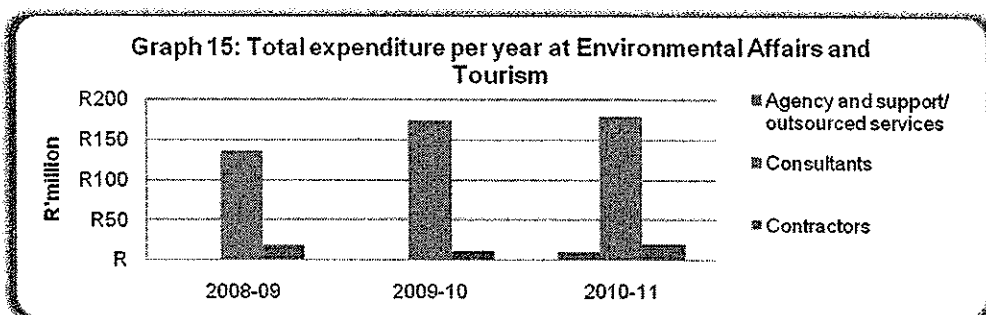


Department of Environmental Affairs and Tourism¹

Total expenditure on consultants (2008-09 to 2010-11)	R550,6 million
Number of projects audited	16
Value of projects audited	R57,6 million
Average vacancy rate (2009-10 to 2010-11)	30,35%

Graph 15 provides a breakdown of the consultant expenditure per category and per financial year.



A. KEY FINDINGS PER FOCUS AREA

1. Planning and appointment

1.1 The department did not perform comprehensive needs determinations, including analyses of market-related costs and project estimates, prior to commencing with projects. Estimated project costs were merely limited to the available budget rather than having been based on actual needs. Furthermore, the contract of consultants often relates to unknown fields of work which also contributed to the inaccurate estimates. As a result, 10 consultants were appointed at materially higher costs than internally estimated. The combined estimated cost for 10 projects was R22,8 million, but the combined contract amount was R41,2 million. The average increase between the estimated cost and the contract cost was 81% per project (refer to table 9).

81% increase between estimated project cost and contract cost

¹ The audit commenced prior to the announcement on 10 May 2009 that the department will split into the Department of Environmental Affairs and the Department of Tourism. The audit focus was subsequently shifted to the Department of Environmental Affairs.

Table 9: Analysis of consultants appointed at amounts higher than estimated

Consulancy project	Estimated costs	Contract amount	Increase	Percentage Increase
Developing the National Framework as contemplated in section 7 of the National Environmental Air Quality Act	R1 000 000	R3 883 287	R2 883 287	288%
Assistance with backlog approval of waste disposal sites	R1 750 000	R4 521 649	R2 771 649	158%
Develop and implement a monitoring and evaluation system	R2 000 000	R4 069 250	R2 069 250	103%
Evaluation of aviation tariffs	R1 200 000	R1 899 378	R699 378	58%
Supply, installation and management of five air quality monitoring stations	R8 000 000	R12 441 809	R4 441 809	56%
Support the development of the Environmental Management Framework	R1 000 000	R1 530 069	R530 069	53%
Stakeholder publication	R960 000	R1 446 546	R486 546	51%
Development of the South African Air Quality Information System	R3 422 000	R4 874 800	R1 452 800	42%
Establishment of an inventory assessment of infrastructure and capacity for the development of National Implementation Plans	R3 500 000	R4 538 552	R1 038 552	30%
Study to review the state of transformation in the tourism industry	R-	R2 037 294	R2 037 294	
Total	R22 832 000	R41 242 634	R18 410 634	81%

1.2 Delays were experienced in the process of appointing consultants. The average period for seven consultancy projects amounting to R27 005 444, was 212 days from the initiation process to the appointment date. The average period between the closure of the bid date and the appointment date was 101 days (refer to table 10). These delays created the risk that the initial planning, needs determination and estimated costs might become outdated.

Appointment process took an average of period of 7 months

The delays were mainly caused by poorly coordinated planning and activities as tender and evaluation meetings were frequently cancelled or postponed.

Table 10: Summary of delays in appointment process

Consultancy project	Project initiation date	Tender closing date	Appointment letter date	Days from initiation to appointment letter date	Days from closure to appointment letter date
Stakeholder publication	13/12/2007	29/02/2008	25/08/2008	256	178
Assistance with backlog approval of waste disposal sites	16/07/2008	05/09/2008	03/02/2009	202	151
Establishment of an inventory assessment of infrastructure and capacity for the development of National Implementation Plans	22/06/2006	10/11/2006	19/03/2007	270	129
Develop and implement a monitoring and evaluation system	17/01/2006	21/04/2006	26/07/2006	190	96
Evaluation of aviation tariffs	28/03/2007	29/06/2007	28/08/2007	153	60
Support the development of the Environmental Management Framework	07/09/2006	16/03/2007	07/05/2007	242	52
PPP transaction advisor	15/11/2006	30/03/2007	08/05/2007	174	39
Average				212	101

Inaccurate cost estimates and delays in the appointment process have adverse consequences on the timing and cost of appointing consultants, as well as the prioritisation of projects within the annual budget.

B. KEY FINDINGS PER CONSULTANT/PROJECT

- 1. Two consultancy contracts were awarded where the terms of reference were not complete.** This resulted in additional resource requirements. The total contract values of these contracts was R6 321 346. The following projects refer:

1.1 Development of South African Air Quality Information System

The consultant was appointed as part of the development and implementation of phase one of the South African Air Quality Information System. The contract amount was R4 874 800 over a

period of 18 months – from 1 July 2007 to 1 January 2009. The project was carried out in partnership with the South African Weather Service.

1.1.1 The consultant did not have the required technical skills to procure computer equipment for hosting the server for the South African Air Quality Information System and a sub-contractor had to be appointed. Furthermore, the original design model proposed by the sub-contractor was not compatible with the department's system and had to be modified. The lack of skills and the incompatibility of the system stemmed from imprecise specifications in the terms of reference. Consequently, the initial 18-month contract was extended by nine months.

Appointed consultant did not have the required skills

1.2 Stakeholder publication

The consultant was appointed on 25 August 2008 for the development, production and marketing of Bojanala, a stakeholder publication which assists the department in engaging with stakeholders on topical issues in the environmental and tourism sector. The contract was valued at R1 446 546 over 36 months, from 1 September 2008 to 31 August 2011.

1.2.1 The terms of reference was not clear and specific on the deliverables as it did not indicate the number of Bojanala publications required during the contract period. As part of the tender documentation, the consultant had to compile a production schedule for the development, production and marketing of Bojanala. This schedule provided for fewer publications compared to the previous Bojanala productions. As a result, the Bojanala publication to stakeholders was published on a quarterly basis instead of a bi-monthly basis. After two publications of Bojanala, the project was put on hold due to the anticipated division into two departments.

2. Two consultancy contracts were awarded because permanent staff was not available to execute the projects.

The total cost of these contracts was R16 152 518. The following projects refer:

Comment [C1]: Amount to be updated

2.1 Assistance with financial services

The consultant was appointed since 1999 in critical positions such as CFO, financial project manager and advisor in the office of the COO. The types of appointment varied between

Consultant appointed since 1999

secondment and single source appointments. The estimated remuneration paid to the consultant from 6 December 1999 to 28 July 2010 was R9 731 491.

2.1.1 The department indicated that they did not have internal capacity between 2000 and 2006 as internal project managers were only added to the establishment during 2007. Difficulties were experienced in filling the existing positions since 2007 which consequently resulted in the recurrent appointment of the consultant. The appointment of the consultant caused a lack of continuity and staff development within the department.

2.1.2 The consultant was appointed rather than employing staff on a contract basis as per the Public Service Act. Comparing one of the consultants' contract values to the DPSA remuneration values, the consultant was appointed at a premium of 199% (for 15 months as chief director). Had the department appointed staff and not a consultant, they could have saved R1 706 873 on a specific contract valued at R2 563 632.

Premium of 199% paid for the use of the consultant

2.1.3 Skills transfer was not specified in the terms of reference and contract because the department's SCM policy did not specify the transfer of skills as a requirement. This resulted in the recurrent use of/reliance on the consultant because skills were not transferred to departmental officials.

2.2 Assistance with the backlog in the approval of waste disposal sites

The consultant was appointed to assist with the backlog in the approval of waste disposal sites in South Africa at a cost of R4 521 649. The contract was for a period of one year, commencing on 15 January 2009.

2.2.1 In January 2006, a lack of coordination resulted in the licensing function of waste disposal sites being transferred from the Department of Water Affairs, without the associated funding and resources following the function. In 2007, the department initiated the appointment of a service provider to assist with the authorisation of waste disposal sites. However, budget reprioritisation resulted in the services being postponed, causing a backlog. The consultant was appointed in January 2009 to address this backlog in the approval of waste disposal sites. The contract cost of R4 521 649 could have been minimised or avoided had the necessary funding and

Contract cost of R4.5 million could have been minimised or avoided

resources been transferred at the same time as the function was transferred and/or if internal capacity was created.

3. Public private partnership transaction advisor

The consultant was appointed on 8 May 2007 as a Public-Private Partnership (PPP) transaction advisor at a cost of R9 million for the procurement of the department's new building. The Department of Public Works and the National Treasury requested a feasibility study to determine the best procurement option for the new building. The feasibility study reflected that implementation through a PPP option offered the best value for money and the transaction advisor was appointed to assist in the procurement and bidding processes.

- 3.1 The highest scoring bidder was not appointed, resulting in the department incurring additional costs of R5 million (the cost difference between the highest scoring bidder and the appointed consultant plus the variation order).

Appointed consultant lacked skills, was not the highest scoring bidder and cost R5 million more

The bidder with the highest score for functionality was appointed instead. The consortium appointed scored 62,13 points overall, second to the highest total score of 76,3 points. In making the appointment, the department did not follow PPP Practice Note 4 of 2004, which states that the bid which achieves the highest total points out of 100 will be recommended. The department incorrectly deemed the practice note to be non-prescriptive.

Although the consortium was appointed because they were deemed to have had the best technical skills, the following deficiencies occurred:

- The consortium did not have environmental and heritage specialists, as required by the terms of reference. As these services were not included in the initial contract with the consortium, the department had to issue a variation order of R1 500 000 for their costs. Furthermore, these skills are recommended by National Treasury PPP Practice Note Number 05 of 2004.
- The consortium did not comprehensively address the BEE criteria in their proposal and therefore did not comply with paragraph 6.4.5 of the terms of reference, which sets out the rules of bidding.
- A comparison of the actual against the proposed deliverables indicated significant delays of up to 1 445 days in achieving the proposed deliverables, as reflected in table 11 below.

Table 11: Proposed deliverable dates against actual deliverable dates

Deliverables	Proposed date	Actual date	Delay
1	15/07/2007	14/04/2008	273 days
2	16/09/2007	25/11/2009	800 days
3	15/01/2008	In progress as at December 2011	1 445 days
4	10/04/2008	In progress as at December 2011	1 360 days

3.2 Further instances of non-compliance with National Treasury PPP Practice note numbers 3 and 4 of 2004, as well as the code of conduct for bid adjudication committees, were identified during the appointment process of the PPP transaction advisor:

- The minimum score for function/technical was set at 30% whereas the recommended minimum requirement is 65%.
- The evaluation of bids by the BEC was not based on the BEE criteria as set out in the terms of reference which were communicated to the bidders.
- The department did not appoint the National Treasury PPP unit's project advisor as a voting member on the BEC.
- The departmental adjudication committee did not independently review the tenders and validate the accuracy of the BEC's evaluation to ensure the fair, consistent and accurate calculation of scores.

4. Greening project 2010

The consultant was appointed to support the department with the development of a business plan for the Greening 2010 Programme at a cost of R264 480. The project period was from 30 July 2007 to 15 September 2007.

A consultant was appointed without following a competitive bidding process. The appointment was deemed urgent, as the commitment had not been communicated to the relevant departmental staff in time. However, the key elements of the definition of urgent cases, as defined in the SCM guide, were not documented in the request for approval. As a result, it could not be determined whether the appointment was made to the best advantage and at the lowest possible cost to the department.

B. COMMENTS FROM THE DEPARTMENT

1. The appointment of consultants at materially higher amounts than estimated and the significant delays in the appointment process of consultants has been addressed by the responsible DDGs and the chairperson of the departmental adjudication committee.
2. The department will instruct the project managers to link the milestones/deliverables with the progress payment to monitor performance and submit project reports to management.
3. The department has introduced a mechanism of monitoring where close-out reports and questionnaires completed by project managers would have to be submitted. This will enable the department to refer back to these documents when future procurement decisions are taken.