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**COMBATTING FRAUD AND CORRUPTION**  
**GOVERNANCE, RISK AND COMPLIANCE BRANCH**  
**(PRESTIGE FUNERAL SERVICES, IRREGULAR EXPENDITURE,**  
**ABUSE OF VARIATION ORDERS & UNSCHEDULED MAINTENANCE)**

**SCOPA**

**03 MARCH 2020**



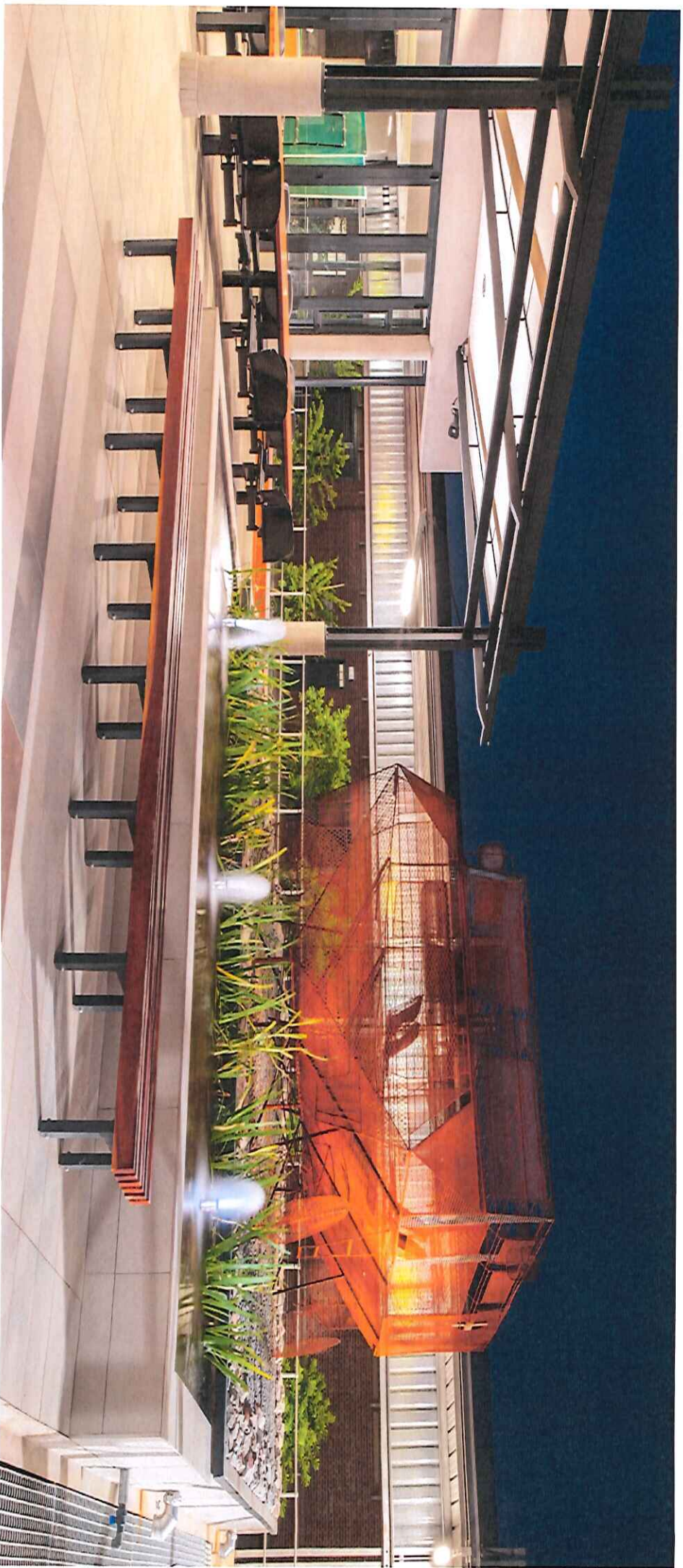
**public works  
& infrastructure**  
Department:  
Public Works and Infrastructure  
REPUBLIC OF SOUTH AFRICA



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## IRREGULARITIES RELATED TO STATE FUNERAL SERVICES





# INTRODUCTION

- The DPWI Anti-Corruption and Fraud Awareness Unit (ACU) received a request from the office of the Director-General during November 2018 to conduct an investigation into allegations of irregularities related to services rendered by Crocia Events (PTY) LTD (Crocia) within the Department.
- It was suspected that funeral costs paid to Crocia were exorbitant and not in accordance with the contract entered into with the Department. It is further alleged that the Department did not receive value for money in respect of payments made.



- The internal investigation conducted revealed that the Project was characterized by **poor contract management and payment irregularities**: -
  - The documents analysis on the services requested, billed and payments made for the funerals of Ms Mandela, Dr Skweyiya and Amb Modise revealed the following anomalies:-
    - For the funeral of Ms Mandela and Dr. Skweyiya the service provider intentionally and fraudulently infused a management fee of R7,7m into the final invoices despite the contract not catering for a management fee to be charged;
    - The amounts of the quotation exceeded the calculated specification amount for the 3 funerals;
    - The quotations were not in line with the invoices and in accordance with the tender pricing schedule, there were several discrepancies between number of days, quantities and unit prices respectively on these documents;
    - In all three (3) funerals, there were deviations from the contractually agreed pricing schedule;
    - In all three (3) funerals, there were variations from the contractually agreed pricing schedule; and
    - in all three (3) funerals, there were irreconcilable items from the contractually agreed pricing schedule.

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## FINDINGS OF AN INTERNAL INVESTIGATION Cont...

- The officials who administered the contracts failed to perform detailed reviews on the relevant supporting documentation (including the pricing schedule, specifications, quotations and invoices). DPWI officials failed to identify the inconsistencies between these documents before quotations were accepted and approved and/or before invoices were approved for payment for the three (3) funerals in question.
- The internal investigation conducted highlighted several areas of concern relating to the conduct of DPWI officials in managing the contract entered into between the Department and the service provider which points to seriously irregular conduct by the official.
- The quantum of the losses suffered by the Department which is estimated at millions of Rands due to misconduct by DPWI officials and irregular payments / fraudulent payments made to the service provider is yet to be fully determined, the Department has in-sourced services of a Senior Counsel with a view to compute the losses suffered and initiate processes to recover the amounts unjustifiably paid to the service provider.



**OTHER FINANCIAL MISCONDUCT CASES**







## OTHER CASES

### IRREGULAR EXPENDITURE

#### PROCUREMENT IRREGULARITIES JHB REGIONAL OFFICE

- The investigation conducted revealed that officials at the DPWI Johannesburg Regional Office awarded contracts to a Manangwe Projects Enterprise owned by a Government employee in contravention of Public Service Regulation, 2016 13 (c). The contract was awarded to the entity despite its owner disclosing on PA-11 Form: Declaration of Bidder's interest and past Supply Chain Management practices that she was Government employee. Further the company appointed was not included in the list of approved / vetted service providers for security services. Disciplinary Hearings against the Head of SCM (Mr M. Magoso) are currently underway. As a result the Department incurred irregular expenditure amounting to R 185,221.31.



## OTHER CASES

### ABUSE OF VARIATION ORDERS BY DPWI OFFICIALS

#### C-MAX CORRECTIONAL CENTRE – PTA REGIONAL OFFICE

- An investigation was conducted into a complaint of abuse of variation orders by DPWI officials. The project was characterized by **inadequate project scoping, lack of proper planning and possible project mismanagement**. The project was for upgrading an existing C-Max into high security detention facility at Pretoria Prison and the project amounted was initially budgeted for R 8, 127, 615.93 and the point of the investigation a total of R16, 267, 580.64 was paid to the contractor.
- An investigation conducted by the Anti- Corruption Unit **concluded that wasteful expenditure was incurred in respect of a project awarded by the Pretoria Regional Office (C- Max Prison)**. It was concluded that the officials overseeing the contract failed to oversee the work and approval of advance payment of R12 000 000.00. The investigation conducted recommended that the disciplinary action be considered against the Project Manager (Mr Bapela) and Head of Projects at the PTA Regional Office (Mr Sewada) for misconduct.
- Mr Bapela was sanctioned to **Demotion and three months suspension from work without pay**, Mr Sewada was sanctioned to **three months suspension from work without pay**. Internal Legal services Unit is currently in the process of recovering losses suffered by the Department.



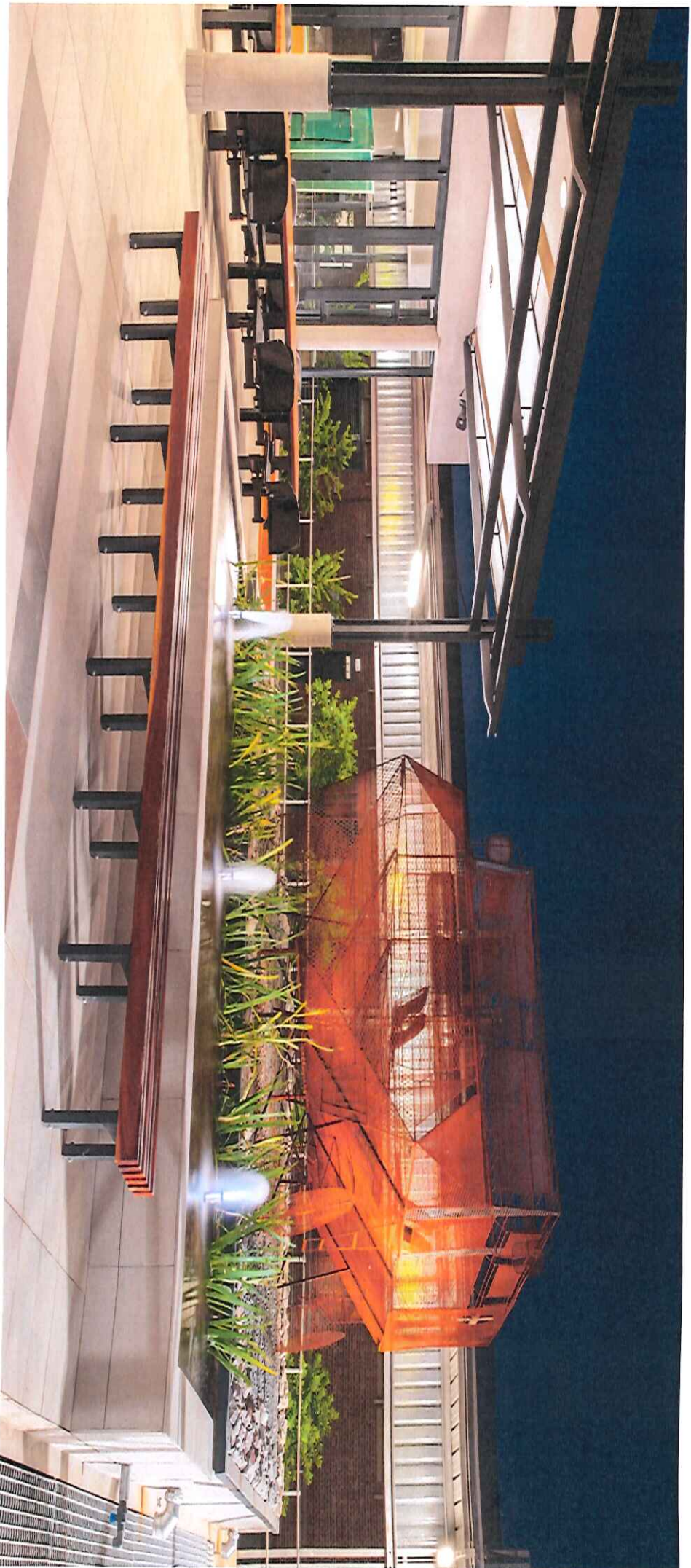
## OTHER CASES

### ABUSE OF VARIATION ORDERS BY DPWI OFFICIALS

#### ZEERUST POLICE STATION – MMABATHO REGIONAL OFFICE

- There was a contravention to DPWI processes in the construction of additional accommodation, repairs and renovations to existing facilities at Zeerust Police Station. The variation order was executed without the authority of the Director General and/ or the Delegated Authority.
- Disciplinary action was instituted against the Project Manager Mr. Moeng at Mmabatho Regional Office for causing the Department to incur irregular expenditure amounting R1, 517, 700.80, by issuing an instruction to the Principal Agent without an approval from the Director General and/or having the necessary delegation. Mr Moeng was issued with a written warning.

# UNSCHEDULED MAINTENANCE / DAY TO DAY MAINTENANCE





## Unscheduled Maintenance: Introduction & Background

The ACU conducted a detection review on day to day maintenance to identify anomalies in respect of suspected irregular payments effected and possible duplicate payments effected

A high level of frequency was noted for payments effected in respect of day to day maintenance of air conditioners, geysers, plumbing, boiler services, access control and pots

It is evident that the magnitude of the consolidated expenditure for day to day maintenance is not economic and does not constitute an effective and efficient use of resources. The ACU employed a data driven approach to conduct the Detection Review assisted by the Forensic Data Analytics team in the SIU

The team ran trends analysis on the data of the DPW, by identifying red flags, in order to highlight relevant trends and patterns in day to day maintenance expenditure

Red flags are not evidence of wrong-doing, they are an indication that something may need to be investigated or corrected from a management perspective

Red Flags are indicators that are detected once a criteria is set to identify anomalies in a business process



The ACU obtained the **LOGIS (NT), PMIS (DPW) and WCS (DPW) data**

**65 queries** have been written for the detection review in phase one

**Contractors/Suppliers Rendering Service/Maintenance In PMIS Buildings**

**Suppliers With The Highest Number of Payments**

**Expenditure Incurred Per Building**

**Repeated Services Performed by Suppliers on Same Property**

**Frequency Of Payments for Services Performed on Premises By Contractor/Supplier**

**Suppliers using the same address/bank account number**

**Possible duplicate payments – same building/same amount**

**Whether contractors received payment for services after lease expire dates**

# Unscheduled Maintenance: Expenditure Per Region

10 YEAR PERIOD		3 YEAR PERIOD	
REGION	TOTAL AMOUNT	REGION	TOTAL AMOUNT
PRETORIA	2 572 511 011,01	PRETORIA	1 132 531 784,04
CAPE TOWN	1 278 954 048,42	CAPE TOWN	629 117 681,68
DURBAN	1 117 714 779,65	DURBAN	483 754 989,30
JOHANNESBURG	643 027 871,21	JOHANNESBURG	349 377 903,02
POLOKWANE	411 730 809,44	MMABATHO	161 808 548,06
PORT ELIZABETH	294 932 432,20	POLOKWANE	161 535 601,19
MMABATHO	284 130 392,69	PORT ELIZABETH	136 619 511,16
NELSPRUIT	265 583 164,56	NELSPRUIT	96 232 959,06
BLOEMFONTEIN	206 116 371,01	BLOEMFONTEIN	93 342 862,43
KIMBERLEY	91 148 270,58	KIMBERLEY	31 468 200,58
UMTATA	87 046 652,19	UMTATA	25 386 268,59
<b>Grand Total</b>	<b>7 252 895 802,96</b>	<b>Grand Total</b>	<b>3 301 176 309,11</b>

# Unscheduled Maintenance: Expenditure Per Service Provider

10 YEAR PERIOD				3 YEAR PERIOD			
SUPPLIER NAME	REGION NAME	Total		SUPPLIER NAME	REGION NAME	Total	
1ST GEAR TRADING 177 CC T/A ST	CAPE TOWN	240 706 122,67		1ST GEAR TRADING 177 CC T/A ST	CAPE TOWN	135 144 334,68	
HAT H T SPECIALIST CC	POLOKWANE	40 468 100,63		THAMANDLA CONSTRUCTION AND MAI	PRETORIA	93 847 746,14	
HAT H T SPECIALIST CC	PRETORIA	138 029 682,47		SHANAANZ AND MEZAAN PLUMBING AN	CAPE TOWN	81 951 569,34	
SUPERFECTA TRADING 209 CC	JOHANNESBURG	66 948 295,12		LEFATSHE LA RONA TRADING AND P	PRETORIA	73 694 165,63	
SUPERFECTA TRADING 209 CC	PRETORIA	102 891 229,89		KROUCAMP PLUMBERS CC.	CAPE TOWN	56 419 093,20	
AUTUMN STAR INDOOR AIR QUALITY	PRETORIA	131 868 312,67		AMATOLA WATER	PORT ELIZABETH	56 348 326,67	
THAMANDLA CONSTRUCTION AND MAI	PRETORIA	101 536 967,61		INVAMEKO TRADING 1442 CC	CAPE TOWN	52 877 674,94	
MOTSENG FACILITIES MANAGEMENT	PRETORIA	99 517 798,97		ROY'S OIL AND GAS CC	CAPE TOWN	51 713 229,43	
SHANAANZ AND MEZAAN PLUMBING AN	CAPE TOWN	89 070 127,47		BNT MASINGA TRADING AND PROJEC	JOHANNESBURG	47 842 852,20	
JURO PIPING CC	CAPE TOWN	76 192 626,79		MALOTA TRANSPORT AND PROJECTS	PRETORIA	46 231 157,68	
AMATOLA WATER	PORT ELIZABETH	74 376 647,41		LEFHUMO LWA BAREMA TRADING ENT	JOHANNESBURG	46 021 586,21	
<b>Grand Total</b>		<b>1 161 605 911,70</b>		<b>Grand Total</b>		<b>742 091 736,12</b>	





# Unscheduled Maintenance: Expenditure Per Building

10 YEAR PERIOD				3 YEAR PERIOD			
PROPCODE	BUILDING	REGION NAME	Total	PROPCODE	BUILDING	REGION NAME	Total
005279	COMPLEX:THABA TSHWANE DEFENCE	PRETORIA	292 415 675,07	005279	COMPLEX:THABA TSHWANE DEFENCE	PRETORIA	152 351 806,83
008544	PAUL KRUGER BUILDING	PRETORIA	241 558 747,31	008544	PAUL KRUGER BUILDING	PRETORIA	69 226 862,69
312010	ERF 28	PRETORIA	153 501 331,48	137485	COMPLEX: CENTRAL PRISON	PRETORIA	61 207 079,17
008838	COMPLEX: AIR FORCE BASE	POLOKWANE	90 217,943,62	095799	COMPLEX: PRISON WESTVILLE	DURBAN	47 561 931,15
137485	COMPLEX: CENTRAL PRISON	PRETORIA	89 592 705,62	004333	NEW CO-OPERATION BUILDING	PRETORIA	41 013 321,10
004333	NEW CO-OPERATION BUILDING	PRETORIA	76 361 294,67	012284	COMPLEX: WONDERBOOM MIL BASE	PRETORIA	40 004 876,04
095799	COMPLEX: PRISON WESTVILLE	DURBAN	74 166 226,15	061628	COMPLEX: NAVAL BASE SALDANHA	CAPE TOWN	35 575 360,06
012284	COMPLEX: WONDERBOOM MIL BASE	PRETORIA	71 548 218,03	004649	CGO CENTRAL GOVERNMENT OFFICES	PRETORIA	35 141 464,33
154900	COMPLEX: TEK BASE	PRETORIA	63 180 927,09	303413	OLD SA RESERVE BANK	PRETORIA	34 931 026,84
002825	COMPLEX: ZONDERWATER PRISON	PRETORIA	62 528 359,63	256001	COMPLEX: SAPS LOGISTICS	PRETORIA	34 596 033,56
<b>Grand Total</b>			<b>1 215 071 428,67</b>	<b>Grand Total</b>			<b>551 609 761,77</b>

# Unscheduled Maintenance: Extract Of Possible Duplicate Payments

REGION NAME	BUILDING	SUPPLIER NAME	FROM DATE	LAST DATE	TOTAL AMOUNT PAID
CAPE TOWN		HLUMANI WASTEMAN PTY LTD	20JUN2006	20JUN2006	22 644,46
CAPE TOWN		L D K INDUSTRIAL CC	27JUN2006	27JUN2006	1 026,00
CAPE TOWN		GREYSTONE TRADING 389 CC	28JUL2006	28JUL2006	24 954,60
PRETORIA	OKLAHOMA HOTEL STAND 1877	HAT H T SPECIALIST CC	13SEP2007	13SEP2007	8 447,40
PRETORIA	THIBAULT NAVARRE COMPLEX	SUPREMEAIR (PTY) LTD	20APR2006	20APR2006	59 409,20
PRETORIA	THIBAULT NAVARRE COMPLEX	SUPREMEAIR (PTY) LTD	25APR2006	25APR2006	59 409,20
PRETORIA	THIBAULT NAVARRE COMPLEX	BATTERY CARE CC	02MAY2006	02MAY2006	113 930,00
PRETORIA	THIBAULT NAVARRE COMPLEX	METSI CHEM (PTY) LTD	22MAY2006	22MAY2006	513,00
PRETORIA	THIBAULT NAVARRE COMPLEX	METSI CHEM (PTY) LTD	09JUN2006	09JUN2006	410,40
PRETORIA	THIBAULT NAVARRE COMPLEX	D & F DIESEL FUEL SERVICES CC	15JUN2006	10SEP2007	1 740,00
PRETORIA	THIBAULT NAVARRE COMPLEX	D & F DIESEL FUEL SERVICES CC	13JUL2006	28JUL2006	1 160,00
PRETORIA	THIBAULT NAVARRE COMPLEX	BATTERY CARE CC	25JUL2006	07MAY2007	318 613,99
PRETORIA	THIBAULT NAVARRE COMPLEX	SUPREMEAIR (PTY) LTD	31JUL2006	15AUG2006	131 925,03
PRETORIA	THIBAULT NAVARRE COMPLEX	D & F DIESEL FUEL SERVICES CC	06OCT2006	07MAR2008	79 306,54
PRETORIA	THIBAULT NAVARRE COMPLEX	BATTERY CARE CC	23NOV2006	23NOV2006	132 886,68

# Unscheduled Maintenance: Frequency Of Payments

10 YEAR PERIOD				3 YEAR PERIOD			
SUPPLIER NAME	REGION NAME	NUMBER OF PAYMENTS	TOTAL AMOUNT	SUPPLIER NAME	REGION NAME	NUMBER OF PAYMENTS	TOTAL AMOUNT
1ST GEAR TRADING 177 CC T/A ST	CAPE TOWN	16973	240 706 122,67	1ST GEAR TRADING 177 CC T/A ST	CAPE TOWN	8302	135 144 334,68
HAT H T SPECIALIST CC	POLOKWANE	4596	40 468 100,63	SHANAAZ AND MEZAAN PLUMBING AN	CAPE TOWN	5368	81 951 569,34
HAT H T SPECIALIST CC	PRETORIA	10787	138 029 682,47	KROUCAMP PLUMBERS CC.	CAPE TOWN	3447	56 419 093,20
PEST RELIEVERS (40)	CAPE TOWN	14116	7 169 823,02	ANIL M JESSA CC	CAPE TOWN	3127	34 882 068,22
SUPERFECTA TRADING 209 CC	JOHANNESBURG	3682	66 948 295,12	ROY'S OIL AND GAS CC	CAPE TOWN	2850	51 713 229,43
SUPERFECTA TRADING 209 CC	PRETORIA	2456	102 891 229,89	JASAIR PTY LTD	JOHANNESBURG	2697	25 888 624,71
SHANAAZ AND MEZAAN PLUMBING AN	CAPE TOWN	5763	89 070 127,47	NO FEAR SYSTEMS CC	CAPE TOWN	2213	32 620 481,89
ELECTRIM CONTROL SYSTEMS CC	PRETORIA	5635	27 004 112,72	HENVEN VERKOELING BK	POLOKWANE	2101	20 745 362,14
MMAMONIBOLLA TRADING CC	NELSPRUIT	1	17 469,37	INVAMEKO TRADING 1442 CC	CAPE TOWN	1978	52 877 674,94
MMAMONIBOLLA TRADING CC	POLOKWANE	5388	31 059 288,48				
WESTPRO FLUID HANDLING SYSTEMS	CAPE TOWN	5367	66 807 492,99				
JASAIR PTY LTD	JOHANNESBURG	5359	44 305 657,83				
D & F DIESEL FUEL SERVICES CC	PRETORIA	5186	27 219 863,18				
L D K INDUSTRIAL CC	CAPE TOWN	4963	19 588 184,04				
<b>Grand Total</b>		<b>90272</b>	<b>901 285 449,88</b>	<b>Grand Total</b>		<b>32083</b>	<b>492 242 438,55</b>



## Internal Control Weaknesses Identified

- Lack of verification of serviceable items : geysers, boilers, air conditioners and pots
- Non existence of maintenance plan reflecting scheduled maintenance per building and its components
- There is no register reflecting building components, their life spans and conditions

## Possible Fraud Risks

- Fictitious calls from client departments resulting in the department effecting payments for services not rendered
- Collusion between client department, control works manager and service providers resulting in payment for services not rendered
- Abuse of emergency services : every service irregularly categorized as emergency in order to override normal SCM processes
- Deliberate splitting of services to circumvent SCM processes



## Unscheduled Maintenance: Internal Investigations

### PRETORIA REGIONAL OFFICE

At one state owned property at 6 Grace Av, Meyerspark, the swimming pool and water feature to be maintained are not in working order and had not been in a working order for more than a year. DPW has been and is currently continuing to pay for said maintenance at R7000 per month for the swimming pool and R7000 per month for the water feature.

Three (3) companies employed by the DPW to maintain the swimming pools and water features over the last two (2) years employed the brother of the Chief Horticulturist to conduct the actual work.

Disciplinary processes under way against implicated officials

Legal services to recover R84, 704.47 from Sakhile Business Enterprises and R 53, 405.16 from Gau-Flora for payments made for services not rendered

# Unscheduled Maintenance: Internal Investigations





## Unscheduled Maintenance: Motivation For SIU Proclamation

The GRC through the Office of the Director-General requested Ministry to motivate for the Presidential Proclamation (through the SIU) due to the serious allegations pertaining to unscheduled maintenance.

The Minister of Public Works approved the request on 31/01/2018 and correspondence was forwarded to the Head of the SIU motivating for a Presidential Proclamation on day to day maintenance.

The SIU acceded to the DPW Request, meetings were held between the DPW and the SIU to commence with the legislative processes to motivate for the Proclamation. The SIU made a motivation to the President to extend Proclamation 38 of 2010.

The President has signed the Proclamation Number R 20 of 2018 extension of Proclamation 38 of 2010 as amended by Proclamation 27 of 2015. The Proclamation was gazetted in government gazette on the 13 July 2018.

The Proclamation will be focusing on five DPW Regional Offices, namely:

- Pretoria Regional Office;
- Bloemfontein Regional Office;
- Cape Town Regional Office,
- Durban Regional Office; and
- Johannesburg Regional Office.



- Facilities Management should ensure that physical verification of all building components for each building is conducted to ascertain their existence
- Facilities Management should conduct building conditions assessment to determine state of the building and its components
- Facilities Management should develop maintenance plan reflecting scheduled maintenance per building and its components
- Facilities Management should develop a register reflecting building components, their life spans, and condition equipment that has already passed its life span should be replaced
- Facilities management with assistance from the Information Technology Unit should develop an early warning system to identify suspicious payments e.g. for same service, items, areas and period
- Facilities management should engage Client Departments to develop framework in consultation with National Treasury to allow department to purchase capital equipment through Capital Expenditure budget on the client Department's behalf
- Facilities Management should consider the above proposed action plans when implementing Facilities Management contract for 300 earmarked building and in developing Facility Management Strategy



## MAINTENANCE AND REPAIRS PROJECTS





## Maintenance And Repairs Projects

- The Anti-Corruption Unit conducted and is currently conducting investigation into allegations of serious maladministration in respect of projects awarded by the DPW.
- The DPW engaged services of various suppliers to render various maintenance and repairs projects. These service providers failed to fulfill the terms of contracts as they failed to complete their work with due diligence, regularly and expedition and to bring the work to practical completion resulting in cancellations of their contracts.
- Of particular concern to the Department was that huge amounts of money were paid to these contractors at the time of cancellations of their contracts in some instances to values exceeding the contract amount. It is suspected that the Department did not get value for money in this regard and/or there is no justification for the payments made. Of further concern to the Department was that when other service providers were appointed to complete the outstanding work the contract amounts were in all instances greater than the initial contract amount which fortifies the notion that payments made to the initial contractors cannot be justified and/or the Department did not receive value for money for payments made.



## Maintenance And Repairs Projects

### The ACU conducted investigations relating to several projects awarded by the JHB RO – Maintenance and repairs Projects

No	Name of Contractor	Building	Nature of services	Date of award	Contract amount	Payments at the time of cancellation of contract
1	Mathabatha Suppliers CC		Eden Park Police Station: Repairs and renovation contract	12 July 2011	R4, 306, 181.28	R7, 067, 797.00
2	Zwa-Shu Trading JV Phumi Trading		Replacement of boilers and maintenance of boilers for period of 24 months	20 January 2012	R18, 824, 992.66	R13, 464, 954.68
3	Inelo Trading Enterprise CC		Condition based maintenance for sewer plant	13 March 2015	R4, 114, 043.40	R1, 632, 143.70
4	Nzwalo Investments		Repair and maintenance of mechanical and electrical installations	10 December 2008	R13, 811, 639.22	R6, 855, 024.67
5	Lumacon Air Conditioning		Benoni Modderbee Prison: Repair and Maintenance of mechanical and electrical installations	17 December 2008	R13, 811, 639.22	R7, 758, 566.04
6	Nthatheng Trading II		Tsakane Magistrate Office: Additional accommodation: construction of new building	08 July 2005	R10, 988, 743.26	R12, 593, 026.70
7	Mperere Legafe JV		SANDE Heidelberg Gymnasium: Head Quarters	10 October 2008	R4, 880, 000.00	R4, 374, 491.57
8	Sincindi Projects CC		Oberholzer Magistrate Office: Security measures upgrade including minor works sewerage pipes	27 November		
9	Realeka Investments		Kagiso Magistrate Court: Construction of new building	21 May 2007	R27, 181, 957.60	R22, 788, 956.14





## Maintenance And Repairs Projects

### JHB RO Projects

The investigation conducted by the ACU revealed that these projects were characterised by:-

- The Project Risk Assessment conducted prior to the awards were disregarded by the Evaluation Committees, This led to the appointment of unsuitable contractors.
- Poor Project Management, the assigned Project Managers and Principal Agents do not exercise due diligence during the execution of the Projects.
- Payments made are not justifiable or in accordance with the Project Milestones.
- Projects not completed within the Projects timeframes.
- Contractors not delivering on their contract obligations leading to contract cancellations at a loss to the Department.
- Project Managers/Principal Agents not issuing final accounts to recover cancellation losses.
- Secondary contractors in most instances appointed in excess of the original contract amounts.



- On completion of the investigation the ACU recommended...
- ✓ Disciplinary actions against 42 officials at the JHB Regional Office for various misconducts relating to project mismanagement and failure to comply with SCM directives.
- ✓ 8 contractors for Blacklisting from conducting business with the DPW / State due to failure to fulfil their contract obligations to the DPW / State.
- ✓ The Legal Services Unit was also advised to consider instituting recovery processes to recover an amount estimated at R 27m for losses incurred to non-performance and subsequent cancellation of contracts.
- ✓ 3 Referrals to be made to Professional Bodies to consider sanctioning their members (Principal Agents) for failure to exercise due diligence in executing their tasks.



Thank You



**National Department of Public Works and Infrastructure**  
**Head Office: Public Works**  
**CGO Building**  
**Cnr Bosman and Madiba Streets**  
**Pretoria Central**  
**Private Bag**  
**X65**  
**Pretoria**  
**0001**

**Website: <http://www.publicworks.gov.za>**