**CONCERNS REGARDING THE CONTRACT ENTERED INTO BETWEEN FREE STATE DEPARTMENT OF HUMAN SETTLEMENTS AND BLACKHEAD CONSULTING (PTY) LTD TRADING AS DIAMOND HILL TRADING DURING THE 2014/2015 FINANCIAL YEAR FOR THE PURPOSE OF ASBESTOS ERADICATION**

1. **MOTIVATION FOR APPOINTMENT.**

The Department appear to have been motivated by the fact that there were government housing units built pre-1994 in the Province which had asbestos rooftops – now considered to be a hazardous material.

Between November 2014 and March 2015 an amount totalling R370 000 was paid to two contractors: C Max Civil Construction and Ruwacon (Pty) Ltd for the removal of asbestos rooftops of 37 houses, amounting to R10 000 per house.

|  |  |  |  |
| --- | --- | --- | --- |
| **Payment No** | **Date** | **Supplier** | **Amount** |
| 1308590 | 27/11/2014 | C Max Civil Constr |  50 000 |
| 1308591 | 02/12/2014 | C Max Civil Constr |  40 000 |
| 1308832 | 11/12/2014 | Ruwacon (Pty)Ltd | 110 000 |
| 1309922 | 05/03/2015 | Ruwacon (Pty)Ltd | 170 000 |

It is not clear whether other payments were made to different contractors for the same purpose in previous years.

What is clear is that a number of houses fitted with asbestos rooftops did exist in the Province. The Provincial Government wanted to remove and replace such rooftops, and dispose of the asbestos material safely. Also that it was not imperative that a contractor with special qualifications/skills/accreditation be employed to replace asbestos roofs.

1. **SUBMISSION BY BLACKHEAD CONSULTING (PTY) LTD.**

In a submission from Blackhead Consulting (Pty) Ltd dated 28 May 2014, a request is made to the Free State Department of Human Settlements that they be appointed for the assessment/audit of houses roofed using asbestos material and the handling and disposal of asbestos sheets to an approved, designated disposal site. The service provider also indicated that the scope of work entails the physical door to door counting, safe removal and disposal of asbestos-contaminated building rubble and asbestos sheets from various townships across the Free State Province. The objective of the project in terms of the submission by the service provider was two-fold:

* Quantify the number of houses roofed with asbestos sheets, and
* Remove and dispose asbestos to an approved and accredited disposal site.

According to the submission the rates were as follows:

* Door to door assessment = R1 350 per house excluding VAT;
* Removal and disposal to an approved designated site = R32 760 excluding VAT.

*Nothing is mentioned in the submission of the replacement of the roofs and the costs involved. It only covers the identification, removal and disposal of the roofs.*

1. **TREASURY REGULATION 16A 6.6**

On page 51 of the Treasury Regulation 16A paragraph 6.6 (available from the website [www.treasury.gov.za](http://www.treasury.gov.za)) states: ‘The accounting officer or accounting authority may, on behalf of the department, constitutional institution or public entity, participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the relevant contractors.’

In the absence of a open tender process being followed in the appointment, officials from the Department of Human Settlements in the Free State have said that Blackhead Consulting (Pty) Ltd was appointed in terms of this Treasury Regulation 16A 6.6.

1. **APPOINTMENT OF BLACKHEAD CONSULTING BY GAUTENG DEPT OF LOCAL GOVT AND HOUSING**
	1. On 11 September 2009 an advertisement (No HLA 4/2/4-2009/06) was published in the Government Tender Bulletin No 2599 reading:

EXPRESSION OF INTEREST

The Gauteng Department of Local Government and Housing has developed a strategy to implement sustainable Human Settlements in line with government priorities of providing appropriate shelter as part of dealing with poverty alleviation. In an effort to launch a sustained attack on poverty and social exclusion the department aims to consolidate and strengthen the process of creating sustainable human setllements, in line with the National Department of Human Settlement’s Breaking New Ground (BNG) strategy, to the citizens of Gauteng. The strategy is embedded in our recognition that various professional individuals and or groups within the build environment are one of the delivery mechanisms to be used to build and strengthen capacity for department in order to expedite and improve the delivery and quality of infrastructure. To this end the department has engaged various Professional Resources Teams (PRTs) in order to assist the department in fulfilling its mandate. The current contract that the Department entered into with various PRT’s has come to an end and therefore in line with principles of the Public Finance Management Act, the department is obliged to call for new proposals. It is expected that each PRTs should comprise of the following disciplines:

* Construction Project Managers
* Construction Managers
* Engineering Professional (Civil, Structural, Electrical Mechanical)
* Town and Regional Planners
* Communication Professionals
* Development Planners
* Community Facilitators
* Conveyancers and Legal Practitioners
* Legal Practitioners
* Quantity Surveyors
* Land Surveyors
* Architectural Professionals
* Environmental Specialists
* Other Professionals may also be required

Consortia are invited to submit Expression of Interest to Department. Each Consortium of the PRT shall appoint a Team Leader, who must be a registered professional in the Built Environment Disciplines, and shall conclude an agreement with the Department. Terms of reference can be collected from the Department of Local Government and Housing, 37 Sauer Street, corner Market and Sauer Streets, Bank of Lisbon, Ground Floor, Zwitwa Vele, who can be contacted at (011) 355-4731 or Aubrey Job, who can be contacted on (011) 355-4749. Documents can be collected from the 11th of September 2009 from 09:00 until 15:00. NB: Documents will not be issued to individuals. Compulsory briefing session: Wednesday, 16 September 2009 at 10:00am. Venue: Department of Local Government Auditorium, corner Commissioner and Sauer Streets. Closing Date: 9 October 2009

For technical enquiries please contact: Zesuliwe Mkhize, Tel No (011) 355-4606.

T*his advertisement does not specifically state that it was for the identification and removal of asbestos rooftops.*

* 1. In a letter from the Acting HOD of the Gauteng Department of Local Government and Housing to Blackhead Consulting with the regard to Professional Resource Teams dated 15 March 2010, he refers to the advertisement HLA 4/2/4-2009/06, and advises Blackhead Consulting that the department has approved and appointed them for professional services from 1 April 2010 to 31 March 2012. The letter also stipulates that the departments legal advisory services directorate would draft a contract which Blackhead Consulting had to sign.

The letter states furthermore that all work to be performed and claims will always be based on an Instruction to Perform Work (IPW) duly signed by the head of department. It also stipulates that the contract will include all necessary conditions including Key Performance Indicators that will be used for measurement of their performance.

*This letter does not specifically refer to identification and removal of asbestos rooftops.*

* 1. On 14 September 2010 a Service Level Agreement is entered into between the Gauteng Department of Local Government and Housing and Blackhead Consulting.

Paragraph 1.2 of the agreement stipulates the following “Whereas the Department intends to proceed with the provision of services related to low cost housing development and has requested the consultant (service provider) to provide professional services in accordance with the SLA hereinafter set forth, and which services the consultant has agreed to provide.”

Paragraph 2.3.1 stipulates that the ‘project’ means the project named in the SLA for which the services are to be provided and described in detail in ‘Annexure 2’ and various IPW’s to be issued.

Paragraph 2.49 stipulates that ‘IPW’ means a written ‘Instruction to Perform Work’ and may be accompanied by ‘Specific Provisions’ giving details of the work to be performed as well as time frames and costs of and remuneration for such work. IPW’s will be issued by the Department, with the concurrence of the Municipality, from time to time throughout the duration of the SLA and no payment claims will be considered unless an IPW has been issued by the department to proceed with such work. IPW’s shall be issued by the department before the envisaged work is performed and the consultant shall perform the work as requested and strictly comply with the terms of the IPW.

Paragraph 2.50 stipulates that the ‘Annexures’ includes the following:

1. Scope of work
2. Performance Milestones
3. Schedule of rates as per National Housing Subsidy Quantum.

Paragraph 5.7.1 stipulates that the parties take note that the performance objectives of the SLA are contained in the accompanying ‘Annexure 1’.

Paragraph 5.7.2 stipulates that the conditions and provisions of the service obligations in ‘Annexure 1 and 2’ shall be strictly adhered to by the consultant and shall form the basis of the quarterly evaluation of the work performed by the consultant.

Paragraph 10.1 stipulates that subject to clause 10.2 the appointment of the consultant shall commence on appointment date and shall remain in force for a period of 36 months unless cancelled due to non-performance by the consultant in or on any of the performance clauses contained in ‘Annexure 1’.

Paragraph 10.2 stipulates that, unless terminated under one of the other clauses, the appointment of the consultant under this SLA shall reach completion when final payment to the consultant has been made in respect of all IPW’s issued.

*Was the SLA still valid at the time of FS Dept of Human Settlements participating in the same contract, as it was signed on 14 September 2010 by the department and should have expired by 14 September 2013?*

Paragraph 14.1 stipulates that, where additional services are required from the consultant, they shall be sourced through a competitive process of quotations, as far as possible, the rates must be based on similar rates contained in the ‘Annexure 3’.

Paragraph 14.2 stipulates that, should the consultant bid against other service providers for the provision of additional services, or services rendered in terms of the first three categories of work, they shall be paid for on agreed rate but shall as far as possible, be based on similar rates contained in ‘Annexure 3’.

*Annexure 1 does not refer specifically to the removal of asbestos rooftops?*

Paragraph 15 stipulates that, where the services to be provided falls outside the scope in ‘Annexure 1’ such rate for work shall be obtained through a competitive bidding process amongst the various consultants (PRT’s).

*Annexure 1 does not refer specifically to the removal of asbestos rooftops?*

Paragraph 2 of ‘Annexure 1’ to the SLA sets out the scope of the work to be performed by the consultant.

*This paragraph does not specifically state that the removal of asbestos rooftops forms part of the SLA?*

‘Annexure 2’ to the SLA includes performance milestones.

*The removal of asbestos rooftops is not listed as a milestone?*

Attached to the annexures to the contract was an Instruction to Perform Work issued by the Department of Housing Gauteng Province to Blackhead Consulting with reference number IPW-PRT2014/03/4089 and signed by the CFO on 26 March 2014. The description of services according to this document was ‘Technical Assessment of old township houses roofed with asbestos’. The rate per stand was calculated at R650 per stand excluding VAT (Fee of R130 000 000/200 000)

*There was no indication that this IPW was linked to the SLA between Gauteng Department of Human Settlements and Blackhead Consulting dated 14 September 2010. It should also be noted that the IPW issued by Free State Department of Human Settlements was R200 more per stand/house than the one issued by the Gauteng department?*

* 1. In a letter dated 13 May 2014, the Acting HOD Department of Human Settlements Gauteng to Blackhead Consulting with regard to the extention of time for provision of professional resource team services, advised Blackhead Consulting that the contract for the provision of professional services to the department was extended by five (5) months from 1 April 2014 to 31 August 2014. The department also indicated that the terms for provision of work were still the same, and that work shall be allocated as and when a need arises through issuing of an IPW and that all IPW’s issued during the extended period shall remain active until expiry of the IPW or completion of the work commissioned.
1. **APPOINTMENT OF BLACKHEAD CONSULTING BY FREE STATE DEPT HUMAN SETTLEMENTS**
	1. A letter dated 19 June 2014 from the HOD Free State Department of Human Settlements to the Director General Department of Human Settlements Gauteng, regarding the appointment of a Professional Resource Team to the Departmental Panel and Municipal Planning and Implementation Support to the Human Settlements Departments and Municipalities with specific regional areas, requests the Gauteng department to extend the services of Blackhead Consulting (Pty)Ltd in line with Treasury Regulation 16A 6.6. the Free State department requests the Gauteng department to grant approval to provide written confirmation to extend it in line with their approved terms and conditions as contained in their Instruction to Perform Work.
	2. In a letter dated 19 June 2014 from the HOD Free State Department of Human Settlements to the CEO of Blackhead Consulting (Pty) Ltd, regarding the appointment of a Professional Resource Team to a Departmental Panel and Municipal Planning and Implementation Support to the Human Settlements Departments and Municipalities with specific regional areas, requests approval from Blackhead Consulting (Pty) Ltd to extend their contract secured with the National Department of Human Settlements in line with Treasury Regulation 16A 6.6. The department informed Blackhead Consulting (Pty) Ltd that their appointment will await a concurrent approval of the National Department of Human Settlements. The department also informed Blackhead Consulting (Pty) Ltd that their appointment will be subject to the company securing funds to roll out the project in line with their proposal.
	3. In a letter dated 20 June 2014 from Blackhead Consulting to the Director Supply Chain Management Department of Human Settlements Free State, Blackhead Consulting acknowledge receipt of the departments letter dated 19 June 2014 in respect of the appointment of Blackhead Consulting (Pty) Ltd. Blackhead Consulting also confirm that the company will be responsible for securing funds to roll out the asbestos eradication project.
	4. In a letter dated 15 July 2014 from the HOD Free State Department of Human Settlements to the HOD Gauteng Department of Human Settlements regarding the appointment of a Professional Resource Team (3D Gauteng Asbestos Ekuhuleni – G14110008/1) for the period 17 March 2014 to 30 April 2014, the Free State department requests the Gauteng department to extend the services of Blackhead Consulting (Pty) Ltd in line with Treasury Regulation 16A 6.6. They request the Gauteng department to grant approval to provide written confirmation to extend it in line with their approved terms and conditions as contained in their Instruction to Perform Work.
	5. In a letter dated 4 August 2014 from the Acting Head of Department of Human Settlements Gauteng Province to Mr N Mochesi, the HOD of Free State Department of Human Settlements, the Gauteng department confirm their decision taken on 21 July 2014 to grant approval in terms of Treasury Regulation 16A 6.6, for the Free State Department of Human Settlements to participate in the contract, arranged by means of a competitive bidding process from the database of the Gauteng Department of Human Settlements for Professional Resource Team where Blackhead Consulting (Pty) Ltd was appointed from. The approval is subject to the conditions that Blackhead Consulting (Pty) Ltd must approve in writing that it is willing to do the required work for the Free State Department of Human Settlements, and that the participation of Blackhead Consulting (Pty) Ltd may not negatively impact on their performance towards the Gauteng Provincial Government.
	6. In their response dated 7 August 2014, Blackhead Consulting (Pty)Ltd JV, with regard to the appointment for the asbestos eradication programme in the Free State Province, confirm the following: that Blackhead Consulting (Pty) Ltd JV is willing and committed to perform the required work for the Free State Department of Human settlements in the Free State, and that their participation shall not negatively impact on its performance toward the Gauteng Provincial Government.
	7. In a letter dated 11 August 2014 from the Free State Department of Human Settlements to Blackhead Consulting (Pty) Ltd regarding the asbestos eradication programme in the Free State Province, signed by the HOD, the department requests Blackhead Consulting (Pty) Ltd to confirm the following in writing:
* To formally agree to participate and extend their services to the Free State Department of Human Settlements in line with the terms and conditions of their IPW
* That their participation in line with the request of the department will not negatively impact their performance towards the Gauteng Provincial Government
* To confirm in writing that the service provider will be able to perform additional tasks over and above the current scope of work to ensure that the contract will achieve the intended purposes.
	1. In their response dated 12 August 2014, Blackhead Consulting (Pty) Ltd JV, with regard to the appointment for the asbestos eradication programme in the Free State Province, confirm the following:
* That Blackhead Consulting (Pty) Ltd JV is willing and committed to perform the required work for the Free State Department of Human Settlements in the Free State
* That the participation of Blackhead Consulting (Pty) Ltd JV shall not negatively impact on its performance toward the Gauteng Provincial Government
	1. In a letter dated 13 August 2014, from the Director General National Department of Human Settlements to the HOD Free State Department of Human Settlements, the DG states that in terms of Treasury Regulation 16A 6.6 it is allowed for the Free State Department of Human Settlements to participate in the contract arranged by means of a competitive bidding process from the database of the Gauteng Department of Human Settlements for professional resource teams where Blackhead Consulting (Pty) Ltd was appointed from.
	2. In a letter dated 11 September 2014, from the Free State Department of Human Settlements, and signed by the HOD, the department seeks approval from Provincial Treasury in terms of Treasury Regulation 16A 6.6, to procure a contract currently secured by the Gauteng Department of Human Settlements in line with the abovementioned Treasury Regulation for the removal of asbestos by Blackhead Consulting (Pty) Ltd JV. The department also states in this letter that the Gauteng Department of Human Settlements as well as the service provider Blackhead Consulting (Pty) Ltd JV have agreed that the Free State Department of Human Settlements may participate in their contract.
	3. In a response from Provincial Treasury, signed by an unidentified official on 19 September 2014, states in handwriting on the above letter, that the accounting officer has the power of approval provided that he has satisfied himself/herself that the Supply Chain Management processes were duly followed and they comply with legislation.
	4. Apparently at this stage a Service Level Agreement is entered into between the Free State Department of Human Settlements and the service provider Blackhead Consulting (Pty) Ltd Joint Venture. The agreement is signed by representatives of both parties but is undated. According to paragraph 1.1 of the SLA the ‘project’ means the appointment of the service provider to assess/audit houses roofed using asbestos material, handling and disposal of asbestos sheets to an approved, designated disposal site. According to paragraph 3 of the SLA, the duration of the agreement will be from the date that the last party signs the SLA, until 31 August 2017. According to paragraph 4.3.1 of the SLA, the department shall pay the service provider in accordance with the costs breakdown as agreed and the approved IPW and/or upon signing of the appointment letter. According to paragraph 4.3.5 of the SLA, all invoices of the service provider’s services may be submitted to the department by the service provider upon approval by the department of the completion of each IPW. According to paragraph 4.3.6 of the SLA, the service providers invoice shall be submitted together with a report by the service provider, clearly evidencing the service rendered as per the approved IPW, which invoice and report shall be to the satisfaction of the department. According to paragraph 4.3.10 of the SLA, all amounts payable in terms of this agreement shall be inclusive of value added tax.

**5.13** On 1 October 2014, the HOD signs an appointment letter appointing Blackhead Consulting (Pty) Ltd as Professional Resource Team to assist the Free State Department of Human Settlements in eradicating asbestos in the Free State Province. According to the appointment letter the service provider is appointed after due consultation with the Department of Human Settlements – Gauteng Province and concurrent approval by the Free State Provincial Treasury. According to the appointment letter the service provider is exclusively appointed for the audit and assessment of asbestos, handling hazardous material, removal and disposal of the asbestos-contaminated rubble and the replacement with SABS approved materials in the Free State Province.

* 1. On 2 December 2014 an IPW (Instruction to Perform Work) Ref No: IPW-001, is signed by

the HOD Mr N Mochesi, Free State Department of Human Settlements. The IPW instructs the service provider to audit, assess and GPS all pre-1994 government housing units in the province at a rate of R850 (VAT exclusive) per unit up to a maximum of 300 000 units (Totalling R 255 000 000 VAT exclusive). According to the payment schedule in the IPW, payments would be made from 1 December 2014 to 1 June 2015, over a period of six months.

 According to the IPW the payments on the project will be made as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **% of total project****cost** | **Amount** | **Documentation to be****submitted by service****provider** |
| 1 December 2014 | 40% of 50% | R51 000 000 | Valid tax invoice andvalid clearance certificate |
| 1 March 2015 | 60% of 50% | R76 500 000 | Progress certificateNo. 2 |
| 1 May 2015 | 40% of 50% | R51 000 000 | Progress certificateNo. 3 |
| 1 June 2015 | 60% of 50% | R76 500 000 | Progress certificateNo. 4 |
|  | **Total** | **R255 000 000** |  |

According to paragraph 4 of this IPW 40% of 50% of the total project cost amounting to R 51 000 000 is payable on the commencement of the project on 1 December 2014.

1. **PAYMENTS MADE**

6.1 Payment advice 1309061

A document that appears to be generated from the HSS system with project code F14090003/1 was attached to the payment advice. According to this document the total milestone/project cost approved is R255 000 000, and the project phase is indicated as ‘Professional Resource Team of Asbestos Eradication’.

Attached to the payment advice is an invoice for an amount of R20 000 000. This amount represents 40% of 50% of the total claim. It can be calculated as follows:

50% of R255 000 000 =

R255 000 000 X 0.5 = R127 500 000

40% of R127 500 000=

R127 500 000 X 0.4 = R51 000 000

The tax invoice attached to this payment voucher does not adhere to the requirements of a valid tax invoice.

* 1. Payment advice 1309200

Attached to this payment advice is a claim document that appears to be generated on the HSS system for an amount of R51 000 000, authorised on 9 December 2014 by Miranda. On this document the following words appear: ‘Go to Sam; recapture this in two claims; 20 000 000 Des; 31 000 000 Jan.’ No person signed this instruction and no reasons were given for this instruction

A tax invoice for R31 000 000 dated 10 January 2015. This invoice did not adhere to the requirements of a valid tax invoice.

* 1. Payment advice 1310189

Attached to this payment advice is a claim document that appears to be generated on the HSS system for an amount of R25 000 000, authorised on 18 March 2015 by SamuelN.

Attached to the payment advice is a tax invoice for R76 500 000 dated 10 February 2015. This invoice did not adhere to the requirements of a valid tax invoice. Only R25 000 000 was paid.

1. **RESPONSES BY DEPARTMENT OFFICIALS**

When questioned on the lack of a tender process, Mr Matlakala: Director Supply Chain Management – Free State Department of Human Settlements said that the normal tender process was not followed as the appointment was made in terms of the Treasury Regulation 16A 6.6 where an existing contract of the Gauteng Department of Human Settlements was used. He had not seen the tender documents/ tender process followed by Gauteng.

When he was asked why the IPW differed from the SLA between the Free State Department of Human Settlements and Blackhead Consulting, he responded that it formed part of the process of eradication and that the houses with asbestos roofs first needs to be identified. Thereafter there will be another phase where the rooftops will be removed and replaced.

According to Mr Makepe: Chief Engineer – Free State Department of Human Settlements, the department budgeted an amount of R255 000 000 for the identification of the houses with the asbestos rooftops in the Free State Province. Initially it was thought that there could be 300 000 of such houses in the Province. Only 36 050 of such houses were identified by the service provider. At this stage more than R150 000 000 was spent on the project. According to him it was envisaged that the total amount to identify houses would cost the department R255 000 000, therefore it was irrelevant how many were identified and that we should not get stuck on the IPW that states R850 per house up to a maximum of 300 000 houses that equals R255 000 000. He stated that houses were identified and structural reports were compiled by the service provider. He said that the service provider also made use of local community members to identify houses and interview residents. They did not make use of municipalities to identify houses as a specialist report was compiled on each house.

1. **QUESTIONS ON IRREGULARITIES**
	1. Why did the Free State Department of Human Settlements deem it necessary to appoint Blackhead Consulting from Gauteng if service providers in the Free State were already removing asbestos rooftops?
	2. In the Gauteng SLA, Blackhead were appointed on 14 September 2010 until 14 September 2013 to provide professional services related to low cost housing development. Was this contract still valid when Free State department decided to participate? In the Gauteng IPW dated 26 March 2014, Blackhead are appointed for ‘technical assessment of old township houses roofed with asbestos’ at a rate of R650 per stand excluding VAT (R130 000 000/200 000). It is not clear whether this IPW is linked to the SLA?
	3. In its submission to Free State Human Settlements dated 28 May 2014, Blackhead request to be appointed for ‘the audit, handling of hazardous material, removal and disposal of asbestos roofs’ at a rate for assessment of R1350 per house excluding VAT. For the ‘removal and disposal’ they propose a rate of R32 760 excluding VAT. There is no mention in this document of replacement of roofs.
	4. The Free State SLA, undated, appoints Blackhead to ‘assess/audit houses roofed using asbestos material, handling and disposal of asbestos sheets to an approved designated disposal site’. The duration of this contract is from signing until 31 August 2017 – approximately 33 months. The document states that payment shall be as per the IPW schedule, and shall be VAT inclusive.
	5. An appointment letter dated 1 October 2014 states that Blackhead is exclusively appointed for the ‘audit and assessment of asbestos, handling of hazardous material, removal and disposal of the asbestos-contaminated rubble and the replacement with SABS approved material’. This document seems to imply that Blackhead are appointed specifically because they specialise in the removal and replacement of asbestos rooftops as it is a hazardous project. In which case the tender process should have been followed, as in Gauteng their appointment was for general professional services.

**8.6** On 2 December 2014 an IPW is issued instructing Blackhead to ‘audit, assess and GPS all pre-1994 government housing units in the province at a rate of R850 (VAT exclusive) per unit up to a maximum of 300 000 units (Totalling R255 000 000 VAT exclusive) referred to as the total project cost.

The question here is, if the purpose was to only identify and GPS houses, any other service provider could have done this, and should the normal procurement process have been followed.

The IPW states that the total project cost would be paid over a six month period with R51 000 000 payable on commencement of the project on 1 December 2014. This can be considered to be an advance to the company which is not allowed, and furthermore, is contrary to their appointment letter, dated 19 June, which states that their appointment is ‘subject to the company securing funds to roll out the project in line with their proposal.’

One needs to ask why the department wanted to pay the service provider the full amount of the contract within a six month period, although it appears to be a contract with a duration of approximately 33 months?

Did the department receive value for money if the price per identification of R850 per unit in the Free State differs from the price of R650 per unit in Gauteng?

* 1. Why was Blackhead Consulting appointed for the identification and removal of asbestos rooftops although it appears that it was not specifically appointed for that purpose in the Gauteng area? Our concern is what was actually done in Gauteng as opposed to what was actually done in the Free State.
	2. Will the total amount envisaged for the project by the department of R255 000 000 be paid to Blackhead Consulting although only 36 050 houses were identified and not the 300 000 as originally estimated?
	3. What are the legal obligations of the department when the SLA and IPW differ substantially?
	4. Irregularities have been identified in the work performed by the contractor which identified 36 050 houses over a period of 5 months. Possible duplicate payments where the same house was captured at least twice, or mis-identified as having an asbestos roof. (See Site No 26 in Meloding, Matjhabeng appears on pages 4243 and 4251 of the report. Site 97 in Meloding, Matjhabeng is incorrectly identified as having an asbestos roof , while the same photo is used for Site 97 and Site 98 on pages 4692 and 4698.)
	5. There appear to be gross irregularities with the payments made.
* Payment advice 1309061. The claim appears to have been generated on the departments HSS system, no delivery milestone is recorded, and the tax invoice for R20 000 000 is not valid.
* Payment advice 1309200. The claim document appears to have been generated on the departments HSS system, and the tax invoice for R31 000 000 is not valid.
* Payment advice 1310189. The claim document appears to have been generated on the departments HSS system, the tax invoice for R76 500 000 is not valid.
	1. Treasury Regulation 16A 6.6 states that the Free State may participate in the existing contract which the service provider has with Gauteng, yet the terms and conditions, scope of work, and payment rates differ completely.
1. **TOTAL COSTS AND WORK COMPLETED TO DATE**

**R152 000 000 has been paid to Blackhead Consulting (Pty) Ltd to date, since their appointment, in exchange for 36 050 houses which have been identified as having asbestos rooftops, which equates to R4220-00 per house. It is not clear whether the department intends to pay the full amount of R255 000 000 for the project, although only 36 050 houses were identified and not the 300 000 originally envisaged. The balance of R103 000 000 could still be paid for this project although the service provider has completed the identification of houses. If this amount is paid it would thus amount to R7100-00 per house purely for identification. Our reading of the IPW of 2 December 2014 is that an amount of R30 642 500 could have been paid for the identification of 36 050 houses at a rate of R850 per unit (VAT exclusive). Instead an amount of R152 000 000 has already been paid and it could grow to R255 000 000.**

**10. DOCUMENTS PROVIDED**

* Blackhead Consulting – Free State: Structural Assessment Report dated 28 February 2015
* Payment advices: 1309061, 1309200, 1310189
* Gauteng Department of Human Settlements: Service Level Agreement, IPW and correspondence
* Free State Department of Human Settlements: Service Level Agreement, IPW, appointment letter and correspondence.