**NATIONAL ASSEMBLY**

**QUESTION NO. 1270-2021**

**WRITTEN REPLY**

**INTERNAL QUESTION PAPER NO. 13 –2021, DATE OF PUBLICATION 14 MAY 2021:**

**“Ms V van Dyk (DA) to ask the Minister if Sport, Arts and Culture:**

1(a). What was the initial budget allocation for the (i) building, (ii) infrastructure projects and (iii) work of his department that are still incomplete as a result of problems with the Department of Public Works and Infrastructure and (b) what amount has been spent on each project;

(2). whether it was necessary to increase the budget for the specified projects; if not, what is the position in this regard; if so, (a) by what amount and (b) what were the reasons for the increase in each

(3). whether there was any fruitless and wasteful expenditure incurred by his department on (a) overcharged and (b) substandard work; if not, what is the position in this regard; if so, (i) where and (ii) at what cost;

(4). what (a) amount was lost due to fraud and loss in his (i) department and (ii) each entity reporting to him and (b) steps were taken? **NW1462E**

**REPLY:**

**On Sa****rah Baartman Centre of Remembrance**

1(a). The initial budget for the project was **R164 386 247.29** and thus far **R 221 338 422.72** has been spent since April 2014.

(2)(a).Yes it was necessary for the Department to increase the initial budget based on offers received which were higher than initial budget estimates, and (a) the total amount of **R182 418 492.80** was approved as the initial contract amount, and this amount also increased over time increased due to delays, hence expenditure to date is at **R 221 338 422.72**

(b) Reasons for escalation of the project amount include approval of Variation Orders for treatment of Asphalt, borehole and pump in response to drought conditions in the area of Hankey, where project is implemented. Additionally, other increases include Professional Fees due to Extensions of Time, Contract Price Adjustment Provision (CPAP) and Preliminaries and General (P&G) costs, and approvals of these items were between April 2019 and December 2020 to the total amount of **R 35 958 918**.

3. Regarding Fruitless and Wasteful expenditure

(a) The Department of Sport, Arts and Culture did not pay any invoices to the Department of Public Works and Infrastructure until it was assured that the Department of Public Works and Infrastructure did not incur any fruitless and wasteful expenditure. The Department of Sport, Arts and Culture expressly requested the Department of Public Works and Infrastructure to provide the Department with a signed letter from the Acting Director-General indicating that it did not pay the current contractor for work already undertaken by the first contractor. This particular matter was raised because the current contractor was doing remedial work on the construction work undertaken by the first contractor. The letter from the Acting Director-General of the Department of Public Works and Infrastructure indicating that it did not pay the second contractor for work originally done by the first contractor was received in December 2020.

(b) There has been a payment made by DPWI to the first contractor, whom part of his work was discovered as defective and needed to remedy by the current contractor and this claim is part of the dispute that is under mediation process. DSAC has sought assurance, through a letter, from DPWI that no claims will be paid through its budget allocation for the remedial work done by the second contractor, as payments for the defective work done by first contractor and his retention were already made by DPWI, and DSAC cannot pay double for the same service. No substandard work has been paid under the second contractor, but since project is behind schedule, there may be a possibility of penalties, which may be settled, in the final account.

(4)(a) No amount reported to have been lost due to fraud and loss in the SBCR project.

**On National Archives (HVAC Project)**

(1)(a). The initial budget allocated for this infrastructure project **R 92 853 000** and (b). the total amount spent to date is **R 106 564 132**.

(2)(a). It was necessary to increase the initial budget allocation with additional **R 91 518 673** to the total of **R184 371 673 which became** the actual initial contract amount. (b) The increase of the amount was a result of an increase of scope. The initial scope for phase1 of the project was only the fire suppression system and HVAC, but during advertisement of a tender, DPWI consolidated phase both 1 and phase 2 of the project. The scope of the added phase 2 included **Mobile shelving in the 49 strong rooms; Mobile Archival Facilities and undercover control system**.

(3)(a). No fruitless and wasteful expenditure has been declared so far, including due to overcharges and/or (b) substandard work.

(4)(a). There is no amount reported lost due to fraud and loss (i) in the department, (ii) but only with PACOFS as one of the department’s entity

(b) The following steps were taken

* In 2015, the Department placed a moratorium on the implementation of the infrastructure projects after discovering the maladministration of the Infrastructure budget.
* In 2016, the Department then requested National Treasury to conduct forensic investigation into the entity’s infrastructure programme, and National Treasury appointed Nkonki Inc. to conduct phase 1 forensic investigation.
* The cost of the investigation was carried by the Office of National Treasury, under the budget of the Specialised Audit Services.
* The recommendations of the forensic outcome were implemented by PACOFS council.
* The CEO and the CFO were dismissed, and there was a settlement with the service providers which were implicated.
* The settlement agreement was drafted by the State Attorney and was made an Order of the court in March 2018.
* In 2019, the National Treasury instituted phase 2 forensic investigation, which is still underway.