

Top Secret



public works

Department
Public Works
REPUBLIC OF SOUTH AFRICA

DRAFT POLICY ON HANDLING PRESTIGE PROJECTS

SUPPLY CHAIN MANAGEMENT PROCESSES

AUDITING PROCEDURES

Dated 15 March 2012.

1. AIM :

The aim of this submission is to make proposals regarding the implementation of Prestige Projects, including the SCM processes to be followed and the requirements for the auditing of the project, whilst ensuring that Secrecy is maintained throughout.

2. BACKGROUND.

2.1 Generally projects undertaken by the Department of Public works are covered by the normal directives from Treasury and audited by internal audit, as well as auditor-General's office, in line with their regulations and standards.

2.2 It was found that the general methods for procurement and auditing is not well suited for specialised Prestige Projects as the following challenges were identified:

- **SCM processes:**

- In order to ensure security, it is essential that the project be removed from the "public eye" due to security reasons.

- The scope of works for these projects are sensitive of nature, as it includes the details of what installations are existing on site, including emergency power plants, security detection installations, possible bunkers, the positions of bedrooms, living rooms and other information that may be used by the enemies of the State to engineer an attack.

- These projects are further targeted by journalists in an attempt to discredit the Government in general.
- Due to above, it is not possible to use the standard open tendering process and Deviated processes must be considered.
- **Auditing processes:**
 - The auditing of these projects therefore creates further complications due to the deviated tendering process.
 - The security of the information in the project is jealously guarded to ensure that no leaks are encountered.
 - The auditing process however requires that all information be made available to the auditors and whom may feel entitled to keep the files at their leisure for perusal and possibly even to copy for their reference purposes. This causes a major risk of the information falling into the wrong hands.
 - Once information is audited, it becomes public knowledge thus compromising the issue of security.

3. DISCUSSION

The auditing of the Prestige Projects cannot be given to the general auditing personnel and failure to provide the information, results in a finding of "limitation of scope"

In order to ensure that both these issues are correctly addressed in line with future audits, it is essential that directives be issued to address projects subjected to Top Secret information, without jeopardising the integrity of the process.

It is proposed that the processes to be agreed with the Auditor General and Treasury should be as follows:

SCM processes for Prestige Projects:

In order to ensure that security is maintained, it is essential that the tendering process be limited to firms accredited to the State and trusted to utilise the information for its' intended purposes without leaking the same.

The SCM processes to be used are:

- Option 1 - Nominated process.

The reasoning for utilising this process is to identify a number of firms that have:

- Passed NIA clearance

- Are reputable contractors, registered with relevant bodies,
- Firms not on the list of defaulting companies as issued by Treasury.

This process shows competition between separate and non-related tenderers and is advisable in most instances.

- Option 2 - Negotiated process.

The reasoning to utilise this process is to procure contracts where no other service provider will be suitable to do the works. (Thus were nominated procedure cannot be applied)

The selection process will include all requirements as listed under option 1.

Auditing of Prestige Projects

Reporting of deviation to Treasury:

The processes proposed above are all considered to be deviated tendering procedures and must be reported to Treasury for review purposes.

The reporting of the deviation should not be handled according to the normal processes due to security reasons.

Treasury should indicate which special lines of communication should be utilised to ensure that the integrity of the information is maintained.

Further, it is essential that it be clearly indicated what information should be made available for the deviation to be reported.

Provisioning of information for Auditor General's office

In order to secure the information during the auditing of these projects, it is essential that the following be taken into consideration:

- **Security Vetting of personnel:** The Auditor General must make available the names and security vetting information of the individual persons that will be doing the audit. Care must be taken by the Auditor General that only these persons be allowed to view the documents.
- It is proposed that the Head of Security inside the Auditor-General's office be made part of the process.

Public Knowledge: The audited information should not be made public knowledge and be declared secret.

4. RECOMMENDATION

It is recommended that the Acting Director General discuss the above mentioned concerns with the Top Management of the Auditor-General's office and Treasury and provide a clear guideline towards the way forward on these issues.

That the Acting Director General notes the intension of the Durban Regional office to withhold all project information from auditing until clear directive had been received in this regard.

Signed :  Mr BK Khanyile

Regional Manager : Durban

Date: 
