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Dan Region Water
Environmental Project

Consultants for Training and Supervising the Dan Region Water Environmental Project

Abstract

Dan Region Water Environmental Project

Consultants for Training and Supervising the Dan Region Water Environmental Project

Background

The Dan Region Agricultural Cooperative Water Association Ltd. (Dan Water) purifies wastewater and treats sludge at the Dan Region Wastewater Treatment Plant (Shafdan). Igudan - the Dan Region Association for Environmental Infrastructure - is an association of towns to treat sewage, that collects effluents and transfers it to the Shafdan. Igudan and Dan Water provide services to collect effluent from 23 regional authorities in the Dan Region and then treat it. In 2009 and 2013, Dan Water engaged with NGO A to carry out the "From Black to Green" project, a training project on the reduction of industrial pollution. Through the NGO, Dan Water engaged consultant A (2012-2013) and consultant B (2014-2018).

Key figures

140
million cubic meters

the average amount of effluent treated by Dan Water every year

138
million cubic meters

reclaimed wastewater Dan Water transfers to agriculture after further treatment by Mekorot Water Company

NIS 22 million

Dan Water's 2018 losses (NIS 217 million in revenues as opposed to NIS 239 million in expenditures)

NIS 2.15 million

what Dan Water paid the NGO for the "From Black to Green" project according to milestones from 2013-2017


NIS 886,460

the sum Dan Water paid consultants A and B from 2013 to 2018

29%


the percentage paid to consultants A and B out of total payments for the "From Black to Green" project


Scope


 From August 2018 to January 2019, the State Comptroller's Office examined the way consultants A and B were hired as part of the engagement between Dan Water and the NGO regarding the project and Igudan's involvement in hiring them. The examination was conducted at Dan Water and Igudan and supplemental examinations were conducted at the NGO.


Key Findings




 **Selecting consultant without a competitive procedure:** Some 29% of payments made to the NGO for the "From Black to Green" project was spent on hiring consultants A and B. The consultants were selected without a competitive process and Dan Water was involved in their selection.

 **Hiring of consultants without an agreement:** The consultants were hired without a written agreement or summary defining issues such as content of the work or services required of them or the results they must produce and in consideration of which remuneration was to be paid to them or to the entity to which there were to report to. In addition, no supervisory and control mechanisms for their work were set.

 **We found a lack of clarity with regard to reports and products** of consultant B, on the basis of which payments were made to him.

 **Flawed oversight of the NGO:** The audit found that part of the role of consultants A and B was to also supervise the work of the NGO that employed them. Oversight by a consultant who reports and submits the results of the supervisory work to the same supervised entity is improper. It places the consultant supervisor in a position of conflict of interest and might impair the supervisory action.

 **Failure to conduct a compatibility test:** The skills, experience, and compatibility of consultant B were only checked retroactively rather than a priori.






Initiative to reduce industrial pollution: Dan Water initiated the "From Black to Green" project, aimed reducing industrial pollution, by providing training to industrial plants whose effluent is collected by Shafdan.



Lessons learned from the audit: Dan Water and Igudan announced they had drawn conclusions from the audit, would effect changes in the process of working with consultants, and implement an in-house process of learning and drawing conclusions.

Key recommendations

-  Engagement of consultants must occur via a competitive process as required and must define a priori and in writing the content of work, the products for which the remuneration is paid, and the identity of the entity to which they should report. Furthermore, supervisory and control mechanisms for their work must be set. The products required from the supervisors and the reporting mechanism must be defined.
-  Engagement of consultants whose role is to supervise a project must be made via the party ordering the project and not by the entity the consultant is meant to supervise. Prior to selecting a consultant, the requirements of the position must be defined as well as the compatibility of the candidate and their advantages over other candidates.
-  We recommend examining the percentage of the cost of engaging a consultant as compared to the overall cost of the project.

Summary

Igudan and Dan Water must make sure that engagement of consultants is done in line with the rules of proper administration and based on a competitive process. Engagement of consultants must be direct. There must be a clear definition of their role to enable oversight of their work. Furthermore, supervision of external suppliers must be conducted by Igudan or Dan Water by themselves, or via consultants on their behalf, not by consultants who are supposed to be selected by the suppliers to report to them or be subordinate to them.

In view of the findings of the report, the Water Authority must consider setting regulations for the control mechanisms in the engagement of entities operating in the water and sewage sector.



The Shafdan compound

