



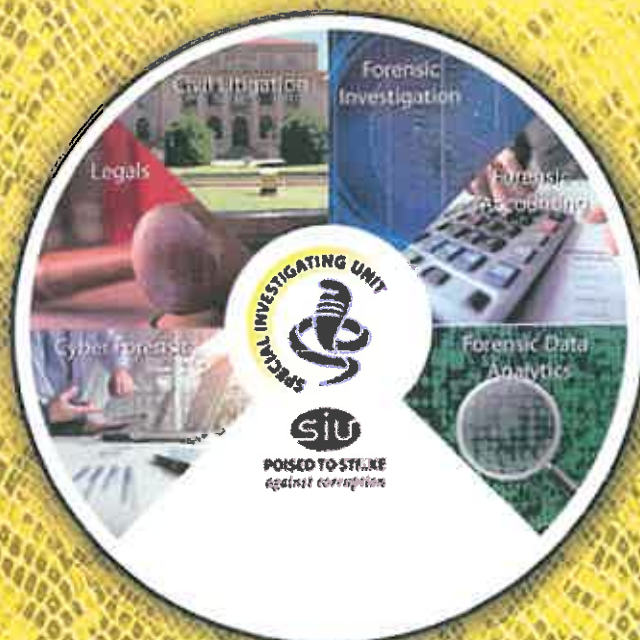
Progress Report to the President in terms of section 4(1)(f) of the Special Investigating Units and Special Tribunals Act No. 74 of 1996

In respect of the Investigation into the procurement of, or contracting for goods, works and services, including the construction, refurbishment, leasing, occupation and use of immovable property, during, or in respect of the National State of Disaster, as declared by Government Notice No. 313 of 15 March 2020, by or on behalf of the State Institutions

Proclamation No R23 of 2020

FINALISED MATTERS FOR PUBLIC RELEASE

15 October 2020



The State's preferred and trusted anti-corruption forensic investigation and litigation agency

EXECUTIVE SUMMARY

Section 4(1)(f) of the Special Investigating Units and Special Tribunals Act, 1996 (Act No. 74 of 1996) (**"the SIU Act"**) provides that among the functions of the Special Investigating Unit (**"SIU"**) are, from time to time as directed by the President, to report on the progress made in the investigation and matters brought before the Special Tribunal or any court of law.

When the President issued Proclamation No. R23 of 23 July 2020 (**"Proclamation"**), the President directed the SIU to report to him on a six weekly basis regarding the progress of the investigation.

This Report serves as one part of the SIU's second progress report to the President and covers progress made for the period 29 August 2020 to 02 October 2020. The other part of the progress report includes matters that are still under investigation and therefore could not be made public at this stage.

This Progress Report will deal briefly with the methodology used by the SIU in its investigations and the different processes that will be involved in bringing about the positive outcomes that the investigations are expected to produce.

As a result, the issues that will be dealt with in this Progress Report are the following:

- First, the backdrop against which the Proclamation was issued will be summarised;
- Then the approach that the SIU adopts in fulfilling its functions and discharging its responsibilities will be outlined;
- Thereafter, the following topics will be dealt with briefly:
 - the allegations that the SIU has been tasked to investigate;
 - the investigations that have already been done;
 - what investigations are still to be done;
 - the steps that have been and are being taken to ensure that officials who are suspected of misconduct are disciplined, that persons suspected of having committed criminal offences are charged, and that civil recoveries are made from those who have benefitted unduly from invalid actions or inadequate performance or culpably caused loss to the State;
 - the main issues that have arisen in this investigation; and

Observations from the SIU investigations

- Certain service providers were found to have only been registered on the CIPC during February and March 2020.
- Companies awarded contracts were not registered on the Central Supplier Database ("CSD")
- Certain service providers were already in the de-registration process when they quoted and were awarded contracts (their tax status is being verified as this would have impacted on their registration on the CSD).
- The type of goods supplied were not consistent with the nature of the business registered on the CIPC, i.e they should have been requested to quote for the services
- Non-essential goods were procured under the Covid-19 emergency provisions.
- Certain companies were awarded BBEE points as level 1 contributors when they in fact did not qualify.

Steps Taken to Date

The following outcomes have been achieved to date:

Rand value and number of matters instituted in the Special Tribunal			
Description	Number of Matters	Value of outcome	Date referred / instituted / set aside
BeitBridge Matter. Application was brought to declare the contracts issued to both Caledon River Properties and Profteam CC by the DPWI invalid due to irregularities found in the award of the contract (NAT)	1 1	R41 m	23/09/2020 Case no. GP12/20 (First phase) Case no. LP01/20 (Second phase)
Scooter Gate Matter. Interdict the EC Department of Health from proceeding with the contract and/or making any payment to the service provider (ECP)	1	R10 148 750	07/09/2020 Case no. EC04/20

Rand value and number of matters instituted in the Special Tribunal

Description	Number of Matters	Value of outcome	Date referred / instituted / set aside
<p>Ledla Matter. In the Royal Bacha and Ledla matters. FIC froze 39 bank accounts</p> <p>Application brought to declare Ledla contract invalid (R139 m) and to freeze approximately R26 m as the proceeds of unlawful activities, while also freezing the pension pay-out of between approximately R500 000 and R700000 of Ms Lehloenya (former CFO of Gauteng DOH. Summons issued against Ms Lehloenya and Prof Lukhele to recover approximately R43 m of losses in Ledla and Beadica matters (GAU).</p>	<p>1</p> <p>1</p>	<p>R26 m - Ledla</p> <p>R139 m – value of Ledla contract</p> <p>R43 million</p>	<p>Case no. GP07/20</p> <p>06/08/2020</p> <p>20/08/2020</p> <p>Case no. GP11/20</p> <p>11/09/2020</p>

Rand value of potential cash and/or assets to be recovered

Description	Value of outcome	Date achieved
Confirmation from Department of Social Development: Head of Department to stop payment to a Service Provider for the provision of blankets due to pending SIU civil action (KZN)	R2 040 000 in respect of 1 Service Provider	September 2020
Department of Health (NWP)	2 Acknowledgment of Debts R19 591	September 2020
Matzikama Local Municipality to refrain from making any further payments (WCP)	R80 000	September 2020
Department of Health (GAU) recommendation to Department to stop payments to 4 service providers	R80.3 million	September 2020

Rand value of potential cash and/or assets to be recovered		
Description	Value of outcome	Date achieved
Department of Education (KZN)	2 Acknowledgment of Debts R216 191	October 2020
Department of Health (MPU)	2 Acknowledgment of Debts R150 800	October 2020

Rand value of actual cash and/or assets recovered		
Description	Value of outcome	Date achieved
Department of Education (KZN)	2 Acknowledgment of Debts R40 000	September 2020
Department of Health (NWP)	2 Acknowledgment of Debts R19 591	September 2020
Department of Health (MPU)	2 Acknowledgment of Debts R150 800	October 2020

Number of referrals made to the National Prosecuting Authority		
Description	No of referrals	Date achieved
Referral in terms of section 86 of the PFMA against the Acting Head of Department DSD KZN for failure to comply with his general responsibilities as per section 38	1 (R4 717 925)	09/10/2020
Contravention of S 173 of MFMA. (NWP)	1 (R165 960)	09/10/2020
Contravention of S 173 of MFMA (NWP)	1 (R2 583 477)	09/10/2020

Number of referrals made to the National Prosecuting Authority

Description	No of referrals	Date achieved
Fraud	1	30/09/2020
Financial Misconduct	1	30/09/2020
Beitbridge Matter Fraud committed by Project Manager, Chief Director, Main contractor and Principal Agent.	7	28/09/2020
Fraud, Corruption and Collusion in the appointment of Royal Bacha, Ledla and Beadica. Criminal Offence of Financial Misconduct in terms of Section 86(1) of the PFMA against the HOD of Gauteng DOH Allegations of Financial Misconduct in terms of Section 86(1) of the PFMA against the HOD of Gauteng DOH	3	06/08/2020 17/09/2020 22/09/2020
Supplied hand sanitizer to Department of Environment, Forestry and Fisheries in the WCP which was bottled under a false and forged, cloned label and product information	2	06/10/2020
Fraud against an official and a service provider in respect of the	3 referrals (R6 051 415)	30/09/2020

Number of referrals made to the National Prosecuting Authority

Description	No of referrals	Date achieved
FSP Provincial Treasury investigation		

Number of referrals made for Disciplinary Action against officials

Description	No of referrals	Date referred
Contravention of S 171 and 172 of MFMA (NWP)	3	08/10/2020 06/10/2020
Contravention of S 171 and 172 of MFMA (NWP)	2	08/10/2020.
Contravention of S 81(2) of PFMA (NWP)	1	30/09/2020
HOD of Gauteng DoH Head of SCM of Gauteng DOH Deputy Director HR of Gauteng DOH	2	01/10/2020 01/10/2020 01/10/2020
Financial misconduct against five officials at Sekhukhune District Municipality	5	30/09/2020

Number of referrals made for Executive and/or Administrative Action

Description	No of referrals	Date referred
Gauteng MEC of Health (he has since been discharged)	1	09/10/2020

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1 BACKGROUND TO THE ISSUANCE OF PROCLAMATION R23 of 2020

On 15 March 2020, the Minister of Co-operative Governance and Traditional Affairs, as designated under section 3 of the Disaster Management Act, No. 57 of 2002, declared a national state of disaster having recognised that special circumstances exist to warrant the declaration of a national state of disaster.

The Minister's decision was informed by consideration of the magnitude and severity of the Covid-19 outbreak which had been declared a global pandemic by the World Health Organisation and classified as a national disaster by the Head of the (South African) National Disaster Management Centre.

Emergency procurement measures were subsequently implemented by the National Treasury ("NT"). A brief exposition of such measures is set out in the section of this Report which deals with the regulatory framework that is applicable to the matters under investigation.

Pursuant to the declaration of the national state of disaster, the allegations mentioned herein were reported to the SIU.

The allegations upon which the SIU's motivation for a proclamation was based emanated from:

- (a) the Director-General ("DG") in the Office of the Premier ("OTP"), Gauteng;
- (b) whistle-blowers whose identities are known to the SIU; and
- (c) anonymous whistle-blowers via the SIU whistle-blowing hotline.

The allegations involved certain affairs of state institutions in the national, provincial and local spheres of government in relation to the procurement of goods, works or services in response to the Covid-19 pandemic.

The allegations reported to the SIU involved the procurement of Personal Protection Equipment ("PPE"), hospital and quarantine sites, catering services (food parcels), ventilators, disinfecting equipment and motorized wheelchairs.

It was alleged that-

- (a) suppliers/service providers were paid in the absence of proof of delivery;
- (b) duplicate payments were made to suppliers/service providers;
- (c) suppliers/service providers did not have valid tax clearance certificates or were otherwise not tax compliant;
- (d) PPE were procured at exorbitant prices; and

- (e) officials disqualified legitimate service providers and replaced them with entities belonging to their friends and/or family.

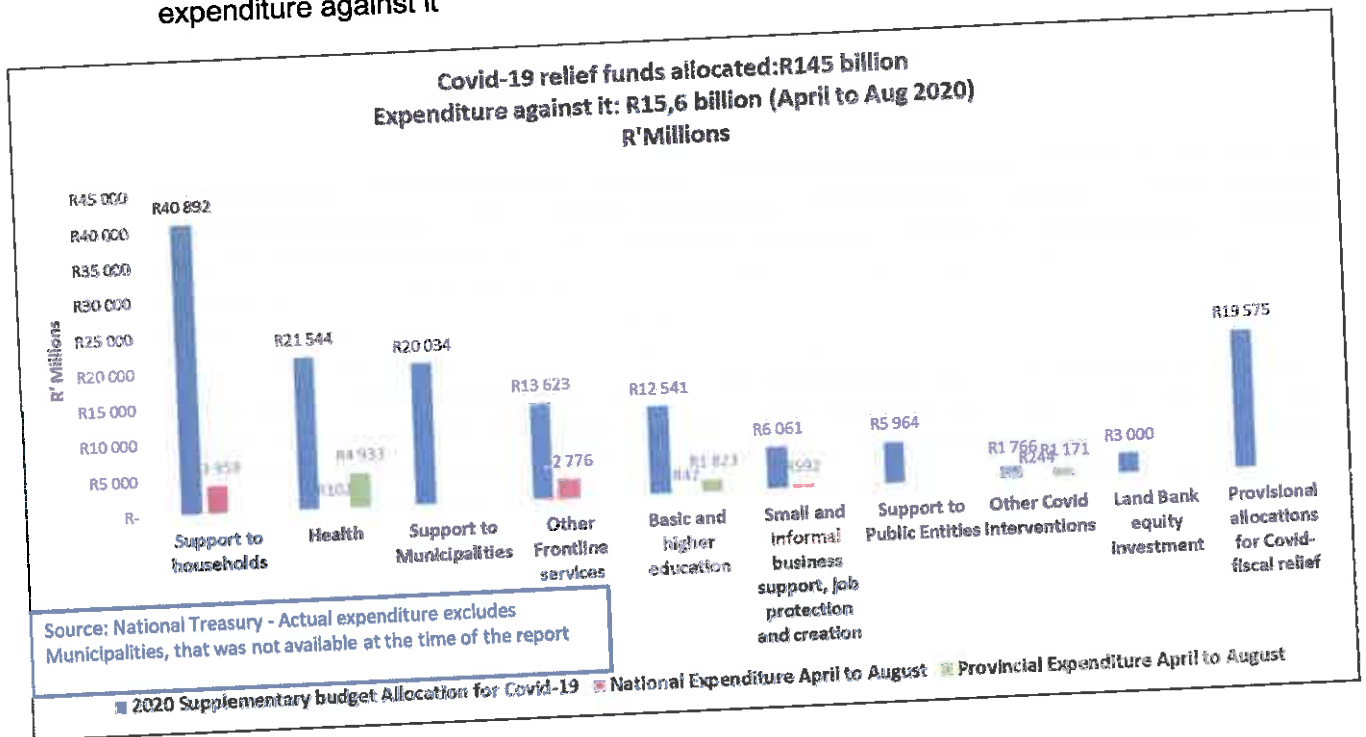
In summary, it appeared that the procurement did not comply with section 217(1) of the Constitution of the Republic of South Africa, 1996 (“**Constitution**”) as well as the applicable measures announced by the NT in relation to procurement undertaken by state institutions in response to the Covid-19 pandemic.

After careful consideration and assessment of the allegations, the SIU applied to the President for a proclamation to investigate maladministration and corruption regarding procurement by all state institutions across all three tiers of government, in response to the Covid-19 pandemic.

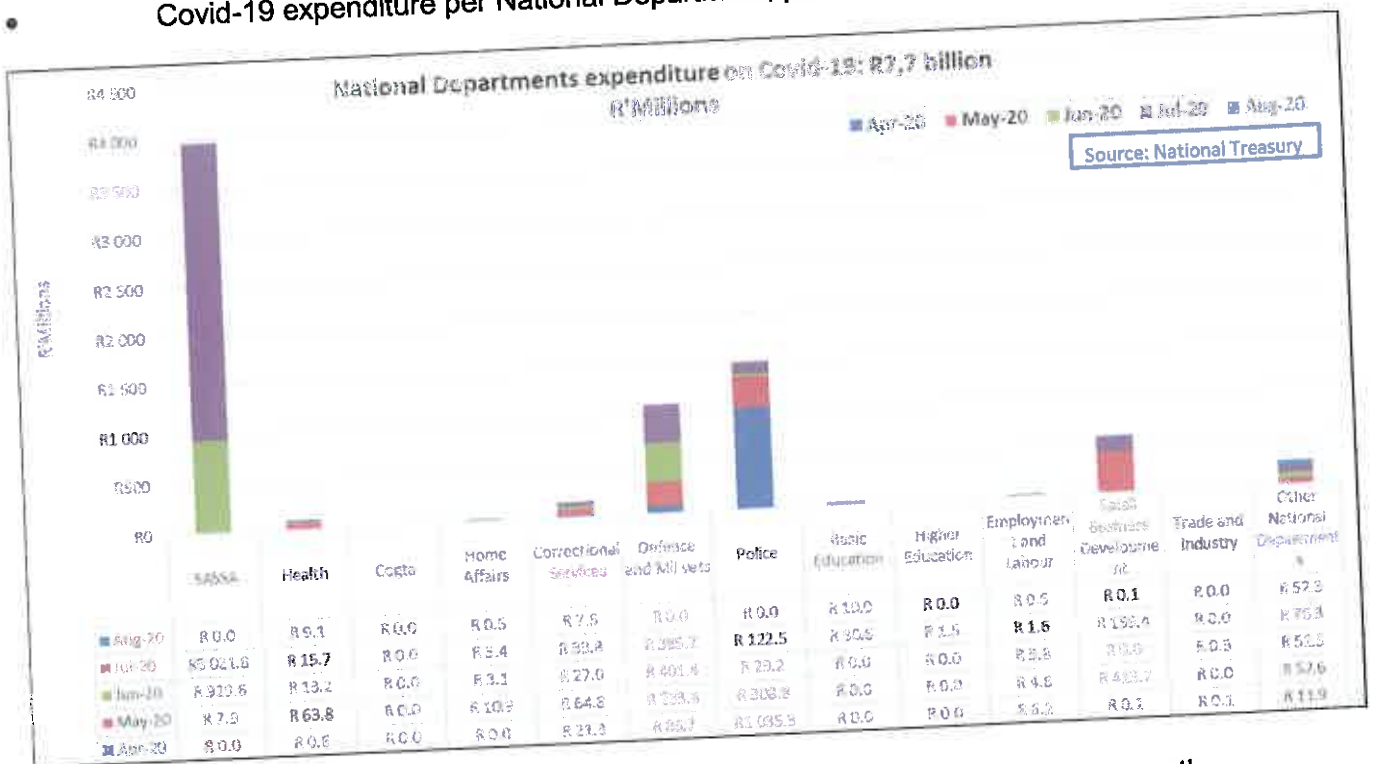
2 RELEVANT EXPENDITURE STATISTICS ON COVID-19 PANDEMIC

The SIU has obtained relevant expenditure statistics on Covid-19 from National Treasury that indicates expenditure per tier of Government, and where relevant, contrasted it to the value of contracts under investigations. It provides some valuable overall financial context to the cumulative expenditure on Covid-19, and what is currently being investigated. See graphs below:

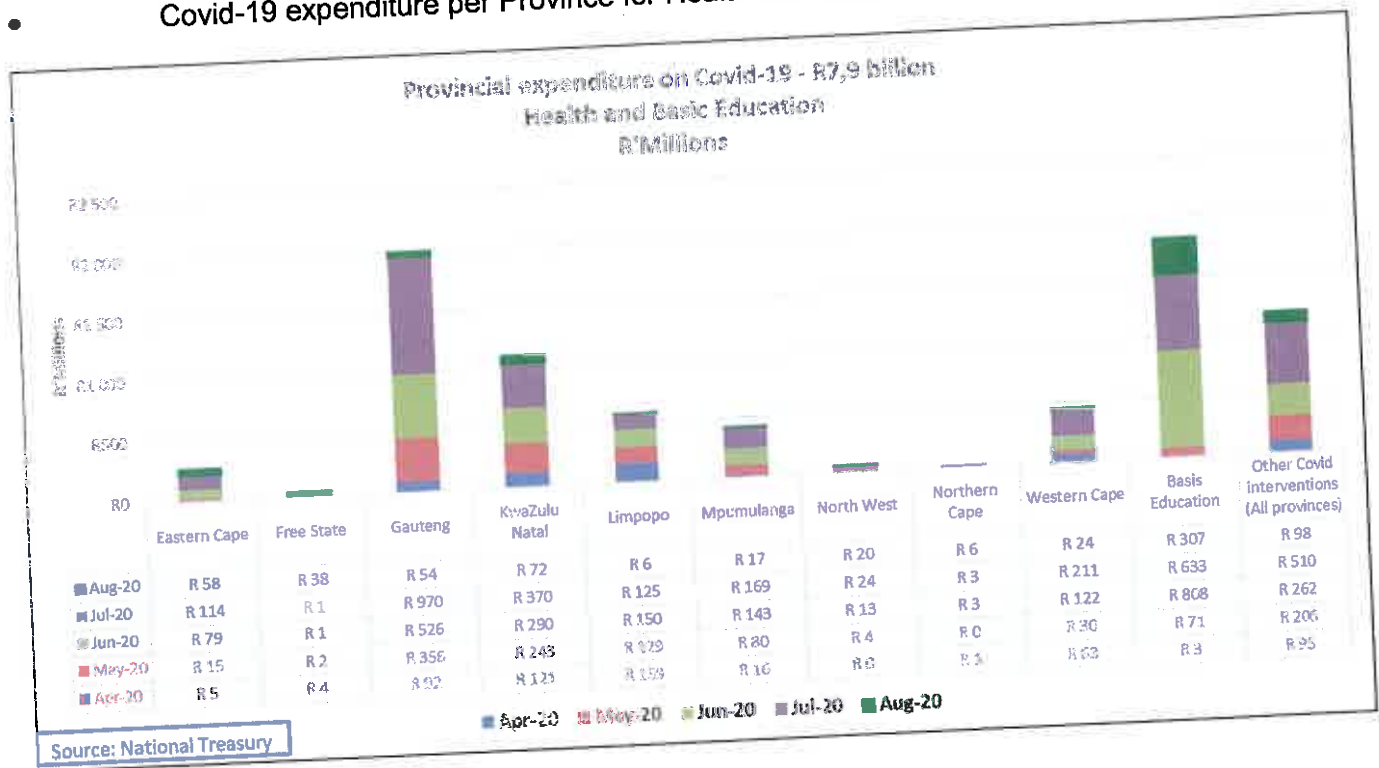
- Supplementary budget allocations for Covid-19 vs National and Provincial expenditure against it



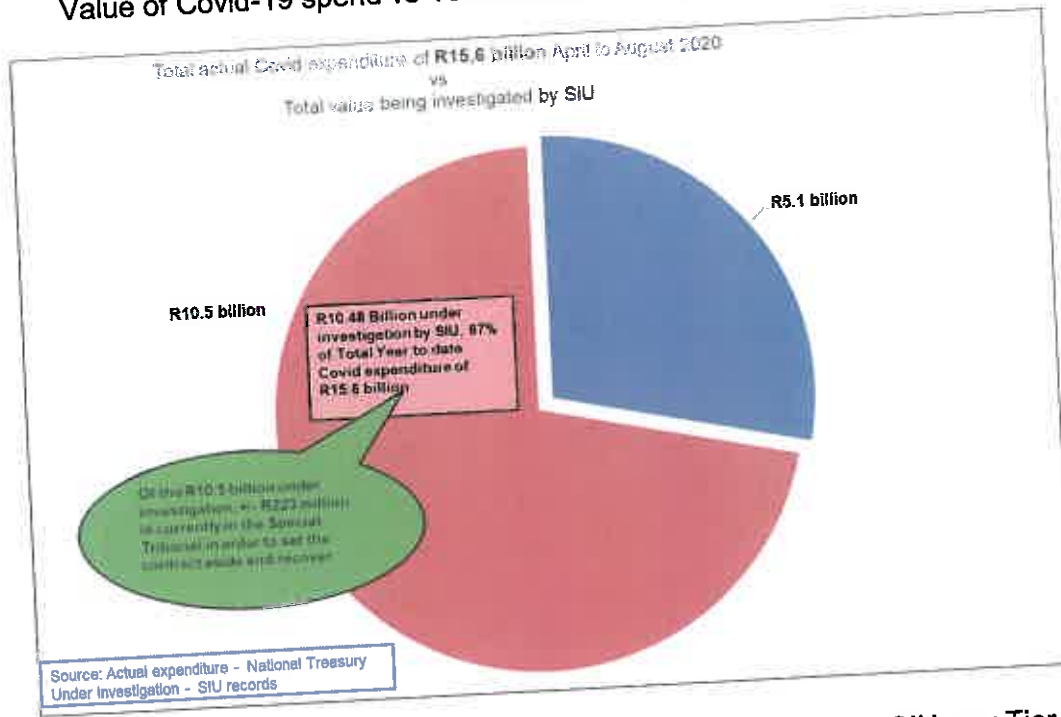
Covid-19 expenditure per National Department, per month



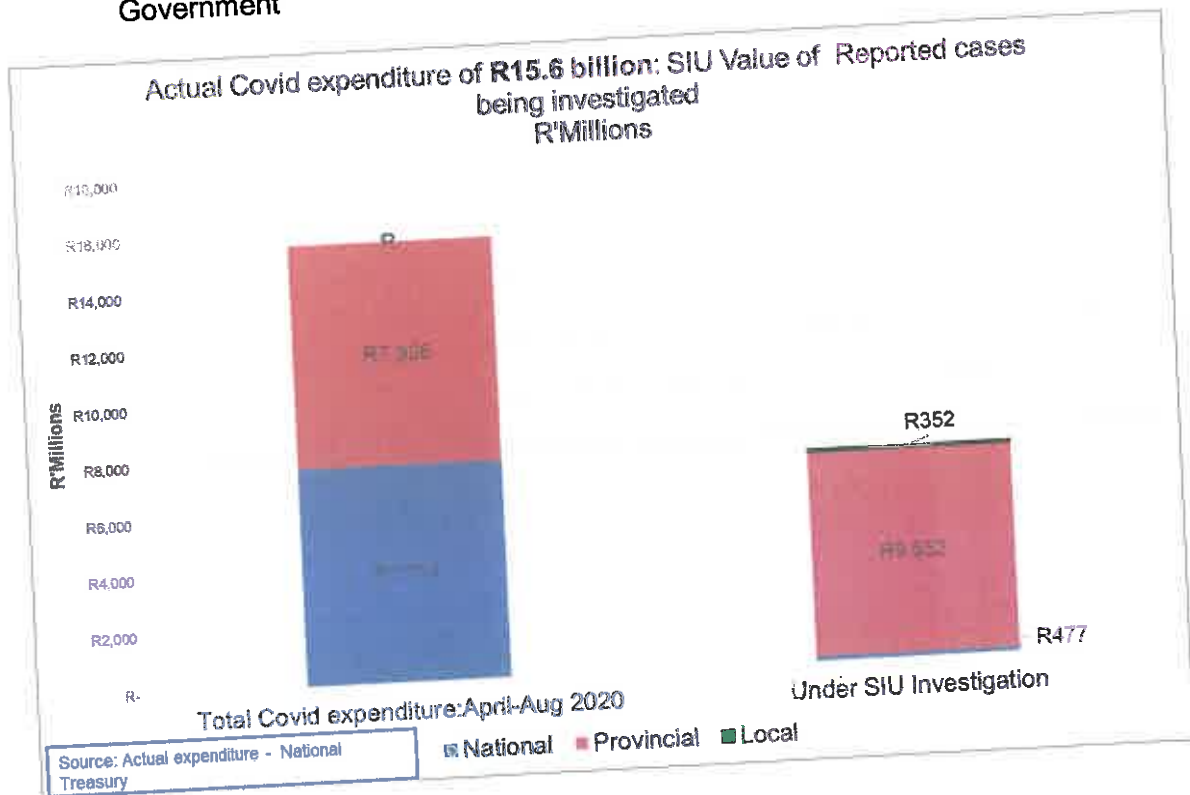
Covid-19 expenditure per Province for Health and Basic Education, per month



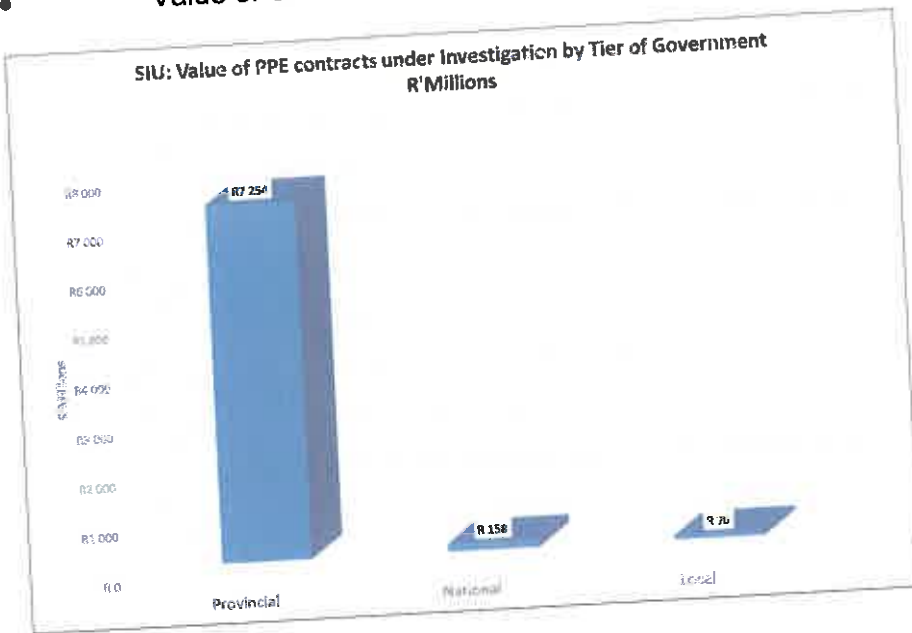
Value of Covid-19 spend vs Value under investigation by the SIU



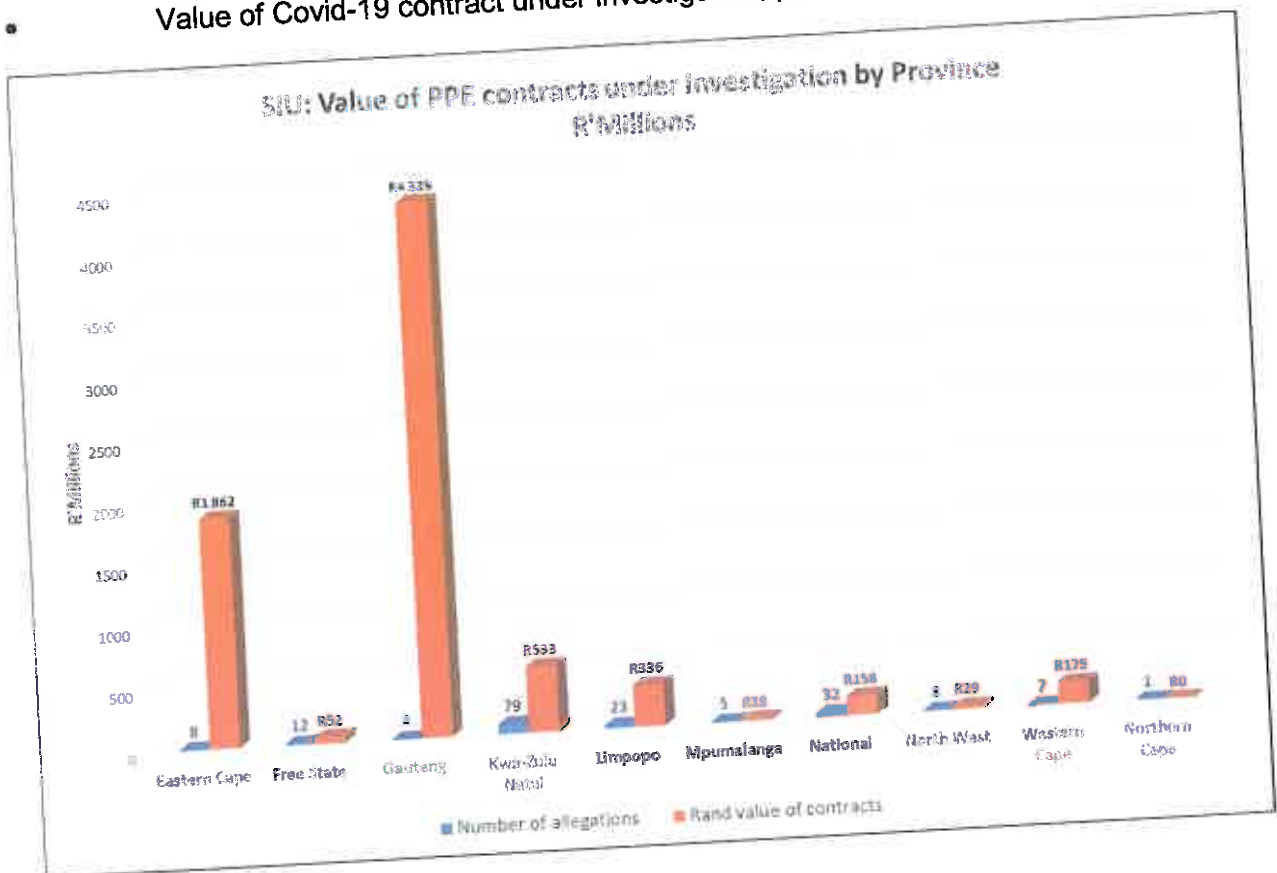
Value of Covid-19 spend vs Value under investigation by the SIU, per Tier of Government



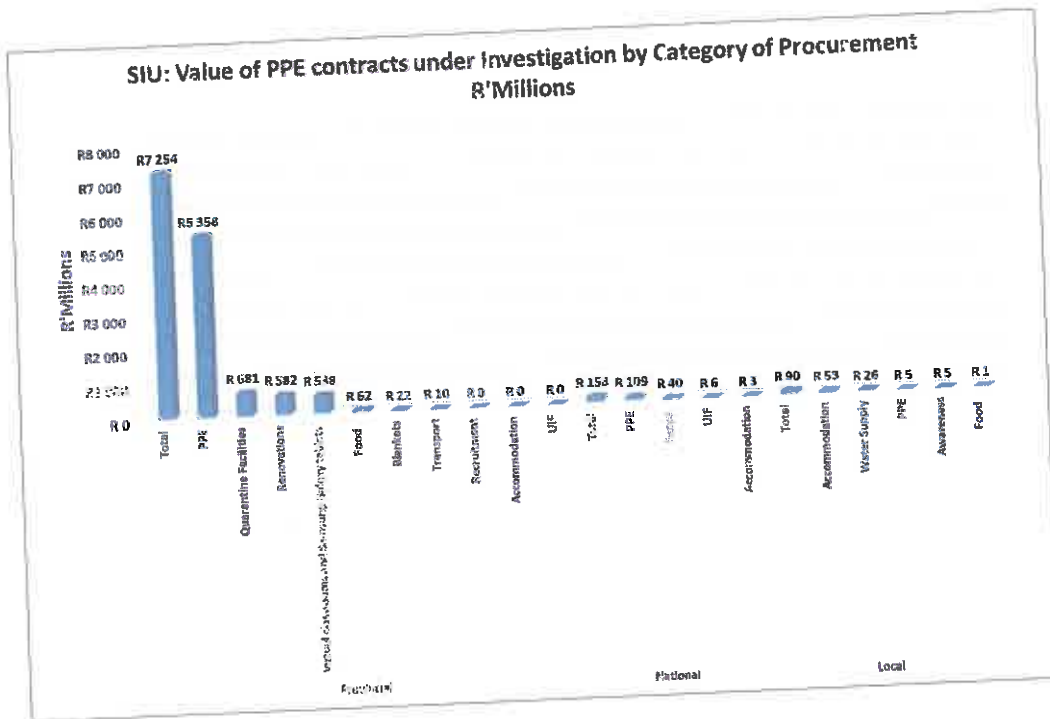
Value of Covid-19 under investigation by the SIU, per Tier of Government



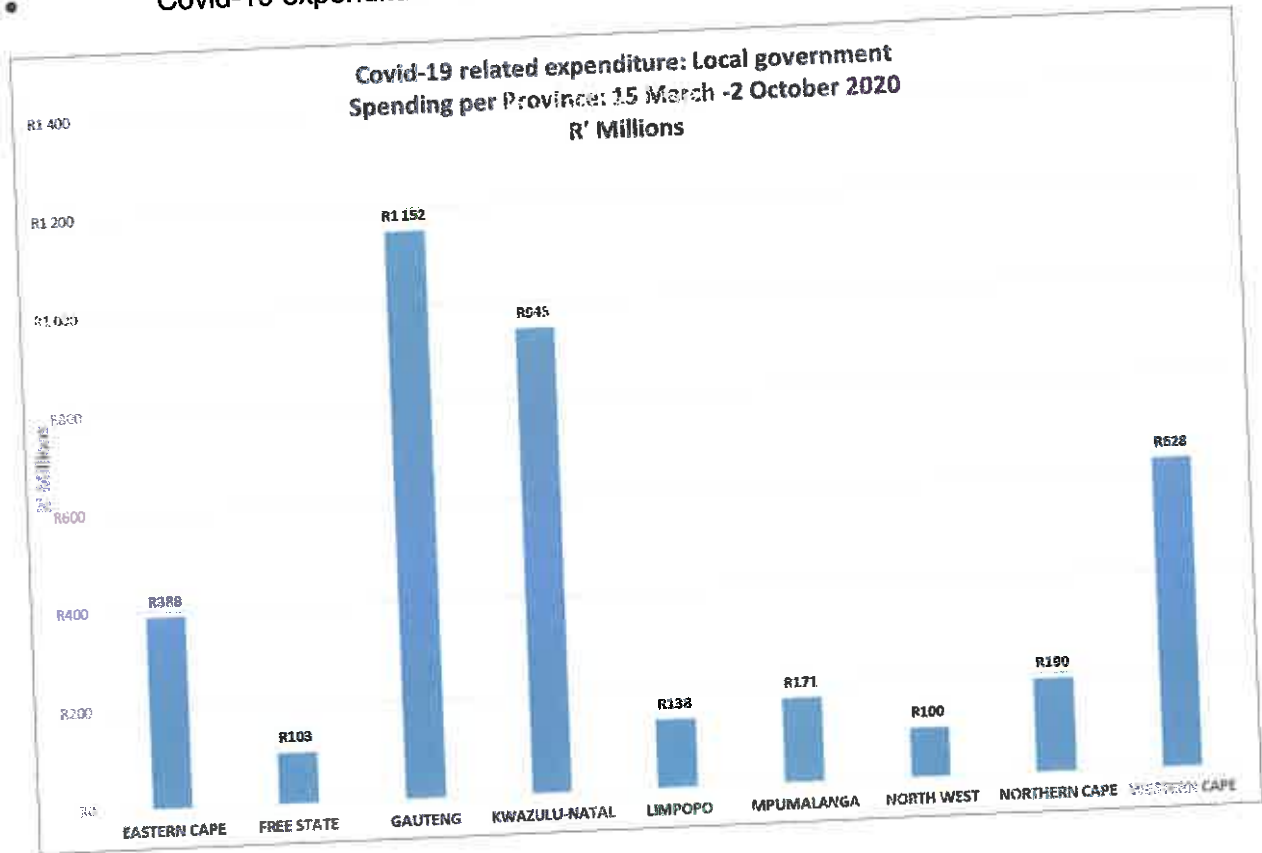
Value of Covid-19 contract under investigation, per Province



Covid-19 contracts under Investigation, per category of expenditure



Covid-19 expenditure for Municipalities, per Province



3 SIU'S MANDATE

On 23 July 2020, and with the publication of Proclamation No. R23 of 2020 (Government Gazette No. 43546 dated 23 July 2020) ("**Proclamation**"), the President referred certain allegations of impropriety in connection with the affairs of all State institutions (as defined in the SIU Act) to the SIU and provided the SIU with its terms of reference, which are fully set out in the Schedule to the Proclamation.

The investigation spans primarily the period 1 January 2020 and 23 July 2020 (i.e. the date of publication of the Proclamation), but also authorises investigations into matters which took place prior to 1 January 2010 or after 23 July 2020, but are relevant to, connected with, incidental or ancillary to the matters mentioned in the Schedule to the Proclamation or involve the same persons, entities or contracts investigated under authority of the Proclamation.

The Proclamation further specifically tasked and authorised the SIU to exercise or perform all the functions and powers assigned to, or conferred upon it by the SIU Act, including the recovery of any losses suffered by State Institutions or the State, in relation to the said matters in the Schedule to the Proclamation.

In terms of the SIU Act, as read with Proclamation No. R118 of 2001 and the Proclamation, among the matters that the SIU was required to investigate were:

Any alleged –

- (a) serious maladministration in connection with the affairs of the State Institutions;
- (b) improper or unlawful conduct by officials or employees of the State Institutions;
- (c) unlawful appropriation or expenditure of public money or property;
- (d) unlawful, irregular or unapproved acquisitive act, transaction, measure or practice having a bearing upon State property;
- (e) intentional or negligent loss of public money or damage to public property;
- (f) offence referred to in Parts 1 to 4, or section 17, 20 or 21 (in so far as it relates to the aforementioned offences) of Chapter 2 of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004) ("**PaCoCA Act**") and which offences were committed in connection with the affairs of the State Institutions; or
- (g) unlawful or improper conduct by any person, which has caused or may cause serious harm to the interests of the public or any category thereof,

in relation to following matter(s) as envisaged in the Schedule to the Proclamation, which took place between 1 January 2020 and 23 July 2020 (i.e. the date of publication of the Proclamation)

or which took place prior to 1 January 2020 or after 23 July 2020, but is relevant to, connected with, incidental or ancillary to the matters mentioned in the Schedule or involve the same persons, entities or contracts investigated under authority of the Proclamation:

The procurement of, or contracting for, goods, works and services, including construction, refurbishment, leasing, occupation and use of immovable property, during, or in respect of the national state of disaster as declared by Government Notice No. 313 of 15 March 2020, by or on behalf of the State Institutions and payments made in respect thereof in a manner that was—

- (a) not fair, competitive, transparent, equitable or cost-effective;
- (b) contrary to applicable—
 - (i) legislation;
 - (ii) manuals, guidelines, practice notes, circulars or instructions issued by the NT or the relevant Provincial Treasury; or
 - (iii) manuals, policies, procedures, prescripts, instructions or practices of or applicable to the State Institutions;
- (c) conducted by or facilitated through the improper or unlawful conduct of—
 - (i) employees or officials of the State Institutions; or
 - (ii) any other person or entity,

to corruptly or unduly benefit themselves or others; or

- (d) fraudulent,

and any related unauthorised, irregular or fruitless and wasteful expenditure incurred by the State Institutions or the State.

Any improper or unlawful conduct by the officials or employees of the State Institutions or any other person or entity, in relation to the allegations set out in paragraph above, including the causes of such improper or unlawful conduct and any loss, damage or actual or potential prejudice suffered by the State Institutions or the State.

4 KEY OBJECTIVES

The objectives of the investigation are as follows:

- Review compliance with the prescribed legislation, policies, procedures, directives and other relevant or applicable prescripts in respect of the procurement of goods and services by the State Institutions in response to the national state of disaster.

- Identify irregular/unlawful conduct on the part of the officials or employees of the State or any other person.
- Collect lawfully admissible evidence to institute civil proceedings to:
 - set aside contracts awarded by the State Institutions, if appropriate;
 - recover public money that was not due, owing or payable in respect of the procurement process that was followed by the State Institutions; and/or
 - prevent further losses to the State.
- Refer such evidence for the institution of appropriate disciplinary, administrative, executive and/or criminal proceedings against complicit parties.
- Provide recommendations on improvements of systemic weaknesses identified.

5 KEY DELIVERABLES

The deliverables of the investigation are as follows:

- To investigate allegations pertaining to the procurement of goods and or services.
- To institute civil proceedings in the Special Tribunal for the recovery of losses and/or the prevention of further losses.
- To refer evidence in respect of criminal, administrative, executive and/or disciplinary action, and to make systemic recommendations.
- To compile progress Reports and a final Report to the President in respect of the investigation conducted.

6 METHODOLOGY APPLIED TO IDENTIFY AND PRIORITISE MATTERS FOR INVESTIGATION

Allegations were received from various sources including State institutions. The allegations were then registered and assessed against the investigative scope and period of the Proclamation. If the allegations were found to fall within the investigative scope and period of the Proclamation, these matters were then referred to the relevant SIU investigation team for investigation. Matters were prioritized based on potential outcomes to be realized in the shortest amount of time based on available resources ("low hanging fruit").

7 INVESTIGATION METHODOLOGY

The SIU investigation methodology includes the following:

- A review of all legislative prescripts governing the areas under investigation;
- The collection of documents utilizing the powers as set out in section 5 of the SIU Act;
- A review of all applicable documents against the legislative prescripts;
- Interviews with keys witnesses, officials and whistle blowers;
- Conducting site visits;
- Obtaining computer forensic evidence through Cyber Forensic; and
- Conducting Data analytics and searches on available data bases.

8 REGULATORY FRAMEWORK

The measures applicable to procurement by State institutions may be divided into two broad categories:

- Those applicable to State institutions in general under “normal” circumstances.
- Those applicable to State institutions when they cannot procure by means of their normal procurement processes, and where they have to procure under the emergency circumstances resulting from the declaration of a national state of disaster on 15 March 2020.

Since the declaration of the national state of disaster, the NT has put certain measures in place to further regulate public sector procurement.

These additional measures include the issuance of a communication on 25 March 2020 to all Accounting Officers and Accounting Authorities advising that no new tenders be issued during the national lock-down period so as not to deprive a prospective bidder of the opportunity to be able to respond to such tender.

The communication, referred to above, was superseded by a further communication dated 5 May 2020, which provided, *inter alia*, that new bids could be issued during the lock-down period, but that such was required to be done in a manner that ensured that no prospective bidder was deprived of the opportunity to be able to respond to such tender, and without contravening the other lock-down restrictions such as social distancing etc.

This was to ensure that public procurement, under the circumstances, remains fair, equitable, transparent, competitive and cost-effective, as required by section 217(1) of the Constitution.

Further measures include the issuing of:

- (a) Regulation 9 of the Disaster Management Regulations of 18 March 2020 stated that emergency procurement is subject to the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("**PFMA**"), and the applicable emergency provisions in the Regulations or Instructions made by NT.
- (b) NT Instruction No. 08 of 2019/2020: Emergency Procurement in response to National State of Disaster ("**Practice Note No. 08 of 2019/2020**"), which applied from 19 March 2020 to 14 April 2020. Practice Note No. 08 of 2019/2020 was repealed by NT Instruction No. 3 of 2020/21 – see paragraphs (c) and (l) below.
- (c) NT Instruction No. 3 of 2020/21, dated 15 April 2020 ("**Practice Note 3 of 2020/2021**") purportedly applied from 15 April 2020 to 27 April 2020. Practice Note 3 of 2020/2021 was repealed by Practice Note No. 5 of 2020/2021 – see paragraphs (d) and (m) below.
- (d) NT Instruction No. 5 of 2020/2021, dated 28 April 2020 ("**Instruction No. 5 of 2020/2021**") (as amended and supplemented from time to time) applied from 28 April 2020 to 31 August 2020. Instruction No. 5 of 2020/2021 was repealed by NT Instruction No. 11 of 2020/21.
- (e) An Amendment to Instruction No. 5 of 2020/2021 "*Update of Price List and Supplier List*" dated 20 May 2020 ("**Amendment to Instruction No. 5 of 2020/2021**") – see paragraph (o) below.
- (f) NT Instruction No. 7 of 2020/21 "*Preventative measures in response to the Covid-19 pandemic that resulted in the national state of disaster*", dated 26 May 2020 ("**Instruction No. 07 of 2020/2021**") applied as from 1 June 2020 – see paragraph (p) below.
- (g) GNR. 448 of 3 April 2020: Tribunal Rules for Covid-19 Excessive Pricing Complaint Referrals (Government Gazette No. 43205), which were issued by Ebrahim Patel, Minister of Trade, Industry and Competition in consultation with the Chairperson of the Competition Tribunal and in terms of section 27(2) of the Competition Act, 1998 (Act No. 89 of 1998) ("**Competition Commission Excessive Pricing Regulations**"). In terms of this notice, Regulations were issued relating to the functions of the Competition Tribunal – see paragraph (q) below.
- (h) **MFMA Circular No. 100** is dated 19 March 2020 (emergency procurement in response to Covid-19 pandemic) gave directives to Accounting Officers of Municipalities and Municipal entities to facilitate emergency procurement to deal with

Covid-99 and to avoid the abuse of the supply chain management system to deal with the Disaster. It applied from 19 March 2020 to 14 April 2020 when it was replaced by MFMA Circular 101.

- (i) **MFMA Circular 101** (Covid-19 bulk central procurement strategy for government institutions). Its purpose was to advise municipalities and municipal entities disaster management central emergency procurement process for PPE that may be implemented by accounting officers. It had to be read in conjunction with Circular 100. It states that it updates and replaces circular 100. It applied from 14 April 2020 to 5 May 2020 when it was repealed by MFMA Circular 102.
- (j) **MFMA Circular 102**. The specific purpose of this Circular is to advise of emergency procurement procedures of Covid-19 PPE items and cloth masks for ease of supply by small, medium and micro enterprises (SMMEs) and create an environment for stimulation of local supply and manufacturing. It applied from 5 May 2020. It is stated in the circular that it served to withdraw Circulars 100 relating to Emergency Procurement in Response to Covid-19 Pandemic, and MFMA 101 relating to Covid-19 Bulk Central Procurement Strategy for Government Institution.
- (k) **MFMA Circular 103** was signed on 27 May 2020 (Preventative Measures in Response to the Covid-19 pandemic that resulted in the National State of Disaster. It took effect from 1 June 2020.
- (l) **Practice Note No. 08 of 2019/2020** applied from 19 March 2020 to 14 April 2020. In terms of this practice note:
- NT sought to regulate prices in order to avoid uncompetitive and inflated pricing, including price gouging (see Annexure "A" dated 19 March 2020).
 - Furthermore, the use of transversal contracts (as supplemented by additional PPE related items that were added by NT based on written quotations) for procuring items related to Covid-19 relief measures was prescribed in order to assist with Pre-negotiated prices based on economies of scale; Security of supply; and Preventing rogue and panic buying.
 - Any items not listed in Annexure A: Table 1 or Table 2 of Practice Note No. 08 of 2019/2020 cannot be procured under the Transversal Contract or the special arrangements made between the NT and the suppliers, in such cases, the State institutions had to:
 - Apply the normal Supply Chain Management ("**SCM**") processes, which may include a SCM Deviation under Regulation 16A6.4 of the Treasury Regulations. In this regard, it must be emphasised that the emergency

procurement provisions as contained in Regulation 16A6.4, as read with SCM Instruction Note 3 of 2016/17¹ and NT Practice Note No. 8 of 2007/2008² had to be complied with.

- Report to the relevant Treasury within 30 days, any emergency procurement done.
- In as far as the State institutions can procure such items or any item listed in Annexure "A" under any existing contracts (including Facilities Management Contracts):
 - The State institutions or the relevant Treasury is still bound by the terms and conditions of such existing contracts – i.e. they can and must still order under such existing contracts.
 - NT waives the prescripts of Paragraph 9.2 of the NT SCM Instruction Note 3 of 2016/17 "*Preventing and Combating abuse in the Supply Chain Management System*", dated 19 April 2016 ("**SCM Instruction Note 3 of 2016/17**").
 - As such, the State institutions can vary/expand those contracts to a contract value in excess of 15 % of the original contract value or R15 million (whichever is the lesser amount), when purchasing any items related to Covid-19.
- Furthermore, the State institutions may approach any other supplier to obtain quotes and may procure from any such supplier on condition that:

¹ In terms of paragraph 8 of SCM Instruction Note 3 of 2016/17, an Accounting Officer "must only deviate from inviting competitive bids in cases of emergency and sole supplier status". Furthermore, emergency procurement may be invoked "when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids". In addition, sole source procurement may occur when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of the institution. The Instruction Note goes on to provide that the Accounting Officer must invite as many suppliers as possible and select the preferred supplier using the competitive bid committee system. Lastly, any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant treasury.

² Practice Note 8 of 2007/2008, issued on 29 November 2007, amplifies Practice Note 6 of 2007/2008 which was issued on 18 April 2007. Practice Note 6 deals with the procurement of goods and services by means other than through the invitation of competitive bids. It points out the following. First, the deviation permitted under Treasury Regulation 16A6.4 is "*intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers*". Second, government institutions have abused it in order to circumvent the required competitive bidding process. Third, lack of proper planning by departments does not constitute a reason for dispensing with the prescribed bidding processes. Fourth, accounting officers and authorities are accordingly directed to ensure that Treasury Regulation 16A6.4 is "*utilized strictly to procure goods and services of critical importance and only in specific cases when it is impractical to invite competitive bids.*" To ensure compliance, Practice Note 6 henceforth requires accounting officers and authorities to report, within ten days to the relevant Treasury and the Auditor-General, all cases where goods and services above R 1 million were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed bidding processes.

- The items are according to the minimum Specifications as determined by the National Department of Health (“DoH”);
 - The prices are equal to or lower than the prices set out in Annexure “A”; and
 - The supplier is registered on the Central Supplier Database (“CSD”).
 - Practice Note No. 08 of 2019/2020 was repealed by NT Instruction No. 3 of 2020/21 – see paragraph (m) below.
- (m) **Practice Note 3 of 2020/2021** purportedly applied from 15 April 2020 to 27 April 2020. In terms of this practice note:
- As the pandemic impacts both the public and private sectors, it was imperative to collaborate and join forces. Thus, a decision for a public and private sector central procurement strategy was made at the National Joint Operations and Intelligence Structure (“NATJOINTS”). The NATJOINTS accepted voluntary support from Business South Africa (“BSA”) to provide the services of Imperial Health Sciences (“IHS”) as the Central Implementing Agent for the public and private sector to utilise its logistical expertise and capabilities on a non-profit basis.
 - It is also important that Government sets the maximum price per product it will pay. In the current disaster environment, which is more akin to a war situation with serious shortages and where rationing and price controls may be required. The National DoH and the NT Procurement Team determines the prices that Government will pay for products (revised and updated Annexure “A”).
 - In terms of Practice Note 3 of 2020/2021, the needs of the State institutions would be submitted to the National DoH and the NT Procurement Team, who will do the forecasts and identify the Net requirement of supplies. The Procurement Team approaches the Solidarity Fund for funding.
 - A Purchase Requisition from the Procurement Team and approval of funding from the Solidarity Fund is sent to the IHS as the Central Implementing Agent. The IHS will execute the Purchase Order (“PO”) to the Approved SA Suppliers and/or Approved Global Suppliers (i.e. placing the order with such suppliers).
 - The Approved Suppliers will deliver the goods to the IHS Warehouse, where the IHS will receive and inspect the goods received.
 - The Solidarity Fund will provide working capital to the IHS – who is working on a non-profit basis.
 - The Approved Suppliers will invoice the IHS and the IHS will make payment of such invoices to the Approved Suppliers.

- The goods will be stored, warehoused and distributed (including transport to state institutions) by IHS on a non-profit basis. All incoming stock of PPE items are centrally warehoused at IHS and proper inventory management is maintained. Ordering government institutions will receive products at specified delivery addresses, check goods against the order and sign the 'Proof of Delivery' note.
- IHS will invoice and recover the cost of the goods (on a non-profit basis) from the State institutions that placed the original Order Requisitions or from the State institutions that received the goods. Such recovered funds must be redeposited with the Solidarity Fund or used as working capital by IHS.
- The National DoH and NT Procurement Team will execute bulk procurement orders on behalf of the State from both local and global suppliers. The IHS will only execute orders on instructions from the National Department of Health and NT Procurement Team.
- All local suppliers have been invited through a NT Media Statement to provide their details and COVID-19 related health products, based on specifications provided by the National DoH to a central e-mail address.
- If an item or service is not covered in Practice Note 3 of 2020/2021, and is considered to be a specific requirement for the State institution to combat Covid-19, the emergency procurement prescripts may be followed.
- Where a State institution already has a contract (including a Facilities Management Contract) in place, or order placed in terms of Practice Note No. 08 of 2019/2020 for the same items listed in this Treasury Instruction, the State institution must honour these contracts or orders. Contracts may be expanded or varied by up to 15 % of the original contract value or R15 million (whichever is the lesser amount). However, the State institutions must not pay prices in excess of the prices provided for in Annexure "A".
- State institutions may approach [presumably only if the item or service is not covered by Practice Note 3 of 2020/2021] any other supplier to obtain quotes and may procure from such supplier on condition that:
 - the items are to the specifications as determined by the National DoH;
 - the prices are equal or lower than the prices in Annexure "A"; and
 - the supplier is registered in the CSD.
- According to NT: *"Mis information about the process, issues of local participation and process followed in appointing the private sector service provider, interference by interest parties and negative media publicity made this approach impossible to implement"*.

Notwithstanding the statement by NT, as set out above, and the fact that the SIU found no proof of any goods having been procured under Practice Note 3 of 2020/2021 by the Gauteng DoH, the National DoH informed the SIU that:

- Practice Note 3 of 2020/2021 was in fact implemented and used by a number of State institutions in other provinces;
- IHS and BSA diligently performed quality assurance test via reputable Laboratories and Clinicians in respect of all goods procured by IHS for the State; and
- Goods to the value of approximately R1.1 billion were procured by IHS, which was later changed into a donation by BSA, who has or is in the process of refunding all such payments to the State institutions concerned.

Practice Note 3 of 2020/2021 was repealed by Practice Note No. 5 of 2020/2021, see paragraph (n) below.

(n) **Instruction No. 5 of 2020/2021** (as amended and supplemented from time to time) applied from 28 April 2020 to 31 August 2020. In terms of this practice note:

The State institutions must comply with the normal procurement prescripts. However, Covid-19 will qualify as 'emergency' and procurement may be done in terms of a SCM Deviation as envisaged in Regulation 16A6.4 of the Treasury Regulations.

- All the prescripts applicable to SCM Deviations must be complied with, including reporting within 10 working days any purchases above R1 million (Inclusive of VAT) to the relevant Treasury and the Auditor General of South Africa ("**AGSA**").
- SCM Deviations do not require prior approval by the relevant Treasury.

Extension of downstream contract price variations: Previous threshold of 15 % of the original contract value or R15 million (whichever is the lesser amount) may be increased for the national state of disaster to 25% of the original contract value or R25 million (whichever is the lesser amount), but only in respect of goods or services relevant to the national state of disaster. Any contract variations or increases above these thresholds may only be done with the prior written approval of the relevant Treasury.

During the national state of disaster, the supply of PPE items will be open to all suppliers, who can deliver PPE to the specification level.

NT has prescribed:

- Minimum specifications for PPE goods and cloth masks. The Specifications for the PPE are set out in Annexure "B" to Instruction No. 5 of 2020/2021; and

- Maximum prices per item for PPE goods and cloth masks, as set out in an updated and revised Annexure “A” to Instruction No. 5 of 2020/2021.

● Paragraph 4.6 of Instruction No. 5 of 2020/2021 states that the State institutions may approach any supplier to obtain quotes and may procure from any such supplier on condition that:

- The items are according to the minimum Specifications (i.e. those of Annexure “B” to Instruction No. 5 of 2020/2021);
- The prices are equal to or lower than the maximum prices prescribed by Annexure “A” to Instruction No. 5 of 2020/2021; and
- The supplier is registered on the CSD or any other database approved by NT.
- “For the cloth masks, only suppliers that are registered with the Department of Small Business Development and are registered on CSD will be considered. The details of these suppliers will be updated and published on the NT Website on a weekly basis” [Emphasis added]. This requirement seemed to have applied until 20 May 2020, when registration on the Small Business Development database was removed as a requirement, because their prices were higher than what was available in the market.

● If a State institution or the relevant Treasury has any existing contracts (including Facilities Management contracts) in place for the supply of PPE items, as listed in Annexure “A” to Instruction No. 5 of 2020/2021, then the State institution or the relevant Treasury is still bound by the terms and conditions of such existing contracts – i.e. they can and must still order under such existing contracts.

- However, the State institution or relevant Treasury may not pay any price higher than the maximum price, as prescribed by Annexure “A” to Instruction No. 5 of 2020/2021 – except for an allowed deviation of 10 % more than the maximum price prescribed in Annexure “A” (but obviously only if the contract price is higher than that prescribed by Annexure “A”).
- In addition, the increase to variations to the existing contract value would most probably also be allowed to the 25 % or R 25 million (whichever is the lesser amount).

● The State institutions may order PPE and other items provided for under any existing Transversal contracts that were arranged by NT or the relevant Treasury, even where the State institutions have not yet received permission to participate in such Transversal contracts.

- Furthermore, even where the State institutions are already participating in a Transversal contract, the State institutions are not bound only to order PPE

from under such a Transversal contract, but the State institutions can also procure PPE by other procurement means (this would normally not have been allowed).

- However, the State institutions may not pay any price higher than the maximum price, as prescribed by Annexure "A" to Instruction No. 5 of 2020/2021, except for an allowed deviation of 10 % more than the maximum price prescribed in Annexure "A", but obviously only if the contract price is higher than that prescribed by Annexure "A".

- Instruction No. 5 of 2020/2021 was repealed by NT Instruction No. 11 of 2020/21 with effect from 1 September 2020, but only in respect of new Letters of Commitment or Purchase Orders (POs) placed – old Letters of Commitment or POs must be processed under then applicable Practice note(s).

(o) **An Amendment to Instruction No. 5 of 2020/2021** "Update of Price List and Supplier List" dated 20 May 2020. As from 20 May 2020, NT:

- Issued an updated or revised fixed maximum price list for all PPE (Annexure "A" to Amended Instruction No. 5 of 2020/2021); and
- Issued a directive of the required Local Contents (in terms of NT Instruction dated 16 July 2012) in respect of a number of PPE – most of which required 100 % Local content, while Furniture, beds and mattresses required 90 % Local content.

(p) **Instruction No. 07 of 2020/2021** applies as from 1 June 2020. In terms of this practice note:

- Emergency requirements may be addressed through the emergency procurement provisions as stipulated in Regulation 16A6.4 of the Treasury Regulations and NT Instruction 3 of 2016/17 and Instruction No. 07 of 2020/2021 reiterated the contents of Instruction No. 5 of 2020/2021.
 - Accounting Officer must only deviate from inviting competitive bids in cases of emergency and sole supplier status. These deviations do not require the approval of the relevant treasury.
 - Emergency procurement may occur when there is:
 - a serious and unexpected situation that poses an immediate risk to health, life, property or environment; and
 - insufficient time to invite competitive bids.
 - The emergency procurement provisions provide for Accounting Officer to procure the required goods or services by other means, such as price

quotations or negotiations in accordance with Regulation 16A6.4 of the Treasury Regulations. The reasons must be recorded and approved by the Accounting Officer or his/her delegate.

- Paragraph 3.4.3 of NT Practice Note No. 8 of 2007/08, requires Accounting Officer to report within 10 working days to the relevant treasury and the AGSA all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Regulation 16A6.4 of the Treasury Regulations.
- Emergency procurement must be limited to goods, services and works that addresses the programme of preventing the spread of the Covid-19 virus.
- Accounting Officer must ensure that audit of emergency transactions is made a priority to provide assurance on the value for money spent during emergency operations and to identify actions to strengthen controls in emergency transactions.

(q) **Competition Commission Excessive Pricing Regulations** applies during the national state of disaster. In terms of these Regulations:

- The purpose of these Regulations is to provide for Competition Tribunal rules regulating complaint referrals for alleged contraventions of section 8(1)(a) of the Competition Commission Act, as read with Regulation 4 of the Customer Protection Regulations, the National Disaster Management Regulations and the relevant Directions, during the period of the declaration of a National State of Disaster in respect of Covid-19.
- Regulation 3 states that *"...Subject to subrule 3.4, these Rules shall be of no force or effect when the COVID-19 outbreak is declared to no longer be a national disaster. Unless the Tribunal directs otherwise, these Rules will apply to any complaint referral that has commenced before the COVID-19 outbreak is declared to no longer be a national disaster"*.
- Regulation 5 states, *inter alia* that *"A complaint referral for an alleged contravention of section 8(1)(a) of the Act read with Regulation 4 of the Consumer Protection Regulations may be dealt with by the Tribunal on an urgent basis. ... A respondent who wishes to oppose the Complaint Referral must serve a copy of their Answering Affidavit on the Complainant within 72 hours of service of the Complaint Referral. The person who filed the Complaint Referral may serve a copy of their Reply within 24 hours after being served a copy of the Answering Affidavit. The Tribunal shall determine the date and time for the hearing of the complaint referral ..."*

- Regulation 8 states that “*The Tribunal may, inter alia, impose a pricing order on a respondent found to have contravened section 8(1)(a) of the Act. A respondent may apply to appeal or review such a pricing order on an urgent basis to the Competition Appeal Court provided that the pricing order will remain in force unless set aside by the court on appeal or review*”.
- Regulation 8 states that “*The Commission may any time before, during or after an investigation, conclude a consent agreement with a firm in respect of a complaint under s 8 (1) (a) in full and final settlement of the matter, including settlement of any civil proceedings. The Tribunal may confirm such a consent agreement without hearing any evidence*”.
- The Competition Tribunal has imposed significant fines on any suppliers or retailers who sold PPE related goods at excessive prices during the national state of disaster. In one instance a supplier was ordered to pay one and a half times its excessive profit as a fine to the National Revenue Fund. Currently, the Competition Commission deems a profit of 30% as a reasonable profit margin, and any profit in excess thereof is deemed to be *prima facie* excessive, where the supplier or retailer must then prove that its expenditure during the national disaster increased to warrant any such price increases.

The SIU's investigation is thus focused on testing procurement by State institutions after the declaration of the national state of disaster against the regulatory framework mentioned above.

There is a significant public outcry about the involvement of domestic prominent influential persons (as defined in the Financial Intelligence Centre Act, Act 38 of 2001 (“**FICA**”)) and their immediate family (as defined in the FICA), benefitting from PPE procurement by State Institutions.

Currently such involvement does not necessarily render the awarding of contracts to such people, or entities that they are involved in, unlawful and such contracts must be scrutinized for compliance with the principles of section 217(1) the Constitution. The need exists for considering additional safeguards for situations where State institutions contract with persons in these categories. The FICA currently regulates the conclusion of contracts between “accountable institutions” and domestic prominent influential persons and their immediate family, but the schedule listing “accountable institutions” does not include State institutions, such as national, provincial, or municipal entities, or even State Owned Entities. In addition, The FICA only envisages remedial action through “administrative sanctions”. The FICA also does not create a statutory offence if its provisions are not complied with.

9 MATTERS FINALISED

9.1 GAUTENG PROVINCE

9.1.1 Gauteng Department of Health (“Gauteng DoH”)

9.1.1.1 Kunene Health Care (“Kunene”)

a) Nature of Allegation

This allegation was referred to the SIU by the OTP on 5 June 2020. It relates to the procurement of, and contracting for the supply of Radiography materials by the Gauteng DoH. The value of contract is not known.

b) Summary of findings

The SIU interviewed the director of Kunene, Mr Nhlanhla Gamede and he confirmed that during 2019, Kunene participated in a transversal contract, Bid Description: RT 21-2019: Supply and Delivery of Radiographic material to the State for the period 1 June 2019 to 31 May 2022, at NT. He stated that they hoped to be awarded a contract by the Gauteng DoH, contract, but they did not receive any phone calls from any person at the Gauteng DoH asking them to supply any PPE products or services during the National State of Disaster. Kunene is currently supplying PPE to other Municipalities in KwaZulu-Natal, Eastern Cape and North West. Interviews were conducted with various officials of the Gauteng DoH and no evidence could be found to substantiate the allegation that PPE related goods or services were procured from Kunene. Furthermore, no payments were made by the Gauteng DoH to Kunene. The matter is closed as Gauteng DoH did not trade with Kunene as was alleged.

9.1.1.2 GlenChem (Pty) Ltd (“GlenChem”)

a) Nature of Allegation

This allegation was referred to the SIU by the OTP on 5 June 2020. It relates to the procurement of, and contracting for the supply of goods and services to the Gauteng DoH. It is not clear what type of goods and services were to be procured or the value of the contract.

b) Summary of findings

Interviews were conducted with the director/owner of GlenChem and all relevant documentation was obtained (if available). Interviews were also conducted with various officials of the Gauteng DoH and no evidence could be found to substantiate the allegation that PPE related goods or services were procured from GlenChem. Furthermore, no payments were made by the Gauteng DoH to GlenChem. The matter is closed as Gauteng DoH did not trade with GlenChem.

9.1.1.3 Clinix Health Care Group (“Clinix”)

a) Nature of Allegation

This allegation was referred to the SIU by the OTP on 5 June 2020. It relates to the procurement of, and contracting for the supply of medical services for mentally disabled patients at the Solomon Stix Morewa Hospital in Johannesburg.

b) Summary of findings

All relevant documentation was obtained from the Gauteng DoH and the supplier, and interviews were conducted with the owner of Clinix. The SIU has determined that the procurement process followed by the Gauteng DoH in fact did comply with all relevant legislative requirements. The matter is closed as no irregularities were identified.

9.1.1.4 XON Systems (Pty) Ltd (“XON”)

a) Nature of Allegation

This allegation was referred to the SIU by the OTP on 5 June 2020. It relates to the procurement of, and contracting for the supply of computer equipment by the Gauteng DoH. The value of the contract is R452 000.

b) Summary of findings

All relevant documentation was obtained from the Gauteng DoH and the supplier, and interviews were conducted with the director/owner of XON. The SIU has determined that the procurement process followed by the Gauteng DoH complied with all relevant legislative requirements. The matter is closed as no irregularities were identified.

9.1.1.5 Medipost Holdings (Pty) Ltd (“Medipost”)

a) Nature of Allegation

This allegation was referred to the SIU by the OTP on 5 June 2020. It relates to the procurement of, and contracting for the provision of warehousing services by the Gauteng DoH for a period of six months. From 1 April 2020 to 30 September 2020. The value of the contract awarded could not be ascertained, because Medipost did not do any business with the Gauteng DoH

b) Summary of findings

All relevant documentation was obtained from the Gauteng DoH and Medipost, and interviews were conducted with the director/owner of Medipost. The SIU determined that a proper

procurement process was not followed by the Gauteng DoH to replace the warehousing previously supplied by 3G Relocations. Medipost was officially approved and was awarded the contract by the Gauteng DoH, however the services of Medipost were not used and no storage was supplied by it. The matter is closed because no services were rendered, no invoices were generated and no payments were made.

9.1.1.6 Promed Technologies (Pty) Ltd (“Promed”)

a) Nature of Allegation

This allegation was referred to the SIU by the OTP on 5 June 2020. It relates to the procurement of, and contracting for the provision of surgical gowns by the Gauteng DoH. Promed is on the approved list of NT’s transversal contract, RT 32-2019, to supply surgical sundries. The value of the contract awarded is R173 789.

b) Summary of findings

All relevant documentation was obtained from the Gauteng DoH and the supplier and interviews were conducted with the director/owner of Promed. The Gauteng DoH participated in contract RT 32-2019 for the supply surgical sundries. The price of the surgical gowns was the same as indicated on the transversal contract. The surgical gowns were accepted and delivered to the relevant facilities for use and no complaints were received. The matters is closed and the SIU found no irregularities in the procurement of the surgical gowns.

9.1.1.7 South West Gauteng TVET College

a) Nature of Allegation

We received allegations from a whistle-blower in respect of the irregular appointment of service providers at the college. The value and detail of the contracts are unknown.

b) Summary of findings

We conducted interviews at the college and it was established that no PPE services were procured by the college during the lockdown period. This matter is therefore closed.

9.2 NATIONAL DEPARTMENTS

9.2.1 National Department of Public Works and Infrastructure (“NDPWI”)

9.2.1.1 Caledon River Properties T/A Magwa Construction and Profteam CC (“Magwa”) and (“Profteam”)

a) Nature of Allegation

This matter was referred to the SIU on 27 April 2020 and was investigated under a secondment agreement between the SIU and the NDPWI. The matter has been finalised and a secondment report was issued to the Minister of NDPWI, Honourable Minister Patricia De Lille on 27 July 2020.

It was alleged that both the contractor and the principal agent were appointed without following any formal and transparent SCM process. This resulted in an inflation of the Bill of Quantities as there were no competitive process followed during their respective appointments. Magwa was awarded a contract for the actual construction of the fence in the amount of R37 176 843.50 whilst Profteam received a contract to the value of R3 259 071.48 for professional services. Both the contractor and the principal agent were responsible for erecting a border fence between South Africa and Zimbabwe of 40km.

During this time the Proclamation was published at which point the SIU could assist the NDPWI in furthering the recommendations made by the secondment team. The SIU interviewed the suspended Director General of NDPWI for his role in the procurement under Section 5(2)(b) and (c) of the SIU Act.

b) Summary of findings

The investigation as a whole revealed a series of procurement and other irregularities perpetrated during the infrastructure delivery process, as well as possible acts of fraud perpetrated by identified officials of NDPWI, and the Border Fence Project service providers.

c) Steps Taken

Disciplinary Charges

Disciplinary charges were recommended against at least 14 senior NDPWI officials which included the advisor to the Minister of NDPWI in the secondment report that was issued to the Minister. An outside counsel has been appointed to handle this process. The disciplinary hearings have not commenced and the SIU will be monitoring these matters very closely. The officials referred for disciplinary action are:

- Advisor to the Minister

- Director General
- Deputy Director General
- Director: Special Projects (Project Manager)
- Acting Chief Financial Officer
- Nine members of the National Bid Adjudication Committee ("NBAC")

Criminal Referrals

The SIU referred evidence to the NPA on 23 September 2020 that points towards the commission of a criminal offence of fraud by individuals and entities involved in the construction of the fence.

Civil Litigation

The SIU instituted civil proceedings in the Special Tribunal on 23 September 2020 and the value of the litigation is approximately R40 million. NDPWI is interdicted from making any further payments to the contractors and the current order also freezes money in their bank accounts or alternatively a bank guarantee of R21 819 878 (Magwa Construction) and R1 843 005 (Profteam CC) must be provided, pending action proceedings in the Special Tribunal.

9.3 EASTERN CAPE PROVINCE

9.3.1 Department of Employment and Labour ('DEL')

9.3.1.1 Lear Corporation, Markman, Port Elizabeth ('Lear')

a) Nature of Allegation

On 27 July 2020, the SIU received allegations of fraud against Lear. A claim was submitted by Lear for Covid-19 Temporary Employee Relief Scheme funding. When the employees enquired about the payment of these funds, they were informed by the employer that these funds are not due to them and will be reimbursed to the DEL in due course.

b) Summary of findings

Contact was made with the complainant with regard to this matter where he explained that he is a part of a group of shift workers who have not been paid the exact amount that the company claimed on their behalf from the DEL. They all checked using the online website how much had been paid to Lear by the DEL. However this was not the same amount that they were paid by the company which is they laid a complaint with the SIU. All the relevant information and documentation with regard to the complainant's queries was requested from Lear and the

complainant sent all the document and information in his possession. The Investigation team discussed the matter with the management of Lear Corporation and all outstanding payments to the affected employees was resolved. The matter is closed as no irregularities were identified and the matter was resolved between Lear and the employees.

9.3.1.2 South African Cargo Services ('SA Cargo')

a) Nature of Allegation

On 31 July 2020, the SIU received allegations from a complainant who alleged that her employer, SA Cargo, claimed TERS funding for the employees, received payment but did not make any payments to the employees.

b) Summary of findings

The complainant was interviewed and it was established that payments were processed for the concerned employees for June 2020, but April 2020 and May 2020 had not yet been processed by the DEL. This was confirmed by the SIU with a search on the UIF database for the concerned employees. The matter is closed because all payments resolved between employer and the affected employees.

9.3.2 Eastern Cape Department of Public Works and Infrastructure ("ECDPWI")

9.3.2.1 2K S Construction and Projects

a) Nature of Allegation

On 31 August 2020, the SIU was made aware through an article appearing in the Daily Dispatch newspaper that a tender, for the supply of PPE, to the value of R992 105, was awarded to the company of a deceased man.

b) Summary of findings

Contact was made with the Director of 2K S Construction and Projects, Mr Nceba Nkwakeni. He confirmed that a contract to renovate a section of the Victoria Hospital was awarded to his company and that the construction work is not yet completed. The investigation team confirmed the authorization for BAS payments to the amount of R264 425.25 by the ECDPWI to 2K S Construction and Projects. Mr Nceba Nkwakeni further stated that he was not aware of a company called 2 K S Matshaya Trading Pty Ltd as mentioned in the newspaper article. The contract was not awarded to the deceased for the supply of PPE and was in fact awarded to 2K

S Construction and Projects for the infrastructure project at the hospital and therefore the matter is closed.

9.4 FREE STATE PROVINCE

9.4.1 Free State Provincial Treasury ("Free State PT")

9.4.1.1 Motheko Projects

a) Nature of Allegation

This allegation was referred to the SIU on 5 August 2020. It was alleged that this service provider received a contract from the Free State PT to supply PPE to the value of R2.9 million. Mr Tshepiso Magashule, the son of Mr Ace Magashule, is the sole director of this company. It was also further alleged that the contract was awarded because of Mr Magashule's close relationship with the Member of the Executive Council ("**MEC**") for Finance in the province, who according to the complainant, centralized the province's procurement of Covid-19 related goods and services to the Free State PT.

b) Summary of findings

Following the declaration of a National State of Disaster, the Provincial Executive Council ("**PEC**") resolved to centralize the procurement of PPE for all 12 Free State Provincial Departments, to the Free State PT.

Interested suppliers were invited through an advertisement that was placed on the website of the Free State PT to register on the Provincial Covid-19 database. Motheko Projects was one of the suppliers who registered on the database as a supplier of PPE.

Motheko Projects responded to 2 invitations to submit quotations for PPE, issued by the Free State PT. The first one was in respect of SCMQ1/2020, issued on 3 April 2020 and the second one in respect of SCMQ8/2020, issued on 22 May 2020. In both these instances, the Free State PT deviated from an open procurement process, with the approval of the Head of the Department ("**HOD**"), due to the emergency. It was found that these deviations were properly motivated and authorised and that the relevant Treasury Instructions, applicable at the time, were complied with. Following proper evaluation and adjudication processes by the Emergency Procurement Task Team ("**EPTT**"), the Bid Quotation Committee ("**BQC**") and approval by the HOD of the Free State PT, the following orders were issued to Motheko Projects:

No	SCMQ process	PPE	Value
1	SCMQ1/2020	Surgical masks	R1 092 500
2	SCMQ8/2020	Soap	R1 200 000

Part of the allegation is that the service provider received contracts because of his links to domestic prominent influential persons (as defined in the Financial Intelligence Centre Act, Act 38 of 2001 (“FICA”). Currently such involvement does not necessarily render the awarding of contracts to such people, or entities that they are involved in, unlawful and such contracts must be scrutinized for compliance with the principles of section 217(1) of our Constitution. The need exists for considering additional safeguards for situations where State Institutions contract with persons in these categories. FICA currently regulates the conclusion of contracts between “accountable institutions” and domestic prominent influential persons and their immediate family, but the schedule listing “accountable institutions” does not include State Institutions, such as national, provincial, or municipal entities, or even State Owned Entities. In addition, FICA only envisages remedial action through “administrative sanctions”. FICA also does not create a statutory offence if its provisions are not complied with.

This aspect of the allegation has been investigated and no evidence was found to support that the service provider received contracts because of his relationship or connection with domestic prominent influential persons.

The investigation revealed that the decision to centralise the procurement of PPE for provincial departments, was taken by the PEC, and no evidence was found to support the allegation that the MEC made this decision. The SIU also found no other evidence pointing to any other irregularities with regards to the awarding of the contracts were found.

9.4.1.2 Marvel Deeds

a) Nature of Allegation

This allegation was referred to the SIU on 5 August 2020. Mr Thato Magashule, the son of Mr Ace Magashule, is the sole director of Marvel Deeds. It was alleged that the contract, to supply sanitizer to the value of R427 221, was awarded to Marvel Deeds because of Mr Magashule's close relationship with the MEC, who according to the complainant, centralized the province's procurement of Covid-19 related goods and services to the Free State PT.

b) Summary of findings

Following the declaration of a National State of Disaster, the PEC resolved to centralize the procurement of PPE for all 12 Free State Provincial Departments, to the Free State PT.

Interested suppliers were invited through an advertisement that was placed on the website of the Free State PT to register on the Provincial Covid-19 database. Marvel Deeds was one of the suppliers who registered on the database as a supplier of PPE.

Marvel Deeds responded to 1 invitation to submit a quotation for PPE, issued by the Free State PT. This was in respect of SCMQ2/2020, issued on 23 April 2020, when invites were issued to 60 service providers, registered on the database. The Free State PT deviated from an open procurement process, with the approval of the HOD, due to the emergency. It was found that the deviation was properly motivated and authorised and that the relevant Treasury Instructions, applicable at the time, were complied with.

Following proper evaluation and adjudication processes by the EPTT, the BQC and approval by the HOD of the Free State PT, the following order was issued to Marvel Deeds:

No	SCMQ process	PPE	Value
1	SCMQ2/2020	Sanitizer	R427 221

Part of the allegation is that the service provider received contracts because of his links to domestic prominent influential persons (as defined in the FICA Act). Currently such involvement does not necessarily render the awarding of contracts to such people, or entities that they are involved in, unlawful and such contracts must be scrutinized for compliance with the principles of section 217(1) of our Constitution. The need exists for considering additional safeguards for situations where State Institutions contract with persons in these categories. FICA currently regulates the conclusion of contracts between “accountable institutions” and domestic prominent influential persons and their immediate family, but the schedule listing “accountable institutions” does not include State Institutions, such as national, provincial, or municipal entities, or even State Owned Entities. In addition, FICA only envisages remedial action through “administrative sanctions”. FICA also does not create a statutory offence if its provisions are not complied with. This aspect of the allegation has been investigated and no evidence was found in support of the allegation that the service provider received contracts because of his relationship or connection with domestic prominent influential persons.

The investigation revealed that the decision to centralise the procurement of PPE for provincial departments, was taken by the PEC. No evidence was found to support the allegation that the

MEC took the decision. The SIU found no further evidence pointing to any other irregularities with regards to the awarding of the contract.

9.4.1.3 MG Kobeqo Trading t/a Ketha Incorporated

a) Nature of Allegation

This allegation was referred to the SIU on 17 August 2020. The allegation was that this service provider received a PPE contract to the value of R3 393 808.16 while they were not registered on the central database.

b) Summary of findings

Following the declaration of a National State of Disaster, the PEC resolved to centralize the procurement of PPE for all 12 Free State Provincial Departments, to the Free State PT.

Interested suppliers were invited through an advertisement that was placed on the website of the Free State PT to register on the Provincial Covid-19 database. MG Kobeqo Trading t/a Ketha Incorporated is one of the suppliers who registered on the database as a supplier of PPE.

MG Kobeqo Trading t/a Ketha Incorporated responded to 2 invitations to submit quotations for PPE, issued by the Free State PT. The first one was in respect of SCMQ2/2020, issued on 23 April 2020 and the second one in respect of SCMQ5/2020, issued on 12 May 2020. In both these instances, the Free State PT deviated from an open procurement process, with the approval of the HOD, due to the emergency. It was found that these deviations were properly motivated and authorised and that the relevant Treasury Instructions, applicable at the time, were complied with.

Following proper evaluation and adjudication processes by the EPTT, the BQC and approval by the HOD of the Free State PT, 32 bidders were recommended in respect of SCMQ2/2020 and 27 bidders were recommended in respect of SCMQ5/2020. The following orders were issued to MG Kobeqo Trading t/a Ketha Incorporated:

No	SCMQ process	PPE	Value
1	SCMQ2/2020	Sanitizer	R1 393 687
2	SCMQ5/2020	Various PPE	R2 000 120

The investigation revealed that MG Kobeqo Trading t/a Ketha Incorporated is registered on the CSD, with supplier number MAAA002341. No evidence pointing to any irregularities with regards to the awarding of the contracts were found.

9.4.1.4 Mayula Procurement and Property Management

a) Nature of Allegation

This allegation was referred to the SIU on 17 August 2020. The allegation is that this company, which belongs to Hantsi Matseke, the Chairperson of the Free State Development Corporation, was awarded a contract for PPE to the value of R900 000.

b) Summary of findings

Following the declaration of a National State of Disaster, the PEC resolved to centralize the procurement of PPE for all 12 Free State Provincial Departments, to the Free State PT.

Interested suppliers were invited through an advertisement that was placed on the website of the Free State PT to register on the Provincial Covid-19 database. Mayula Procurement and Property Management is one of the suppliers who registered on the database as a supplier of PPE.

Mayula Procurement and Property Management responded to 1 invitation to submit a quotation for PPE, issued by the Free State PT. This was in respect of SCMQ5/2020, issued on 12 May 2020. The Free State PT deviated from an open procurement process, with the approval of the HOD, due to the emergency. It was found that this deviation was properly motivated and authorised and that the relevant Treasury Instructions, applicable at the time, were complied with.

Following proper evaluation and adjudication processes by the EPTT, the BQC and approval by the HOD of the Free State PT, 27 bidders were recommended. The following order was issued to Mayula Procurement and Property Management:

No	SCMQ process	PPE	Value
1	SCMQ5/2020	Surgical masks	R9 02 700

Part of the allegation suggests that the service provider received contracts because of her links to domestic prominent influential persons (as defined in the FICA Act). Currently such involvement does not necessarily render the awarding of contracts to such people, or entities that they are involved in, unlawful and such contracts must be scrutinized for compliance with the principles of section 217(1) of our Constitution. The need exists for considering additional safeguards for situations where State Institutions contract with persons in these categories. FICA currently regulates the conclusion of contracts between "accountable institutions" and domestic prominent influential persons and their immediate family, but the schedule listing "accountable institutions" does not include State Institutions, such as national, provincial, or municipal entities, or even State Owned Entities. In addition, FICA only envisages remedial

action through “administrative sanctions”. FICA also does not create a statutory offence if its provisions are not complied with. This aspect of the allegation has been investigated and no evidence was found to support this. The SIU found no other evidence pointing to any irregularities with regards to the awarding of the contract.

9.4.1.5 K-LA-K Trading

a) Nature of Allegation

This allegation was referred to the SIU on 17 August 2020. The allegation is that this service provider, which is a local carwash and ChesaNyama, received a contract for PPE’s worth R4.3 million. It is further alleged that the company is not registered with the CIPC and the awarding of a PPE contract to a car wash was questioned.

b) Summary of findings

Following the declaration of a National State of Disaster, the PEC resolved to centralize the procurement of PPE for all 12 Free State Provincial Departments, to the Free State PT.

Interested suppliers were invited through an advertisement that was placed on the website of the Free State PT to register on the Provincial Covid-19 database. K-LA-K Trading is one of the suppliers who registered on the database as a supplier of PPE.

K-LA-K Trading responded to 1 invitation to submit a quotations for PPE, issued by the Free State PT. This was in respect of SCMQ5/2020, issued on 12 May 2020. The Free State PT deviated from an open procurement process, with the approval of the HOD, due to the emergency. It was found that the deviation was properly motivated and authorised and that the relevant Treasury Instructions, applicable at the time, were complied with.

Following proper evaluation and adjudication processes by the EPTT, the BQC and approval by the HOD of the Free State PT, 27 bidders were recommended. The following order was issued to K-LA-K Trading:

No	SCMQ process	PPE	Value
1	SCMQ5/2020	Various PPE	R4 374 300

The investigation revealed that K-LA-K Trading is registered on the CSD, with supplier number MAAA0157656. K-LA-K is also, according to the CSD, registered with the Companies and Intellectual Properties Commission (“CIPC”) with number 2005/013429/23. Furthermore, the invitation to register as a supplier of PPE, was open for everyone and nothing prevented them

from registering on the database of suppliers. No evidence pointing to any irregularities with regards to the awarding of the contract was found.

It was however found that K-LA-K Trading is not registered as a VAT Vendor, according to the CSD. Upon receiving the abovementioned contract, the income received by the supplier exceeded the R1 million VAT registration threshold, and there was an obligation on the supplier to register as a VAT vendor. Evidence has been referred to the South African Revenue Services (“SARS”) for violation of Sec 23(1) and (2), read with Sec 58(c) and Sec 61(1) of the Value-Added Tax Act No. 89 of 1991, as amended (“VAT Act”) in terms of the provisions of section 5(7) of the SIU Act for further investigation.

9.4.1.6 Wingilux

a) Nature of Allegation

This allegation was referred to the SIU on 17 August 2020. The allegation is that a company called Wingilux, belonging to the Lekone brothers, who were convicted of fraud, received a PPE contract worth R4.8 million.

b) Summary of findings

Following the declaration of a National State of Disaster, the PEC resolved to centralize the procurement of PPE for all 12 Free State Provincial Departments, to the Free State PT.

Interested suppliers were invited through an advertisement that was placed on the website of the Free State PT to register on the Provincial Covid-19 database. Wingilux is one of the suppliers who registered on the database as a supplier of PPE.

Wingilux responded to 1 invitation to submit a quotations for PPE, issued by the Free State PT. This was in respect of SCM5/2020, issued on 12 May 2020. The Free State PT deviated from an open procurement process, with the approval of the HOD, due to the emergency. It was found that the deviation was properly motivated and authorised and that the relevant Treasury Instructions, applicable at the time, were complied with.

Following proper evaluation and adjudication processes by the EPTT, the BQC and approval by the HOD of the Free State PT, 27 bidders were recommended. The following order was issued to Wingilux:

No	SCMQ process	PPE	Value
1	SCMQ5/2020	Various PPE	R7 875 651

The investigation revealed that the Lekone brothers, who according to CIPC records, are co-directors of Wingilux, have been convicted of criminal offences. However, this was more than five years prior to Wingilux getting the contract. The bid was submitted by Hilda Smith, one of the directors of Wingilux. The bid documents require disclosure of conviction in the last five years when a bid is submitted. The Lekone brothers did not have to disclose their criminal offence because they were convicted seven years ago. No evidence pointing to any irregularities with regards to the awarding of the contract was found.

It was however found that Wingilux is not registered as a VAT Vendor, according to the CSD. Upon receiving the abovementioned contract, the income received by the supplier exceeded the R1 million VAT registration threshold, and there was an obligation on the supplier to register as a VAT vendor. Evidence has been referred to SARS for violation of Sec 23(1) and (2), read with Sec 58(c) and Sec 61(1) of the VAT Act in terms of the provisions of section 5(7) of the SIU Act for further investigation.

9.5 KWAZULU-NATAL PROVINCE

9.5.1 KwaZulu-Natal Department of Social Development (“KZN DSD”)

9.5.1.1 Procurement of Blankets

a) Nature of Allegation

At a media briefing, hosted by the Honourable Premier Sihle Zikhalala he announced that the KZN PEC had commissioned the PT to conduct a forensic investigation into allegations relating to the procurement of blankets by the KZN DSD. The investigation was prompted by various allegations that were also being reported in the public space, alleging that the procurement contracts were inflated and irregular.

The SIU reviewed the investigation conducted by the PT and established that 48 000 blankets were procured from four service providers at a total cumulative price of R22 437 000.

No.	Service Provider	Order no.	Value
1	LNA Communications (LNA)	A0749199	R6 000 000
2	Gibela Investments	A0749200	R6 708 000
3	Rosette Investments	A0749301	R4 899 000
4	Zain Brothers	A0749302	R4 830 000

The report further recommended disciplinary action against several officials as well as the institution of a criminal case. The SIU's analysis revealed that the report did not extend to establishing whether any recoveries were possible and fell short of establishing the quantum of the loss. The SIU's focus moved to establishing the following:

- Were procurement prescripts followed;
- Whether there was any collusion between officials and the service providers;
- Whether there was any fraud committed by any party;
- Whether the DSD received value for money; and
- Whether there was overpricing with regard to the price paid for the blankets.

b) Summary of findings

The SIU obtained and perused the KZN Treasury reports including supporting documentation for the supply of blankets. Based on the analysis of the documents the SIU sought and obtained the following:

- ITC reports on all service providers
- CIPC documentation reflecting the details of all the service providers
- FIC reports on any suspicious transactions
- Company and Director profiling
- eNatis

The SIU has interviewed key role players and obtained industry pricing on the blankets through interviews with suppliers and manufacturers.

The SIU's investigation has concluded and confirmed the following:

- The SIU has confirmed the finding of the Treasury report that the blankets delivered did not meet the specifications as set out in the order from DSD.
- The blankets delivered were not in accordance with the specifications.
- The DSD's use of the emergency provisions was found to be incorrect and misguided as the DSD was already in possession of blankets purchased last year.
- When the SIU visited the warehouses, the blankets were still being stored and had not been distributed which further negates any argument there was an emergency.
- It was also established that the price differentiation for the blankets was beyond market related prices.

c) Steps Taken

- A referral was submitted to SARS for confirmation of VAT registration status and compliance in terms of specific sections of the VAT Act on 7 October 2020.
- A recommendation was made to KZN DSD to stop any further payments (R2 040 000) to a service provider and they have confirmed that no further payments will be made pending the conclusion of the litigation process that the SIU will institute.
- The four separate applications in respect of each service provider, have been prepared to be lodged in the Special Tribunal seeking a declaration of constitutional invalidity in respect of the awards and a just and equitable remedy in regard to the losses suffered by the Department.
- Evidence of criminality is being pursued by the DPCI under Pietermaritzburg CAS 228/07/2020, which was the original charge laid by the Department and is being supplemented by the evidence that the SIU has established.

The investigation has been completed and has moved into the support phase where the SIU will support the litigation and the criminal investigation being conducted by the DPCI.

9.5.1.2 Personal Protective Equipment (“PPE”)

a) Nature of Allegation

Provincial Treasury was also commissioned to conduct a forensic investigation into allegations relating to the procurement of PPE by DSD. The investigation was prompted by various allegations being reported in the public space, alleging that the procurement contracts were inflated and irregular.

The Treasury investigation concluded that PPE were procured from 16 service providers in 18 contracts at a total cumulative value of R21 242 955.95. The report further recommended disciplinary action against several officials as well as the registration of a criminal case.

The SIU's analysis revealed that the report did not extend to establishing whether any recoveries were possible and fell short of establishing the quantum of the loss. Further enquiries conducted revealed that there have been no civil recoveries nor attempts at such. The SIU's focus has now moved to the following:

- Establishing whether the procurement prescripts were followed
- Whether there was any collusion between officials and the service providers

- Whether there was any fraud committed by any party
- Whether the Department received value for money
- Whether there was overpricing of PPE

The financial analysis in respect of the overpricing has been completed and the investigation finalised in respect of 16 service providers.

b) Summary of findings

The SIU has found that in of all of the service providers listed above, they charged a rate for the supply of the PPE in excess of the regulated pricing lists as issued by Treasury. The prices charged were found to be excessive and without justifiable reasons therefore. The SIU will now seek to recover these payments through proceedings in the ST and has just received authority to brief counsel on the matters.

c) Steps Taken

The KZN DSD has already opened a criminal case on receipt of the Treasury forensic report vide Pietermaritzburg CAS 227/07/2020 for criminal investigation into the procurement of PPE. The SIU will provide support to this investigation as and when required.

A criminal referral has been made to the NPA in terms of a contravention of Section 86 of the PFMA. The referral was made on 9 October 2020 in respect of four of the service providers and the value of the referral is R4 717 925.

The authority has been received to brief counsel in respect of one matter relating to 16 of the service providers in respect of 18 contracts. Civil proceedings will be instituted in the Special Tribunal to recover potential overpayments totaling R4 254 269.

9.6 LIMPOPO PROVINCE

9.6.1 Sekhukhune District Municipality ("SDM")

9.6.1.1 Shwings Construction and Projects (Pty) Ltd

Appointed to equipping one existing borehole and installation of water main and supply networks in Polaseng. The contract value was R2 837 290.

9.6.1.2 Desert Kite Trading and Projects CC

Equipping one existing borehole and installing water main and supply networks in Mahlokwenwa. The contract value was R4 179 931.

9.6.1.3 Pheladi Nokó B1 Funerals CC

Appointed to install water main and supply networks in Eenzum. The contract value was R2 773 306.

9.6.1.4 Irhalane Construction CC

Appointed to install water main and supply networks in Brooklyn. The contract value was R3 120 203.

9.6.1.5 Tshiamiso Trading 135 (Pty) Ltd

Appointed to equip one existing borehole and installing water main and supply networks in Kgotlopong. The contract value was R3 725 960.

9.6.1.6 Maunyatlala Shakwana (Pty) Ltd

Appointed to equip three boreholes in Sephaku. The contract value was R2 905 449.

9.6.1.7 Kwaduba Trading Enterprise CC

Appointed to equip two boreholes in Legolaneng. The contract value was R2 590 680.

9.6.1.8 Ngoato Le Nareadi Construction CC

Appointed to equip three boreholes in Tshikanosi. The contract value was R4 213 061.

a) Nature of Allegation

The SIU received an allegation on 9 July 2020 from a whistleblower regarding an irregular award of a contract by SDM to eight service providers, who were not on the panel of contractors. The entities were appointed by SDM on 23 June 2020 to perform Covid-19 Disaster Management Project Emergency Interventions. The total contract amount was R26 345 880. The SDM secured an Interim Order on 21 July 2020 from the Limpopo Division of the High Court, setting aside the eight appointment letters.

b) Summary of findings

Four officials were found to have contravened Schedule 2 of the Municipal System Act, No. 32 of 2000 ("MSA"), Sections 2(a) and (b); and Paragraph 66.2(d) of the SDM SCM Policy 2019-2020. They failed to perform the functions of the office in good faith, diligently, honestly and in a transparent manner, in that they facilitated the approval of the memorandum to request the Acting Municipal Manager to appoint contractors from the Municipal term contract database to perform COVID-19 disaster management project emergency intervention in contravention of SCM prescripts.

9.6.1.3 Pheladi Nokó B1 Funerals CC

Appointed to install water main and supply networks in Eenzum. The contract value was R2 773 306.

9.6.1.4 Irhalane Construction CC

Appointed to install water main and supply networks in Brooklyn. The contract value was R3 120 203.

9.6.1.5 Tshiamiso Trading 135 (Pty) Ltd

Appointed to equip one existing borehole and installing water main and supply networks in Kgotlopong. The contract value was R3 725 960.

9.6.1.6 Maunyatlala Shakwana (Pty) Ltd

Appointed to equip three boreholes in Sephaku. The contract value was R2 905 449.

9.6.1.7 Kwaduba Trading Enterprise CC

Appointed to equip two boreholes in Legolaneng. The contract value was R2 590 680.

9.6.1.8 Ngoato Le Nareadi Construction CC

Appointed to equip three boreholes in Tshikanosi. The contract value was R4 213 061.

a) Nature of Allegation

The SIU received an allegation on 9 July 2020 from a whistle blower regarding an irregular award of a contract by SDM to eight service providers, who were not on the panel of contractors. The entities were appointed by SDM on 23 June 2020 to perform Covid-19 Disaster Management Project Emergency Interventions. The total contract amount was R26 345 880. The SDM secured an Interim Order on 21 July 2020 from the Limpopo Division of the High Court, setting aside the eight appointment letters.

b) Summary of findings

Four officials were found to have contravened Schedule 2 of the Municipal System Act, No. 32 of 2000 ("MSA"), Sections 2(a) and (b); and Paragraph 66.2(d) of the SDM SCM Policy 2019-2020. They failed to perform the functions of the office in good faith, diligently, honestly and in a transparent manner, in that they facilitated the approval of the memorandum to request the Acting Municipal Manager to appoint contractors from the Municipal term contract database to perform COVID-19 disaster management project emergency intervention in contravention of SCM prescripts.

An official committed an act which points to the commission of a criminal offence of fraud in that on or about 18 June 2020 he unlawfully and intentionally made a misrepresentation to the Municipality by drafting a memorandum requesting the Acting Municipal Manager to appoint eight entities, with practically an impossible and/or unnecessary scope of work for Brooklyn, Kgotlopong, Sephaku, Legolaneng and Tshikanosi villages. He induced the Municipality to approve the memorandum and appoint the eight entities to render services when in fact, he knew that the scope of work indicated in the memorandum was impractical and misleading.

The Acting Municipal Manager contravened Section 171(1)(c) of the MFMA by deliberately or negligently permitting another official of the municipality to make, irregular expenditure in that he approved the memorandum requesting him to appoint the eight contractors/service providers, despite this being in contravention of SCM prescripts.

The Acting Municipal Manager committed an act which points to the commission of a criminal offence in terms of section 173(1)(a)(iii) of the MFMA by failing to take all reasonable steps to prevent irregular expenditure whilst he was the Acting Municipal Manager.

c) Steps Taken

- Recommendations for disciplinary actions against officials were made to SDM against the four officials for misconduct on 30 September 2020. The officials are:
 - (Manager: Project Management Unit)
 - (Deputy Director: Water & Infrastructure Services)
 - (Acting Director: Water & Infrastructure Services)
 - (Manager: Supply Chain Management)
- A recommendation for disciplinary action against the Acting Municipal Manager, for financial misconduct, was also made to SDM on 30 September 2020.
- A criminal referral was made to the NPA on 30 September 2020, which points towards the commission of a criminal offence of fraud by (Manager: Project Management Unit)
- A criminal referral was also made to the NPA against the Acting Municipal Manager, for financial misconduct on 30 September 2020.

9.7 MPUMALANGA PROVINCE

9.7.1 Office of the Premier

9.7.1.1 True Velly (Pty) Ltd (Cloth Mask) and Andilamakhondo NPC

a) Nature of Allegation

The SIU conducted a desktop analysis to identify any discrepancies relating to the expenditure of goods. The Mpumalanga PT Covid-19 Procurement Disclosure Report was used as the source document. The investigations conducted were to determine if PPE was sold for more than the prescribed amount, and/or whether or not the proper procurement process was followed as per NT Instructions. The value of the contract was R15 000. Quotations were requested and received from the following suppliers:

- True Velly R15 000
- Andilamakhondo NPC R15 000

True Valley and Andilamakhondo Trading were both awarded the contract, however according to their appointment letters the value of each contract awarded would be R7 500 each.

b) Summary of Findings

The SIU found that the procurement process were followed. The fact that one order was split did not constitute an irregularity as prescribed in the SCM regulations.

9.7.1.2 Michem Cleaning Suppliers

a) Nature of Allegation

An allegation was received that the procurement process was not followed during the purchase of disinfecting materials. The value of the contract was R324. Quotations were requested and received.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.1.3 Ribon and Emely

a) Nature of Allegation

An allegation was received that the procurement process was not followed during the deep cleaning and disinfections of the offices. The value of the contract was R1 600. Quotations were requested and received.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.1.4 Builders Warehouse

a) Nature of Allegation

An allegation was received that the procurement process was not followed during the purchasing of floor and board decals. The value of the contract was R222. Quotations were requested and received.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.1.5 Makro

a) Nature of Allegation

An allegation was received that the procurement process was not followed during the purchasing of one infrared thermometer. The value of the contract was R849. Quotations were requested and received.

b) Summary of Findings

The SiU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.2 Mpumalanga Parks and Tourism Agency (“MPTA”)

9.7.2.1 Bidvest Mischem

a) Nature of Allegations

Allegations made in a media report dated 19 August 2020 that there were discrepancies relating to the expenditure and pricing of cloth masks which were procured. The value of the contract was R4 255.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.3 Mpumalanga Provincial Treasury (“Mpumalanga PT”)

9.7.3.1 274 Khompho Trading Logistics

a) Nature of Allegation

Allegations were made in a media report dated 19 August 2020, that there were discrepancies relating to the expenditure and pricing of infrared non-contact digital thermometers which were procured. It was further alleged that these items were sold for more than the prescribed amount as per the NT Instructions and that the procurement process was not followed. The value of the contract was R75 816.

b) Summary of Findings

The owner of 247 Khompho Trading and Logistics, Mr Mpho Mthlane, was interviewed and he provided all correspondence. He also provided all payment record to his suppliers as well as payment records. The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.3.2 Sifikile Printers

a) Nature of Allegation

Allegations were made in a media report dated 19 August 2020, that there were discrepancies relating to the expenditure and pricing of the delivery of 500ml empty spray bottles. It was further alleged that these items were sold for more than the prescribed amount as per the NT Instructions and that the procurement process was not followed. The value of the contract was R15 697.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.3.3 Grace4 Trading & Projects

a) Nature of Allegation

Allegations were made in a media report dated 19 August 2020, that there were discrepancies relating to the expenditure and pricing of the delivery of surface sanitizer. It was further alleged that these items were sold for more than the prescribed amount as per the NT Instructions and that the procurement process was not followed. The value of the contract was R183 600.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.3.4 Meneti General Trading

a) Nature of Allegation

Allegations were made in a media report dated 19 August 2020, that there were discrepancies relating to the expenditure and pricing of the delivery of antiseptic wipes. It was further alleged that these items were sold for more than the prescribed amount as per the NT Instructions and that the procurement process was not followed. The value of the contract was R49 500.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.7.3.5 Mbaliyenkosi General Trading

a) Nature of Allegation

Allegations were made in a media report dated 19 August 2020, that there were discrepancies relating to the expenditure and pricing of the delivery of Occupational Health and Safety Commodities. It was further alleged that these items were sold for more than the prescribed amount as per the NT Instructions and that the procurement process was not followed. The value of the contract was R47 000.

b) Summary of Findings

The SIU found that the proper procurement process was followed and the prices of the goods were not inflated.

9.8 NORTH WEST PROVINCE

9.8.1 Ratlou Local Municipality ("RLM")

9.8.1.1 Rebothale Trading Solution ("Rebothale")

a) Nature of Allegation

The allegation was received on 17 August 2020. The whistle-blower alleged that the RLM inflated the prices of the PPE that were procured. The company supplied 32 face shields at a price of R296.00 per shield with the total price of R9 472. The price was supposed to be R108.00 per shield as per the NT price list.

b) Summary of findings

It appeared that Rebothale overcharged RLM by R6 016, but the SIU obtained information which confirmed that the service provider in fact did not overcharge the RLM.

9.8.1.2 Pontsho Trading Enterprise ("Pontsho")

a) Nature of Allegation

The allegation was received on the 17 August 2020. The whistle-blower alleged that Pontsho was appointed without RLM following the proper procurement process.

b) Summary of findings

The investigation revealed that Pontso was appointed without following a proper procurement process and also that it was not tax compliant according to a CSD report generated, at the time it was awarded the tender.

c) Steps Taken

- Recommendations for disciplinary actions were made against the Municipal Manager, the CFO and the Procurement Accountant for misconduct on 6 October 2020.
- A criminal referral was made to the NPA on 9 October 2020, which points towards the commission of a criminal offence because of contraventions of section 173 of the MFMA by the Municipal Manager.

9.8.1.3 House of Success ("HOS")

a) Nature of Allegation

The allegation was received on the 17 August 2020. The whistle-blower alleges that the RLM inflated the prices of PPE that were procured from HOS.

b) Summary of findings

The company supplied the Municipality with N95 masks at a price value of R1 000 per box. The company supplied 30 boxes and was paid R30 000. According to the NT price list, the box was supposed to be sold at R387 per box, which resulted in an overpayment of R18 660.

c) Steps Taken

- Recommendations for disciplinary actions were made against the Municipal Manager, the CFO and the Procurement Accountant for misconduct on 6 October 2020.
- A criminal referral was made to the NPA on 9 October 2020, which points towards the commission of a criminal offence because of contraventions of section 173 of the MFMA by the Municipal Manager.

9.8.2 North West Department of Health ("North West DOH")

9.8.2.1 Keunathi Medical ("Keunathi")

a) Nature of Allegation

The allegation was received on the 18 August 2020. The whistle-blower alleges that the Director of SCM was suspended immediately when the Covid-19 budget was allocated to the North West DoH. It was alleged that one quotation was received for the procurement of PPE to the value of R8 million. We also received an allegation from the owner of Keunathi that his company was paid R3.4 million, but his company did not tender for the supply of PPE at the North West DoH.

b) Summary of findings

The SIU found that Keunathi was not paid R3.4 million and that an error had been made by the person who was preparing a report for the LIM OTP and therefore the matter is closed.

9.8.2.2 Ixodox

a) Nature of Allegation

The allegation was received on the 18 August 2020. The whistle-blower alleged that the company was paid 5.1 million not R850 000 as per the report to the North West OTP.

b) Summary of findings

The findings revealed proper procurement process were followed and that Ixodox was indeed paid R5.1 million and that was also confirmed by NW PT as an error. The list was prepared by the Provincial Treasury, so we reported the error to them and the error does not have any effect as according to the invoices Ixodox was correctly paid the amount of R 5.1 million, not R850 000 as alleged. This matter has been closed as Ixodox was procured through a proper procurement process and was correctly paid R5.1 million and not R850 000 as alleged.

9.8.3 JB Marks Local Municipality ("JB Marks")

9.8.3.1 Backwards Trading and Projects

a) Nature of Allegation

The allegation was received on the 14 August 2020. It is alleged that the company overcharged the Municipality when it provided Covid-19 related equipment.

The company supplied the Municipality with the following items:

NO	ITEMS	AMOUNT
1	20 000 3ply Face Masks	R451 200

b) Summary of findings

The company quoted R21.50 per 3ply face masks which exceeds the prescribed National Treasury Instruction No 05 of 2020/21: Emergency Procurement response to National State of Disaster. The Municipality did not submit the motivation to deviate from the National Treasury circular to procure the three-ply face masks and the company over-quoted the Municipality in the amount of R451 200.00.

c) Steps Taken

The SIU is to institute a civil action to recover an amount of R451 200 that was overpaid as a result of inflated prices.

9.9 WESTERN CAPE PROVINCE

9.9.1 Department of Environmental Affairs and Development and Planning (“DEADP”)

9.9.1.1 Assur Developers (Pty) Ltd

a) Nature of Allegation

The 2020 Procurement Disclosure Report released by the WCPT reflect that 3 thermometers at a cost of R2 970 per unit totalling R8 910 were procured from Assur Developers.

b) Summary of findings

The SIU assessment of the file showed that the DEADP followed the correct procurement processes and awarded the contract to the highest scoring bidder. DEADP duly tested the market and obtained more than one quotation in order to achieve competition. The matter is closed as no irregularities were found.

9.9.2 Office of the Premier (“OTP”)

9.9.2.1 Assur Developers (Pty) Ltd

a) Nature of Allegation

The 2020 Procurement Disclosure Report released by the WCPT reflect that 160 thermometers at a cost of R1 350 per unit totalling R216 000 were procured from Assur Developers.

b) Summary of findings

The SIU assessment of the file showed that the OTP followed the correct procurement processes and awarded the tender to the highest scoring bidder with the lowest price at the time. The OTP tested the market sufficiently. The matter is closed as no irregularities were found.

9.9.3 Western Cape Department of Health (“WCDoH”)

9.9.3.1 Carl Zeiss (Pty) Ltd (“Carl Zeiss”)

a) Nature of Allegation

Alleged SCM irregularities with regard to the procurement of a neurosurgical microscope from Carl Zeiss by means of a Limited Bid Tender Process, by the Tygerberg Academic Hospital (“TAH”) amounting to R9 994 926.

b) Progress to date

The investigation is finalised.

c) Summary of findings

The assessment of the file showed that:

- There is no evidence to find that the purchase was not cost-efficient, fair and/or equitable; and
- In view of the latter finding, there are no reasonable grounds to pursue either disciplinary action or civil action (which is in any event pending between the parties).

d) Steps taken

The SIU has made systemic recommendations to the hospital ("WCDoH") to inform them of systemic weaknesses, which exposes them to risk, as they have seen with the action instituted against them.

10 CIVIL LITIGATION INSTITUTED

The Special Tribunal of South Africa (established in terms of the SIU and Special Tribunals Act 74 of 1996)

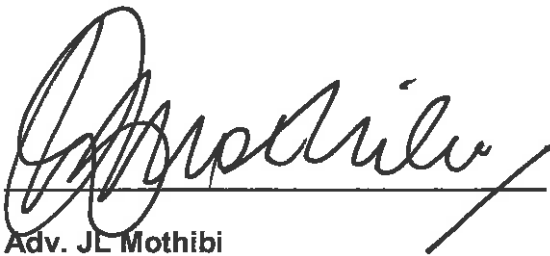
- The SIU's mandate is to institute civil litigation to recover losses suffered by state institutions resulting from maladministration, malpractice and corruption.
- SIU seeks to institute and conduct civil proceedings primarily with the objective of setting aside unlawful contracts and then obtaining recovery through court orders for just and equitable relief.
- This is the niche market of the SIU and section 4(1)(c) of the SIU Act allows it to institute such civil litigation either in its own name, or in the name of the State Institution concerned.
- Civil litigation is mainly instituted in the Special Tribunal.

Current Cases

- SIU v Fabkom (Pty)(Ltd) and Others : (Special Tribunal case number EC04/20)
 - The cause of action is based on the irregular procurement by the Eastern Cape Department of Health of motorcycles with a "sidecar" to transport patients.
 - The value of the contract is R10.15 million.

- The investigation shows material irregularities in the procurement process resulting in a process which was not competitive or cost-effective.
- The matter was heard in the Special Tribunal on 18 September 2020 and the Eastern Cape DoH is interdicted from payment, or accepting delivery, pending review.
- The SIU v Gauteng DoH, Royal Bhaca/Ledla and Others: (Special Tribunal case number GP07/20)
 - In this matter a contract to deliver PPE was irregularly awarded by the Gauteng department of Health in the amount of R139 million.
 - The investigation revealed irregularities in the procurement process including the artificial inflation of the unit prices.
 - The Department made payment of R38 million to the service provider on 3 August 2020. This had immediate clearance and substantial amounts were moved from the recipient account.
 - A civil Application was lodged in the Special Tribunal and it was enrolled for 20 August 2020. On 20 August, the ST granted the interim order sought. All identified relevant bank accounts are frozen.
 - The return date for the interim order is 6 October 2020. A case management meeting was held on 9 September.
 - On 6 October 2020, the Special Tribunal postponed the matter to 20 and 21 November 2020.
- The SIU v Caledon River Properties (Pty)(Ltd) and Others Beitbridge Border matter: (Special Tribunal case numbers GP12/20 and LP01/20)
 - This matter relates to the procurement process of a service provider for the erection of a fence along the SA border with Zimbabwe, near Beitbridge.
 - The procurement process is irregular and the value of the contract awarded to the service provider is R40m.
 - The made application to the Special Tribunal for an order to “freeze” the bank account of the First and Second Respondents, alternatively a bank guarantee of R21 819 878.28 (Magwa Construction) and R1 843 004.92 (Profteam CC)
- The matter is set down for 16 October 2020. SIU v Royal Bhaca and Others (Special Tribunal case number GP11/20)

- This matter involves the freezing of the pension of the CFO of Gauteng Health.
- The CFO has resigned, but was only to leave service at the end of August. She, however, accelerated her departure and left the Department.
- On 20 August 2020, the Special Tribunal, as part of the Royal Bhaca/Ledla-matter, granted an interim order to freeze the pension of the CFO.
- The return date for the interim order is 6 October 2020, but in terms of the interim order, civil proceedings against the former CFO had to be instituted by 10 September 2020.
- Action proceedings have now been instituted against not only the former CFO, but also the HOD of Gauteng Health. The total value of the two claims against the defendants is R43 532 709.



Adv. JL Mothibi

Head of the Special Investigating Unit

Date: 14 October 2020

Annexure A: Regulatory Framework

No	Description
1	Special Investigating Units and Special Tribunals Act, 1996 (Act No. 74 of 1996) (SIU Act)
2	Constitution of the Republic of South Africa, 1996 ("Constitution")
3	Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA")
4	Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001)
5	Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA)
6	Public Service Act, 1994 (Proclamation No. 103 of 1994) (PSA)
7	Public Administration Act, 2014 (Act No. 11 of 2014)
8	Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004) (PaCoCA Act)
9	Disaster Management Act, 2002 (Act No. 57 of 2002)
10	Competition Act, 1998 (Act No. 89 of 1998)
11	Consumer Protection Act, 2008 (Act 68 of 2008)
12	The Treasury Regulations issued in terms of the PFMA (GNR. 225 of 15 March 2005: Amendment of Treasury Regulations in terms of Section 76 of the PFMA) (Treasury Regulations)
13	Preferential Procurement Policy Regulations, 2017 (Government Notice No. R. 32, as was published in Government Gazette No. 40553 dated 20 January 2017) (PPPFA Regulations of 2017)
14	Chapter 2 of the Public Service Regulations 2016 (GNR. 877 of 29 July 2016: Public Service Regulations, 2016 (Government Gazette No. 40167) (" New Public Service Regulations ")
15	National Treasury SCM Instruction Notes 3 of 2016/2017 "Preventing and Combating abuse in the Supply Chain Management System" dated 19 April 2016
16	National Treasury Instruction Note on the amended guidelines in respect of bids that include functionality as a criterion for evaluation (issued September 2010),

Annexure A: Regulatory Framework

No	Description
	dated 3 September 2010, issued by the National Treasury in terms of section 76 of the PFMA
17	National Treasury Practice Note on Enhancing compliance monitoring and improving transparency and accountability in Supply Chain Management, dated 31 May 2011, issued by the National Treasury in terms of section 76(4)(c) of the PFMA
18	National Treasury Supply Chain Management Circular "Postponing implementation of sub-paragraph 3.9.4 in Instruction Note Number 32 dated 31 May 2011, related to Enhancing Compliance Monitoring and Improving Transparency and Accountability in Supply Chain Management (SCM)", dated 24 April 2012, issued by the National Treasury in terms of section 76 of the PFMA
19	Supply Chain Management: A Guide for Accounting officers / authorities, which was issued by National Treasury during February 2004
20	General Conditions of Contract, which were prescribed by National Treasury during July 2010
21	Practice Note SCM 4 of 2003 dated 5 December 2003, "Code of Conduct for Supply Chain Management Practitioners"
22	Supply Chain Management or Procurement Policies and Procedures of the National and Provincial Department of Health that applied during the SCM process
23	Delegations of Authority within the National and Provincial Department of Health
24	All Policies, Procedures, Directives and Instructions applicable to the processing of invoices for payment and the delivery of goods at the National and Provincial Department of Health
25	Applicable Disciplinary Policies and Procedures of the National and Provincial Department of Health
26	GNR 312 of 15 March 2020: Classification of a National Disaster (Government Gazette No. 43096),
27	GNR 313 of 15 March 2020: Declaration of a National State of Disaster (Government Gazette No. 43096)

Annexure A: Regulatory Framework

No	Description
28	GNR 318 of 18 March 2020: Regulations issued in terms of section 27(2) of the Act (Government Gazette No. 43107) - Repealed by GNR. 480 published in Government Gazette 43258 of 29 April 2020
29	GNR. 350 of 19 March 2020 (Government Gazette No. 43116 dated 19 March 2020)(Competition Act (89/1998): Consumer and Customer Protection and National Disaster Management Regulations and Directions;
30	GNR. 448 of 3 April 2020: Tribunal Rules for COVID-19 Excessive Pricing Complaint Referrals (Government Gazette No. 43205)
31	GNR 457 of 8 April 2020: Directions issued in terms of regulation 10(1)(a) of the Regulations made under section 27 (2) of the Act: Measures to Address, Prevent and Combat the Spread of COVID-19 (Government Gazette No. 43217)
32	GNR. 480 of 29 April 2020: Regulations issued in terms of section 27(2) of Act 57 of 2002 (Government Gazette No. 43258) (which repealed the Regulations GN 318 of 18 March 2020
33	National Treasury Instruction No. 05 of 2020/21 "Emergency Procurement in Response to National State of Disaster", dated 28 April 2020
34	National Treasury Instruction No. 7 of 2020/21 "Preventative measures in response to the Covid-19 pandemic that resulted in the national state of disaster", dated 26 May 2020
35	National Treasury Instruction No. 08 of 2019/2020 "Emergency Procurement in response to National State of Disaster", dated 19 March 2020. This note was repealed by NT Instruction 3 of 2020/21.
36	National Treasury Instruction No. 3 of 2020/21, dated 15 April 2020. Practice Note 3 of 2020/2021 was repealed by Practice Note No. 5 of 2020/2021
37	NT Instruction No. 7 of 2020/21 "Preventative measures in response to the Covid 19 pandemic that resulted in the national state of disaster", dated 26 May 2020
38	MFMA Circular No. 100 dated 19 March 2020 (emergency procurement in response to Covid-19 pandemic).

Annexure A: Regulatory Framework

No	Description
39	MFMA Circular No. 101 dated 15 April 2020 (Covid-19 bulk central procurement strategy for government institutions).
40	MFMA Circular 102 dated 5 May 2020 (emergency procurement in response to national state of disaster).
41	MFMA Circular No. 103 dated 27 May 2020 (preventative measures in response to the Covid-19 pandemic that resulted in the national state of disaster).