ABACUS
FINANCIAL CRIME ADVISORY

Abacus Financial Crime Advisory

Department of Defence

Investigation into the 1 Military Hospital Repair and Maintenance Program and the Refurbishment project

Final executive summary report

01 December 2020

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The Inspector General of the Department of Defence
Directorate Anti-Corruption & Anti-Fraud
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01 December 2020

Dear Inspector-General Buhali

Executive summary report of the forensic investigation into the 1 Military Hospital Repair and Maintenance Programme

Thank you for providing us with the opportunity to provide forensic investigative services to the Department of Defence.

We have now concluded our investigation into the 1 Military Hospital Repair and Maintenance Programme**.**

Herewith, our executive summary report for your consideration. Due to the voluminous nature of our main report, we have prepared a separate executive summary report containing the pertinent findings and conclusions. This executive summary report must be read in conjunction with the main report and the accompanying exhibits and annexures

The exhibits and annexures to the main report are approximately more than 4 000 documents, as a result, the exhibits and annexures are submitted in an electronic format.

The executive summary report is a summarised document which highlights the pertinent findings contained in the main report and was prepared solely to inform you of the pertinent findings and conclusions.

This executive summary report should not be utilised for any purpose without our prior written consent, which will not be unreasonably withheld.

Should you have any queries or require clarity on any aspect of this executive summary report, please do not hesitate to contact me on +27 82 719 2533.

Yours Sincerely

[redacted]

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1 Introduction

During 2019, DACAF, appointed Abacus to provide management with insight into the operational status of 1 Military Hospital, to determine why it is in its current state and how the RAMP and Refurbishment Project contributed to the current state of the facility.

In 2001, Public Works launched the 1 Military Hospital RAMP. The aim of the RAMP was to restore 1 Military Hospital as the flagship hospital in the SANDF stable. However, the RAMP that was intended to improve operational efficiency and effectiveness, was fraught with significant delays, challenges, scope creep, incomplete works, variations and cost overruns. Internal documents reveal that the RAMP was termed a "*fiasco*", that crippled service delivery.

Resolute to restore the hospital to its former glory, a further Refurbishment Project was registered in 2012 to refurbish and upgrade Floor One and Floor Two of the hospital. At the time of drafting this report (September 2020), Floor One and the Pharmacy section on Floor Two remain locked and non-operational. Patients are still being transferred to private health care facilities at significant costs.

Against this backdrop, DACAF, appointed Abacus to investigate the events at 1 Military Hospital. Below we tell the story of 1 Military Hospital. Like any intriguing story, this story involves an extensive cast of memorable characters, controversies, conflicting versions, twists and turns, irregular and unlawful conduct, each uniquely contributing to answering the overarching question about the current state of 1 Military Hospital.

2 The initial construction of 1 Military Hospital – in 1972

1 Military Hospital is an imposing institutional landmark in Thaba Tshwane. It is a 500-bed hospital complex with residential accommodation, service buildings, a transport park, roads, parking areas, a helipad and a water reservoir, with the intention of treating the President, Deputy President, their predecessors, foreign dignitaries, members of the SANDF and their families.

The decision to construct a comprehensive military hospital in Tshwane was taken in 1972. Originally, a site, in what was then known as Verwoerdburg, was earmarked for the hospital. Planning and preparation were in an advanced stage, when a geological report revealed that the site was not suitable because of the potential danger of dolomite sinkholes.

A new suitable site had to be found, and in an effort to claw-back lost time, a decision was made to prepare a provisional bill of quantities, based on preliminary sketches for the original site in Verwoerdburg.

3 Conclusions relating to RAMP

Background to conclusions

In a 1990 Supreme Court of Appeal judgement, relating to a dispute about the initial construction of 1 Military Hospital, Acting Judge Nienaber, writes[1]:

"The agreed period of completion was 54 months but, as sometimes happens in matters of this sort, ***expectations exceeded execution and execution exceeded the contract period****. Although the character and scope of the work remained essentially the same, the work was only completed in 1983 at a cost, taking the priced rates but, also escalation into account, of R35 508 862,00.* [According to the judgement the original contract amount was R21 840 000.]

One reason*, at least, for this* ***phenomenal increase*** *was that tenderers were invited to tender on the footing of* ***provisional*** *(as opposed to firm) bills of quantities, which, moreover, contained a number of provisional sums (i.e. items with unpredictable quantities), all of which were in turn compiled on the strength of preliminary sketch plans (as opposed to detailed working drawings).*

A contract sum, calculated by applying ***fixed rates to imprecise quantities****, was bound to differ from the sum ultimately produced once the work had been completed and the quantities finally measured."* **[Own emphasis.]**

Construction commenced in 1975 and the hospital was eventually completed in 1983.

Ailing state of government facilities and the introduction of RAMP

During the relevant times when the RAMP was executed, Public Works was mandated to maintain all government facilities, including 1 Military Hospital. It is common cause that during the mid-nineties, Public Works experienced challenges with the maintenance of government facilities and that a significant maintenance back-log resulted. This contributed to the lack of appropriate maintenance of the 1 Military Hospital.

Fast-forward to 1999, when Public Works, in an attempt to address the maintenance back-log, launched the RAMP initiative. According to the 2002/2003 Public Works annual report:

"The objective of the programme (RAMP) *is to address the disrepair of facilities and a significant backlog associated with maintenance."*

RAMP for prisons was one of the first RAMPs initiated by Public Works, in October 1999. From annual reports and interviews conducted by us, it seems that RAMP for prisons (Department of

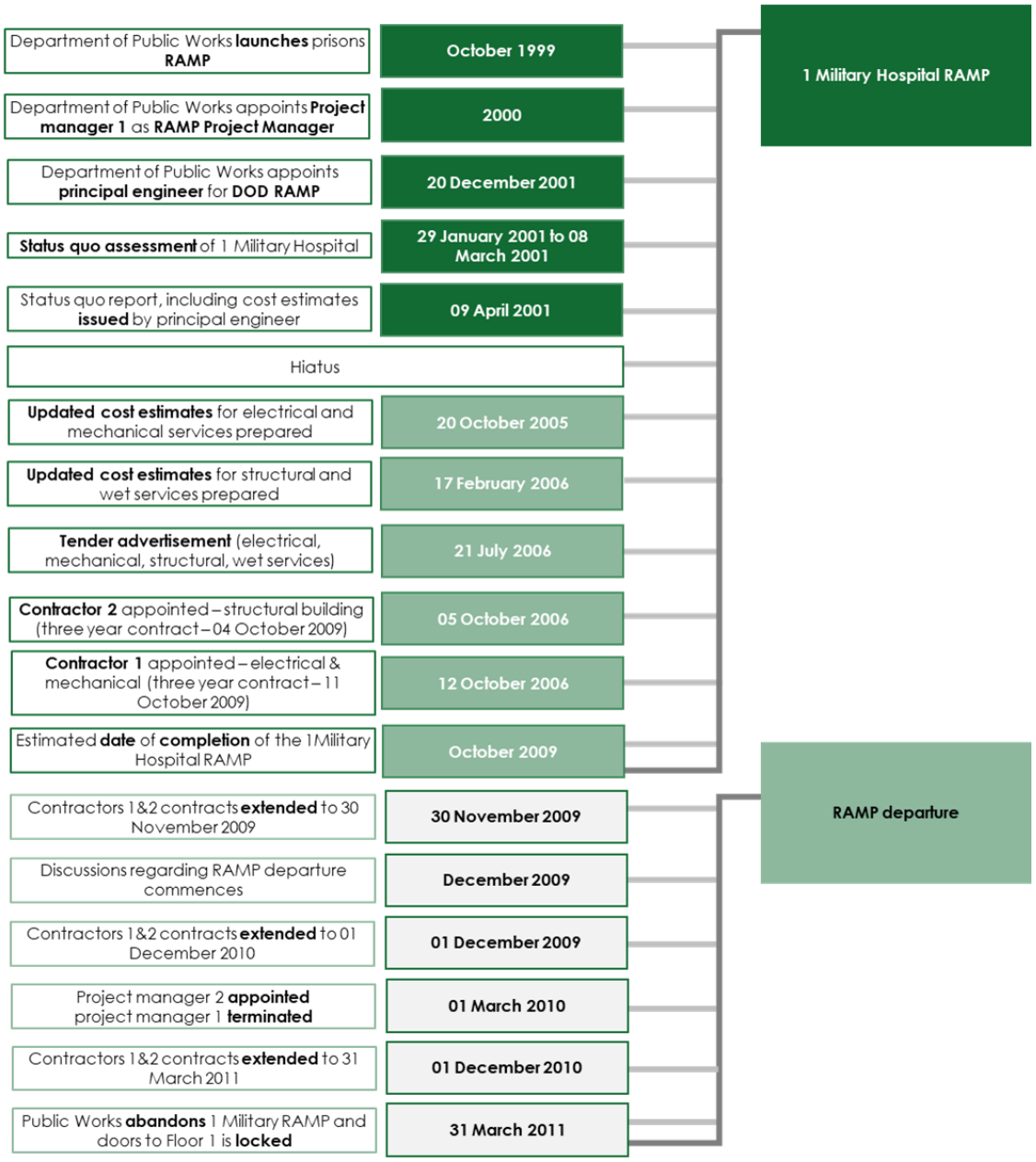
[1] Van Streepen & Germs (Pty) Ltd. v Government of the Republic of South Africa (113/89) [1990] ZASCA 127

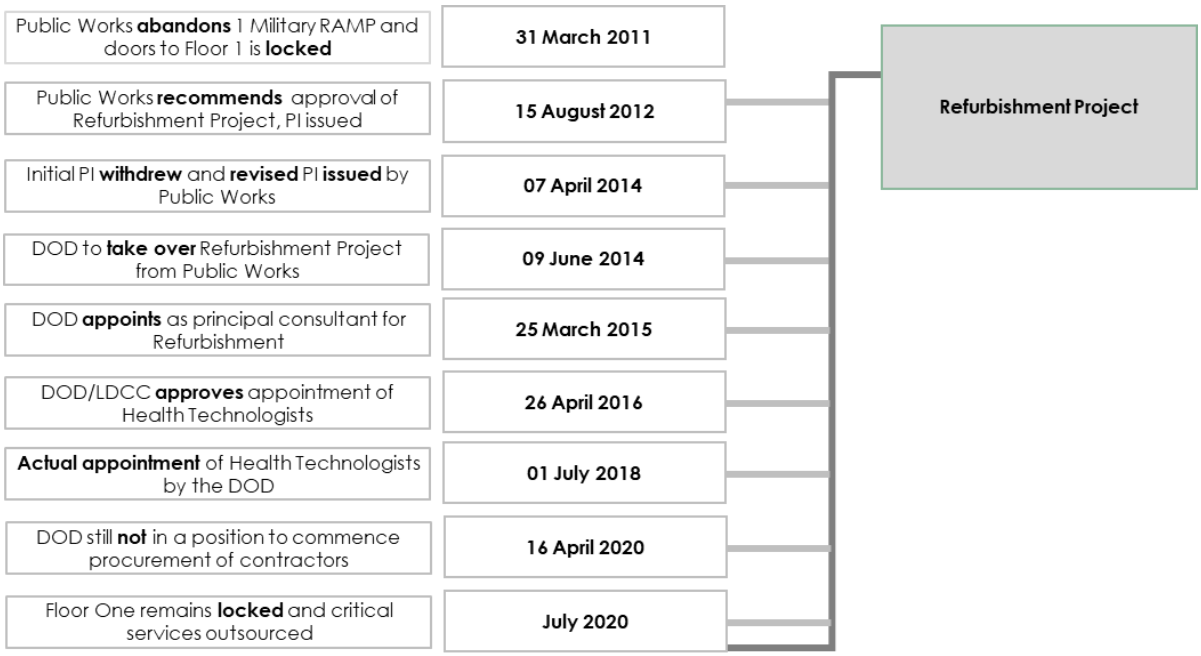
Correctional Services) yielded favourable results and therefore the implementation was expanded to other government departments, including the DOD. We were informed of significant effort by Public Works to convince the DOD to make use of the RAMP. We understand that Public Works had to invest significant time and energy to convince the DOD to agree to the implementation of RAMP for 1 Military Hospital.

Timeline of pivotal events

Following the introduction of the 1 Military Hospital RAMP, various events occurred, each contributing to the current state of the hospital. In the summarized timeline below, we include the pivotal contributing events.

Timeline of pivotal events that contributed to the current state of 1 Military Hospital





Suitability of RAMP for 1 Military Hospital

We were informed by DOD officials that the aim of the 1 Military Hospital RAMP was to restore the hospital as the flagship hospital in the SANDF stable. During our investigation there were three fundamental aspects relating to the 1 Military RAMP that continuously surfaced, being:

- The question of the suitability of the RAMP for 1 Military Hospital
- The flawed expectation the DOD had of what the RAMP would achieve
- The organisational manner in which the RAMP was established and executed

The suitability of the RAMP was questioned by the DOD ab initio and it remained a contentious issue. The precursor RAMPs, initiated at inter alia the Department of Correctional Services and Department of Justice, entailed straightforward and uncomplicated repair and maintenance activities, like painting, carpeting, tiling and ceiling repairs. Given the extremely specialised nature of a hospital, strict regulatory operational framework, the complexities associated with hospital processes, and regulatory requirements, the RAMP for 1 Military Hospital could not be likened to any previous RAMPs executed by Public Works.

Flowing from interviews conducted, it is clear that there was a significant difference in what the RAMP was going to achieve versus what the DOD and SAMHS expected from the 1 Military Hospital RAMP. The DOD and SAMHS expected that at conclusion of the RAMP, 1 Military Hospital would be a modern, fully functional facility that would comply with statutory requirements and best medical practices. Internal documents describe the end user expectations as *"Mercedes vs Volkswagen"*.

This substantial difference in expectation caused significant operational challenges during the execution of the 1 Military Hospital RAMP, such as DOD officials issuing on-site instructions to

contractors, without consideration of the scope of work or the implications of these verbal instructions and also inherent adherence to process protocol.

In December 2009, Public Works terminated all RAMPs, i.e. the programme was abandoned in its entirety, as it neither realised the intended purpose of reducing maintenance backlog, nor did it address client requirements, specifically at 1 Military Hospital. This aspect in a way confirmed the fact that RAMP was an inappropriate process to address the maintenance requirements of 1 Military Hospital.

In our view, the RAMP principles were wholly inadequate to meet the requirements of a facility such as 1 Military Hospital.

Initiation of a RAMP at 1 Military Hospital and hiatus

The 1 Military Hospital RAMP was conducted in three phases, being:

1. Compilation of a status quo report that provides a basis to appoint consultants, plan and budget for required repair and maintenance
2. Appointment of consultants according to prescribed tender procedures
3. Construction, during which a facility with its installations and infrastructure are first repaired and then maintained for the balance of the 36-month contract period

In December 2000, Public Works appointed a service provider, as the principal engineer, for the 1 Military Hospital RAMP. The principal engineer conducted a status quo investigation at 1 Military Hospital during the period 29 January 2001 to 08 March 2001 and subsequently issued a status quo report. On 09 April 2001, the principal engineer, issued the status quo report, including cost estimates, for the work to be performed as part of the 1 Military RAMP. This would form the basis for the eventual appointment of the contractors.

Following the submission of the status quo report in April 2001, no further work or maintenance was performed for approximately four and a half years, until October 2005.

We understand that one of the reasons for the delay in commencement of the 1 Military Hospital RAMP, was protracted discussions between the DOD, Public Works and National Treasury regarding who would be responsible for budgeting and funding for the RAMP. Given the operational importance of 1 Military Hospital and state of deterioration, we are not convinced that the budgetary discussions are the only reason for the delay. This delay contributed significantly in creating a difference in what was required to be done and what contractors were requested to do. This had a significant impact in the successful execution of the 1 Military Hospital RAMP and the subsequent Refurbishment Project.

Resuscitation of the RAMP and appointment of contractors

During the four-and-a-half-year delay, 1 Military Hospital continued ailing and maintenance

was not executed. The 1 Military Hospital RAMP initiative regained traction during the latter part of 2005. Revised cost estimates for electrical and mechanical work was submitted during October 2005, again by the principal engineer. Revised estimates for structural and wet services were submitted in February 2006. The need for revised cost estimates was partly driven by a decision to group certain disciplines. The revised status quo cost estimates increased significantly, from R71 724 942 in 2001 to R176 658 004 in 2005. We could not confirm that revised estimates were prepared for all disciplines. Although, the cost estimates were revised, no detailed inspection (as was the case during the status quo investigations – January 2001) of the subsequent deterioration was performed. We believe this oversight contributed to the failure of the 1 Military Hospital RAMP.

By the time that tenders for the 1 Military Hospital RAMP were advertised in July 2006, the condition of 1 Military Hospital had deteriorated even further, i.e. from the completion of the initial status quo investigations conducted in 2001, to the resuscitation of the RAMP during October 2005. Various items, such as water pipes, would by then have to be replaced entirely to ensure safe operation.

The fact that we could not confirm that revised cost estimates for all disciplines were submitted, coupled with the lack of consideration of further deterioration is a significant failure and shortcoming in the planning of RAMP. We believe that these factors contributed to the failure of the 1 Military Hospital RAMP.

Appointment of contractors

As part of our detailed investigative procedures, we conducted a review of the procurement processes relating to the appointment of the following service providers by Public Works (who were responsible for the procurement and appointment of the RAMP contractors):

- Contractor 1 – Electrical and Mechanical Infrastructure works
- Contractor 2 – Structural Building Infrastructure/Internal Wet Services
- Project manager 2 – Construction project managers

During our review of the procurement documentation, we determined that we were provided with limited documentation relating to the procurement process. Although a negative inference may be drawn from the absence of the documentation, we believe that the significant time delay between the appointment of the contractors (2006 and 2010) and the commencement of our investigation in 2019, should be taken into consideration prior to drawing a negative inference in this regard. Also, many of the individuals involved in the procurement processes are no longer employed at Public Works or at the various service providers/contractors

We understand that the process to appoint an electrical and mechanical contractor for the

1 Military Hospital RAMP, commenced in November 2005. Given that the majority of the tenderers were considered administratively none responsive at that time and concerns relating to the extent of the quoted prices, the tender evaluation committee recommended that the initial bid validity period be lapsed and that a new tender should be issued.

A second tender for the appointment of an electrical and mechanical contractor and a structural contractor was advertised on 21 July 2006. Flowing from this second tender process, the contractors, contractor 1 and Contractor 2, were appointed in October 2006, almost five and a half years after the compilation of the status quo report during April 2001.

Contractor 1

The appointment of contractor 1 (electrical and mechanical contractor) is a contentious matter. Although, contractor 1 was the only bidder that met the Construction Industry Development Board requirements, the tender advisor (principal engineer) did not recommend appointing contractor 1, raising concerns about its ability to execute a project of such nature and extent, its purported experience and concerns relating to its quoted price (which was deemed below the expected costs for the scale of the project) and uncertainty about its Occupational Health and Safety compliance.

The principal engineer made the following comment about contractor 1's experience:

"Based on the information submitted this tendered has only experience with small installations and cannot be expected to complete an installation of this size and complexity."

The tender evaluation committee recommended that the bid validity period be lapsed and that the tender be advertised for a third time, hoping to attract other suitable contractors. The Public Works National Bid Adjudication Committee rejected this recommendation and appointed contractor 1.

In our view, the appointment of contractor 1 contributed to the challenges experienced during the execution of the 1 Military Hospital RAMP. We were unable to establish the rationale for the decision taken by the Public Works National Bid Adjudication Committee to appoint contractor 1.

Contractor 2

Based on our review of the procurement documents and interviews conducted, we conclude that the procurement procedures followed during the appointment of contractor 2, were suitable, compliant and appropriate in that the tender was publicly advertise, and evaluated in a fair, competitive and transparent manner.

Project managers

Project manager 1 was the appointed project managers for the 1 Military Hospital RAMP during 2006 to 2009.

Project manager 2, replaced Project manager 1, and was appointed as the construction project managers in March 2010. The procurement process relating to Project manager 2's appointment was initiated through a negotiated procedure in Public Works, which is a deviation from the normal and unstructured procurement processes. During a negotiated procedure, bids are solicited from a single service provider. This deviation is permissible "*if the goods or services must be acquired as a matter of* ***urgency*** *or emergency and a competitive bidding process or other acquisition procedures are* ***impractical****, provided that the circumstances giving rise to the urgency were neither* ***foreseeable*** *by the users nor the result of* ***dilatory conduct on their part****"* **[own emphasis]**[2]*.*

An undated letter, from the then Public Works Head of SCM to the National Bid Adjudication Committee relating to the appointment of Project managers 2, states that the underlying cause of the delays in the 1 Military RAMP was due to "*improper monitoring of the of works on site for the past 36 months*" and that this was "*attributed to an absence of independent authority to coordinate the works during construction*". Our interpretation of these statements is that there was no urgency as is required during a negotiated procedure. It follows that this was a misrepresentation to the National Bid Adjudication Committee. A senior Public Works RAMP official who was responsible for the execution of the RAMP, acknowledges that the site has been improperly monitored for 36 months. These statements also draw into question the requirements of foreseeability and tardiness.

In our view, the procurement procedure followed to appoint project manager 2 was irregular and not in line with the prescribed requirements relating to a negotiated procedure. The amount of R14 540 041.50 must therefore be viewed as irregular expenditure.

Unrelated to the procurement irregularities described above, we question the true motive for and timing of the appointment of project manager 2. It was suggested that project manager 2 was connected to officials within Public Works. Based on the background searches performed by us, we did not identify any direct associations between project manager 2, its directors and the Public Works officials who were part of the procurement process. Project manager 2 was unwilling to assist with our enquiries without compensation and therefore we were not able to obtain their version relating to the suggested connection and appointment. The timing of the appointment is of significant concern. Project manager 2 was appointed at a critical time of the RAMP, March 2010. At that stage a three-year contract was extended for nine months and project manager 2 had no prior knowledge of the project.

[2] Directive: Acquisition and Disposal Management" document from Public Works

In addition, we are unable to obtain the rationale for and/or confirm the significant differences in the initial budgeted amount of R4 190 721.86 allocated to project manager 2 as per their appointment contract and the eventual payment of R14 540 041.50 made to them on this contract.

Execution of the RAMP

Phase Three (actual construction) of the 1 Military Hospital RAMP commenced with the appointment of contractor 1 and contractor 2 in October 2006. During the execution of the RAMP, various scope changes and unforeseen challenges contributed to the extension of the contract periods and additional funding requirements.

In a letter dated 28 June 2015, a senior official in the DOD, described the RAMP as *"… a fiasco from the onset owing to the fact that the RAMP did not provide the mandate to address statutory and functional requirements"*. We are in agreement with this assessment of RAMP. The pertinent question in this regard is why this aspect was not raised earlier and dealt with by senior management – both within Public Works and DOD.

Execution challenges

Numerous execution challenges were highlighted during our investigation and recorded in documentation reviewed by us. As a result of these challenges and scope changes, the 1 Military Hospital RAMP was not completed as intended by October 2009. The challenges, specifically the challenges relating to Floor One, had been raised as early as April 2008 and by March 2009, it was already suggested that a 12-month extension would be required.

Flowing from our investigation, we cannot single out a specific event that hampered the execution and that contributed to the ultimate failure of the RAMP. In our view, it is the culmination of various failures, throughout the lifecycle of the RAMP that contributed in the failure. However, we are of the view that a major contributing factor relating to the failure of the 1 Military Hospital RAMP was the lack of suitable oversight, co-ordination and management, for a complex major project like the 1 Military Hospital RAMP. In the sections below, we highlight the factors, that cumulatively, contributed to the failure of the 1 Military Hospital RAMP.

Delay between status quo investigations and RAMP commencement

From the time that the initial status quo investigations were conducted in 2001, to the time that the 1 Military Ho RAMP construction commenced in 2006, the condition of the hospital had deteriorated significantly. At this point, the initial design of 1 Military Hospital was obsolete in terms of best medical practice. We are not convinced that these factors were appropriately considered at commencement of the execution phase of the RAMP. In our view, Public Works failed in its mandate and oversight function to ensure that a new and complete status quo

review be performed before the appointment of the contractors in 2006.

Execution of the RAMP while the hospital remained functional

The RAMP was executed, while the hospital remained fully functional and operational. The consequential impact of this is that repair and maintenance activities could only be executed in areas vacated by 1 Military Hospital and certain activities, such as breaking or drilling, were restricted to particular times. This significantly complicated the execution of the RAMP and in certain instances caused significant delays and rework. We are of the view that this complexity was not considered appropriately by Public Works during the scoping and planning of the RAMP.

Inaccurate BoQs

The initial BoQs, produced by the principal engineer, were inaccurate. When the status quo investigations were conducted, there was a detailed scope of work and architectural, civil, mechanical and electrical work drawings. This should have assisted the principal engineer in compiling an accurate and reasonable quantification. However, this is not reflected in the BoQs and the status quo report included inaccurate quantification and assumptions.

Further, items specifically requested by 1 Military Hospital to be included in the initial scope of works, i.e. the kitchen requirements, was excluded from the scope on instruction of the DOD and with the knowledge of Public Works. These were later accommodated via VOs. The principal engineer was part of the decision process to do this.

Due to the inaccuracy of the quantified scope and BoQs, it is impossible to retrospectively conclude whether or not the 1 Military Hospital RAMP project yielded 100% of the results it was intended to from a budget and financial perspective. What can be concluded is that the inaccurate BoQ and the exclusion of items specifically requested by 1 Military Hospital, contributed to the delay, overruns and eventual failure of and inability to complete the work during the 1 Military Hospital RAMP.

Lack of project management, oversight and monitoring

A myriad of stakeholders and role-players were involved in management, oversight and monitoring of the RAMP, including Public Works, the DOD, SAMHS, project manager 1 (and later project manager 2) and the principal engineer. We considered documentation to gain an understanding of the oversight, management and monitoring roles and responsibilities of each of these stakeholders inter alia to determine who was responsible for the RAMP "*fiasco*" and who can be held accountable. We also conducted extensive interviews with executives and staff members.

Given the significant time lapse (14 years) between the RAMP execution and the commencement of our investigation, limited information and documentation was available

from project manager 1. We also did not have an opportunity to interview all the specific individuals and staff members. Information and documentation obtained from the principal engineer corresponded mostly to what Public Works provided to us – it seems to be a duplicate and appears to have been prepared for our investigation. Project manager 2 was unwilling to assist with our enquiries without compensation. And we therefore did not obtain a full set of documents from them. The documents obtained from 1 Military Hospital were in a poor state and incomplete, provided little information and insight.

Although Public Works appointed project managers (project manager 1) and engineers (the principal engineer) to oversee the 1 Military Hospital RAMP, Public Works still had oversight responsibility and should have addressed issues instead of apportioning the blame to the consultants and contractors. A senior official from Public Works indicated in an email that Public Works would not be accountable for delays during the 1 Military Hospital RAMP project, as Public Works had appointed engineers to execute the project to appropriate quality within budget and allocated time. However, Public Works, through its various project management representatives had been aware of the challenges regarding the scope of works, delays by 1 Military Hospital in handing over areas to contractors as well as the challenges resulting from the project management structures, as these were acknowledged in numerous correspondences drafted by Public Works in the motivations for VOs.

In our view, the consequential impact of the decision by Public Works to not appoint a single Principal Agent or main contractor for all the work at 1 Military Hospital, contributed to a situation where there was no overarching project management strategy to manage and monitor work activities among the various contractors. We conclude that the lack of a properly defined and implemented project management strategy and approach resulted in preventable delays, rework and additional funding requirements and that Public Works should be held responsible for this decision and the consequences flowing from it.

Lack of on-site coordination

There was a complete lack of on-site coordination by Public Works, project manager 1 (and later project manager 2) and the principal engineer. This resulted in time delays, rework and additional funding requirements. For example, the delayed appointment (seven months after the commencement of RAMP) of the fire protection contractor by Public Works, resulted in significant delays. Following the installation of fire protection services on Floor Seven, both contractor 1 and contractor 2 had to perform rework to repair damage caused by installation of fire protection services. It is evident that contractors worked in silos and that there was no cohesion and coordination. Public Works carried the responsibility for this.

In a letter dated 18 April 2008, from the principal engineer to project manager 1, the principal engineer highlighted the risks surrounding the lack of coordination of on-site works. In the letter

the principal engineer indicates that it is only responsible for two of the approximately 16 contractors on site, there is no central control over of the multiple contractors on sire and that it is a *"recipe for disaster".* The principal engineer indicated that the lack of coordination resulted in rework of already repaired areas after other contractors also performed work there and it was difficult to determine responsibility for theft and damages where multiple contractors worked in the same areas.

The lack of coordination by the principal engineer of contractors 1 and contractors 2, also resulted in further delays and rework. For example, once contractors 2 finished an area, contractor 1 would channel the walls to install the electricity, replaster and repaint the freshly plastered and painted walls.

The lack of a properly defined project management strategy, coupled with the lack of on-site coordination also created an environment suspectable to theft, resulting in further delays. Examples of theft where items had already been repaired or replaced included copper pipes, cables, stainless steel drawers and doors. These aspects were documented in the correspondence reviewed by us and were confirmed in interviews.

Appropriate on-site coordination by Public Works, project manager 1 and the principal engineer could have prevented the delays, rework and additional funding requirements. Public Works should be held responsible for the lack of on-site coordination. The delays, rework and requirement for additional funding resulted in the inability to complete all the planned scope of work within the three-year period and also resulted in the significant over-runs in costs and expenditure.

Fluid work environment

The work environment was subject to constant changes. Staff turnover of 1 Military Hospital staff and senior DOD officials, hampered project continuity.

According to Public Works the main challenge on the RAMP was that throughout the contract period, DOD officials issued new instructions, directly to contractors on site, that did not form part of the initial scope of work. The lack of project management, oversight, monitoring and on-site coordination, coupled with the fluid work environment, contributed to the eventual delays, overruns and failure of RAMP.

What was not achieved during RAMP

By December 2009, approximately 75% of the initial RAMP scope of work had been completed. This was an estimate at the time. In a letter, dated 18 November 2009, from the principal engineer to Public Works it was stated that additional time and funds were required to complete the works in progress. The works in progress included inter alia:

- Completion of work on Floor Six, Floor Two (East), Floor One

- Kitchen refrigeration
- Laboratories
- Boilers
- Routine maintenance

At the time the initial contract term ended (November 2009), the estimated cost to completed the outstanding works relating to the 1 Military Hospital RAMP was estimated at R106 014 145.

Departure from RAMP

In December 2009, Public Works terminated all RAMPs, i.e. the programme was abandoned for all government departments, as it neither realised the intended purpose of reducing maintenance backlog, nor did it address client requirements, specifically at 1 Military Hospital. This decision by Public Works confirms and supports our conclusion that the RAMP was not suitable for the repair requirements at 1 Military Hospital.

In December 2009, a decision was taken to extend the contracts of contractor 1 and contractor 2 to conduct additional work from December 2009 to March 2011, under an extension of the 1 Military Hospital RAMP contract. These further contract extensions were granted under the guise of the existing RAMP, and was legally flawed. It was also common knowledge that the scope of work would be significantly different from what the initial contract envisaged and included work, more extensive and extend way beyond the RAMP principles. The decision was to refurbish and redesign of Floor One, using the RAMP contract arrangements as the basis. The 1 Military Hospital RAMP contract had no provision for refurbishment or redesign activities.

Manipulated procurement process for the extension of the RAMP contracts

The decision to depart from RAMP was made by representatives of Public Works, DOD and SAMHS, towards the end of 2009. Public Works were reluctant to continue with the extension. This was stated specifically in formal documentation by Public Works. According to a senior DOD official, the idea for the extension was driven by them and other senior officials. The senior DOD official gave a version that suggests that an "off-the-record" meeting was held between senior DOD officials and Public Works to discuss and agree to extend the 1 Military Hospital RAMP. However, another senior DOD official informed us that they did not recall such a meeting. It was critical to obtain a buy-in and agreement from Public Works as the existing Public Works contracts and WCS numbers, had to be used to facilitate the extension of contracts and scope expansion. If Public Works did not agree, then a new procurement process would have had to be initiated. The contract extension therefore was a manufactured and manipulated process that constitutes a deliberate and irregular circumvention of the

required procurement processes. The senior DOD official informed us that there was significant political pressure to complete the work.

Scope and budget following RAMP departure

By December 2009, approximately 75% of the initial RAMP scope of work had been completed. However, no work in the challenging and complex areas, specifically Floor One, that included the ICU, operating theatres, laboratories, pharmacy and radiology, had commenced.

The scope of work during the extended contract period was not defined. The BoQs and budget were mere guesstimates (or a thumb suck) used to arrive at a cost estimate to obtain approval and budget allocation for the extensions of time and funding. The detailed scope of what had to performed was eventually determined, by laypersons and as construction continued during the extended contract period. We describe this in more detail later in this report.

It was stated by a senior DOD official that the scope and budget (which they describe as a *"thumb-suck"*) were *"manufactured"* and agreed by certain senior DOD and Public Works officials.

On 08 December 2009, Public Works gave written approval for the extension of the existing contracts for the principal engineer, contractor 1 and contractor 2, by 12 months until December 2010. Its critical to bear in mind that the existing contracts relating to RAMP did not include redesign and refurbishment activities. Due to extensive delays in handing areas over to contractors, the contracts were again extended to 31 March 2011.

The total estimated cost for the extended contract period was R156 668 974. Included in the total estimated cost, is R50 654 829 for statutory compliance work.

Inadequate redesign of Floor One

The most extensive and complicated work during the extended contract period was to be performed on Floor One, which included the ICU, operating theatres, laboratories, pharmacy and radiology. Critically, the work envisaged for Floor One during the extended contract period, included predominantly redesign and refurbishment activities and not traditional RAMP activities.

The senior DOD official who oversaw the RAMP extension instructed a DOD official to work with the principal engineer to redesign Floor One and make changes that were not part of the initial 1 Military Hospital RAMP contract. The senior DOD official confirmed to us that they instructed the DOD official to redesign Floor One and to consult the clinical department heads to address their requirements, as *"it was their only opportunity to fix what they deemed wrong"*. According to the senior DOD official, other relevant senior DOD officials were aware of this instruction. The instructed DOD official confirmed the instruction they received. They also

indicated that they were not given a budget to work with and that the scope of work was only vaguely defined.

The DOD official had no relevant technical experience to redesign Floor One. They were a laboratory assistant and later the facilities manager of 1 Military Hospital. They were assisted by an Architectural Technologist provided by the principal engineer. The Architectural Technologist drew the floor plans. They also did not have the technical experience to redesign Floor One. The DOD official assumed that Architectural Technologist consulted with was supported by engineers and architects, but they were not aware of the nature and extent of input that the Architectural Technologist obtained from engineers or architects, in compiling the floor plans.

The Architectural Technologist confirmed that no health technologist was involved during the consultations that they and the DOD official held various engagements with the clinical heads of the user departments. If they, the Architectural Technologist, had known about the specific medical requirements, they would have utilised a professional to assist them.

The DOD official acknowledged that neither them nor the Architectural Technologist had sufficient experience or knowledge to redesign Floor one and they did not have a health technologist to support them during the process. They merely attempted to accommodate work flow requests made by the clinical heads of the user departments and within the confines of the existing departments' floor space.

There were major flaws with the design of the floor plans. The passage between the pre-anaesthesia area and the theatre complex was too narrow and a hospital bed could not fit through the door. The Casualties and Pharmacy Head of Department were not satisfied with the redesign of their respective areas, and they refused to occupy the areas after construction was completed.

The senior DOD official admitted that, in hindsight, their approach to fix as much as possible was too ambitious. They conceded that the redesign of Floor one derailed the project and that the expenditure during the extended contract period was wasteful. They were further of the view that the principal engineer should have foreseen these problems and consequences.

Financial and control management relating to the extension

The principal engineer, under the oversight and direction of project manager 1 and later project manager 2, were responsible for the financial control, VOs, certification of payment certificates, drawings and the approval of the final accounts for contractor 1 and contractor 2.

Progress payment certificates approved by Public Works for payment have been found to contain obvious discrepancies. Such as the estimated final CPA amounts on contractor 1's

progress payment certificates that had not been adjusted since February 2010, although contractor 1 later claimed payment for CPA via a court order. The progress payment certificate forming the basis of the court order was also confirmed by the principal engineer to be incorrect. This therefore draws into question the efficacy of the review of progress payment certificates by Public Works as the ultimate accountable employer.

VOs submitted by the principal engineer via project manager 1 for approval by Public Works included additional items and items that should have been omitted from the scope of work as per the agreements in the contracts. Public Works had to consider the net financial impact of VOs, prior to the approval thereof. We identified items in VOs that had to be omitted from the scope of works that were subsequently included in the contractors' final accounts, certified by the principal engineer and project manager 1 and paid by Public Works. As we could not locate any evidence in the available documents stating why the omitted items were recovered in the final accounts, our conclusion is that the principal engineer and project manager 1 misled Public Works by including the omitted items to reduce the net effect of the additional cost in order to get VOs approved.

Contractor 2 was paid a total of R201 409 832, which equates to an overrun of 86% on the initial budget amount.

Contractor 1 was paid a total of R215 366 215, which equates to an overrun of 73% on the initial budget amount.

The extension that became the redesign of Floor 1 was initially costed at R106 014 145 (November 2009)

The eventual contractual estimated cost for the extended contract period was R156 668 974, included in the total estimated cost, was R50 654 829 for statutory compliance work. The contractors were ultimately paid a combined value of **R416 776 047** for all the work performed during RAMP. The actual expenditure for the full RAMP therefore exceeded the initial budget estimation by 95% and Floor One and related services were non-operational after completion.

The approved budget for project manager 2 was R4 190 722 (including VAT). Inexplicably, project manager 2 was paid R14 540 042 for work performed during the period February 2010 to March 2011. We have not located any supporting documentation in the available documents formulating approving the increase in project manager 2's contract amount.

Project manager 2 version relating to the payments made to them is as follows:

They were appointed to manage a team of three contractors as well as two consulting firms that were in charge of the professional services on the 1 Military Hospital RAMP.

Furthermore, project manager 1 indicated that their fees were based on a percentage of the value of the 1 Military Hospital RAMP and that when the project value increased, project

manager 2's fees were adjusted accordingly. Project manager 2 further indicated that this was a tacit understanding between Project manager 2 and Public Works – therefore, no submissions for any deviations were required. We could find no confirmation of an arrangement that allowed their fees to be based on a percentage basis.

Public Works, project manager 1 (and later project manager 2) and the principal engineer failed in their duty of care and performance in the execution of their duties in terms of financial control and management. In our view, this failure resulted in significant fruitless and wasteful expenditure on this project, specifically the nature and extent of payments made during the extension period.

What was not achieved during the extended contract period

Public Works abandoned the 1 Military Hospital RAMP after 31 March 2011 when the extended contract terms expired. We were informed that they did not have the appetite to see the project through and that they would be prevented by the AGSA to proceed.

According to a DOD official, approximately 5% of the work was outstanding at 31 March 2011. We are not convinced that this is a reliable estimate. The outstanding works related to the laboratory, main and emergency Pharmacies, Casualties, ICU, CSSD, the theatre complex, X-ray department, sonar department, installation of ICT infrastructure on Floor One and a variety of other items throughout the hospital, including road markings, signage and security. It was estimated by the DOD official and a senior DOD official that R40 million would be required to complete the outstanding work.

The senior DOD official compiled a list of outstanding items and a motivation to request additional funding (approximately R40 million) to finalise and complete Floor One. According to The senior DOD official, the list of outstanding items consisted of work not completed during the extended contract period and the needs of the respective clinical heads of departments. Amongst others, the following critical items were still outstanding by the end of March 2011:

- Partitioning at Casualties
- Lead windows and doors to the X-ray Department
- Mortuary ventilation and fixtures
- Sluices, hydro boilers, sinks and hand wash basins were
- Main and fire stairways
- Tuberculosis laboratory and ventilation
- Relocation of the medical air plant
- Signage

According to a DOD official, The senior DOD official, at that stage, requested the contractors to remain on-site until the additional funding was approved. Floor One was locked by in March 2011. The approval of the additional funding was delayed and the contractors withdrew from 1 Military Hospital.

The senior DOD official informed us that they attempted to convince Public Works to complete the works, but they refused on the basis that they would not be able to justify the expenditure to the AGSA. Public Works apparently informed The senior DOD official that a new project would have to be registered and that the procurement process would take approximately 12 to 18 months. According to The senior DOD official, a Public Works representative told the contractors at 1 Military Hospital to demobilise.

Lack of project management, oversight and monitoring

Due to the passage of time and staff having moved on since the work was executed at 1 Military Hospital [2006 to 2011] limited information was available from project manager 1. Information obtained from the principal engineer corresponded mostly to what we were provided with by Public Works. Project manager 2 was not willing to assist in our enquiries without compensation.

In order to determine the nature of oversight and the management of contractors, we considered, in addition to interviews with various individuals regarding the roles and responsibilities of the various entities, the minutes of meetings, progress payment certificates, certificates of practical completion and certificates of final completion. Numerous execution challenges were brought to our attention and recorded in documentation reviewed by us.

As a result of numerous challenges and scope changes, the RAMP was not completed by October 2009. The challenges specifically in respect of Floor One had been discussed since April 2008. By March 2009, it was already suggested that a 12-month extension would be required. Further extensions were granted under the guise of the existing RAMP contracts although it was common knowledge that the scope of work would be much more extensive. The scope of work during the extended contract period was not properly planned when the work commenced, as the BoQs and budget were merely high-level estimates to obtain approval for the extensions of time and funding. The detailed scope was determined as works continued during the extended contract period.

We have discussed below our conclusions of the roles and responsibilities of the various entities and their oversight and management of the contractors as well as the execution challenges experienced during the 1 Military Hospital RAMP.

Public Works

The unbundling of contracts (the allocation of 16 different contracts to services providers) by Public Works caused major challenges in respect of the oversight and management of the contractors. Not only were the 1 Military Hospital RAMP contractors, contractor 1 and contractor 2, working on-site, multiple other contractors appointed by the regional office of Public Works also performed works at the same time and the same site. As no single Principal Agent or main contractor was appointed, work activities among the various contractors could not be co-ordinated by the principal engineer, who was only responsible for the oversight of contractor 1 and contractor 2. The principal engineer brought these challenges to the attention of Public Works, as the lack of co-ordination resulted in rework of already repaired areas after other contractors also performed work there and it was difficult to determine responsibility for theft and damages where multiple contractors worked in the same areas, although these aspects were relatedly noted in minutes of meetings.

A Public Works representative indicated in an email that Public Works would not be accountable for delays during the 1 Military Hospital RAMP, as Public Works had appointed engineers to execute the project to appropriate quality within budget and allocated time. However, Public Works, through its various project management representatives had been aware of the challenges regarding the scope of works, delays by 1 Military Hospital in handing over areas to contractors as well as the challenges resulting from the project management structures, as these were acknowledged in numerous correspondences by Public Works in the motivations for VOs. Although Public Works had appointed project managers and engineers to oversee the 1 Military Hospital RAMP, Public Works still had oversight responsibility as the employer and should have addressed the issues instead of apportioning the blame to the consultants and contractors only.

According to a senior DOD official, Public Works, abandoned the 1 Military Hospital RAMP after 31 March 2011, when the contract terms expired as well as the Refurbishment Project. Public Works did not want to proceed with the 1 Military Hospital RAMP. According to the senior DOD official a new project had to be registered with a new scope and budget, which would also have required procurement processes to appoint consultants and contractors. This process also extended over a number of years without any further works being done due to multiple changes in the requirements of 1 Military Hospital.

The RAMP principles were wholly inadequate to meet the requirements of a facility such as 1 Military Hospital. It was stated that the RAMP worked well for facilities such as courts, but that a hospital environment was too complex for RAMP to be effective. The RAMP concept was withdrawn by Public Works at the end of 2009, as it neither realised the intended purpose of reducing maintenance backlog in general, nor did it address client requirements, specifically at 1 Military Hospital.

Items specifically requested by 1 Military Hospital to be included in the initial scope of works, i.e. the BMS, was excluded from the scope on instruction of the DOD and with the knowledge of Public Works. These were later accommodated and included in the work via VOs. Items that were intended for repair under regional Public Works contracts had not been realised and were later included in the scope of works during the extended contract period, i.e. in the kitchen and Floor Six.

Contracts compiled for purposes of executing the RAMP principles were extended although the new scope of works had changed drastically to the redesign of Floor One as this was not part of the scope of work in the initial 1 Military Hospital RAMP contracts. This was also done with the knowledge and involvement of Public Works.

Progress payment certificates approved by Public Works for payment have been found to contain obvious discrepancies and mistakes, such as the estimated final CPA amounts on contractor 1's progress payment certificates that had not been adjusted since February 2010, although contractor 1 later claimed payment for CPA via a court order. The progress payment certificate forming the basis of the court order was also confirmed by the principal engineer to be incorrect. This therefore draws into question the efficacy of the review of progress payment certificates by Public Works as the ultimate accountable employer.

DOD, SAMHS and 1 Military Hospital

The expectations of the DOD, SAMHS and 1 Military Hospital different significantly from the intended purpose of the RAMP principles. They wanted a fully functional facility that would comply with all statutory requirements and best medical practices. Since 1 Military Hospital already commenced service during the early 1980s, many regulatory changes had occurred. The Department of Labour and the Tshwane Fire Department had issued contravention notices and 1 Military Hospital was under threat of being shut down. Their insistence for certain works led to multiple VOs and extensions throughout the 1 Military Hospital RAMP as well as the extended contract period. However, their goals were still not realised due the following:

- The hospital remained fully functional during the execution of the project and necessitated the temporary relocation of departments to other areas within the hospital. This contributed to delays in 1 Military Hospital handing over areas to contractors
- Theft and damage not only occurred in areas where contractors were working but also in areas where work had been completed and areas handed back to 1 Military Hospital. Certain rework was required as a result. As the hospital remained functional during the project, many patients and staff also frequented the building during this time. Despite additional security presence, these problems continued

- The scope for the extended contract period was admittedly done at a high level in order to have the existing contracts extended and funds approved. The detailed scope was developed as and when work commenced. This included, *inter alia*, major redesign, demolition and construction on Floor One. The redesign of Floor One, albeit to improve work flow had been undertaken by a DOD official and an Architectural Technologist who were not adequately skilled or experienced to consider the practicalities of trying to accommodate all requirements from clinical department heads. Following the construction of Floor One, passages had to be reworked because hospital beds could not fit through, door openings were later determined not to be high or wide enough to accommodate the medical equipment and new clinical department heads were not satisfied with designs approved by the previous clinical heads. It was acknowledged that not sufficient time was spent to properly scope and budget for the extensive works undertaken during the extended contract period. A senior DOD official was of the view that the principal engineer should have foreseen the problems
- Medical equipment was procured by SAMHS from available funds on the assumption that the 1 Military Hospital RAMP would be completed. No specific co-ordination was done with the RAMP contractors to ensure that the built areas were sufficient to accommodate the procured medical equipment. When a DOD official became aware of the procurement of medical equipment during February 2010, construction on Floor One had already commenced

The principal engineer, project manager 1 and project manager 2

As stated earlier in this report, the principal engineer under the oversight and direction of project manager 1 and later project manager 2, were responsible for the daily oversight of the works, overall co-ordination, design and financial control, VOs, certification of payment certificates, drawings and the approval of the final accounts. We have detailed below our conclusions regarding the efficacy of the consultants in their oversight and management of the 1 Military Hospital RAMP.

The BoQs produced by the principal engineer and included in the tender documents for the respective contractors were inaccurate due to the following:

- Inaccurate quantification and assumptions in the status quo report although the scope seems to have been documented in detail. The status quo report included an extensive list of drawings consisting of architectural, civil, mechanical and electrical work, that together with the field investigations should have assisted in compiling a fairly accurate and reasonable quantification. However, this is not reflected in the BoQs

- The BoQs never included the scope adaptation requested by the DOD, in October 2005, although Public Works, contract manager 1 and the principal engineer were fully aware of this request

Due to the inaccuracy of the quantified scope, it is impossible to conclude whether or not the 1 Military Hospital RAMP yielded 100% of the results it was intended from a financial perspective.

The BoQs issued to the contractors for pricing at tender stage excluded measurable items that the contractor would have been entitled to claim for. Examples of these are the removal of ceilings as well as the removal of other floor and wall finishes such as tiles, vinyl etc. These items consumed the budget of other items. We did not locate any evidence that the principal requested additional budget for these items; nor did we see project manager 1 raising questions in this regard.

VOs submitted by the principal engineer via project manager 1 for approval by Public Works included additional items as well as items to be omitted from the scope of work. This would allow Public Works to make an informed decision after assessing the net financial effect of the specific VO before approval. We determined that items indicated in the VOs to be omitted from the scope of works were later included in the contractors' final accounts, certified by the principal engineer and project manager 1 and paid by Public Works. As we could not locate any evidence in the available documents stating why the omissions were recovered in the final accounts, our conclusion is that the principal engineer and project manager 1 misled Public Works by including the omitted items to reduce the net effect of the additional cost in order to get VOs approved. Therefore, they were negligent in the execution of their duties in terms of financial control and management.

Excessive pricing of specific new bill items approved by the principal engineer cannot be justified. As discussed earlier in this report, rates approved and paid during the 1 Military Hospital RAMP exceeded the market rates for similar items 10 years later. This was after the approved rates had been de-escalated to the base month of the contract, i.e. August 2006.

Quantities certified by the principal engineer for certain installations, for example, ceilings, were also found to be in excess of the floor areas measured in the status quo report. The floor area measured in the status quo report did not make allowance for the deductions of other trades such as brick walls, therefore exacerbating the over certification of quantities for the ceilings. At the time of drafting this report, we were awaiting confirmation of the floor areas measured by the principal contractor (subsequently appointed by the DOD) during 2014. We therefore question whether the principal engineer remeasured the work done by the contractors when finalising the final accounts.

The funds initially planned for Floors One and Two as well as the main kitchen, were depleted before the work could be executed. Therefore, both project manager 1 and the principal engineer failed in their responsibility to exercise financial control and management, as they placed Public Works in a position to authorise applications for additional funds to complete the works and extend the contract periods.

We question the calculations of the CPA escalation certified by the principal engineer, as described earlier in the report, from the analysis of the monthly and final progress payment certificates it was evident that the principal engineer utilised the incorrect CPI and PPI index values to calculate the CPA. The principal engineer also certified CPA in advance and not based on the value of work executed. There is no evidence to support that this was ever questioned by either Public Works or project manager 1. The supporting documentation for the CPA to the contractors' final progress payment certificates contained arithmetical errors and incorrect totals brought forward, which were also not identified by Public Works or project manager 1. This therefore also draws into question the effectiveness of the review process of the payment certificates.

The project progress was not adequately monitored or recorded, as we noted inconsistencies in the completion of project documentations, such as certificates of practical completion and certificates of final completion. It was therefore difficult to accurately determine the progress compared to the scope of works. The access and completion records located among the documents provided to us only were only available for June 2007 and August 2008. Progress payment certificates of contractor 1 were also not completed with adequate detail per installation.

Payments and overrun

The budget amounts, according to the WCS reports of Public Works, for contractor 1 and contractor 2 comprised the following:

Description	Contractor 2 (including VAT)	Contractor 1 (including VAT)
Contract amount	R95 104 000	R108 889 292
CPA	R8 559 360	R9 800 036
Unforeseen - contingency	R4 755 200	R5 444 465
Initial budget amount	**R108 418 560**	**R124 133 793**

The table below provides an overview of the budget amounts, additional CPA and subsequent adjustments through variation orders that were not covered by the initial *"Unforeseen"* allocations included in the abovementioned budget amounts.

Description	Contractor 2 (including VAT)	Contractor 1 (including VAT)
Total budget amount	R108 418 560	R124 133 793
Additional CPA		
▸ RAMP period from November 2006 to October 2009	R3 713 845	R3 193 070
▸ Extended contract periods from November 2009 to March 2011	R12 318 889	R7 672 174
▸ Court orders	R8 608 697	R12 338 219
Variation orders not covered by the *"Unforeseen"* allocations		
▸ RAMP period from November 2006 to October 2009	R3 152 452	R6 188 197
▸ Extended contract periods from November 2009 to March 2011	R65 502 261	R55 245 116
▸ Plastering Floor One walls	R2 035 344	-
▸ X-ray machines	-	R3 970 647
Interest	-	R2 624 998
Total approved budget	**R203 750 048**	**R215 366 214**

Contractor 2 was paid a total of R201 409 832, which equates to an overrun of 86% on the initial budget amount.

Contractor 2 was paid a total of R215 366 215, which equates to an overrun of 73% on the initial budget amount.

A total and combined value of R411 776 047 was paid for all the work performed until March 2011 – this represents a 95% overrun on the initial estimation for the 1 Military Hospital RAMP maintenance work.

Procurement of medical equipment by SAMHS during the RAMP extension

During 2011, SAMHS procured medical equipment for the Radiography department. 1 Military Hospital officials, indicated the medical equipment was procured by SAMHS and was unrelated to the 1 Military Hospital RAMP. A Public Works representative informed us that, in addition to the medical equipment procured by SAMHS, two floor-mounted X-ray machines were procured by contractor 1, through a VO. These machines were part of the mechanical portion of the 1 Military Hospital RAMP.

Previous inquiries relating to the medical equipment

In November 2014, A senior DOD offical instituted an inquiry relating to irregular expenditure for storage costs of R526 852 relating to a 1 Military Hospital CT Scanner. The findings of the inquiry were *inter alia* that:

"*… adequate command and control measures, effective communication and administration was lacking. Proper monitoring and control measures of state assets in accordance with the PFMA are not debatable and should be followed. Terms and agreements entered into should be legally binding and specific to avoid any loop holes."*

The AGSA classified the expenditure relating to the medical equipment purchased for as fruitless and wasteful expenditure. Flowing from this a further inquiry was instituted to determine why the medical equipment was not commissioned after the procurement thereof.

Flowing from the findings of the previous inquiries, our mandate objective pertaining to the procured medical equipment was refined and focussed on answering the following questions:

- Who authorized the procurement of medical equipment?
- Was there co-ordination between the RAMP project contractors and the procurement of the medical equipment and who was responsible for such co-ordination?
- Why was the medical equipment not installed after being procured?

We understand that the medical equipment procured was never installed and was still in crates. The AGSA determined that considering the life span of some of the medical equipment it almost obsolete.

What medical equipment was procured by SAMHS?

The following medical equipment was procured by SAMHS:

Equipment	Quantity
CT Scanner	1
Bucky X-ray Unit Siemens	3
Complete 64 Multislice CT Scanner	1
Digital Mammography	1

Origin of the procurement of medical equipment

A DOD official, who was the Head of the Radiography department, informed us that a senior DOD official in the Tertiary Formation, instructed departments to indicate their equipment needs, as SAMHS still had budget of R50 million available for the procurement of radiography equipment. Flowing from this, the DOD official informed the senior DOD official that the

Radiography department required a CT Scanner, Mammography and three X-ray machines, because the existing medical equipment was outdated and obsolete.

The senior DOD official indicated that their involvement in the procurement of the medical equipment was limited to registering the need to upgrade the X-ray equipment at 1 Military Hospital because of the equipment's age, level of technology and limited application. He denied having the delegation to approve or procure the medical equipment and indicated that the decision to procure the medical equipment was made by another senior DOD official.

Lack of coordination between RAMP project management and SAMHS

We were informed that a DOD official first became aware of the procurement of the medical equipment when the suppliers conducted a site visit at 1 Military Hospital during February 2011. By that time the construction on Floor one was already in progress.

A DOD official informed us that the specifications were not provided to the RAMP project team as they were of the notion that the dimensions of the Radiography rooms would remain the same. The DOD official indicated that during the redesign of the Floor one, they was asked for inputs and they specifically requested that the dimensions of the Radiography rooms, including the size of the doors, should not be changed. However, after the construction of Floor one, they learned that none of their inputs had been considered.

A senior DOD official informed us that they and another senior official were part of the DOD Command Council, and were aware of the requirements of the Radiography department and the actual procurement of the medical equipment in anticipation of Floor one being completed.

Why was the medical equipment not installed after being procured?

It was stated in a statement to the Board of Inquiry that the reason why the medical equipment was never installed was because the RAMP was never completed. This statement did not reflect all the real challenges with the installation and in particular, failed to mention the failure in planning.

We were informed that the reason why the medical equipment was never installed, was because some of the medical equipment was too big to fit through the doors of Floor one and because there was still remaining works to be completed on Floor one.

It is therefore clear that the fruitless and wasteful expenditure occurred as a result of poor planning and lack of oversight and co-ordination by the involved DOD officials,

During our interview with one of the senior DOD officials, we enquired whether they performed any activities or oversight to ensure that the equipment was in fact installed. The senior DOD officials were unable to supply us with any such activities.

We found no evidence to indicate that the involved senior DOD officials made any efforts to ensure that the installation of the medical equipment was incorporated in the execution plan of the 1 Military Hospital RAMP extension.

Current status of medical equipment procured

Based on our interviews with certain DOD officials the current status of the medical equipment is:

- The old CT Scanner that was removed from Floor one was initially stored at an external storage facility, however, it is currently at the DOD storage facility
- The three Bucky X-ray units are currently stored, in crates, at 1 Military Hospital in the service tunnel storage. The X-ray units were never installed due to the remaining works on Floor one
- The 64 Multislice CT Scanner was never installed as it could not fit through the door openings on Floor one and is therefore standing in its original crates at Lower Ground level at 1 Military Hospital
- The Mammography was partially installed on Floor five during 2015, however, the installation was never completed as the X-ray tubes were damaged and has never been used

We conclude that certain DOD officials should be held accountable for the fruitless and wasteful expenditure of R 19 552 111.35 relating to the medical equipment procured by SAMHS.

Due to their lack of oversight, coordination and planning to ensure that the purchase of the medical equipment, which they were aware of and involved in, are incorporated in the planning and execution of the extension of the 1 Military Hospital RAMP.

4 Recommendations relating to RAMP

Irregular extension of the 1 Military Hospital RAMP extension contract

The findings in our report and as summarised in the conclusions confirm that the extension of the initial 1 Military Hospital RAMP contract, that came to an end in November 2009, was irregular and that it was a manufactured and manipulated procurement process. We found that both senior executive officials from DOD and Public Works actively participated in this irregular conduct.

We recommend that consideration be given that the senior executive officials should be held accountable for this irregular conduct.

It is further recommended that all the expenditure relating to the 1 Military Hospital RAMP redesign phase to the value of R156 668 974 be regarded as irregular expenditure.

Fruitless and wasteful expenditure relating to the 1 Military Hospital RAMP extension contract

It is clear from the evidence collated by us, that those areas worked on during the 1 Military Hospital RAMP extension contract were not suitable to be utilised after completion and are currently locked up and not in use. The evidence suggests that the redesign and planning for this work was done by a certain DOD official of 1 Military Hospital and the Architectural Technologist provided by the principal engineer – and that this work was performed under instruction of a certain senior DOD official. the evidence is further clear that one of the senior executive DOD official actively participated in this redesign activities.

Our recommendation is therefore, that the expenditure was incurred during this phase be classified as fruitless and wasteful. This was conceded by a senior DOD official during our interview with them.

It if further recommended that the involved DOD officials and the principal engineer be held accountable for this fruitless and wasteful expenditure.

Irregular appointment of project manager 2 in 2010

The factual findings made by us, together with the conclusion that there was no emergency that supported project manager 2's appointment suggest that the representation made to National Bid Adjudication Committee of Public Works was in fact a misrepresentation. This misrepresentation forms the basis for the appointment of project manager 2 and in our view, constituted an irregular and illegal appointment.

We do not make any specific recommendation relating to the officials in Public Works involved in this misrepresentation, however, we recommend that our findings in this regard be shared with the Director-General of Public Works.

We further recommend that consideration be given to utilise the appropriate legal mechanisms to set aside this appointment and recover the funds disbursed in terms of this irregular and illegal contract.

As will be seen from our report, we were unable to find an acceptable and valid reason why project manager 2 was eventually paid an amount R14 540 041.50, instead of the contract budget of R4 190 721.86 allocated to them as per their appointment contract for work performed during the 1 Military Hospital RAMP extension contract. This possible overpayment aspect should be considered and incorporated into the consideration whether funds disbursed to project manager 2 should be recovered from them.

Financial and management control relating to the 1 Military Hospital RAMP extension

As it will be seen from our report and conclusions, there was a significant overrun of payments made to the two contractors. The overpayments can be summarised as follows:

- Contractor 2 was paid a total of R201 409 832, which equates to an overrun of 86% on the initial budget amount.
- Contractor 1 was paid a total of R215 366 215, which equates to an overrun of 73% on the initial budget amount

We record that we could not locate any evidence in the available documents stating why the omitted items were recovered in the final accounts, our conclusion is that the principal engineer and project manager 1 misled Public Works by including the omitted items to reduce the net effect of the additional cost in order to get VOs approved.

Furthermore, it is our view, and as it is expressed in our conclusions that Public Works, project manager 1 (and later project manager 2) and the principal engineer failed in their duty of care and performance in the execution of their duties in terms of financial control and management. In our view, this failure resulted in significant fruitless and wasteful expenditure on this project, specifically payments made during the extension period.

Based on these summary findings, we recommend that consideration be given to recover certain of these overrun from the relevant contractors and possibly Public Works. We need to caution in this regard that due to the significant time delay of approximately 10 years, the unavailability of all records and the nonavailability of certain pertinent stakeholders and role players, such a recovery initiative will be challenging from a practical and legal perspective.

Failure by Public Works

A full reading of our report, and an appropriate appreciation of the multiple factors that impacted on the 1 Military Hospital RAMP – indicate and suggest to us, that there were significant failures on the side of Public Works in the way that they managed the 1 Military Hospital RAMP. In this regard, the aspects that stand out for us are the following:

- The complete unsuitability of a RAMP like project to perform the maintenance work on a facility like 1 Military Hospital at the instance of Public Works;
- The significant time delay between the status quo review in 2001 and the actual appointment of the contractors in 2006 (all done by Public Works), together with their failure to reperform a proper and new status quo review before appointing the contractors;
- The failure by Public Works to appoint **one** principal engineer/agent/consultant to oversee, manage and control all contractors (approximately 16) performing work at 1 Military Hospital as part of the RAMP initiative; and
- The failure by Public Works to continue to actively play a role as project and program manager during the execution of the 1 Military Hospital RAMP. We are of the view that Public Works, abandoned it responsibility of oversight and control. We find that the appointed project manager from Public Works, failed to perform any reasonable and due care oversight and project management activities during the course of the 1 Military Hospital RAMP

We recommend that this aspect of our findings, conclusions and recommendations be made available to and brought to the attention of the Director-General of Public Works.

5 Conclusions relating to the Refurbishment project

Our investigation determined that after the failure of the 1 Military Hospital RAMP that concluded in March 2011 – and that led to the closure and Floor One being locked up, various attempts were made to initiate and implement an extensive Refurbishment Project relating to Floor One and the Pharmacy on Floor Two as well as other related aspects. At the time of preparing this report (September 2020) – and after eight years in a planning and design phase, construction on this Refurbishment Project had not commenced and the request for tender for the appointment of the relevant contractors has not been issued.

During our investigation we determined that the reasons for the delay in progress of operationalising 1 Military Hospital as well as the delay in attempts to ensure compliance with statutory requirements, were multi-dimensional. We record our conclusions in this section

Furthermore, during our investigation, we obtained evidential material that suggest a corrupt relationship between an appointed consultant and a senior officer in SAMHS during the execution of the Refurbishment Project.

Our investigation further determined that the non-functional nature of Floor One and related capabilities have a significant negative financial impact on the DOD, as costs are now being incurred since 2011, to outsource medical services that cannot be delivered from 1 Military Hospital. The additional costs for the outstanding work now amount to R1 085 billion for the period 2012 to 2016.

In our original formal mandate, we were not required to perform any investigation tasks relating to the Refurbishment Project of 1 Military Hospital which commenced in 2012, and was still ongoing at the time of drafting this report. Construction on the Refurbishment Project has not yet commenced and the contractors have not been appointed.

It was however, agreed with the Office of the IG, to include in our mandate, with no additional financial implications to the DOD, a review of certain aspects of this Refurbishment Project. We focussed primarily on the reasons for the significant delays experienced and the reasons for the lack progress with the project and in particular the apparent inability to finalise the scoping and planning as well as the completion of a suitable procurement process to progress this initiative.

In the paragraphs hereunder, we summarise the pertinent phases of the project, the reasons for the extensive delays experienced. We comment on the cost and indicate the current status of this project.

Initiation of the Refurbishment Project

Public Works was, at the commencement of the Refurbishment Project, responsible for the overall Refurbishment Project, including the appointment of the consultants. On 15 August 2012, Public Works recommended the approval of the *"Upgrading and Refurbishment of the 1st floor* and *Related Support Services for the 1 Military Hospital: Phase 1 Project: WCS No 051627".*

On 18 January 2013, Public Works appointed consultants for the Upgrading and Refurbishment of Floor One. During a meeting on 17 March 2014, between representatives of Public Works and the DOD, it was agreed that the consultants would be mandated to deal with SAMHS requirements, in a two phased approach, which, among others, included the following

- Phase 1 will focus on the operationalisation of Floor One and the related support services *"… to make the hospital a service delivery entity fully compliant and functional within the confines of the existing main hospital building"*. Phase 1 was to include the Laboratories, Radiography, ICU, Mortuary and Theatre complex with support services (HVAC systems, oxygen supply etc), all statutory requirements (OHS Act, Medicines Control Act, Pharmaceutical Act, Radiology Control Board and the Fire Department), the nurse call system, ICT infrastructure and the compilation of as-built drawings.
- Phase 2 would be for all the additional requirements *"as per SAMHS accommodation norms already submitted (histology laboratory/optometry/warehouse/office accommodation/ access control and security requirements/ect [sic]) which will be registered separately."*
- Compilation of a detailed master plan for the entire 1 Military Hospital complex including all buildings and related infrastructure, future developments, sub-surface services and reticulations as well as all dolomite classifications.
- Address all statutory and legislative requirements in conjunction with the applicable regulatory bodies to attain a compliant and functional facility.

From the above, it is evident that after the extended RAMP contract period (March 2011), there was a significant portion of work outstanding and required.

It was envisaged that Phase 2 and the detailed master plan would be dealt with under separate PIs that would run concurrently with Phase 1. Public Works signed a revised PI on 07 April 2014, withdrawing the PI issued in 2012.

It took Public Works almost two years, i.e. from 15 August 2012 to 07 April 2014, to issue the final PI for the Refurbishment Project. This significant delay was primarily as a result of the slow procurement process and inefficiencies in Public Works, and the poor and insufficient project management activities by Public Works.

Transfer of the Refurbishment Project to the DOD

Available documents indicate that *"(t)he project however did not materialise due to insufficient project management from NDPW".* Our findings confirm this aspect.

On 09 June 2014, the COD decided to transfer the Refurbishment Project from Public Works to DOD, and that the agreed consultant contracts had to be ceded to the DOD. Following the cession of the consultants' contracts, the DOD became the custodian of the upgrade and refurbishment of 1 Military Hospital. Although the DOD is tasked with managing the 1 Military Hospital Refurbishment Project, the responsibility of overseeing the execution of the project was allocated to the Works Formation, a function within the Logistics Division of the DOD, that was established in 2011.

On 17 July 2014, a meeting was held between the DOD and the consultants initially appointed by Public Works, informing them of the intention to transfer and cede the Refurbishment Project to the DOD. DOD planned to only appoint the principal consultant, whose contractual responsibility would be to appoint the other consultants. The contractors agree to the cession and the cession and assignment agreements were finally concluded during September 2015. This delayed process added 18 months to the project initiative.

Appointment of the principal consultant

Through the intervention of the Minister of Defence at the time, a principle decision was taken by the DOD to take over the maintenance responsibility for 1 Military Hospital from Public Works. In this regard, Works Formation made its first submission to CPSC regarding the appointment of the principal consultant, on 25 July 2014. The principal consultant was previously appointed by Public Works through a formal procurement process. The DOD only issued a Letter of Acceptance of Bid to the principal consultant nine months later, i.e. on 25 March 2015.

An amount of R29 109 568.26 (including VAT) was approved in respect of services to be rendered by the principal consultant.

The process relating to the transfer of relevant contracts to the DOD resulted in the delay of one year in progressing the Refurbishment initiative.

Appointment of a research consultant

The DOD appointed a research consultant to conduct a condition assessment on all mechanical, electrical, electronic, wet services and lifts at the hospital. The assessment was conducted during January 2015 to May 2015 at a cost of R2 542 270.16. The assessment reports revealed additional dysfunctional systems throughout the hospital and further work requirements. These additional work requirements were not included in the initial scoping and planning.

Appointment of health technologists

When the principal consultant commenced with the design phase of the Refurbishment Project, they realised and later on convinced the DOD officials that the technical requirements of the refurbishment required was of such a nature that the highly specialised services of a health technologists were critical in the planning and design. We question the significant time it took for Public Works and later Works Formation to realise that such specialised skills are required for a project of this nature. We are of the view that this failure demonstrates the technical shortcomings within Public Works, the project team and at Works Formation in specific.

On 26 April 2016, the LDCC approved, among others, the appointment of health technologists. The health technologists were however, only appointed two years later, on 01 July 2018, representing a delay of 26 months since the aforesaid approval. It also represents a delay of 18 months from the target date of 28 February 2017 for the appointment of health technologists presented by a senior DOD official to the Minister of the DOD as well as the Portfolio Committee on Defence.

The delay in health technologists' appointment had extensive adverse implications for the progress in the project. This delay resulted in the following:

- Not achieving the target date of 30 November 2018 for the finalisation of the procurement documents relating to the appointment of a construction contractor
- The inability of the principal consultant to finalise the planning and design of Floor One, since they were awaiting inputs from the health technologists
- Significant increase in costs. According to information provided by the health technologists, the costs of the required medical equipment, medical furniture, non-medical furniture and ICT (desktops, screens etc.), increased during the period March 2019 to April 2020 from R759 025 384.05 to R1 160 863 459.55

Inability to appoint contractors

We identified significant delays in finalising the relevant procurement documentation to appoint the contractors for the construction work required as part of the Refurbishment Project. At the time of drafting this report these documents were not yet finalised and, in a state, to commence a formal procurement process.

The ability and capability of Works Formation and related structures and functions

At the time of preparing this report – and after eight years in a planning and design phase, construction on this Refurbishment Project has not commenced. Attempts by Works Formation to facilitate a way to integrate the technical documentation prepared by the principal

consultant, with the procurement documentation that had to be prepared by CPSC for the appointment of a construction contractor, commenced on 03 May 2019. As at 16 April 2020, nearly one year later, the DOD is not in a position yet to call for tenders, since the process for the approval of the terms of reference had not been completed.

At the time the DOD took over the project from Public Works, it did not, and still does not, have the required technical personnel and competencies to oversee and progress a project of this nature. Works Formation was, and still is, operating without the in-house support of professionals, such as mechanical, electrical, electronic, structural and civil engineers. This lack in competency and capability contributed significantly to lack of progress of the project.

The various DOD functions, such as DLSD, CPSC and even the DCPB are not familiar, or not sufficiently familiar, with the regulatory prescripts and the technical requirements involved in infrastructure procurement as is required for this particular project. This resulted, together with the other aspects mentioned, in the delays relating to the finalisation of procurement documents and processes, the drafting of legal documents and approvals required for the appointment of consultants and contractors vital to the successful conclusion of this project.

The position of C Log was occupied by three different individuals since the project was transferred over from Public Works. These changes in incumbents resulted, among others, in the need for extensive explanations regarding infrastructure management, updates on progress to date as well as future activities. New incumbents also raised questions about work that had already been approved by their predecessor. All these factors resulted in progress on the project being frustrated.

Continuous project scope changes

The project scope continuously changed. In a letter dated 26 May 2016, a DOD official stated that *"(d)esigning a project of this scale and complexity is a very involved process which first requires a deep understanding of all the needs of the end-user. During the development of the understanding, issues were addressed like the requirements for accommodation, the size of each space, how many rooms, what their primary function is and what adjacencies are required between each room or group of rooms. As the design developed, more and more layers of information and specialists' inputs were included and integrated in to the design …".*

Scope changes included the following:

- Theatre department – upgrading of 13 theatres, as opposed to only five
- Radiography department
- Establishment of an Isolation/Burns unit with its own theatre on Floor one
- Establishment of a pharmacy on Floor two – the pharmacy on Floor one was insufficient

- Relocation of the histology laboratory
- Amended designs of the Casualty, Radiology, Intensive Care and CSSD, service and technical Floors and the mortuary
- Medical equipment
- Water reticulation, storm water removal, sewerage and electrical installations
- Addition of a Renal unit at the Intensive Care unit
- Adjustments to the mortuary cabinets
- Addition of mechanical, electrical and electronic systems that could not only be done for Floor one, including:
  - fire detection and protection
  - evacuation/public address system
  - access control and security
  - building management system
  - evacuation chairs
  - CCTV

However, additional changes and/or requirements were an ongoing occurrence. We were provided with documentation indicating changes in requirements during August 2018 and September 2018.

As at 16 April 2020, the DOD is not yet in a position to request for tenders for the construction works, since the process for the approval of the terms of reference had not been completed.

Financial implication

To date of this report (October 2020), Floor One, the nerve centre of 1 Military Hospital, remains non-operational. This necessitates the continues incurrence of significant outsourcing costs. During the financial years 2010/2011 to the 2015/2016 financial year, the DOD has incurred outsourcing costs of R1 085 billion.

Unsound relationship between contractors and DOD officials

We obtained evidential material that suggest a corrupt relationship between the Principal consultant, and a senior official in SAMHS. The senior official played a leading role in the second part of RAMP and in the set-up phase of the Refurbishment Project.

Corrupt payments in the amount of at least R140 000, were made to them by one of the representative of the principal consultant. This amount was paid in cash over a period of time.

The representative's version is that these payments were made to the senior offcial at the times when the principal consultant submitted their invoices for payment.

Instructions by a DOD official without consultations

It is clear from the evidence that a certain DOD official, during the Refurbishment phase, gave instructions for work to be performed by contractors without appropriate consultation and following the required processes – this disruptive conduct resulted in significant delays and confusion during the execution of the project. This conduct inter alia led to her subsequent removal from the project.

We determined that the DOD official, during 2015 and at the time the Refurbishment project was being executed by Works Formation, without following prescribed procurement processes, engaged on a commercial level with two contractors. Only in the case of one of the contractors was work actually performed and a claim for payment in the amount of R147 744,00 made against the DOD. This is a case of unauthorised procurement and expenditure.

6 Recommendations relating to the Refurbishment Project

Corruption

We concluded that a corrupt relationship existed between a senior DOD official and the principal consultant. We recommend that consideration be given to report this matter formally to the SAPS for further investigation, and to be in compliance with the requirements of Section 34 of PRECCA.

Based on these findings and recommendations, it is further recommended that the DOD consider to terminate the further services of the principal consultant based on this conduct – through the appropriate legal process.

Unauthorised expenditure

The findings in our report indicate that a DOD official engaged on a commercial level with contractors/suppliers without following the prescribed procurement processes. In one such instance relating to the appointment a contractor, actual work was performed resulting in a debt of R147 774,00 owing to the contractor. We recommend that consideration be given to hold this DOD official accountable for this unauthorised expenditure and to consider whether appropriate disciplinary action should be taken.

Works Formation

Our report reflects that Works Formation is currently the primary function responsible to oversee, drive and execute the Refurbishment Project. The evidence collated by us and recorded in our report clearly demonstrate their inability to perform this role. It is clear that they lack the expertise, capacity and capability to lead and implement a project of this nature. This was admitted by the leadership team of Works Formation during the investigation.

It is therefore recommended that their current role and responsibilities be reconsidered and that an alternative and workable solution be put in place to ensure that the Refurbishment Project can proceed.

Procurement process failure

The evidence contained in this report clearly demonstrate an inability by the current procurement processes and policies within the DOD to successfully and efficiently procure construction capabilities such as those needed to perform the work that form the basis for the Refurbishment Project. This is clearly a technically challenged environment and significant reason for the delay.

It is recommended that this aspect be addressed as matter of urgency, and that the DOD procurement processes are able to, in compliance with the regulatory prescripts, procure the type of services that are required.

Master plan

During our investigation, we were on numerous occasions informed about the lack of a clear and appropriately formulated plan for 1 Military Hospital – this was in general referred to as the lack of a master plan relating to the Hospital by those that we interviewed. This lack of a clear and formulated plan played a significant role in the many significant and unexplained delays over the last eight years.

It is recommended that this aspect be reconsidered and, through the appropriate structures within the DOD, a clear master plan be designed and agreed upon.

Leadership and accountability

Our investigation confirmed a lack of leadership, oversight and appropriate accountability at the level of the end-user being the command structure at 1 Military Hospital and the command structure at SAMHS. This lack of accountability resulted in the many changes in approach, plan and scope and the consequential delays because of this, in the progressing of this initiative.

We are of the view that this aspect must be addressed as a matter of urgency through the appropriate command structures within the DOD to ensure appropriate accountability leadership and oversight.