Report of the Auditor-General

on an investigation into the procurement of the enterprise content management system at the Companies and Intellectual Property Registration Office in South Africa

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Contents

1. Executive summary

1.1 Background

1.1.1 In a letter dated 8 June 2009, CIPRO's chief executive officer requested the Auditor-General of South Africa (AGSA) to investigate the procurement of the Enterprise Content Management[1] system. Since the director-general of the Department of Trade and Industry (dti) serves as CIPRO's accounting officer, the AGSA engaged with him on 12 June 2009 to investigate the procurement of the Enterprise Content Management system. The tender was awarded to the successful bidder at a cost of R153 million in February 2009.

1.1.2 CIPRO used contract 398 (a transversal framing term contract[2] awarded by SITA) to invite suppliers to submit tenders for the procurement of the Enterprise Content Management system in a closed bidding process. As the transversal framing term contract for the supply of the Enterprise Content Management solutions (contract 398) was awarded by SITA, the AGSA also decided to investigate the procurement process at SITA to award the transversal framing term contract to various suppliers. This report accordingly provides the AGSA's findings on the awarding of the transversal framing term contract by SITA for the supply of Enterprise Content Management solutions and on the procurement of the Enterprise Content Management system by CIPRO.

1.1.3 The findings in this report should be addressed decisively by CIPRO, with the support of the director-general of the dti, and by SITA.

[1] *Enterprise Content Management refers to the technologies, strategies, methods and tools used to capture, manage, store, preserve and deliver content and documents related to an organisation and its processes.*

[2] *A transversal framing term contract provides for the supply of information technology goods or services, or both, by means of quotes. Based on the user requirement specification, a department can procure a product with the accompanying services to operationalise the product, e.g. where a department may solicit quotations from a number of suppliers of records management software, but the quote will be dependent on the number of licences required, the customisation required to meet the needs of the department, the training to be provided to the department and continued support to the department after acceptance and regular update of the software.*

1.2 Findings

1.2.1 On investigating the procurement process followed by SITA in accrediting suppliers on the list for contract 398 to supply Enterprise Content Management solutions, the following deficiencies were noted:

(a) No business case had been approved for this tender by the Department of Public Service and Administration after consultation with the Government Information Technology Officers Council. SITA and the Department of Public Service and Administration did not comply with SITA's regulations (refer to paragraph 11.1.1(a)).

(b) Inaccuracies were noted in the calculations on the scoring sheets completed by SITA's bid evaluation committee during the evaluation of tenders for contract 398. The sheets were not signed and it was not possible to determine whether the scores were combined scores or the scores of individual members of the bid evaluation committee. The AGSA was therefore unable to confirm the correctness, fairness and accuracy of the scores calculated by the bid evaluation committee to decide on the recommendation of service providers to be listed on the transversal framing term contract (refer to paragraph 11.1.1(b)).

(c) No evidence could be submitted that SITA had evaluated the financial position/status of the bidders before successful suppliers were placed on SITA's approved supplier list. Clearly neither SITA nor the user department (CIPRO) had evaluated the financial position of service providers listed on contract 398 before the contract for the Enterprise Content Management system was awarded (refer to paragraph 11.1.1(c)).

1.2.2 On investigating the process followed by CIPRO to procure the Enterprise Content Management system, the following deficiencies were noted:

(a) The estimated vendor cost (excluding CIPRO's indirect cost) according to the business case for the tender was R141 million. Allegations were made that the business case had been furnished only to the successful tenderer for the Enterprise Content Management system. Although the investigating team could not confirm these allegations, some information in the proposal of the successful tenderer was almost exactly the same as the information in CIPRO's business case, for example the tender price of the successful tender amounted to R138 million (excluding extras), which differed by 1,78% from the estimate in the business case. According to CIPRO, extracts from the business case were presented at the information session and were provided to interested parties on request. However, no budget or costing information was provided. Representatives of two of the unsuccessful bidders confirmed that no business case or budget/costing information had been provided during the session or distributed on that day. The tender prices of the various bidders ranged from R52 million to R181 million (refer to paragraph 11.2.1.1(a)-(b)).

(b) The evaluation of the functional specifications was conducted by the two evaluation teams. However, the bid evaluation committees were not appointed according to the prescripts. Scoring by the two evaluation teams on certain functional criteria varied as much as 67% per criteria in instances where the scores were expected to vary very little (refer to paragraph 11.2.2.1(a)-(b)).

(c) In evaluating the tenders, CIPRO did not evaluate the financial position of bidders as part of the process. According to CIPRO they accepted that, as part of SITA's transversal framing term contract process, the financial stability of the various bidders would have been verified to ensure continuity and sustainability of project implementation (refer to paragraph 11.2.2.1(c)).

(d) According to the bid proposal, the design phase (phase1) includes the design of a blueprint. After approval, the software could be procured. However, in the contract signed on 27 March 2009 the stipulations of the proposal were changed and the software licences amounting to R56 million were paid on 7 April 2009, although the blueprint was only approved in June 2009 (refer to paragraph 11.2.3.1(a)).

1.3 Recommendations

1.3.1 With regard to SITA's procurement process, the Minister of Public Service and Administration and SITA's board of directors should appraise the need to improve SITA's procurement processes and regulations in the following areas:

(a) Measures should be put in place to ensure that SITA complies with the procurement regulations as non-compliance with regulations in evaluating and recommending poses a potential risk for various government departments.

(b) SITA should improve contract administration by ensuring that scoring sheets are processed accurately and are properly safeguarded and should hold those responsible accountable in cases where this standard practice is not adhered to.

(c) Regulations should be improved to clearly state the responsibilities of SITA and that of its client with regard to a transversal framing term contract and the evaluation of the financial sustainability of suppliers.

1.3.2 CIPRO’s accounting officer should:

(a) assess the risk of the supplier not being financially sustainable and should implement measures to address the related risks.

(b) assess the significance of non-compliance with procurement processes in awarding the contract to the successful bidder and regularise accordingly.

(c) determine whether the successful bidder had received information not available to other bidders, since this was the only bidder whose proposal was within a range of 2% of the estimated price as contained in the business case. The prices of the other bidders deviated from a shortfall of -63% to an amount in excess of 29% from the estimated price. Based on the outcome, the contract with the successful bidder should be reconsidered and those responsible should be held accountable.

(d) obtain the reasons for the variances in the points scored between the two evaluation teams, assess the reasonableness thereof, and take appropriate action in instances where variances cannot be justified.

2. Introduction

2.1 The functions of the AGSA in supporting constitutional democracy in South Africa are described in section 188 of the Constitution of the Republic of South Africa, 1996. Section 5(1)(d) of the Public Audit Act, 2004 (Act No. 25 of 2004) gives the AGSA the authority to carry out an appropriate investigation if the AGSA considers it to be in the public interest or upon the receipt of a complaint or request. The AGSA was requested by CIPRO's chief executive officer on 8 June 2009 to conduct an investigation into the procurement of the Enterprise Content Management (ECM) system at CIPRO.

2.2 CIPRO is a regulatory institution of the dti, while CIPRO's accounting officer is the director-general of the dti. The AGSA had engaged with the director-general on 12 June 2009 to audit the procurement of the Enterprise Content Management system. CIPRO used contract 398 to invite suppliers to submit tenders for the procurement of the system in a closed bidding process. Since SITA had awarded the transversal framing term contract to various suppliers for the supply of Enterprise Content Management solutions, the AGSA also decided to investigate SITA's procurement process to award the transversal framing term contract.

3. Responsibilities of management and those charged with governance

3.1 The primary responsibility for the prevention and detection of fraud and error rests with both those charged with the governance and the management of an entity. Management, with the oversight of those charged with governance, needs to set the proper tone, create and maintain a culture of honesty and high ethics and establish appropriate controls to prevent and detect fraud and error within the entity.

3.2 It is the responsibility of those charged with the governance of an entity to ensure, through the oversight of management, the integrity of an entity's accounting and financial reporting systems and that appropriate controls are in place, including those for monitoring risk, financial control and compliance with the law.

3.3 It is the responsibility of the management of an entity to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the entity's business. This responsibility includes implementing and ensuring the continued operation of accounting and internal control systems that are designed to prevent and detect fraud and error. Such systems reduce but do not eliminate the risk of misstatements. Accordingly, management assumes responsibility for any remaining risk.

4. Purpose and limitations of the report

4.1 The purpose of the report is to convey the findings emanating from the investigation conducted at the request of CIPRO's chief executive officer.

4.2 The investigation was performed in terms of the AGSA's *Standards and Guidelines: Investigations*.

4.3 Although the work performed incorporates our understanding of the law as it stands, we do not express an opinion on the legal effect of the facts or the guilt or innocence of any person(s) or party, but merely state the facts as they have come to our attention. In the case of disciplinary hearings or civil and criminal litigation, this report may only be used as a reference document.

4.4 The report is based on the facts established from documentation provided and/or information obtained during the course of the investigation. Should any further information be obtained, it may influence the conclusions.

5. Background

5.1 CIPRO procured the Enterprise Content Management system by using a transversal framing term contract, tender 398, in a closed bidding process. Since SITA had awarded the transversal framing term contract for the supply of Enterprise Content Management solutions, the AGSA also decided to investigate SITA's procurement process to award the transversal framing term contract to various suppliers. SITA awarded the contract for the supply of these solutions to certain service providers in June 2006. The selected products and suppliers were valid for a period of two years from 30 June 2006 to 31 May 2008. However, on 21 October 2008, contract

398 was extended for the period 10 October 2008 to 9 October 2009 to be used by client departments.

5.2 The e-CIPRO sub-programme is the CIPRO strategy in support of the e-Government concept. Modernising CIPRO's service delivery is a strategic goal and thus the replacement of the current information and communication technology (ICT) support systems is required to provide the e-CIPRO facilities. The concept of the Enterprise Content Management solution was identified as the proposed integrated solution that would embody a modern, efficient CIPRO, alive to the latest developments in e-services and meeting the needs of citizens and businesses[3]. Bid number CIPRO 043/2008 "Appointment of service: ECM Solution and Service in Support of the e-CIPRO Strategy" was invited by using a closed bidding process under the SITA Tender 398 "Class A" Vendors.

5.3 For implementing the Enterprise Content Management system, the following operational goals were set:

5.3.1 Easy access to CIPRO services via service delivery channels

5.3.2 Improved productivity by reducing time-consuming conflict resolution during the execution of the mandatory services

5.3.3 Uncomplicated paper-based manual management processes and complicated business operations

5.3.4 Reduced usage of paper, which would realise CIPRO's objective of implementing a near "paperless" office by digitising documents.

5.4 The new Enterprise Content Management system should also address white-collar crime and allow CIPRO's database to be linked to that of other government departments and agencies, such as the Unemployment Insurance Fund (UIF) and the South African Revenue Service (SARS).

5.5 The *SITA Engagement Model and Guidelines* for the use of contract 398 ECM, with effective date 18 August 2006, provides guidelines on how contract 398 should be utilised. As per the engagement model, the client may either request SITA to facilitate the request for quotation

[3] *Source: e-CIPRO Sub-Programme Business Case (ICTD/67042), 4 February 2009*

(RFQ) process or engage directly with the suppliers for quotations. Where SITA clients procure directly from the suppliers, the client's own procurement guidelines will be applicable. CIPRO decided to procure directly from the approved suppliers of contract 398.

5.6 The procurement process followed for awarding the contract for the Enterprise Content Management system (RFQ 043/2008) was therefore evaluated against the SITA Act, 1998: General Regulations (SITA Regulations), CIPRO's own procurement guidelines and other relevant prescripts. Where applicable, the detailed legislation and/or prescripts pertaining to specific findings were included in the findings.

5.7 The findings relating to the process followed by SITA in awarding the transversal framing term contract to certain service providers for the supply of Enterprise Content Management solutions are set out in paragraph 11.1, while those relating to CIPRO's procurement process for the Enterprise Content Management system utilising SITA's transversal framing term contract are set out in paragraph 11.2 of this report.

6. Purpose, objectives and approach of the investigation

The purpose and objectives of the investigation were to:

6.1 identify any deviations from the Supply Chain Management (SCM) prescripts by SITA in awarding the transversal framing term contract

6.2 identify any deviations from the SCM prescripts by CIPRO in the procurement of the Enterprise Content Management system

6.3 report on the outcome of the investigation.

7. Scope of the assignment

The investigation focused on the:

7.1 awarding by SITA of the transversal framing term contract to certain service providers for the supply of Enterprise Content Management solutions

7.2 procurement by CIPRO of the Enterprise Content Management system by utilising SITA's transversal framing term contract.

8. Sources of information

8.1 The AGSA relied on documentation and other information provided by CIPRO and SITA during the investigation. Conclusions were based on facts that were supported by documents and information made available to, and obtained by, the AGSA. If additional information is made available, it may influence the findings and conclusions.

8.2 The validity or authenticity of the relevant records and information subjected to analysis was not verified. This information was accepted at face value unless stated otherwise.

8.3 The procedures applied were designed to enable the identification of irregular and unlawful conduct, but the AGSA cannot provide assurance that the procedures applied have detected all such conduct, if any.

9. Responses from the relevant role players

9.1 The management report on the outcome of the investigation was issued to CIPRO's chief executive officer on 20 August 2009 for comment. Copies of the report were also submitted to the director-general of the dti in his capacity as the accounting officer of CIPRO, and to the acting chief executive officer of SITA for comment as they have a direct interest in the matter. A response was received from CIPRO on 25 August 2009 and from SITA on 14 September 2009. The responses are included in this report where deemed appropriate.

9.2 Additional information was received from a third party regarding CIPRO's procurement of the Enterprise Content Management system. This information was not investigated, but was summarised in a letter which the AGSA issued to CIPRO on 2 October 2009 suggesting that they reconsider their response. However, CIPRO commented on 21 October 2009 that its considered opinion was that the SCM process was without bias, professionally executed and a sound process, and hence did not reconsider their initial response. However, further response was submitted on 27 January 2010.

10. Regulatory framework

The following prescripts were used as references in performing the investigation:

- The Public Finance Management Act, 1999 (Act No. 29 of 1999) (PFMA)
- Treasury Regulations for departments, trading entities, constitutional institutions and public entities issued in terms of the PFMA
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and its associated regulations
- *SCM: A guide for accounting officers/authorities*, February 2004, and its associated regulations in terms of the PFMA: Framework for SCM, issued by the National Treasury
- The SITA Act, 1998 (Act No. 88 of 1998) and its associated regulations
- CIPRO SCM policy effective date 8 February 2007

11. Detailed findings and responses from the relevant role players

11.1 Process followed by SITA in awarding the transversal framing term contract to certain services providers for the supply of Enterprise Content Management solutions

11.1.1 Findings

(a) SITA followed a competitive bidding process in 2005 and 2006 to accredit the successful bidder as a "class A" supplier on the list for the transversal framing term contract, contract 398, to supply Enterprise Content Management solutions for the South African public service. Tender 59 had expired and tender 398 had been initiated to replace it. However, no business case was approved for this tender by the Department of Public Service and Administration (DPSA) after consultation with the Government Information Technology Officers (GITO) Council, to comply with SITA regulations, paragraph 10.3(a) and (b).

(b) Individual score sheets were requested from SITA in order to verify the process followed in listing the service providers as a "class A" supplier of Enterprise Content Management solutions. The scoring sheets provided were not signed and there was no indication as to whether the scores on the sheets were combined scores or the scores of individual members. In the absence of information, it is unclear whether the sheets provided were complete. The scoring sheets were compared to summary and consolidated score sheets provided. The following inaccuracies were noted:

(i) None of the scores per component for functionality added up to the total functionality points indicated on the summary score sheet.

(ii) Instances were identified where the total scores on the summary sheet for functionality did not agree with the total score for functionality as per the consolidated score sheet.

(c) The financial position or sustainability of the service providers was not taken into account during the evaluation. The successful bidder had registered as a close corporation on 22 June 2005 and had therefore only been in existence for three months when it tendered for contract 398 to supply Enterprise Content Management solutions to the South African public service in September 2005.

Response from SITA

SITA concurs that no business case had been approved for this tender, and undertook in future to implement improvement measures in line with the recommendations contained in the report.

The signed score sheets could not be located in the tender master file. The inconsistencies between the submission for award and the unsigned score sheets have been noted. Since the score sheets are unsigned, it is difficult to determine whether they were the final ones. SITA has since introduced a system where a tick list is signed by three officials to ensure that all relevant documentation, including signed individual and team score sheets, is contained in the tender master file upon completion of the tender process before the file is stored in the document centre.

The finding regarding the financial position/status or sustainability of service providers is noted and acknowledged. Although this has not been the practice in the past, it will be implemented accordingly. It must be noted that since contract 398 is a list of preferred suppliers for Enterprise Content Management solutions, suppliers in the past were only accredited to be on the preferred list through a tender process and no actual work was awarded to the supplier, hence a supplier’s financial position was not evaluated. At the tender stage SITA does not have any insight into what the clients are going to procure and it would therefore have been impractical to ascertain the financial sustainability of suppliers in compiling an approved list of suppliers. However, in terms of the engagement for contract 398, once a requirement is determined, it will follow a Request for Quotation (RFQ) process, where technical expertise, price and black economic empowerment would be evaluated. The engagement model further states “where SITA clients procure directly from the suppliers, the client’s own procurement guidelines will be applicable”.

11.2 Process followed with the procurement of the Enterprise Content Management system by Companies and Intellectual Property Registration Office of South Africa by utilising the transversal framing term contract of SITA

11.2.1 Compilation of bid documents and proposals received

11.2.1.1 Findings

(a) CIPRO invited tender 398 “class A”-approved suppliers on 5 September 2008 to submit bid proposals to provide and implement an Enterprise Content Management-based solution and services in support of the e-CIPRO strategy. According to the business case, costs were estimated at R187 million, including VAT (comprising a direct cost and an indirect cost) over the duration of two and a half calendar years and three financial years.

Estimated vendor cost	Estimated CIPRO indirect cost	Total estimated cost
R140 669 844	R46 248 432	R186 918 276

(b) Some sections of the proposed solution submitted by the successful bidder contained almost exactly the same wording of CIPRO’s business case. The business case is an internal document. According to CIPRO, extracts from the business case were presented at the information session and provided to interested parties on request. However, no budget or costing information was provided. Representatives of two of the unsuccessful bidders confirmed in writing that no business case or budget/costing information had been provided during the information session or distributed that day. The tender prices of the bidders for contract 398 ranged from R52 million to R181 million. The tender prices of the various bidders were as follows:

Bidder	Cost tendered R	*Other – Extras included in the proposal of the successful bidder* R	TOTAL PRICE R
Bidder 1	84 545 993		84 545 993
Bidder 2	51 696 507		51 696 507

Bidder	**Cost tendered R**	***Other – Extras included in the proposal of the successful bidder* R**	**TOTAL PRICE R**
Bidder 3	156 843 492		156 843 492
Bidder 4 *(successful bidder)*	**138 159 754**	***14 551 872***	**152 711 626**
Bidder 5	181 361 560		181 361 560

Response from CIPRO

Management is of the view that a fair process was followed by giving all bidders sufficient information about CIPRO's business to enable them to provide CIPRO with a very creative and innovative solution. It should also be noted that the background information on CIPRO's environment included in the bidders' proposals was not included in the evaluation criteria and therefore had no influence on the technical evaluation criteria.

11.2.2 Evaluation

11.2.2.1 Findings

(a) Two separate bid evaluation teams were established to evaluate the tenders. However, this was not done prior to the closing date of the RFQ as per the terms of reference of the bid evaluation committee. The bid evaluation teams consisted of six members each, excluding the scribe and chairperson. Except for the chairperson, the scribe and the legal representative in one of the teams, all other members' appointment letters were signed after the closing date of the RFQ.

(b) Scoring by the two bid evaluation teams was found to be inconsistent as variances of up to 66,66% occurred in the scoring for functionality in instances where the scores were expected to vary very little. Of these differences identified, team 1 scored zero on 28 of the criteria while team 2 scored zero on only five of the criteria.

(c) Although an indication of the bidder's financial status was requested in the RFQ, CIPRO did not score this information during the evaluation process. CIPRO stated that they had accepted that, as part of SITA's transversal framing term contract process for contract 398, the financial stability of the said entity would have been verified to ensure continuity and sustainability of project implementation and support within the government's ICT arena. SITA confirmed that the evaluation of financial sustainability was not done during the listing of vendors for contract 398 (refer to paragraph 11.1.1(c)).

Response from CIPRO

(a) CIPRO's management realised at closure of the RFQ that due to the magnitude of this bid, a need existed to expand the bid evaluation committee to incorporate business and technical expertise both internally and externally so as to ensure a more fair, technical and objective evaluation of the respective proposal. As such, ad hoc members were appointed for the duration of the evaluation of the said bid.

(b) Due to the complexity of the technical evaluation of this bid and the specific knowledge of individuals within the two teams, it is expected that there would be difference between the two teams' scoring. The intention of constituting two separate teams was to ensure fair and objective scoring and to eliminate the possibility of undue influence, as the final scores of both the teams were averaged based on the total combined scores of each team.

In order to test the authenticity of the outcome of the evaluation process, the scoring difference as highlighted in the audit finding was moderated. In this regard the following three scenarios were tested:

- Scenario 1: Zero rating by team 1 was moderated to equal the scoring of team 2.
- Scenario 2: Only the score for functionality of team 2 was taken into consideration.
- Scenario 3: Zero rating by team 1 was moderated to equal the scoring of team 2, and where the scoring of team 2 was lower than that of team 1, it was equalled to the scoring awarded by team 1.

The end result of the various scenarios concluded in all instances that the successful bidder was indeed the recommended bidder. The identified difference in the scoring had not changed the ranking order of the award of bid or the recommended service provider. It should also be noted that the scoring by the two bid evaluation teams could not be amended as it might be seen as interfering with the evaluation process. CIPRO is thus satisfied that the outcome of the scoring is reasonable for the reasons as set out above.

(c) CIPRO as a client of SITA made use of contract 398 and accepted that SITA had followed due processes in enlisting the successful bidder as a category A supplier. Hence, it should also be noted that the financial status was not part of the scoring process as it was assumed that SITA would have performed this assessment. Although CIPRO did not evaluate the financial position of the bidders for the reasons set out above, an external legal expert specialising in information and communication technology contracts was appointed to assist CIPRO in developing a service level agreement (SLA) with detailed provisions and service levels that would mitigate any possible risks and protect CIPRO's interests. In this regard CIPRO refers to the clauses of the SLA dealing with risks, and insurance and security. Furthermore, it is important to highlight that ***Original Manufacturing Equipment*** (as well as service providers sub-contracting to this project) is a global institution and in terms of clauses 6.1.10 and 6.2.8 of the SLA, CIPRO has the right to engage them directly in the event of breach of contract by the successful bidder.

Response from the AGSA

The risk relating to software was addressed in the SLA; however, the balance of the contract amounting to R96 million is still at risk as the successful bidder's financial position as at 28 February 2007 (the latest financial statements submitted with the proposal) indicated a turnover of only R2,2 million.

11.2.3 Contract with successful bidder

11.2.3.1 Findings

(a) The successful bidder and CIPRO entered into an Enterprise-Wide Content Management System implementation agreement (signed on 27 March 2009) for the period 9 February 2009 to 8 February 2011 (24 months) commencing on 9 February 2009. However, when comparing the deliverables as per the tender proposal of the successful bidder, the implementation agreement and the approved blueprint/road map/project charter, differences were noted. According to the bid proposal the design phase (phase1) includes the design of a blueprint and, after approval, the software could be procured. However, in the contract signed on 27 March 2009 the stipulations of the proposal were changed where stated that the licensed software and maintenance would be payable within 30 days of signature date of the contract. Thus, when the licences were procured, the design phase had not yet taken place. Payment was made for the licensed software and maintenance amounting to R56,6 million on 7 April 2009, although the blueprint was only approved in June 2009.

Response from CIPRO

Neither the RFQ nor the business case required the design and blueprint to be completed before the software was procured. The difference can be attributed to an implementation requirement from an invoicing and payment perspective so that CIPRO can effectively manage the deliverables as set out in the SLA. Secondly, the software was acquired upfront to enable CIPRO to implement the "AS-IS" processes and also to model the "TO-BE". This was done because CIPRO did not have the necessary software in place. The "AS-IS" and "TO-BE" processes were used to create the blueprint. Design could only proceed after the sign-off of the blueprint and as such the SLA needs to reflect this. If not, it would have been difficult to determine what designs we should expect.

12. Conclusion by the Auditor-General of South Africa

12.1 There were deviations from the procurement process followed by both SITA (in accrediting suppliers on the list for contract 398: supply of Enterprise Content Management solutions) and CIPRO (in procuring the Enterprise Content Management system).

12.1.1 The following were noted during the process followed by SITA in accrediting suppliers on the list for contract 398: supply of ECM solutions:

(a) No business case was approved during the above-mentioned process, resulting in non-compliance with the SITA regulations.

(b) There were inaccuracies in the calculations on the scoring sheets completed by the bid evaluation committee and, since SITA could not provide the final signed score sheets, the AGSA was unable to confirm the correctness, fairness and accuracy of the scores calculated.

12.1.2 The following was noted during the process followed by CIPRO in procuring the Enterprise Content Management system:

(a) The bid evaluation teams were not formally appointed before the closing date of the RFQ.

(b) Inconsistencies in the scoring of the suppliers by the two evaluation teams.

12.2 Due to the inconsistencies/inaccuracies highlighted above and the lack of sufficient documentation and information to determine the effect thereof, the AGSA is not in a position to conclude that the process followed in appointing the successful bidder was fair, equitable, transparent, competitive and cost-effective. The appointment of a service provider at R153 million without their financial sustainability being evaluated by either SITA or CIPRO is of major concern.

13. Recommendations by the Auditor-General of South Africa

13.1 With regard to the SITA procurement process, the Minister of Public Service and Administration and the SITA board of directors should appraise the need to improve SITA's procurement processes and regulations in the following areas:

(a) Measures should be put in place to ensure that SITA complies with the procurement regulations, as non-compliance with regulations in evaluating and recommending vendors holds a potential risk for various government departments.

(b) SITA should improve contract administration by ensuring that scoring sheets are processed accurately and are properly safeguarded and that those responsible are held accountable in cases where this standard practice is not adhered to.

(c) Regulations should be improved to clearly state the responsibilities of SITA and the SITA client with respect to a transversal framing term contract and the evaluation of the financial sustainability of the suppliers.

13.2 CIPRO's accounting officer should:

(a) assess the risk of the supplier not being financially sustainable and implement measures to address the related risks

(b) assess the significance of non-compliance with procurement processes in awarding the contract to the successful bidder and regularise accordingly

(c) determine whether the successful bidder had received information not available to other bidders, since it was the only bidder whose proposal was within a range of 2% of the estimated price as contained in the business case. The prices of the other tenderers deviated from a shortfall of -63% to an amount in excess of 29% from the estimated price. Based on the outcome, the contract with the successful bidder should be reconsidered and those responsible should be held accountable

(d) obtain the reasons for the variances in the point scoring between the two evaluation teams, assess the reasonableness thereof, and take appropriate action in instances where variances cannot be justified.

14. Appreciation

The assistance rendered by CIPRO and SITA during the investigation is appreciated.

Auditor-General

Pretoria

March 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence