

COVID-19 corruption scandal hits R5bn and is still growing – Medical Brief (27 Aug)

South Africa's pandemic corruption scandal continues to grow, with R5bn of the R10.38bn spent in relief efforts now under investigation, writes **MedicalBrief**.

The **South African** parliament's standing committee on public accounts says it is seriously concerned about allegations of corruption relating to **COVID-19** procurement and wants those implicated to be successfully prosecuted in order to turn the tide of corruption in government.

Polity reports that after meeting with the head of the country's **Special Investigating Unit (SIU)**, tasked with probing the allegations, the committee said the unit and other law enforcement agencies such as the **National Prosecuting Authority (NPA)** should move with speed and ensure prosecutions.

President Cyril Ramaphosa has ordered the SIU to investigate allegations of corruption around the government's spending towards the fight against the coronavirus, including charges of impropriety in giving tenders. His own spokesperson Khusela Diko has taken special leave amid allegations that her husband received part of a R2.2bn personal protective equipment tender awarded to 75 companies by the **Gauteng Health Department**.

In its statement after meeting the SIU head advocate Andy Mothibi, the public accounts committee said it had told him that the investigations must lead to consequence management and the recovery of stolen resources in the end. Mothibi promised the committee he would deliver results within a "reasonable" time, it added.

It said Mothibi had in his presentation highlighted the number of COVID-19-related contracts each province had granted to service providers and the amounts used so far. He said some service providers received payments even before they did work. Mothibi added that the SIU would submit progress reports to Ramaphosa every six weeks.

Polity reports that the main opposition **Democratic Alliance (DA)** said it would ask parliament to extract an explanation from Finance Minister Tito Mboweni on why he had not cancelled "emergency procurement" allowances for COVID-19 as he had committed to doing. DA member of parliament and shadow minister of finance Geordin Hill-Lewis said the National Treasury had also failed to meet its own deadline for a progress report to parliament on action taken to stem corruption related to the government response to the health crisis.

*The SIU is probing R5bn worth of contracts in its investigation into corruption relating to the measures taken by the state to fight the COVID-19 pandemic. Aside from this, more allegations are continuing to flow to the SIU, Mothibi is quoted in **Business Day** as saying.*

The report said the SIU, which does not prosecute, was working closely with other law enforcement agencies in dealing with the COVID-19 corruption. The SIU said the quantified amount of money involved in the probe thus far was just more than R5bn, with the bulk of that amount respectively coming from contracts in Gauteng and the **Eastern Cape**. The R5bn excludes the value of contracts which have still not been quantified by the SIU.

In Gauteng it is R2.2bn worth of contracts, while the total in the Eastern Cape amounts to just below R2bn. In Gauteng all of the contracts under investigation were with the provincial department of health, while the contracts in the Eastern Cape involved more departments.

*To put the SIU investigations into perspective: their overall value at R5,083,478,584 is just over half the R10.38bn COVID-19 expenditure, according to the National Treasury. **Daily Maverick** reports that it's not a straightforward comparison, as the National Treasury figure for national and provincial COVID-19 spending runs from April to July, while the SIU values run from January to 23 July.*

And when the Treasury provided Parliament's finance committees on 5 August with that R10.38bn COVID-19 expenditure – R3.58bn nationally and R6.8bn in provinces – the documentation made it clear, for example, that police, defence and Free State had not provided data.

But the comparison, **Daily Maverick** says alongside Finance Minister Tito Mboweni's repeated observation of how the thieves were waiting at the door, underscores the extent of corruption, fraud, irregularities and maladministration.

Speed and urgency were needed "to clamp down on this corruption", **Standing Committee on Public Accounts (Scopa)** chair, Mkhuleko Hlengwa said. "If we do not respond to the genuine concerns about corruption by South Africans, we would have failed."

SIU boss Andy Mothibi agreed, saying the unit's provincial teams have been working flat out since the presidential proclamation of 23 July. Tip-offs of further COVID-19 contract malfeasance are still being received – and considered for investigation. However, the SIU can only institute civil proceedings to try to recoup losses to the state. It may not initiate criminal proceedings, but must refer such cases to prosecuting authorities.

Daily Maverick says Parliament is set to schedule an urgent debate on national public interest on COVID-19 tender related corruption, as requested by the DA.

*The Public Protector is investigating three cases involving Eastern Cape Transport, Safety & Liaison MEC Weziwe Tikana-Gxothiwe. A **Daily Dispatch** report says the latest case pertains to the **Mioca Lodge** saga, where the provincial Health Department quarantined 18 people infected with COVID-19. The Cala-based lodge belongs to Tikana-Gxothiwe's daughter.*

The Eastern Cape Public Protector's office said the MEC has yet to respond to allegations that she unduly benefited from the stay of the patients at her daughter's lodge. The Public Protector's Office has written to **UDM** leader Bantu Holomisa and the **Cala University Students Association (Calusa)**, a student organisation based in Cala, to confirm that the probe had begun.

In the letter, the Eastern Cape Public Protector's office said it had taken exception to the "undue delay" on the MEC's part as well as the "phenomenon" of briefing lawyers instead of responding to the Chapter Nine authority's questions.

Calusa member Dr Fani Ncapayi told the **Daily Dispatch** the organisation had asked the Public Protector to probe the processes and steps taken, ahead of the provincial government's decision to quarantine COVID-19 patients at Mioca Lodge.

The report says Tikana-Gxothiwe is also a respondent in the investigation of a tender awarded to **Voxabyte** by the Education Department. This company is allegedly owned by her husband. She is also implicated in the investigation against Premier, MEC Babalo Madikizela, chief of staff in the Office of the Premier and municipal manager of Mbizana local municipality.

*A politically-connected operator named in the PPE scandal besetting the Gauteng Health Department made an 800% profit on COVID-19 personal protective equipment he sold the government. This, notes the **Sunday Times**, is according to court papers naming Thandisizwe Madzikane Diko – a family friend of Gauteng Health MEC Bandile Masuku and the husband of Ramaphosa's spokesperson – in detailed claims laid out by the Special Investigating Unit (SIU).*

Among the unit's claims is that the 'extortionate' mark-ups made by Diko's "proxy" company included buying a million medical disposal bags from a supplier for 75c each and selling them to the Health Department for R7 a piece.

It also details an alleged attempt to initiate a side deal with a medical manufacturer that would involve defrauding the **Industrial Development Corporation (IDC)**. The SIU obtained an order freezing about R36m worth of assets that it said are the proceeds of corrupt COVID-19 PPE contracts between the proxy company, Ledla Structural Development, and the Gauteng Health Department.

In court papers, investigator Asashanduki Rabali describes how the SIU came to conclude that:

- * The COVID-19 contracts originally awarded to Diko's company, Royal Bhaca, had been irregular and unlawful.

- * Ledla was then used as a proxy for Royal Bhaca.

- * The prices for crucial COVID-19 protective equipment were massively inflated.

- * The department later tried to disguise a contract as a donation.

"The MEC wants his people". That, according to court papers, is what a department official claims in an affidavit she was told when she questioned why Diko – the senior traditional leader of the AmaBhaca – was being invited to tender. Khusela Diko and Masuku's wife, Johannesburg's MMC of group corporate and shared services, Loyiso Masuku, are personal friends. Diko and Masuku have both taken leave due to the scandal.

The interim freezing order was obtained in the Special Tribunal in the absence of those implicated, notes the **Sunday Times** report. They will have a chance to tell the court their side of the story in October when the court will decide whether to make the order a final and permanent one.

In papers, Rabali says that, in the wake of The Sunday Independent reports about the awarding of the PPE contracts to Royal Bhaca, the Dikos told the newspaper the contract had been cancelled. This was true, she said, but a fresh contract was awarded to Ledla "simply as a stratagem to make the false representation that Royal Bhaca was no longer contracted to (the Health Department). Payments were then made by (the department) to Ledla instead of Royal Bhaca. Ledla was in fact a proxy for Mr Diko and/or Royal Bhaca and the payments that were made to Ledla were in fact payments made for the benefit of Mr Diko and Royal Bhaca," said Rabali. She noted the two contracts were "almost identical", with items and quantities that were "exactly the same".

Nearly R40m held in the bank accounts of 40 Gauteng companies involved in supplying PPE have been frozen. **TimesLIVE** reports that this follows an order granted by Special Tribunal Judge Bill Mothe. The accounts include those belonging to Ledla, **Royal Bhaca Projects** and **Mediwaste** – Special Tribunal spokesperson Selby Makgotho said Mothe had granted an order to freeze R38.7m held in the company accounts.

“In the papers before the Special Tribunal, **Ledla Structural Development (Pty) Ltd** was awarded a contract by the Gauteng Health Department for the supply of COVID-19 items, which the SIU contends was unlawfully, irregularly and corruptly awarded, and at prices which were grossly inflated way in excess of market-related prices. Ledla Structural Development (Pty) Ltd subsequently transferred a large portion of the proceeds it received into various banking accounts belonging to entities and individuals, which funds, the SIU contends in court papers, are liable to be forfeited to the state,” said Makgotho.

The provincial department allegedly paid Royal Bhaca Projects at least R80m for its PPE services. Motlale further ordered that the pension of the former CFO of the department, Kabelo Lehloenyana, be frozen. Authorities have identified Lehloenyana as having allegedly signed off irregular PPE contracts worth more than R2bn.

“The Special Tribunal held that civil recovery proceedings against Lehloenyana be instituted within 15 days of the granting of the order for recovery of financial damages suffered by the department resulting from actions of illegality, misconduct and acts of dishonesty,” notes Makgotho. Respondents have until 6 October to show cause why the order should not be made final.

*The whistle-blower was the Gauteng Health Department’s suspended supply chain chief director, Thandy Pino. A trail of e-mails the **Sunday Times** says it obtained show that Pino sounded the alarm in just her second week on the job, pointing out irregularities in COVID-19 contracts being awarded without legal procurement processes being followed.*

*In an e-mail on 6 April that Pino sent to department head Mkhululi Lukhele, Lehloenyana and others, she questioned why the department wasn’t complying with guidelines issued by the **National Treasury**. Lehloenyana resigned in May. Pino has been suspended while the SIU investigates the department’s entire COVID-19 procurement process.*

Pino’s suspension letter lists “gross misconduct, gross dereliction of duty and/or gross negligence in the performance of her official duties” as reasons for her suspension. The department accuses her of trying to “impede” the SIU investigation by “trying to create or perpetuate a fraudulent false impression” that the purchase order given to Royal Bhaca Projects. However, in her e-mail, Pino warned that:

- * Companies being awarded contracts were not on the centralised supplier database.
- * Suppliers were paid as sundry creditors.
- * Commitment letters did not include quantities of goods required and risked being manipulated.

Deviations – or amendments to the contracts – were conducted after the contracts were awarded.

* The government departments on behalf of which the Health Department was buying PPE were not consulted about what was needed.

* The CFO's office had taken over all the procurement, leaving her out of it completely.

*In a separate matter, four contracts worth a combined R540m for supplying PPE to the police are under scrutiny as the Hawks investigate their own, says another **Sunday Times** report. The Hawks are investigating allegations that police colleagues abused emergency procurement procedures and fraudulently handed multimillion-rand contracts for the supply of masks and sanitisers to four companies: **Tsa Bophelo Medical Suppliers & Logistics, Tombo Investments, Basadzi Pele Management Consulting** and the **Before Sunset Group**.*

They are also investigating whether the companies inflated some prices. Basadzi Pele Management Consulting got the most money, R363m. Little is known about the company, which was registered in 2005 to an address in **Soutpansberg, Pretoria**. The house appeared deserted, according to the report, which notes attempts to contact its sole director, Busisiwe Sina Mbokazi, were unsuccessful.

*The chicanery, knows no bounds. An **East London** businessman who has been dead for two years scored a PPE tender worth almost R1m from the **Eastern Cape Health Department**, according to the **Daily Dispatch**. It says Odwa KK Matshaya's family was stunned by the appearance of the dead man's company on a list of more than 600 firms to have benefited from the department's R1.2bn COVID-19 procurement expenditure in the past three months. At the time of his death, Matshaya was the sole director of **2KS Construction and Projects**.*

According to the list, 2KS Construction and Projects received R992 105. Other Eastern Cape businessmen have also come forward to disclose that while their companies' names appear on the list of beneficiaries, they were never awarded contracts by the Health Department. The report points out SIU is investigating 352 recently awarded contracts in the Eastern Cape.

*However, the Health Department has since denied the tender award. According to **News24**, spokesperson Siyanda Manana said the director of 2KS Construction was not the person listed in the article. He said the director, a Mr Nceba Kwakweni, was alive.*

News24 reportedly asked Manana for Kwakweni's contact details in order to verify the claims, but it says at the time of writing, Manana had not supplied the number as agreed.

*Another strange-but-true revelation is recorded by the **Daily Maverick**.* It says KZN Premier Sihle Zikalala admitted that a R100m "mistake" had found its way into the disclosure report he punted last week as a means of placing the province's PPE spend "transparently" before the country.

According to the table supplied, uMkhanyakude municipality had spent R154,399,000 on its COVID-19 preparations. "It was a mistake," Zikalala said. "The figures were given to us by the municipal CFO. After the release of the disclosure report, the municipality contacted us. They have since admitted that they only spent R54m."

The **Western Cape's** Education and Health departments are among five at the centre of a PPE procurement probe by the SIU, says a **Cape Times** report. SIU spokesperson Kaizer Kganyago would not disclose the names of the five Western Cape companies, only saying: "We are going to report this to the president in the first week of next month. The Western Cape has five allegations (against) five companies."

Premier Alan Winde said the SIU outlined the five investigations to Parliament's standing committee on public accounts. He said two were from the **DA**-led departments of education and health, two were into procurement in the **ANC**-run Matzikama and Laingsburg municipalities, and one was listed for the Department of Agriculture, Forestry and Fisheries. However, Winde said the Western Cape did not have a Department of Agriculture, Forestry and Fisheries, and they were waiting for clarity.

"We welcome the SIU's investigation into procurement in all nine provinces, as well as at a local and national government level," Winde is quoted in the report as saying.