

**News24, 2 July 2018**

**From expensive cars to exclusive restaurants, here's how millions were stolen from SA**

Sipho Masondo And Abram Mashego

They bought a top-of-the-range Chevrolet Trailblazer, suits from exclusive boutiques and wine and dined in some of South Africa's finest restaurants. That's what some of the R1.6bn looted from one of South Africa's poorest provinces was spent on.

A series of reports Treasury compiled detail how a string of companies, individuals and national government agencies – including the Independent Development Trust (IDT), SA National Roads Agency Limited (Sanral) and the Coega Development Corporation (CDC) – allegedly helped themselves to more than R1.6bn which was meant to build roads, schools and houses in the Eastern Cape.

The details are contained in three reports compiled by Treasury's special audit services between 2011 and 2017 on the provision of mobile classrooms, roads and social housing in the province. According to the reports, which City Press obtained, the Social Housing Regulatory Authority (SHRA), which falls under the national department of human settlements, was paid R341m for housing projects for the poor. But not a single home was built.

Three companies were advanced more than R260m to provide mobile classrooms, in defiance of Treasury regulations. One of them was paid R10m for mobile classrooms for four schools, but delivered none. A further R38m was given to the same company without any documentation or evidence of work done. Another mobile classroom company acknowledged a debt of R24m, but hasn't paid it yet.

The same company was paid another R8.6m, but delivered nothing. Despite this, it was paid another R17m without any supporting documentation or evidence of work done. Of the R380m given to those three companies, R280m was awarded without any tenders.

The then Eastern Cape roads and public works department paid a company called Aqua Transport R4m for two road projects. The IDT had paid other companies R82m for the same roads, and Sanral was paid R2.3m for one of those two roads.

The IDT did not account for R21.7m of the R173m it was paid. The IDT was further paid about R3.8m for projects which were either cancelled or terminated. The CDC spent an "excessive" R101m on stones for 23km of road.

## **NO HOUSES**

Treasury's report into the supply of social housing shows that around 2012, the national human settlements department transferred R341m to its Eastern Cape counterpart to build low-cost and subsidised housing.

Eastern Cape officials then irregularly transferred the money to the SHRA, instead of to companies directly involved in building the housing, according to the report. Of the R341m, the SHRA paid R61m to one construction company to build houses in East London. Nothing was built. "The R61m was paid to a company to be used to pay service providers during the construction of social housing units in Connemara, East London. Only a vacant plot remains where the social housing units should have been erected," the report reads.

The SHRA claimed to have paid R80m for a social housing project in Phoenix, Durban, and a further R85m for another social housing development in North West. Again, nothing was built. About R115m is unaccounted for. This week, housing authorities in KwaZulu-Natal and officials in North West refuted the SHRA's claims that it sent money to their provinces.

North West human settlements spokesperson Ben Bole said: "The department did not receive R85m from SHRA. We need to go on record and say that the matter is under

investigation by law enforcement agencies." KwaZulu-Natal housing spokesperson Mbulelo Baloyi said: "We do not receive monies from the SHRA. They pay monies directly to social housing institutes." Baloyi said he knew nothing of any social housing project in Phoenix.

## **BUYING BLING**

According to the report, R4.8m of the R61m meant to build houses in East London was illegally transferred to 11 personal bank accounts. Some of it was used to buy the Trailblazer. The money was spent on suits worth R10 000 from House of Monatic and a Cape Town boutique and R1 800 was spent at Grazia fine dining restaurant in East London. The account into which the R61m was transferred has been frozen. The Eastern Cape human settlements department did not respond to questions.

## **ROADS TO NOWHERE**

The report, prepared by Treasury, was about the construction of a number of roads in the Eastern Cape, which the then department of roads and public works commissioned. Treasury found the department was in chaos and had a poor project management system. In addition, the department awarded a large chunk of road construction projects worth R914m to the IDT, Sanral and the CDC – all at the same time.

In some cases, duplicate payments were made. In one case, the department paid Aqua R4m for two road projects which had been allocated to the IDT. The IDT paid R8.2m to other service providers to build the same roads. The department paid R2.3m to Sanral for the same road.

Of another case, Treasury investigators said: "We have identified two projects where the description is indicated as quarrying of material for lengths of 12.3km and 11.1km, respectively.

“The contract value is indicated as R57.1m and R44.3m. These amounts seem to be excessive for supplying road stone material for the above-mentioned lengths.”

About duplicate payments to Aqua, the report’s authors said that “three projects possibly include duplicate payments. The total payments relating to these projects is R74.3m.”

Investigators discovered that the department paid Aqua about R139m for 10 projects, which had also been awarded to Coega.

Furthermore, the department paid Aqua about R49.6m, but documents show a third party got the money. The department paid R320m to Aqua and other companies for 10 projects which had also been awarded to the CDC.

The department paid other companies – excluding Aqua, the IDT and Sanral – about R304m for the same roads the CDC was asked to build.

Yet another company was paid R35m for a project budgeted at R20m.

## **WHAT THEY SAY**

Sanral’s southern regional manager, Mbulelo Peterson, said the department contracted Sanral to resurface 807km of provincial roads.

“Sanral can therefore only speculate that the identification of duplication of work by Sanral, and other implementing agents was either done in error, or refers to different types of work done on the same road, or different sections of the same road,” he said.

“For example, a Sanral-appointed service provider may well have implemented a fog spray on provincial roads that were also undergoing routine maintenance or having other work done by another service provider appointed by the department, or another implementing agent.”

Aqua declined to comment, but said the report was flawed and inaccurate. The company threatened to take legal action against City Press should it publish its findings.

The IDT did not respond to questions sent on Thursday. Spokesperson Thabisile Dhlomo said: “The IDT is not in possession of the investigation report produced by special audit services and therefore is unable to provide a full response.”

CDC spokesperson Ayanda Vilakazi did not respond to detailed questions, but said the department contracted Coega to build roads for three years in six provincial districts.

He said Coega handed all its files to the department after it decided to take over the project.

The SHRA could not be reached for comment.