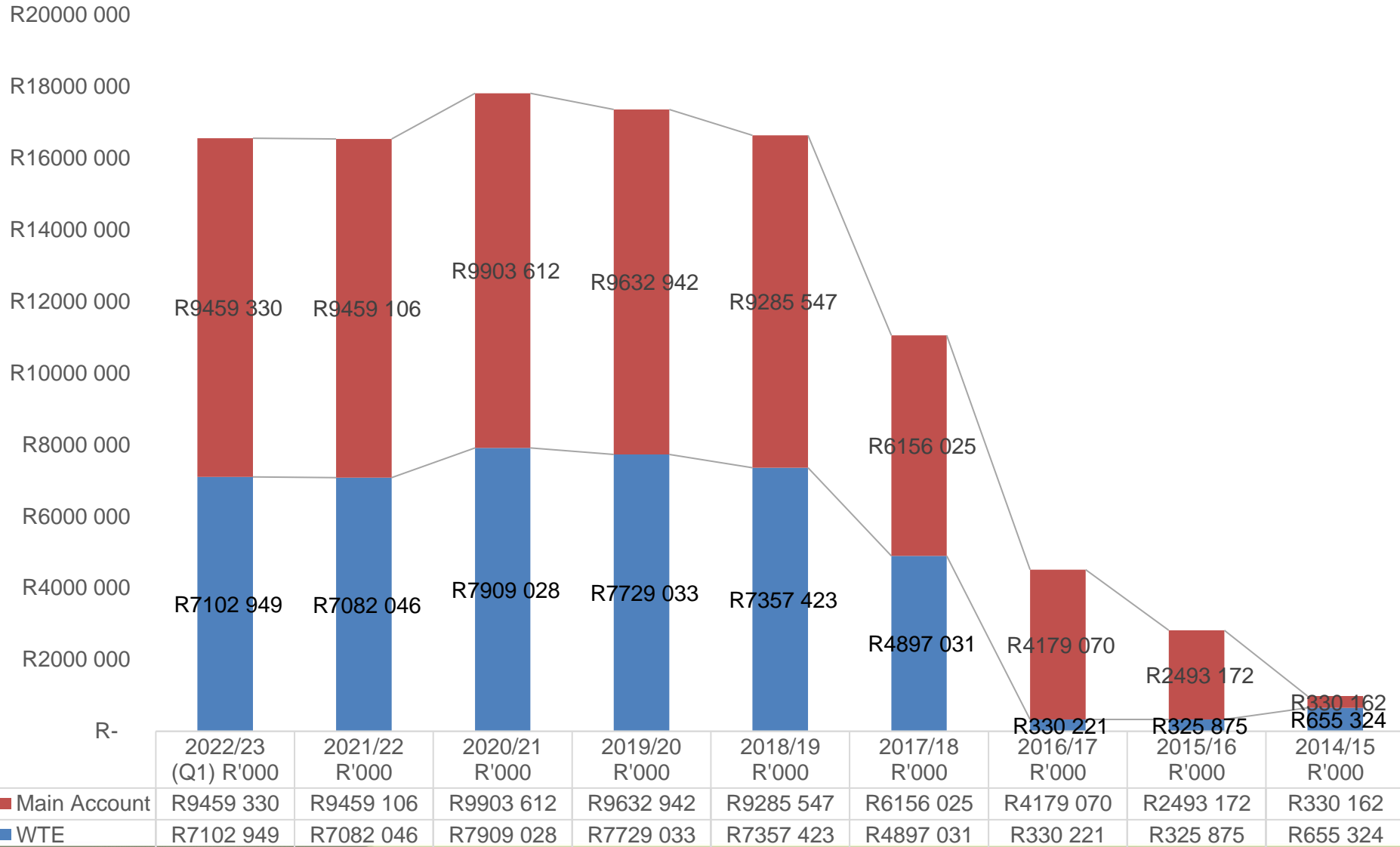
Trend Analysis of IE Per Financial Year



WATER IS LIFE - SANITATION IS DIGNITY

Total Irregular expenditure trend analysis

Trend Analysis of Total IE Per Financial Year



WATER IS LIFE - SANITATION IS DIGNITY

Narrative of the Total Irregular Expenditure balance as incurred per financial year

	2022/23 (Q1) R'000	2021/22 R'000	2020/21 R'000	2019/20 R'000	2018/19 R'000	2017/18 R'000	2016/17 R'000	2015/16 R'000	2014/15 R'000
WTE	7 102 949	7 082 046	7 909 028	7 729 033	7 357 423	4 897 031	330 221	325 875	655 324
Main Account	9 459 330	9 459 106	9 903 612	9 632 942	9 285 547	6 156 025	4 179 070	2 493 172	330 162
Total	16 562 279	16 541 152	17 812 640	17 361 975	16 642 970	11 053 056	4 509 291	2 819 047	985 486

- To date, the total/accumulative irregular expenditure per financial year amounts to R16.562 billion, this figure has been adjusted from 17.812 billion due to the condonation approved by National Treasury.

Irregular expenditure transgressions

- Analysis of irregular expenditure and the nature of transgression revealed the following control deficiencies within the procurement processes:
 - Bid evaluation not done in accordance with the advertised evaluation criteria
 - Change of scope of work after bid awarded without approval by the delegated official
 - Competitive bidding process not followed: deviations for emergency procurement not supported or approved by National Treasury
 - Competitive bidding process not followed: Service providers appointed as sole suppliers without supporting proof
 - Competitive bidding process not followed: Services providers handpicked, specific individual selected and recommended to serve at Departmental Bid Adjudication Committee
 - Contracts extended without prior approval by the delegated official(s)
 - Contract signed by an unauthorised official and without legal vetting
 - Expenditure in excess of contract amount

Irregular expenditure transgressions (continued...)

- Declarations not made by company directors employed by the state
- Procurement above R500 000 not done through competitive bidding
- Appointment of services providers not on the panel of preferred suppliers
- Service providers appointed without meeting the Departmental Bid Adjudication Committee quorum requirement
- Service providers appointed without signed valid contracts
- Services rendered after contract expired without approval by the delegated official(s)
- SITA legislation requirement not complied with when advertising bids (for example, IT services not procured through SITA)
- Tenders advertised for a shorter period without National Treasury approval and tenders not advertised publicly
- Variation order exceeding the threshold and not approved by National Treasury.

Preventative measures against fraud and corruption

- The Department is implementing a turnaround and financial recovery plan which incorporates stabilisation of the Department (Leadership, ethics and organisational culture, staff training and development), improvement of systems of internal controls, preventative measures against fraud and corruption
- Trend analysis of improper expenditure is reflecting a decline in incidents of irregular, fruitless and wasteful expenditure
- There are no new incidents of unauthorised expenditure
- There are also measures taken to eliminate irregular, fruitless and wasteful expenditure. Supported by preventative controls measures
- An exit strategy on irregular contracts is also being implemented to ensure that the current incidents of irregular expenditure resulting from prior periods contract are terminated
- Progress has been made on disciplinary and investigation matters including continued engagement with various law enforcement agencies
- The streamlined and integrated water sector value chain support and interventions measures by the Department are also part of service delivery improvement plans

PART 4: DEPARTMENTAL FINANCIAL MISCONDUCT INVESTIGATIONS AND SIU INVESTIGATIONS

1. Status of forensic investigations by the Department's internal audit unit

Progress on forensic Investigation cases 2019/2020 to 2022/23

- A total of 228 total cases were reported to the Internal Audit Unit
- 135 Forensic Investigation cases were investigated by the Department's Internal Audit Unit during the period 2019/20 to 2022/23.
- 98 of the allegations were confirmed to be true while 37 were unfounded.
- 20 cases are currently under investigation.
- 73 cases have not been investigated yet.
- Other cases will be investigated by External Services Providers in order to expedite them.
- A panel of investigators has been appointed to expedite these cases
- The finalised cases (98) referred to:
 - Employee Relations to take disciplinary action against the officials who committed financial and other acts of misconduct;
 - SAPS and the Hawks for criminal investigation; and
 - Legal Services for Civil Recovery in instances where the Department has suffered financial loss.
- These cases resulted in sanctions against the transgressors. These sanctions included: Dismissal, Demotion, Suspension without pay, Written Warning letters.
- These cases resulted in an amount of R996 883.24 being recovered through Civil Recovery processes and a judgement of R27 510 067.17 in favour of the Department.
- 74 awareness sessions during the period 2019/20 to 2022/23 wherein 1 781 officials were trained about anti-fraud and corruption measures.

Allegations in the Daily Maverick

- There were two articles by Angus Begg in the Daily Maverick regarding disciplinary processes related to financial misconduct in the Department of Water and Sanitation (published on 9 and 30 April 2022). The articles indicated that DWS was not taking 63 financial misconduct cases forward
- DWS made a detailed presentation to the Water and Sanitation Portfolio Committee refuting these claims and providing evidence that all financial misconduct cases are being followed through thoroughly. Of the total of 63 cases, 50 cases have been concluded as follows:
 - 6 were finalized where the employees either resigned or retired
 - 3 cases were withdrawn due to a lack of evidence or where the representations by employees were sufficient to not pursue disciplinary action
 - 3 employee was found not guilty
 - 38 cases have been found guilty through disciplinary processes and the sanctions implemented are:

SANCTION	NUMBER OF CASES
Counselling	5
Verbal Warning	2
Written warning	9
Final Written warning	8
Suspension without pay	10
Demotion	0
Dismissal	4

Current disciplinary cases (Internal Audit Investigations)

- In March 2022, the DG approved the revival of the Consequence Management Committee comprising of Internal Audit (including Forensic Audit), Risk Management, HR/LR, Legal Services and Finance.
- Standard template of all misconduct cases in the Department has been introduced. Monitoring and coordination of misconduct cases is now centralized.
- Meetings with DG on a quarterly basis to track progress made on individual cases.
- Monthly engagements with the SIU have been re-introduced.
- Breakdown of current cases of alleged misconduct is as follows: *(excluding some of the finalised historical cases included in the 63 cases mentioned above)*

NATURE OF ALLEGED MISCONDUCT (PENDING)	NUMBER OF CASES
Improper expenditure (irregular, fruitless wasteful and unauthorized)	2
Gross dishonesty	2
Dereliction of duties	2
Fraud	1
Misuse of state property	1
Total Pending Cases	8

Current disciplinary cases

NATURE OF ALLEGED MISCONDUCT (FINALISED)	NUMBER OF CASES
Improper expenditure (irregular, fruitless wasteful and unauthorized)	13
Gross dishonesty	3
Dereliction of duties	7
Fraud	5
Misuse of state property	2
Insolent behavior	1
Total number of finalized cases	31

NATURE OF ALLEGED MISCONDUCT (TOTAL)	NUMBER OF CASES
Improper expenditure (irregular, fruitless wasteful and unauthorized)	15
Gross dishonesty	5
Dereliction of duties	9
Fraud	6
Misuse of state property	3
Insolent behavior	1
Total	39

Status of disciplinary cases referred by Special Investigating Unit (SIU)

Sources: 8 June 2022 presentation made by SIU to SCOPA (updated through engagements between DWS and SIU on 06 September 2022); DWS disciplinary process records

PROCESS OF SIU INVESTIGATIONS

- The SIU receives and/or follows up on allegations
- It assesses and verifies allegations and evidence
- Where necessary, it motivates for a proclamation to the President
- SIU powers become active once the proclamation is published
- Different types of actions based on SIU reports:
 - Civil litigation instituted in SIU's name in the Special Tribunal.
 - Evidence of criminality referred to National Prosecuting Authority and Asset Forfeiture Unit
 - Evidence of misconduct referred to the Accounting Officer
 - Evidence of any other transgressions referred to relevant authorities (Institute of Directors, IRBA, SARS, various regulatory bodies, Financial Intelligence Centre)

COLLABORATION BETWEEN DWS AND THE SIU

- DWS is collaborating with the SIU on an ongoing basis:
 - Monthly meetings between SIU and department (DDG: Corporate Services, heads of internal audit, HR, Legal and Internal Audit and Risk Management units)
 - SIU provides department with additional requests for information which are attended to promptly, sometimes immediately during the meeting
 - Department provides SIU with progress reports on disciplinary processes

Completed SIU investigations into DWS and its entities

No.	Details of the Proclamation	Outcomes	Date Final Report submitted to the Presidency
1.	Proclamation No R35 of 2008: Allegations at the Mhlathuze Water Board	<ul style="list-style-type: none"> • Criminal Case referral to Law Enforcement (Officials Resigned) 	30 April 2013
2.	Proclamation No R54 of 2012: Various allegations at the Department of Water Affairs	<ul style="list-style-type: none"> • 58 different referrals • Criminal Case referral to Law Enforcement • Recovery of funds 	15 December 2016
3.	R54 of 2012 extension Department of Water Affairs: Vuwani Pipeline	<ul style="list-style-type: none"> • NPA referral • Disciplinary referral 	26 October 2018

R35 of 2008 - Allegations at the Mhlathuze Water Board

Project:

Inspection, Repair and Maintenance of underwater pipes

Allegation:

Procurement and background to the procurement of services by Mhlathuze Water for the inspection, repair and maintenance of underwater pipes conveying effluent from the Mondi Business Papers Plant into the sea, contrary to applicable legislation or internal prescripts, policy or regulations that regulate such procurement.

Outcome:

- A criminal case of fraud and corruption was opened against an employee of the Mhlathuze Water Board and the service provider who paid gratification. The case was reported at Richards Bay, CAS 164/11/2010 refers.
- A criminal case of contravention of section 50(1)(a) and section 51(1)(a)(i) read with section 86 of the Public Finance Management Act was opened against the board members of Mhlathuze Water Board. The case was reported at Richards Bay, CAS 227/03/2010 refers.
- The DPCI are handling these two criminal investigations.
- Three implicated employees of the Mhlathuze Water Board resigned prior to the completion of our investigation.

R54 of 2012 - Various allegations at the Department of Water Affairs

Project:

Various Allegations

Allegation:

The SIU conducted the investigation into approximately **34 allegations** all of which were completed with significant and successful outcomes.

Completion of the investigation:

- The investigations are completed and the Presidential Report on the out comes was presented to the Presidency on 15 December 2016.
- The SIU presented the Final Presidential Report to the President on the Vuwani Steel Pipeline on 28 October 2018.

Outcome:

- As a result of the investigation conducted by the SIU, 58 different referrals were made in respect of the outcomes of the investigations.
- 28 – Criminal Referrals
- 13 – VAT Referrals
- 15 – Disciplinary Referrals

(See Annexure B for more details on this proclamation)

R54 of 2012 extension - Department of Water Affairs: Value of potential loss prevented

- Judgment in Case No 7104/2014 Minister of Water and Sanitation vs Metric Industrial Suppliers CC in a matter that was in court prior to SIU starting our investigations at DWS.
- The SIU conducted an investigation and referred evidence pointing towards criminality to the NPA.
- The lead SIU investigator was called as a witness and testified in the High Court civil trial in this matter which has aided the successful court order for payment of some R25 million back to the DWS.

R54 of 2012 - Department of Water Affairs: Vuwani Pipeline (1)

Outcomes:

- NPA referral of evidence pointing towards fraud involving the company, Ascul Construction and the Director on 18 September 2018.
- Disciplinary referral of evidence pointing towards possible misconduct of DDG at the Water Trading Entity, at the Department on 30 July 2018. The disciplinary hearing was finalised and the official was found not guilty. The DWS has filed a review application at the Labour Court.
- The misconduct involved: Gross negligence in the performance of her duties, contravening various prescripts including the PFMA, Constitution, Treasury Regulations, the Department's SCM Policy and the CIDB Act.
- 3 SARS referrals against Ascul and the two DWS officials for tax discrepancies and unexplained income. SARS pursuing the matters as per letter received from SARS on 17 July 2019.
- SIU referred evidence to the Construction and Industry Development Board (CIDB) in February 2018 pointing towards fraud committed by the company in the grading process. Follow up letter received by CIDB on 17 July 2019 confirming that the CIDB is conducting their inquiry.

R54 of 2012 - Department of Water Affairs: Vuwani Pipeline (2)

Outcomes:

- The SIU has instituted civil action by way of a claim for damages to the value of R140 million, which was amended to R95 631 945.35.
- The summons was issued on 6 February 2018 in the name of the SIU in the Gauteng High Court, Pretoria against Ascul, Director of Ascul, DDG and Former CFO at DWS.
- Following an exception raised by one of the Defendants, amended Particulars of Claim were filed on 24 July 2018 The Defendants responded to this with amended Pleas, which were filed during November 2018.
- To refute the defences raised, which were of a highly technical nature, an engineer was procured to perform an additional investigation and to revise the quantification of the damage suffered. This process resulted in a delay. The engineer has since provided his preliminary report.
- Following the engineer's report and the appointment of a judge in respect of the case management process, the SIU has filed a Notice to further amend its Particulars of Claim. The Third Defendant's attorneys has since withdrawn from record The above has resulted in delays which have been exacerbated by the effect on the court's procedures caused by the advent of the Covid 19 pandemic. Whereas Third Defendant has since appointed a new attorney, her Plea that has been filed since was abortive, to the extent that the SIU is in the process of compiling and filing an application for an exception.

In-progress SIU investigations into DWS and its entities

No.	Proclamation
1.	Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd
2.	Proclamation R27 of 2019 Lepelle Northern Water: Contract awarded to Blackhead
3.	Proclamation R27 of 2018 Contracts awarded by DWS to SAP
4.	Proclamation No R28 of 2019 Thukela Goedertrouw Water Scheme
5.	Proclamation R4 of 2019 Umgeni Water
6.	Proclamation R33 of 2021 4 contracts awarded to EOH

Note: The SIU refers evidence pointing towards misconduct or criminal conduct as soon as there is sufficient evidence in order to allow the AO or LEA to take immediate action. The SIU does not wait to do this in the final report.

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd (1)

Project:

Mopani Water and Waste Water Emergency Intervention

Findings:

- The contract was irregularly awarded.
- LNW abused the directive from the Minister in that they decided to appoint all service providers by deviation instead of following normal procurement processes.
- Even though billions of rands have been spent in the project so far , the project is still incomplete as a result people of Giyani are not getting any water from the project.
- Over charging by service providers
- The project was initially stopped because of payment dispute between the service providers and the Department. LNW/ the Department terminated the service providers contract.
- Poor project management on the part of LNW and the Department.

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd (2)

Outcomes:

- The SIU issued summons on 26 November 2018 in the High Court, Limpopo Division, Polokwane, case number 7209/18.
- The civil litigation action is to set aside the contract to the value of R4.1billion.
- The contract was unlawfully and irregularly concluded.
- The parties to the litigation are: SIU v LNW, LTE Consulting(Pty) Ltd, Khato Civils (Pty) Ltd, South Zambezi Engineering (Pty) Ltd, Mopane District Municipality, Department of Water and Sanitation.
- The matter has been set down for hearing on the 19th October 2022 at Polokwane High Court.

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd (3)

Referrals:

- The SIU has referred evidence to the Construction and Industry Development Board pointing toward a contravention of the CIDB Act on 6 December 2017. The current status of the matter is that the CIDB is conducting an investigation into the matter based on the SIU's recommendation.
- Disciplinary referral was made in respect of the LNW CEO who later resigned before the disciplinary hearing was held. The disciplinary referral was referred on 26 February 2018 for negligence and contravening the PFMA.
- NPA referral was made on 3 April 2018 for former CEO for contravening the PFMA. NPA referral was made in respect of the official on 20 September 2018 for collusion, and fraud, in particular forgery.
- The disciplinary referral against the Manager: Planning GIS at LNW was referred on 20 September 2018 for collusion, fraud and forgery. The manager was charged with misconduct by LNW and the disciplinary hearing began in March 2022.
- The SIU submitted a court application to the Special Tribunal to preserve the pensions of former CEO and preserve his immovable assets pending the finalisation of the court case in Polokwane, which has been granted and the pension and assets have been frozen.

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd (4)

Referrals:

- NPA referral was made on 3 April 2018 for former CEO for contravening the PFMA
- NPA referral was made in respect of one official on 20 September 2018 for collusion, and fraud, in particular forgery.
- Blacklisting referral is under review.
- SIU is assisting the Hawks with the criminal investigation, and they are almost done with their investigation
- The investigation has been concluded.
- The SIU team is finalising the Final Presidential report to be submitted to the Presidency.

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd - Value for money exercise –boreholes (1)

- The SIU Team secured the services of Quantity Surveyor to conduct a value for money exercise on 5 of 167 boreholes installed for the project.
- The 5 sampled boreholes were selected based on price categories in order to ensure that all prices were included.
- The Quantity Surveyor reported the following:
 - Total amount of R 7 048 712 35 is a loss due to an overly inflated cost
 - Total amount of about R 2 503 300 00 was fruitless expenditure as all the water purification plants are all non-functional leaving communities exposed to unsafe drinking water.
 - A total prejudice of about R 9 552 012 35 has occurred either due to non performance or significantly inflated project costs

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd - Pipelines and wastewater

- The Services of an Engineer were secured to conduct a value for money exercise on the Pipelines and waste water.
- Engineer report indicated potential savings of R893 422 148

Proclamation R27 of 2019 Lepelle Northern Water: Contract awarded to Blackhead (1)

Project:

The raising of the Tzaneen dam wall project.

Allegation:

Corruption

Findings:

- The SCM process followed in the appointment of Blackhead Consulting (Ltd was not compliant with Section 217 of the Constitution in that the process was not fair, equitable, transparent, competitive and cost effective LNW did not follow their SCM processes in appointing the service provider.
- There was no emergency/ urgency in the appointment of the service provider for the Raising of the Tzaneen dam wall LNW was supposed to have gone out on a normal competitive SCM process. The project was part of the Departments planning approved in 2012.
- LNW abused the directive from the Minister to appoint Blackhead on deviation based on urgency even though the project was not urgent.
- Seven years later, the project still remains unfinished.

Proclamation R27 of 2019 Lepelle Northern Water: Contract awarded to Blackhead (2)

- The purpose of the project was to increase water capacity at Tzaneen dam. The spillway of the dam was demolished in 2016 which means the dam capacity is now lower than it used to be. It remains like that since the project is not yet been completed.

Outcome

- The investigation is still ongoing

Proclamation R27 of 2018 Contracts awarded by DWS to SAP (1)

Project:

SAP Licences

Findings:

- The SIU has found evidence that indicates that in respect of the 2016 Agreement it is irregular.
- The Department procured IT related software for entities which the Department has no authority to procure goods and services
- The ITC and the CIO who are the subject matter experts on IT at the Department did not support the procurement of the licenses
- The Department nor any of its entities received any services nor were any products and/or software license deployed by the Department in respect the 2016 Agreement
- The Department did not comply with its own SCM policy, the statutory prescripts as can be found in section 217 1 of the Constitution, the provisions of the PFMA, SITA Act, National Treasury Regulations and National Treasury Practice Notes.
- There was no budget.
- This led to the Department incurring fruitless and wasteful expenditure in the
- amount of R 285 000 000 (VAT inclusive).

Proclamation R27 of 2018 Contracts awarded by DWS to SAP (2)

Outcomes:

- On 15 March 2022 the Special Tribunal ordered that the 2015 and 2016 contracts valued at R1 036 000 000 are declared constitutionally invalid and set aside
- The court further ordered that SAP repay an amount of R413 121 283.40 (which represents the total amount received pursuant to the 2015 and 2016 contracts)
 - Less a set-off amount of R68 337 036 owing to SAP for yearly maintenance fees in terms of the 2012 agreement
 - The disputed amount of approximately R83 million for 3rd party costs incurred by SAP and the no profit principle was going to be adjudicated on by the Special Tribunal. Since then discussions regarding settlement of the dispute are at an advanced stage to resolve the R83 million due to DWS
- Savings in the amount of R691 million were incurred for the DWS – R263 million was repaid to DWS in March 2022
- NPA Referral for PFMA contraventions of the former Acting DG on 4 November 2019
- AFU Referral on 31 January 2020
- Disciplinary Referral against the DDG has been concluded. The DDG was found guilty on 9 of the 10 charges. The sanction is expected in October 2022.
- Disciplinary referral was made against the Chief Director on 15 June 2020. The DWS has appointed an initiator and the process is ongoing.

Proclamation R27 of 2018 Contracts awarded by DWS to SAP (3)

Outcomes:

- BBBEE Referral on 29 August 2019.
- SARS referral on 9 July 2019 for tax discrepancies and verifying VAT registration
Delivered to SARS on 9 July 2019. SARS reviewing the matter.
- NPA Referral on 15 March 2022 for the Commission of offences in terms of the POCA No 12 of 2004 the Companies Act No 71 of 2008 as well as offences of fraud and/or corruption

Proclamation No R28 of 2019 Thukela Goedertrouw Water Scheme (1)

Project:

- Emergency upgrading of the Thukela Goedertrouw Transfer Scheme

Allegation:

Unlawful or improper conduct by officials or employees of the Department.

Outcomes (initial findings):

- On consultation with Counsel, it was revealed that some members of the Top Management Structure may be guilty of fraud. As a result, the team has drafted an additional criminal referral against the former Acting Director-General.
- Evidence against the former Acting DG has been packaged for delivery to the NPA.
- SIU investigation found that the procurement process to appoint AECOM was not compliant with applicable procurement prescripts.
- The team conducted meetings with the DWS Disciplinary Committee to discuss the implementation of the disciplinary referrals against 5 BEC members. The disciplinary proceedings have not yet commenced.
- Counsel has drafted papers to the Special Tribunal seeking civil remedies to declare the contract unlawful, set it aside and recover the losses suffered by the Department.

Proclamation No R28 of 2019 Thukela Goedertrouw Water Scheme (2)

- Financial Report of the analysis of bank statements of AECOM, CMC and identified officials to identify possible links between officials and the service provider has been submitted
- Analysis of property information (movable and immovable) of the service provider and the sub contractor in preparation of the civil case has been submitted.
- The final report with findings and quantum of loss has been received from the Quantity Surveyor (QS) after site assessments were conducted to complete the value for money exercise
- The Closeout Report to the President has been submitted for final review.

OUTCOME	VALUE / COUNT	STATUS UPDATE
Administrative decision/ action to set aside or deem the contract invalid	Contract value: R646 502 802.80 (Incl. VAT)	Counsel drafting of papers to the ST underway
Potential recovery	R429 291 313.28	Quantification by the QS under way
Disciplinary referrals against the BEC	5	Handed over to the Department
NPA referral against former Acting DG	1	To be handed over to NPA

Umgeni Water Proclamation R4 of 2019 (1)

Projects:

- Contract Participation Goal Programme of Umgeni;
- Provisioning or upgrading of emergency boreholes in the Umkhanyakude District
- Repair or refurbishment of the Nagle Aqueduct;
- Replacement of filter slabs, pipelines and nozzles in terms of the Contract Participation Goal Programme of Umgeni;
- Provisioning or upgrading of chlorine distribution equipment, the distribution of chlorine and the upgrading of shat pumps and lifts at the Durban Heights Plant;
- Provisioning of emergency pipelines in the area of the Ugu District Municipality;
- Purchase and installation of control valves in terms of the Contract Participation Goal Programme of Umgeni, and
- Installation of Nungwane pipelines in the area of Amanzimtoti

Allegations:

Maladministration and Corruption

Umgeni Water Proclamation R4 of 2019 (2)

Outcomes:

- Referral made to the National Prosecuting Authority for Fraud Corruption Contravention of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 and Money Laundering, Contravention of the Prevention of Organized Crime Act, No 121 of 1998 against 57 individuals and entities.
- Referrals made to the AFU in respect of 45 individuals and entities to recover the proceeds of Crime in terms of the Prevention of Organized Crime Act, No 121 of 1998
- 18 Disciplinary referrals to Umgeni Water.
- 45 Administrative Action referrals to Umgeni Water for placing the entities and individuals on the Umgeni Water's Vendor List of Defaulters and National Treasury's Database of Restricted Suppliers.

UMGENI WATER Proclamation R4 of 2019 (3)

Potential Outcomes:

- The SIU has briefed the Civil Litigation Unit in respect of 5 contracts in the total
- contractual value of R 328 million in order to institute civil proceedings in the Special Tribunal to set aside the contracts and or to declare them void ab initio and to recover the State Funds
- The SIU has appointed a Quantity Surveyor to assist in the quantification of actual losses to Umgeni Water with a view to institute civil action to recover same The Quantity Surveyor has completed the work and is drafting his final report.

Progress reported:

- The SIU is in the final reporting phase
- All the matters referred to NPA have been actioned and dockets have been opened.
- The criminal matters are with Head Office DPCI in the Serious Corruption Offences component and the SIU is providing ongoing support in respect of these matters.
- Umgeni water has briefed a team of attorneys and advocates to deal with the disciplinary matters and administrative action referrals The SIU is currently consulting with them.
- The SIU is motivating for an extension to the proclamation as more allegations have been uncovered during the course of the investigation.

Proclamation R33 of 2021: Four contracts awarded to EOH (1)

Contract:

- WP 0538
- 1/2/4/233/2014/15 Finance/Manahano
- 1/2/4/241/2015/2016 Information Technology/Mihloti
- 1/2/4/36/2016/17 Supply Chain Management/Mihloti

Allegations:

- The contracts were awarded irregularly
- The value of the contracts were inflated and unnecessarily varied and included additional scope of works
- EOH paid large sums of money to subcontractors who allegedly did not perform any work on the contracts. The sub-contractors were disguised as Enterprise Development (“ED”) partners.
- There were unusual and irregular upfront payments made on the contracts. While upfront payments are provided for in Treasury Regulations, contractually this was not the case.
- The need for some services were fabricated.
- Invoicing was made long after the projects had ended.

Outcome:

The investigation is still underway

Proclamation R33 of 2021: Four contracts awarded to EOH (2)

Status of Investigation:

- The investigation kicked off on 10 August 2021
- The SIU has collected and analysed the relevant documents in relation to the contracts under investigation.
- The SIU has considered the offer by EOH and cannot accept the offer.
- The SIU has quantified the amount payable to the DWS is R 236 m.
- The SIU has appointed counsel with a view of approaching the Special Tribunal.
- The SIU has informed EOH of its findings and EOH has undertaken to consider the findings and revert to the SIU.
- The SIU is currently involved in conducting lifestyle audits on implicated officials from the DWS.

Proclamation R23 of 2020 Amatola Water Board

A total of 118 contracts were investigated listed hereunder as follows:

- 36 service providers for the supply, delivery and installation of rainwater harvesting tanks.
- 17 service providers for water carting trucks.
- 20 service providers for water tankers through NT transversal contract.
- 8 service providers for drilling and equipping of boreholes and
- 37 service providers for Rapid Response Unit.
- **Outcomes:**
 - The SIU made the following referrals:
 - Civil litigation - 5
 - Criminal referrals - 18
 - Disciplinary referrals - 2

New Investigations authorised for the SIU (1)

No.	Institution	Allegation	Status
1.	Lepelle Northern Water Board	<p>It is alleged that the LNWB procured:</p> <ul style="list-style-type: none"> (a) Drought relief technology services; and (b) Investigation services from service providers in a manner that was contrary to the provisions of section 217(1) of the Constitution as well as the LNWB's procurement prescripts. <p>It is further alleged that:</p> <ul style="list-style-type: none"> (a) One of the service providers was appointed on an expedited basis without just cause; and (b) The procurement (in respect of both matters) was not budgeted for. 	Proclamation R82 of 2022 granted by the President on 11 July 2022

New investigations authorised for the SIU (2)

No.	Institution	Allegation	Status
2.	Amatola Water Board	<p>It is alleged that the AWB procured:</p> <ul style="list-style-type: none"> (a) Drought relief technology services; and (b) Investigation services from the same service providers appointed by the LNWB in a manner that was contrary to the provisions of section 217(1) of the Constitution as well as the AWB's procurement prescripts. <p>It is further alleged that:</p> <ul style="list-style-type: none"> (a) Of the R230million allocated to the AWB for drought relief solutions, 60% was earmarked for the drought relief technology service provider; (b) The procurement of both services was not budgeted for. 	Proclamation R82 of 2022 granted by the President on 11 July 2022

New Allegations

No.	Institution	Allegation	Status
3.	Department of Water and Sanitation	<p>The SIU is aware of various allegations and concerns voiced in the media and elsewhere regarding:</p> <ul style="list-style-type: none"> • The War on Leaks Program, • Drop a Block, • Sedibeng Water Board. <p>The SIU has requested and reviewed reports from the AGSA, OUTA, Parliament and the DWS in order to thoroughly assess the matter and the allegations around the billions of rands of irregular and unauthorized expenditure.</p>	<p>The SIU has assessed the allegations and has applied to the President for a proclamation to investigate these matters.</p>

Actual SIU Civil Recoveries

Proclamation	Amount	Status
Proclamation No R54 of 2012: Mr Senokwane matter	R2 843 699.00	<ul style="list-style-type: none"> The accused was sentenced to seven years imprisonment. There was no actual recovery as his business was liquidated and he was in jail.
Proclamation No R54 of 2012: Sundays River Valley Municipality	R5 804 800.00	The SIU continued to monitor the monthly instalments of these monies and successfully recovered the R5 804 800 for the DWS.
Proclamation R27 of 2018 Contracts awarded by DWS to SAP	R263 000 000.00	<ul style="list-style-type: none"> On 15 March 2022 the Special Tribunal ordered that the 2015 and 2016 contracts valued at R1 036 000 000 be declared constitutionally invalid and set aside. The court further ordered that SAP repay the amount of R413 121 283.40 (which represents the total amount received pursuant to the 2015 and 2016 contracts) <ul style="list-style-type: none"> Less a set off amount of R68 337 036.00 owing to SAP for yearly maintenance fees in terms of the 2012 agreement) The disputed amount of approximately R83 million for 3rd party costs incurred by SAP and the no profit principle will be adjudicated

SIU Civil Recoveries in progress

Proclamation	Amount	Status
<p>R54 of 2012</p> <p>Department of Water Affairs:</p> <p>Vuwani Pipeline</p>	<p>R95 631 945.35</p>	<p>The summons was issued on 6 February 2018 in the name of the SIU as the plaintiff against out of the High Court of South Africa, Gauteng Division, Pretoria, Case No 7760/18.</p> <ul style="list-style-type: none"> • Following an exception raised by one of the Defendants, amended Particulars of Claim were filed on 24 July 2018. The Defendants responded to this with amended Pleas, which were filed during November 2018. • To refute the defences raised, which were of a highly technical nature, an engineer was procured to perform an additional investigations and to revise the quantification of the damage suffered. This process resulted in a delay. The engineer has since provided his preliminary report. <p>Following the engineer's report and the appointment of a judge in respect of the case management process, the SIU has filed a Notice to further amend its Particulars of Claim. Third Defendant's attorneys has since withdrawn from record. The above has resulted in delays which have been exacerbated by the effect on the court's procedures caused by the advent of the Covid-19 pandemic.</p>

Status of cases referred to SAPS by the Department for criminal investigations

**Source: engagements between DWS and SAPS
in August 2022**

Criminal Investigations

- The Department referred 25 cases to the South African Police Services (SAPS) and the Hawks and their status is as follows:
 - i. Ten (10) of these cases are under Investigation; and
 - ii. 15 of these cases have been closed for various reasons.
- Follow-ups are made with the Investigating Officers on a Quarterly Basis.
- A letter was written to the National Police Commissioner on 18 May 2022 requesting a status update and an explanation as why some of them have been closed. No feedback has been received yet.
- A meeting was held with Lieutenant General, the National Head of the Directorate of Priority Crime Investigation on 20 June 2022 to discuss cases. He committed to follow-up on these cases and provide feedback.
- Please refer to the Annexures D and E

Impact of fraud and corruption on water and sanitation service delivery

Impact of fraud and corruption on water and sanitation service delivery (1)

- **Social and health impacts**

- The impact of fraud and corruption in the water sector can be measured in various ways including dry taps, lost jobs and polluted rivers; many people, particularly young children, old people, and those with compromised immune systems, have become ill from drinking unsafe water or their homes, loss of life, and toilets cannot be kept hygienic.

- **Socio-economic impacts**

- There is also a reduction in the quantity of public resources available for redistribution purposes
 - Use of fraudulent or lower-grade inputs in infrastructure projects or essential supplies to increase profit margin at the expense of intended beneficiaries
 - Bribery and extortion at the point of delivery can render public services unaffordable for a large segment of the population, effectively depriving the poor of access to key basic services
- Impacts are most notable in poor communities where service provision is already at its weakest. Where funds are scarce, any fraud / corruption that diverts money from public purposes to private individuals / institutions directly reduces the provision and quality of services
 - In particular, where service delivery needs are great and resources are scarce, fraud and corruption diverts funds that could have provided services to under-served communities.

Impact of fraud and corruption on water and sanitation service delivery (2)

- The impact on the Department and the water sector includes amongst others:
 - Unreliable water and sanitation services
 - Poor water quality due to non-treatment of water and wastewater plants
 - Inability to raise low-cost debt finance for investment in infrastructure
 - Inadequate investments in infrastructure which will have an adverse impact in meeting the current and future increased demand for water services
 - Negative country outlook through credit rating agencies
 - Contractual disputes leading to litigation and interruption of projects in communities.
- Projects take long to complete, resulting in unsustainable cost structures, commitments made without confirmed funding, intended purposes were not met, with direct and indirect impacts on service delivery.

The Minister and Director General of the department are committed to fighting corruption and ensuring consequence management for financial misconduct.

- The Minister and Director General of DWS are dedicated to uprooting fraud and corruption in the department and are committed to ensuring proper consequence management for all cases of fraud and corruption.
- Where the Department is of the view that a Presiding Officer has pronounced a sanction which is too lenient, the Department is taking the sanction on review.
- The Minister and Department request anyone with any additional information on alleged fraud, corruption or mismanagement in DWS to provide the Department and/or SIU with such information as soon as possible.
- The Department has initiated a review of all past financial misconduct disciplinary processes which were closed without initiating disciplinary action. Where it is found that the cases were closed when they should have been pursued, they will be reopened.

End of presentation

ANNEXURES

- A. Monitoring of Implementation of the Internal Audit Action Plans
- B. Application of public service disciplinary processes
- C. SIU Proclamation
- D. Status of current cases investigated by the SAPS and the Hawks

- **Annexure A**
 - Monitoring of Implementation of the Internal Audit Action Plans

Implementation of the Internal Audit Action Plans

- Internal Audit issues findings to management regarding all the internal control deficiencies that have been noted during the audits and makes recommendations for improvement.
- These recommendations should be implemented in a timely manner.
- These findings are followed-up on a quarterly basis to ensure that management implements the recommendations.
- Internal Audit also issues an Internal Control Opinion in order to assess the Control Environment.
- This assessment takes into consideration the risk rating for each finding and the corrective actions implemented by management to resolve the findings.
- The assessment of the Control Environment was found to be **inadequate** and as such, intervention is required. The details of this assessment are indicated in the slides that follow.

TOTAL FINDINGS FOR MAIN AND WTE ACCOUNTS FOR BOTH INTERNAL AUDITS AND INFORMATION TECHNOLOGY AUDITS-2019/20

Component	Total Number of Findings for 2019/20 financial year	Internal control opinion					
		H	M	L	Adequate	Partially Adequate	Inadequate
Internal Audit Main Account	175	139	34	2			√
Information Technology Audit Main Account	22	22	0	0			√
Total findings for Main Account	197	161	34	2			√
Percentage		82%	17,2%	0.01%			√
Internal Audit- Water Trading Entity	0	0	0	0			
Information Technology Audit Water Trading Entity	0	0	0	0			
Total findings for Water Trading Entity	0	0	0	0			
Percentage							
Overall Total findings for both Main And WTE	197	161	34	2			√
Overall percentage for both Main and WTE		82%	17,2%	0.01%			√

82% of the findings were rated high, 17.2% were rated medium while 0.01% were rated low.

TOTAL FINDINGS FOR MAIN AND WTE ACCOUNTS FOR BOTH INTERNAL AUDIT AND INFORMATION TECHNOLOGY AUDIT-2020/21

Component	Total Number of Findings for 2020/21 financial year	Internal control opinion					
		H	M	L	Adequate	Partially Adequate	Inadequate
Internal Audit Main Account	75	73	2	0			√
Information Technology Audit Main Account	43	37	6	0			√
Total findings for Main Account	118	110	8	0			√
Percentage		93%	7%	0%			√
Internal Audit- Water Trading Entity	92	92	0	0			√
Information Technology Audit Water Trading Entity	16	16	0	0			√
Total findings for Water Trading Entity	108	108	0	0			√
Percentage		100%	0%	0%			√
Overall Total findings for both Main and WTE	226	218	8	0			√
Overall percentage for both Main and WTE		96%	4%	0			

96% of the findings were rated high while 4% were rated medium.

TOTAL FINDINGS FOR MAIN AND WTE ACCOUNTS FOR BOTH INTERNAL AUDIT AND INFORMATION TECHNOLOGY AUDIT-2021/22

Component	Total Number of Findings for 2021/22 financial year	Internal control opinion					
		H	M	L	Adequate	Partially Adequate	Inadequate
Internal Audit Main Account	92	77	14	1			√
Information Technology Audit Main Account	60	35	25	0			√
Total findings for Main Account	152	112	39	1			√
Percentage		74%	26%	0.006%			√
Internal Audit- Water Trading Entity	91	78	13	0			√
Information Technology Audit Water Trading Entity	11	10	1	0			√
Total findings for Water Trading Entity	102	88	14	0			√
Percentage		86%	14%	0%			√
Overall Total findings for both Main and WTE	254	200	53	1			√
Overall percentage for both Main and WTE		79%	21%	0.003%			√

72% of the findings were rated high while 21% were rated medium and 0.003% were rated low.

The Implementation of the Internal Audit Findings – Main Account And WTE

Main Account

Financial Year	Total findings	Total resolved	Total partially resolved	Total unresolved	Percentage of implementation
2019/20	197	165	0	32	84%
2020/21	118	47	0	71	40%
2021/22	152	5	0	147	3%
Total	467	217	0	250	46%

- The number of findings from all the issued reports totalled to 467. 217 of these findings have been resolved while 250 have not been resolved. This translates to a 46% Implementation Rate.

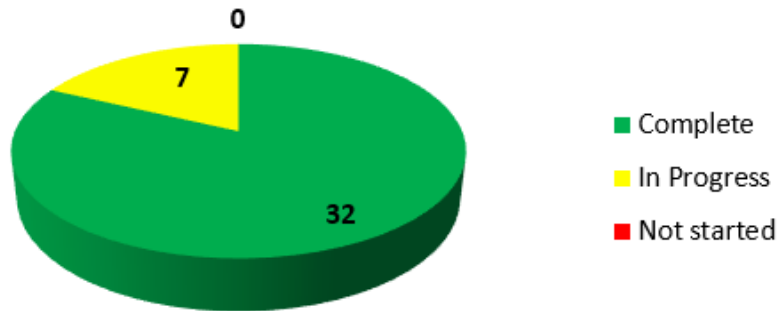
Water Trading Entity

Financial Year	Total findings	Total resolved	Total partially resolved	Total unresolved	Percentage of implementation
2020/21	108	80	0	28	74%
2021/22	102	0	0	102	0%
Total	210	80	0	130	38%

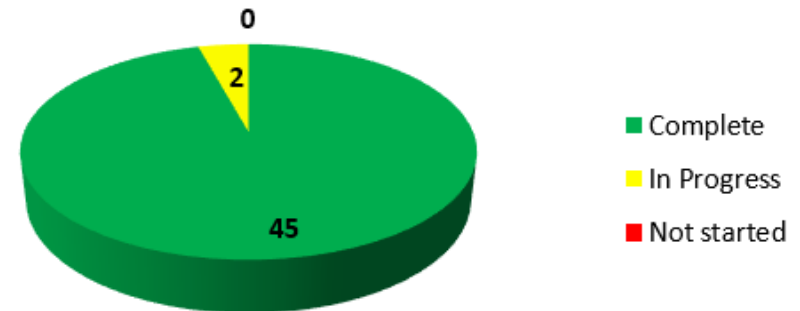
- The number of findings from all the issued reports totalled to 210. 80 of these findings have been resolved while 130 have not been resolved. This translates to a 38% Implementation Rate.

Status on the implementation of Forensic Audit recommendations: previous financial years

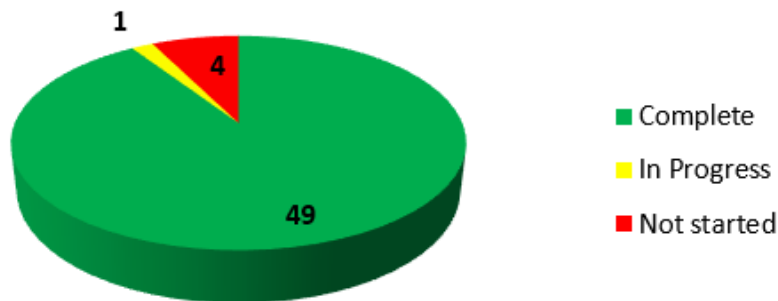
2015/16



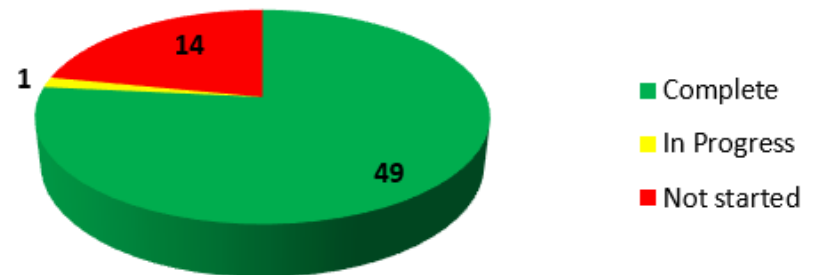
2016/17



2017/18



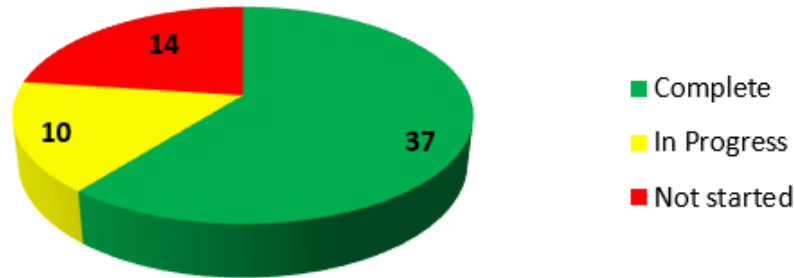
2018/19



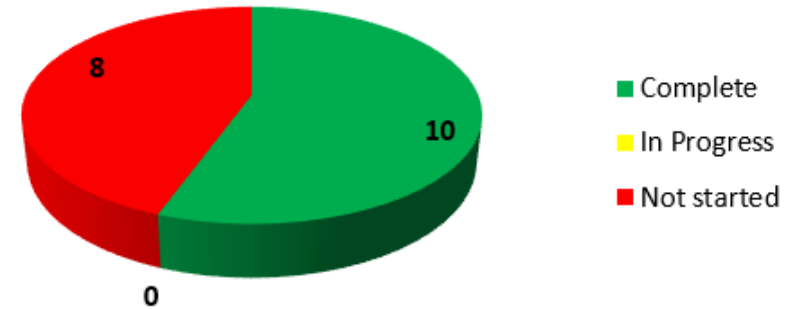
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Status on the implementation of Forensic Audit recommendations: previous financial years

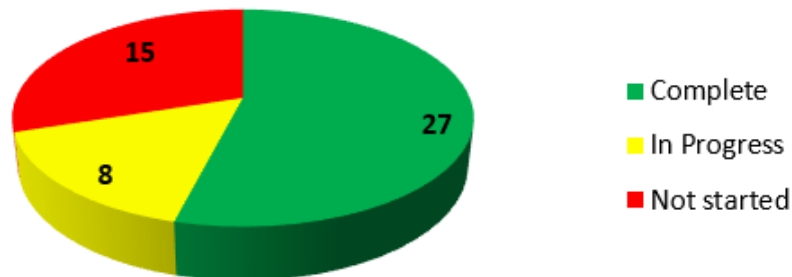
2019/20



2020/21



2021/22



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Status on the implementation of Forensic Audit recommendations: previous financial years

- 32 recommendations from the 2015/16 financial year have been implemented and seven (7) are in progress.
- 45 recommendations from the 2016/17 financial year have been implemented and two (2) are in progress.
- 49 recommendations from the 2017/18 financial year were implemented; one (1) recommendations are in process of being implemented while four (4) recommendations have not been implemented.
- 51 recommendations from the 2018/19 financial year were implemented, 6 are in process of being implemented and 14 have not been implemented.
- 37 recommendations from the 2019/20 financial year were implemented, 10 are in process of being implemented and 14 have not been implemented.
- 14 recommendations from the 2020/21 financial year were implemented, two (2) are in progress and eight (8) have not been implemented.
- 28 recommendations from the 2021/22 financial year was implemented, 10 are in progress and 12 have not been implemented.

- **Annexure B**
 - Application of public service disciplinary processes

Application of public service disciplinary processes

- Discipline in the public services is regulated by the Disciplinary Code for salary levels 1-12 and Chapter 7 of the SMS handbook for senior managers.
- These regulatory frameworks prescribe the following approaches to the application of discipline in the Public Service:
 - The application of discipline must be applied progressively, i.e. corrective counselling, verbal warnings, written warnings, final written warnings, formal disciplinary action.
 - The relevant disciplinary process (formal or informal) will be dependent on the seriousness of the allegations.
 - Pre-disciplinary processes include an *audi alteram partem* process which offers the alleged offender the opportunity to provide a response to the allegations.
 - Based on the response, consideration is then given to concluding the disciplinary process.
 - The disciplinary process may result in a range of possible sanctions, ranging from warnings to dismissal.
 - In a formal enquiry, the disciplinary process is conducted by an independent presiding officer, wherein the alleged offender is afforded sufficient time to prepare for the enquiry, is able to be duly represented, and has the right to challenge the employer case and if found guilty, plead in mitigation of sentence on an appropriate sanction.
- DWS has been following the prescribed processes for all of these 63 cases

Processes followed with officials that left the employment of the Department

- When an official is transferred to another Department whilst there is still a pending disciplinary matter, the case is transferred to the New Department for them to conclude the disciplinary process.
- When an official has been disciplined and has been dismissed, the details of such a dismissal are captured on PERSAL. This alerts other Departments, should they wish to appoint such an official in future. It is an automatic block on the system and the Head of Department would have to make a decision on whether to appoint such an official.
- When an official resigns whilst there is still a pending disciplinary matter, there is no further action that can be taken on the disciplinary side. That official can be pursued through civil and criminal court.
- The department has referred matters to the SAPS where criminal investigations are required.

- **Annexure C**
 - SIU Proclamations

R54 of 2012 - Various allegations at the Department of Water Affairs – disciplinary referrals (1)

No	Official Rank	Employee owned business entity	Date SIU referred disciplinary referral to the Department	Charges and Value	Status of disciplinary action
1	Admin Clerk	Night Breeze Nosande Trading 99	7 November 2013	Mismanagement of state finances & violation of Code of conduct. Company benefited R125 400 from doing business with the state	Pursuant to an audi alteram process, aDG accepted that there was no mismanagement of state funds and the official had procedurally disclosed in 2010, her interest in the company. After pleading to aDG in mitigation, the charges were not pursued and the case was closed. Case was referred to NPA, however, NPA declined to prosecute.
2	Admin Clerk	Chief Morris Business Enterprises	7 November 2013	Fraud c/PACOCA R678 756	Dismissed from the Department
3	Deputy Director: Regulation	Ntsakkonoe General Trading	7 November 2013	Failure to disclose interest in a company i.t.o SMS Handbook. Member in Company, that benefited R528 291 from doing business with the state	Pursuant to audi alteram process, aDG accepted that in 2010, the official was not an SMS member, therefore the rule was not applicable to her in 2010 and she provided proof of resignation in 2010 which was only processed by CIPC in 2015. aDG decided not to pursue the matter further.

R54 of 2012 - Various allegations at the Department of Water Affairs – disciplinary referrals (2)

No	Official Rank	Employee owned business entity	Date SIU referred disciplinary referral to the Department	Charges and Value	Status of disciplinary action
4	Admin Clerk	Tsa Lefatse Consulting	7 November 2013	Fraud c/PACOCA R349 541	Resigned from the Department on 31 December 2015 before finalisation of the matter.
5	Admin Clerk	Buhle Graphix CC	7 November 2013	Fraud c/PACOCA R151 807	Resigned from the Department on 30 April 2016.
6	Admin Clerk	Lunga Thandiwe and Thandeka Construction and Project	7 November 2013	Fraud c/PACOCA R117 700	On 21 December 2021, the official was given a final written warning after making representation to the department as to why formal disciplinary action should be instituted against her.

R54 of 2012 - Various allegations at the Department of Water Affairs – disciplinary referrals (3)

No	Official Rank	Employee owned business entity	Date SIU referred disciplinary referral to the Department	Charges and Value	Status of disciplinary action
7	Admin Clerk	Makhekhekhe Developments	7 November 2018	Fraud c/PACOCA R49 987	Official found guilty and sanctioned with a Final Written Warning and 3 months suspension without pay.
8	Admin Clerk	Appetite Vision Caterers	7 November 2018	Fraud c/PACOCA R38 460	Official resigned on 31 July 2017
9	Admin Clerk	RAB Building Services	7 November 2018	Conflict of interest, as official was a Director of a company that benefited R37 369 from doing business with the State.	Pursuant to a further investigation by DWS it was discovered that the official was a handyman employed by RAB Building Services and not a Director prior to joining DWS. RAB fraudulently acquired his signature, for (BEE purposes) to secure State work. aDG therefore elected not to pursue the charges against him. Subsequently, the official passed away.

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R54 of 2012 - Various allegations at the Department of Water Affairs – disciplinary referrals (4)

No	Official Rank	Employee owned business entity	Date SIU referred disciplinary referral to the Department	Charges and Value	Status of disciplinary action
10	Senior Admin Clerk	Botsi trading and Ndimeni Training and Development	17 October 2014	c/PACOCA Dishonesty/ fraud c/217 of the Constitution F&W exp R468 400	Official resigned from the Department on 12 October 2016. The SIU traced the official and disciplinary was referred to the HOD at DSD where the employee was employed. DWS monitoring cases.
11	Project Manager	Appointment of 86 contract workers: Expanded PW Programme	17 October 2014	Fraud c/PACOCA R283 749 + R70 000 gratification	Not an official of the DWS, currently working within Environmental Affairs. The SIU traced the official and disciplinary was referred to the HOD at Environmental Affairs. DWS monitoring cases.

R54 of 2012 - Various allegations at the Department of Water Affairs – disciplinary referrals (5)

No	Official Rank	Employee owned business entity	Date SIU referred disciplinary referral to the Department	Charges and Value	Status of disciplinary action
12	Senior Accounting Clerk	Payments made to TWM Projects	9 December 2013	Failure to ensure that payments were made in accordance the prescribed procedures and regulations	Finalised. Official was issued with a final written warning for negligence. The SIU referred the case to the NPA however, NPA declined to prosecute.
13	Chief Accounting Clerk	Payments made to TWM Projects	9 December 2013	Failure to ensure that payments were made in accordance the prescribed procedures and regulations	Finalised. Official was issued with a final written warning for negligence. The SIU referred the case to the NPA however, NPA declined to prosecute.

R54 of 2012 - Various allegations at the Department of Water Affairs – disciplinary referrals (6)

No	Official Rank	Employee owned business entity	Date SIU referred disciplinary referral to the Department	Charges and Value	Status of disciplinary action
14	Admin Officer	Payments made to TWM Projects	9 December 2013	Failure to ensure that payments were made in accordance the prescribed procedures and regulations	Finalised. Official was issued with a final written warning for negligence. The SIU referred the case to the NPA however, NPA declined to prosecute.
15	Admin Officer	Payments made to TWM Projects	9 December 2013	Failure to ensure that payments were made in accordance the prescribed procedures and regulations	Official submitted representations to the Department. Official not charged and based on a lack of evidence the Department did not pursue the matter and the matter was closed. The SIU referred the case to the NPA however, NPA declined to prosecute.

Note: Botsi trading and Ndimeni Training and Development belongs to one individual who has three referrals hence the total number is 15 whereas referrals are 17.

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd - Pipelines and wastewater (1)

No.	Deliverable / Description	Amount Paid (R)	Estimated Cost based on 2019 Pricing and Assumptions (R)	Potential Savings (R)
1	Deliverable No. 6: "Determine whether the water supply to the Nkensani Hospital was normalized for the amount of R 500,00.00."			
1.1	Construction Costs	12 990 904.06	6 921 449.35	6 069 454.72
1.2	Engineering Costs	1 005 024.46	830 573.92	174 450.54
1.3	Project Management Costs	435 112.21	346 072.47	89 039.74
	Total Potential Saving			6 332 945.00
2	Deliverable No. 17 : "To determine if the refurbishment for the Murhologo and IK Nxumalo pump stations took place regarding the spillages into the river for an amount of R4 500,000.00."			
2.1	Construction Costs	5 931 192.78	5 482 275.83	448 916.95
	Total Potential Saving			448 916.95
3	Deliverable No's: 18,19 and 26 : "Determine if the refurbishment of the existing WWTW-Mechanical was done to improve the effluent quality for an amount of R17 500,000.00." "Determine if the refurbishment of existing WWTW-Electrical improved the effluent quality for an amount of R10 000,000.00." "Determine if the Giyani WWTW revitalization of the package plant, refurbishment and installation of the new 20 Ml/day plant/schemes were done to the value of R353 000,000.00."			
1.1	Construction Costs	85 293 035.16		31 453 647.36
1.2	Engineering Costs	9 260 544.46	4 311 252.69	4 949 291.77
	Total Potential Saving			36 402 939.13
4	Deliverable No. 23 : "Determine whether the Giyani Groundwater Augmentation was done relating to the boreholes (Hospital and Priority Villages) and Schemes assessment to the value of R65 000,000.00."			
1.1	Construction Costs (154)	217 396 393.10	137 569 581.76	91 002 564 .93
1.2	Construction Costs (11)	10 898 606.09	5 249 600.00	5 649 006.09
	Total Potential Saving			96 651 571.02
5	Deliverable No. 34 : "Determine if water conservation and demand management was implemented at an amount of R340 000,000.00."			
1.1	Construction Costs	1 316 744 274.84	678 326 363.90	638 420 910.94
1.2	Engineering + PM Costs	163 577 245.68	84 412 380.54	79 164 865.14
	Total Potential Saving			717 585 776.07

Proclamation R22 of 2016 Lepelle Northern Water: Contract awarded to LTE Consulting (Pty) Ltd - Pipelines and wastewater (2)

No.	Deliverable / Description	Amount Paid (R)	Estimated Cost based on 2019 Pricing and Assumptions (R)	Potential Savings (R)
5	Deliverable No. 30 : “Determine if the new Nwemibra Dam designs were finalized, planned and if the permits were obtained for the amount of R80 000,000.00”			
1.1	Preliminary Design Costs	80 000 000.00	56 000 000.00	24 000 000.00
	Total Potential Saving			24 000 000.00
5	Deliverable No. 31 : “Determine if the Nandoni-Mhingra Water supply’s feasibility study was done with the planning and designs and if the permits were obtained for an amount of R40 000,000.00.”			
1.1	Preliminary Design Costs	40 000 000.00	38 000 000.00	12 000 000.00
	Total Potential Saving			12 000 000.00

A Total “Potential Saving” of R 893 422 148.17 excluding VAT exists on the work investigated.

Proclamation R23 of 2020 Amatola Water Board (2)

Findings relating to the procurement of 36 service providers for rainwater harvesting tanks:

- On 26 March 2020 the AWB appointed 33 service providers through an open tender and three others were also appointed through an RFQ, all for the supply, delivery and installation of Rain Water Harvesting tanks to different Municipalities in the Eastern Cape
- About 3 850 water tanks were procured by the AWB for all the Municipalities Each 5 000 litre tank cost up to R 12 000 and if not available then 2 x 2 500 litre tanks were provided
- An RFQ and a deviation process was used for this procurement No needs assessment was conducted and the tanks were to be delivered at the premises of each Municipality until they had a plan as to where they were going to be installed.
- The AWB acted as the implementing agent for the National Department of Water and Sanitation and any tank brand was acceptable
- The BAC disregarded the recommendations of the BEC when they recommended service providers who were not responsive during evaluation and the CEO and former SCM Manager were found to have interfered with the recommended list by including suppliers who were found not responsive by the BEC into the list to be appointed.

Proclamation R23 of 2020 Amatola Water Board (3)

Findings relating to the procurement of 36 service providers for rainwater harvesting tanks (Continuation):

- The three service providers appointed via RFQ were received directly by the CEO and the SCM manger.
- The appointed service providers did not install the tanks according to the agreed tender specifications and they claimed for delivery fees which were in most already included in the price of the tanks and delivered by the manufacturers themselves.
- The SIU also found that an intern at AWB was a Director of a company that was registered as a service provider at AWB This company was also appointed to supply, deliver and install the harvesting tanks by Amatola Water The intern is a sister of a buyer at AWB who was also involved in the procurement of the said water harvesting tanks.
- These two officials failed to disclose or declare their interest during the procurement of the water harvesting tanks.

Proclamation R23 of 2020 Amatola Water Board (4)

Findings relating to Procurement of 17 service providers for water carting trucks:

- The SIU investigation found that the AWB appointed 17 service providers to provide water carting through an RFQ. In terms of this process, 35 service providers submitted quotations and 18 of the service providers were responsive as they met all the requirements of the tender. 17 service providers were appointed on 31 March 2020 on condition that they accept the R 4 310 rate proposed by the AWB. One service provider that was part of the 18 service providers that were responsive, was not allocated work.
- A buyer that was responsible for requesting quotations up to the value of R 500 000 per service provider sent the appointment letters to the service providers. The recommendation was supported by the former CFO and approved by the CEO. The SIU investigation found that ten service providers were paid double the RFQ threshold of R 500 000 as per the NT regulations, although they submitted only one RFQ. The SIU also found over pricing related to the kilometers charged for the delivery of the water by 17 service providers.
- The SIU also found that Amatola Water arranged that these Service Providers receive the water for free from various Municipalities and in return the same water was sold to Amatola Water for R 4 310 per 15 000 litres of water and also charged R 10 per Km for delivery.

Proclamation R23 of 2020 Amatola Water Board (5)

Findings pertaining to the procurement of 20 service providers for water tankers through the NT transversal contract:

- The SIU investigation found that the AWB procured water carting trucks through a NT transversal contract Initially the AWB was to procure 10 trucks at a cost of R 10 million but this was later increased to 20 trucks at a cost of R 30 Million The AWB also changed the specification of the trucks that were included in the original transversal contract by including extras that significantly increased the price.
- The SIU investigation found that on 9 February 2021 the then Acting CEO requested an approval of a deviation from NT, because the steel water tanks which were to be affixed in the vehicles were not included in the initial quote and the AWB had to re negotiate with the service provider to include it.
- The SIU found that the changing of the specification from 10 to 20 trucks was irregular AWB changed the scope of work, budget after the award of the contract instead of going out on a new tender.

Proclamation R23 of 2020 Amatola Water Board (6)

Findings pertaining to the Procurement of 20 service providers for water tankers though the NT transversal contract (Continuation)

- AWB was aware of the makeup of the truck they were procuring through this contract and the addition of water tanks to the truck should have been done through a new and separate procurement process.
- The SIU also found that the deviations were presented to the National Treasury after they had concluded the procurement of the trucks.
- National Treasury later approved the deviation in this regard without justifiable reasons and it was only then that the AWB was able to pay Barloworld In February 2021 the AWB stated that the reason for the variation in price was an oversight although the evidence the SIU has obtained and reviews shows that it was not.

Proclamation R23 of 2020 Amatola Water Board (7)

Finding pertaining to the Procurement of 8 service providers for drilling and equipping of boreholes:

- The Bid Specification Committee did not meet to discuss specifications of this tender as well as the bill of quantities.
- The tender was only advertised for six days and not the 21 days required by the NT regulations before closure.
- The following were not provided and approved
 - The deviation approved for advertising less than prescribed days
 - The reasons were not recorded on any document provided
- There were no Bid specifications overview, compulsory clarification meeting attendance register or compulsory clarification meeting minutes.
- The Bid Specification Attendance Register was signed few days after the tender was advertised and evaluated.
- No bill of quantities (was available at the time when the BEC report was handed over to the BAC.
- The BOQ was only provided to the BEC one month after the first BAC meeting.
- According to the bid documents, ten 10 service providers were responsive in terms of the BEC report however, only 8 were approved by the BAC for appointment on a rotational basis as per tender advert,

Proclamation R23 of 2020 Amatola Water Board (8)

Findings pertaining to the procurement of 8 service providers for drilling and equipping of boreholes

- One service provider was given the bulk of the work and paid far higher than the rest without any justification.
- One official was found to have a conflict of interest in that he was made to manage the project, allocate and monitor work and approve payments of the above mentioned company which has his brother as an employee. This conflict was not declared to AWB.
- The PMU manger removed a Project Manager who was initially appointed to manage this project and replaced him with this conflicted manager.

Proclamation R23 of 2020 Amatola Water Board (9)

Findings pertaining to the procurement of 37 service providers for Rapid Response Unit

- The Bid Specification never met to put specifications together for this tender
- The tender was only advertised for six days and not the 21 days required by the NT regulations before closure, and the following were not provided and approved
 - The deviation approved for advertising less than prescribed number of days.
 - The reasons were not recorded on any document provided.
- Thirty seven 37 service providers were recommended for appointment by the BEC and the BAC approved the recommendations on a rotation basis
- Out of the 37 service providers, only 3 were used repeatedly In terms of their pricing these service providers were actually number 3 5 and 6 on the Bid Evaluation list
- Number 1 and 2 were overlooked without any justification One of the 3 Service Providers BM Engineers was appointed as a JV with Mizotech but operated alone outside the JV and got paid as such without a new Appointment.
- There was no predetermined scope of work for this tender.
- The three service providers were allocated geographical areas which was not the condition of the tender.

Proclamation R23 of 2020 Amatola Water Board (10)

Outcomes - Civil Litigation:

Focus Area	Description	Date Referred	Progress
Procurement of 36 service providers for rainwater harvesting tanks	Senior Counsel was appointed on 21 October 2020. Civil proceedings will be instituted in the Special Tribunal for the contracts against the 36 service providers to be declared invalid and unlawful and for the contracts to be set aside. The SIU also wants to interdict the AWB from continuing with the contracts between them and the 36 service providers. The SIU is also seeking a just and equitable relief against these service providers.	21 October 2021	
Procurement of 17 service providers for water carting trucks	The SIU has submitted a request for Counsel to be appointed in respect of these matters and to declare these contracts invalid and unlawful. They are to be set aside and all irregular payments will be recovered from the suppliers. The irregular payments for overpricing is R3,5m and the issue of the free water is also being considered for recovery.		
Procurement of 20 service providers for water tankers though the NT transversal contract	Civil litigation processes have been initiated to declare these contracts invalid and unlawful. They are to be set aside and all irregular payments will be recovered from the suppliers. The irregular payments are still being quantified on a just and equitable remedy basis.		
Procurement of 8 service providers for drilling and equipping of boreholes	Evidence was referred to institute civil proceedings in the Special Tribunal seeking to declare the contract invalid, unlawful and irregular and for the Special Tribunal to set it aside. The case is being processed to the CLU CAC for consideration. The team is sourcing the services of a Hydrologist to quantify the value for money in this case.		
Procurement of 37 service providers for Rapid Response Unit	Evidence is being considered by PFL to be referred to CLU to institute civil proceedings at the Special Tribunal. The relief sought is to declare the contract invalid, unlawful and irregular and for the Special Tribunal to set the contract aside. The case is being processed to the CLU CAC for consideration. The team also seek the services of a Hydrologist to quantify the value for money in this case.		

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Proclamation R23 of 2020 Amatola Water Board (11)

Outcomes – Disciplinary Action:

Focus Area	Description	Charges	Date Referred	Progress
Procurement of 36 service providers for rainwater harvesting tanks	<p>2 x Disciplinary referrals against an intern and a buyer were submitted to AWB</p> <p>The SIU investigating team is preparing evidence in support of disciplinary action against following official: Director: Planning and Development</p>	<p>Contraventions of applicable sections of the Constitution and the contravention of the applicable sections of the PFMA and the AWB SCM Policy.</p> <p>Contraventions of applicable sections of the Constitution and the contravention of the applicable sections of the PFMA and the AWB SCM Policy</p>	<p>3 March 2021</p> <p>The DC is being packaged for referral as it was the last to be decided on in this regard.</p>	<p>A intern's internship was not renewed A Buyer was dismissed.</p> <p>N/A at this stage.</p>
Procurement of 17 service providers for water carting trucks	No DC as the employees involved have resigned and others have already been disciplined and dismissed in matters.	Contraventions of applicable sections of the Constitution and the contravention of the applicable sections of the PFMA and the AWB SCM Policy	N/A	N/A
Procurement of 20 service providers for water tankers though the NT transversal contract	All possible DCs hinges on the current discussions between the investigating team, Forensic Lawyers, National Treasury, the CLU CA. The officials will be clearly identified as soon as these discussions are settled			
Procurement of 8 service providers for drilling and equipping of boreholes	The SIU investigating team is preparing evidence in support of disciplinary action against the Director: Planning and Development	Contraventions of applicable sections of the Constitution and the contravention of the applicable sections of the PFMA, NT practice notes, Instructions and the AWB SCM Policy		
Procurement of 37 service providers for Rapid Response Unit	The SIU investigating team is preparing evidence in support of disciplinary action against the Director: Planning and Development	Contraventions of applicable sections of the Constitution and the contravention of the applicable sections of the PFMA, NT practice notes, Instructions and the AWB SCM Policy		

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Proclamation R23 of 2020 Amatola Water Board (12)

Outcomes- Criminal:

Focus Area	Description	Charges	Date Referred	Progress
Procurement of 36 service providers for rainwater harvesting tanks	10 X Criminal referrals have been submitted to the NPA against the current and former officials of AWB and service providers as listed herein below: Former CEO; Former Manager: SCM; Former CFO; Acting Director: Planning and Development; and Manager, Project Management Unit.	contravention of the sections of MFMA, corruption, fraud and money laundering.	18 October 2021	The Hawks have had a number of consultations with the SIU investigators in this regard. No arrests have been made thus far.
Procurement of 17 service providers for water carting trucks	The criminal referrals are being considered by Principal Forensic Lawyers in this regard.			
Procurement of 20 service providers for water tankers though the NT transversal contract	Most of the Officials involved have resigned and evidence against the few that are left are being considered by the Principal Forensic Lawyers.			
Procurement of 8 service providers for drilling and equipping of boreholes	4 x Criminal referrals have been referred to the HOU against: Former SCM Manager; Former CFO Former Manager: Project Management Unit. Director: Planning and Development	contravention of Section 217 of the Constitution and various sections of the PFMA		
Procurement of 37 service providers for Rapid Response Unit	4 x Criminal referrals are being prepared against: Former SCM Manager; Former CFO Former Manager: Project Management Unit. Director: Planning and Development	contravention of Section 217 of the Constitution and various sections of the PFMA		

- **Annexure D:** Status of current cases investigated by the SAPS and the Hawks

Status of current cases investigated by the SAPS and the Hawks (1)

No	Law enforcement Agency	Details of the Investigation	Saps case number	Status of the case
1.	Directorate for Priority Crime Investigation (The Hawks)	Investigation into alleged corruption and irregular awarding of security tenders at Limpopo Regional Office.	POLOKWANE CAS 716/7/2017	Still under investigation.
2.	Directorate for Priority Crime Investigation	Investigation conducted into the procurement irregularities and fraud at Tugela Vaal Area Office.	BERGVILLE CAS 77/10/2016	Still under investigation
3.	Directorate for Priority Crime Investigation	Investigation into the alleged irregular appointment of a Financial Advisory Services (3/6/3/2/1/1819/01)	PRETORIA CAS 704/7/2018	Still under investigation
4.	Directorate for Priority Crime Investigation	Investigation into the alleged theft and misconduct by an Artisan Foreman and the Supplier at Tugela Vaal.	BERGVILLE CAS 137/5/2019	Still under investigation
5.	SAPS	Investigation that was conducted into the alleged submission of fraudulent Refund Claims.	STANDERTON CAS 213/02/2020	Still under investigation following further instructions from the Prosecutor.
6.	SAPS	Investigation into allegations of fraudulent claims of S&T against an Official at KZN Regional Office	SAPS Durban Central CAS 1105/10/2021	Still under investigation

Status of current cases investigated by the SAPS and the Hawks (2)

No	Law enforcement Agency	Details of the Investigation	Saps case number	Status of the case
7.	SAPS	Investigation into the possible irregularities regarding the Water Use Registration on the Loskop Government Water Scheme (3/6/3/2/1/1920/09) Main Account	Nelspruit SAPS 320/7/2022	Still under investigation.
8.	SAPS	Investigation into the allegations of fraud and corruption activities involving one of our Site Agents and the service provider at Clocolan Bucket Eradication Project around Free State (WTE)	Bloemfontein CAS 1/07/2022	Still under investigation.
9.	SAPS	Investigation into the alleged procurement irregularities around the contract that Central Operations entered into with a Service Provider for Usutu Vaal Area Office (3/6/3/2/1/2021/01) WTE	Standerton 154/7/2022	CAS Still under investigation.

Closed SAPS and the Hawks Cases (1)

No	Law enforcement Agency	Details of the Investigation	Saps case number	Status of the case
1.	SAPS	Investigation into the fraudulent payments that were processed by the Accounts Payable Officer.	PRETORIA CAS 96/12/2015	06/12/2019 – case closed as SAPS was unable to locate the suspect.
2.	SAPS	Investigation into the payment that was paid into an incorrect bank account.	PRETORIA CAS 460/3/2016	Closed as withdrawn by Prosecutor. Funds were recovered from FNB following a Judgement against them.
3.	SAPS	Investigation into the advance payment that was illegally paid irregularly to a supplier.	TZANEEN CAS 73/12/2016	Closed as prosecutor has withdrawn the charges.
4.	SAPS	Investigation into the inflation of invoices by the supplier.	MAKHADO CAS 97/12/2016	Closed 15 February 2022- Suspect was arrested and he appeared before the Giyani Magistrate court. The case was postponed for plea and trial but the suspect passed away before the trial could resume.
5.	SAPS	Investigation into procurement irregularities regarding the civil contract. Corruption suspected.	MMABATHO CAS 174/06/2016	Closed – detectives could not find evidence to substantiate the allegation.

Closed SAPS and the Hawks Cases (2)

No	Law enforcement Agency	Details of the Investigation	SAPS case number	Status of the case
6.	SAPS	Investigation conducted into the allegations of conflict of interest at Construction West. Officials procuring goods from companies that are owned by their spouses.	POTCHEFSTROOM CAS 455/10/2016	Case withdrawn by the Senior Prosecutor and docket has been closed.
7.	SAPS	Investigation into the irregular payment that was made to the Local Municipality. Corruption suspected to divert funds away from the project.	CAS 296/10/2016	Docket closed due to lack of evidence
8.	SAPS	Investigation into the fraudulent payments that were processed at the Gauteng Regional Office.	PRETORIA CAS 459/3/2016	Case withdrawn by Prosecutor
9.	SAPS	Investigation into the fraudulent purchase requisitions and purchase orders that were created at Construction North.	TZANEEN CAS 209/3/2017	Case closed as it was Nolle prosequi based on the following reason: There is no proof of intention nor misrepresentation. The service provider insists that it was a mistake on their part and not intentional. An amount of R622 463.94 was recovered from them.
10.	SAPS	Investigation into the alleged theft of assets at Brits.	BRITS CAS 162/11/2017	Case closed due to lack of evidence.

Closed SAPS and the Hawks Cases (3)

No	Law enforcement Agency	Details of the Investigation	Saps case number	Status of the case
11.	SAPS	Investigation into the alleged fraudulent letters that were issued to the water users at Breede-Gouritz water management area notifying them of the change of bank account.	GEORGE CAS 4/11/2017	Case closed due to lack of evidence.
12.	SAPS	Investigation into the procurement irregularities at Construction North (Tzaneen)	TZANEEN CAS 179/11/2017	Case closed due to lack of evidence.
13.	SAPS	Investigation into the alleged procurement irregularities.	PRETORIA CAS 378/09/2018	The case has been closed on the basis of the Prosecutors Nolle Prosequi (declined to prosecute)
14.	SAPS	Investigation into the theft of the revenue that was collected at Vanderkloof Dam.	VANDERKLOOF CAS 8/6/2019	Closed as charges withdrawn by prosecutor
15.	SAPS	Investigation into the suspected fraudulent roadworthy certificates that were issued for state vehicles.	THOHOYANDOU CAS 654/8/2019	25/11/2021 – Case has been referred to the Senior Public Prosecutor for a decision

Closed SAPS and the Hawks Cases(4)

No	Law enforcement Agency	Details of the Investigation	Saps case number	Status of the case
16	SAPS	Investigation that was conducted into allegations of fraud and corruption at Construction East.	CAS 04/03/2020	Case has been withdrawn by the Senior Prosecutor

Note: The department was not satisfied with the closure of cases without valid reasons and/or engagement with the departmental forensic team. The department wrote to the National Police Commissioner to register their dissatisfaction with the closures and he acknowledged the status and promised to engage the Provincial Commissioners. Another letter was written to the National Commissioner on 18 May 2022. The department is still waiting for feedback.

The Department met with Lieutenant General G Lebeya, the National Head of the Directorate of Priority Crime Investigation on 20 June 2022 to discuss all the cases that were referred to them. He indicated that these cases would be expedited.

END

