Recommendations

(h) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended for him for non-compliance with the Municipality's Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

(i) We recommend criminal action in terms of fraud and corruption against the relevant representatives of Sokhuluwa Youth Future Organisation.

11.4.6 Bitou Sohluma Organisation:

Background

(a) Bitou Sohluma Organisation applied for Grant-in-Aid funding to the Bitou Municipality on 29 December 2016 (see Annexure 11.9). The application was signed by Andiswa Kuwane in her capacity as secretary of the organisation.

(b) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, the Bitou Sohluma Organisation was registered on 3 May 2016 with registration number: 170-211 NPO. This information corresponds with the certificate of registration submitted with their application.

(c) Based on information contained in an internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, an amount of R20,000.00 was allocated to Bitou Sohluma Organisation in terms of Grant-in-Aid. The Municipal Manager (Thabo Ndlovu) approved this allocation on 24 April 2017.

(d) The Bitou Municipality entered into an agreement with Bitou Sohluma Organisation in terms of the MFMA. It is recorded in the agreement that the Bitou Municipality will transfer an amount of R100,000 to Bitou Sohluma Organisation in respect of the period "15 April 2017 to 30 June 2017". The agreement, however, further recorded that the transfer payment is a "once off payment of R20,000" for the applicable Municipal fiscal year.

(e) According to this agreement, the Municipal Manager (Thabo Ndlovu) signed the agreement on 2 May 2017. Andiswa Kuwane (Secretary of Bitou Sohluma Organisation) signed the agreement as the duly authorised representative, however her signature was undated.

(f) According to expenditure voucher: 117747 (see Annexure 11.9), dated 4 May 2017, an amount of R20,000.00 was paid to Bitou Sohluma Organisation in terms of Grant-in Aid.

Findings

(g) Our investigation revealed that:

(i) The agreement between the Bitou Municipality and Bitou Sohluma Organisation incorrectly indicated that an amount of R100,000 would be transferred, instead of R20,000.

(ii) Bitou Sohluma Organisation did not submit monthly reports reflecting expenditure to the Director: Strategic Services of the Bitou Municipality as stipulated under paragraph 7.7 of the agreement.

(iii) Upon scrutiny of the application form, we noted that the contact person listed is Denise Makhetha, the same Denise Makhetha listed as a contact person on the application form for the Sokhuluwa Youth Future Organisation, however with different contact numbers. We further noted that Denis Makhetha and Ntomboxolo Williams was both listed as the Chairperson of the Bitou Sohluma Organisation. During our interview with Denise Makhetha, she stated that she was a contact person for Bitou Sohluma Organisation due to her involvement with the Kwanokuthula Community Policing Forum. The Bitou Sohluma Organisation is apparently affiliated with Kwanokuthula Community Policing Forum. Denise Makhetha stated that she does not know a person by the name of Ntomboxolo Williams.

(iv) According to the project information attached to the application form of the Bitou Sohluma Organisation, Ntomboxolo Mrubata is the chairperson of the organisation. It is therefore not clear who the actual chairperson of Bitou Sohluma Organisation is, and we suspect that incorrect information was supplied in the application to mislead the Bitou Municipality.

(v) During our consultation with Andiswa Kuwane, she informed us that the Bitou Sohluma Organisation utilised some of the funds to pay for the rectification of a fence. This is in contravention of the Grant-in-Aid policy, which stipulates in paragraph 4.1.4 that funding of projects and to organisations shall, inter alia, exclude capital costs.

(vi) During our interview with Andiswa Kuwane, she informed us that some of the funds were utilised to establish a fruit and vegetable garden, which is located behind the Police Station in Kwanokuthula. This is the same fruit and vegetable garden the Kwanokuthula Community Policing Forum referred to during their consultation. It therefore appears that Bitou Sohluma Organisation and the Kwanokuthula Community Policing Forum could have utilised the Grant-in-Aid funds for the same purpose.

(vii) Andisiwe Kuwane informed us that she is also the Treasurer for the Kwanokuthula Community Policing Forum.

(viii) Daluxolo Ncame appears to have failed to ensure that the requirements of the Grant-in-Aid Policy were complied with.

(h) Based on the above and the allegations of the whistle-blowers, the possibility exists that the funds paid to Bitou Sohluma Organisation in terms of Grant-in-Aid, could have been misappropriated.

<u>Recommendations</u>

(i) We recommend disciplinary action against Denise Makhetha for her possible involvement in irregularities pertaining to the Bitou Sohluma Organisation.

(j) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended for him for non-compliance with the Municipality's Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

(k) We recommend criminal action in terms of fraud and corruption against the relevant representatives of the Bitou Sohluma Organisation.

11.4.7 Kwanokuthula Community Policing Forum:

<u>Background</u>

(a) Kwanokuthula Community Policing Forum applied for Grant-in-Aid funding to the Bitou Municipality on 3 February 2017 (see Annexure 11.10). The application was signed by Denise Makhetha in her capacity as chairperson of the organisation.

(b) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, the Kwanokuthula Community Policing Forum was registered on 6 May 2016 with registration number: 170-284 NPO. This information does not entirely correspond with the certificate of registration submitted with the Kwanokuthula Community Policing Forum's application. The number recorded on the NPO registration certificate is 170-286 NPO, which belongs to "Platte39", located in Johannesburg.

(c) Based on information contained in an internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, an amount of R20,000.00 was allocated to Kwanokuthula Community Policing Forum in terms of Grant-in-Aid. The Municipal Manager (Thabo Ndlovu) approved this allocation on 24 April 2017.

(d) The Bitou Municipality entered into an agreement with Kwanokuthula Community Policing Forum in terms of the MFMA. It is recorded in the agreement that the Bitou Municipality will transfer an amount of R40,000 to Kwanokuthula Community Policing Forum in respect of the period 15 April 2017 to 30 June 2017. According to this agreement, the Municipal Manager (Thabo Ndlovu) signed the agreement however did not date his signature. The agreement indicates "April 2016", however this was part of the original template. Denise Makhetha (Chairperson of Kwanokuthula Community Policing Forum) signed the agreement as the duly authorised representative, however her signature was undated and only indicated "April 2017", which also appears to be part of the original template.

(e) According to expenditure voucher: 117748 (see Annexure 11.10), dated 4 May 2017, an amount of R40,000.00 was paid to Kwanokuthula Community Policing Forum in terms of Grant-in Aid.

Findings

(f) Our investigation revealed that:

(i) Kwanokuthula Community Policing Forum applied for Grant-in-Aid funding approximately a month after the closing date of 30 December 2016.

(ii) Kwanokuthula Community Policing Forum was paid double what was allocated by the Office of the Executive Mayor and approved by the Municipal Manager.

(iii) The organisation did not provide a bank account confirmation letter as required during their application.

(iv) Kwanokuthula Community Policing Forum did not submit monthly reports reflecting expenditure to the Director: Strategic Services of the Bitou Municipality as stipulated under paragraph 7.7 of the agreement.

(v) Compared against the applications of Sokhuluwa Youth Future Organisation and Bitou Sohluma Organisation, we noted that Denise Makhetha is involved in all three of these organisations.

(vi) According to the bank statement submitted as part of Kwanokuthula Community Policing Forum's application, we noted that they also received funds from Plett Tourism.

(vii) Based on our interview with Lokose Mrubata (Project Co-ordinator of the Kwanokuthula Community Policing Forum), Neighbourhood Watch received R20,000 and Kwanokuthula Community Policing Forum received R20,000.

(viii) Thandokazi Siphungu (Administration Officer in the Office of the Executive Mayor) sent an e-mail to Amanda Phelisa Melamane (Intern in the Budget and Financial Reporting branch of the Bitou Municipality) on 26 April 2017, stating that an amount of R40,000 will be paid to the Kwanokuthula Community Policing Forum as Neighbourhood Watch is managed by Kwanokuthula Community Policing Forum. She further stated that the request from Neighbourhood Watch will therefore be cancelled.

(ix) According to the internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, listing the names of the Grant-in-Aid beneficiaries and the amounts allocated to each, no allocation was made to Neighbourhood Watch. It therefore appears that the additional R20,000 paid to Kwanokuthula Community Policing Forum for the use of Neighbourhood Watch was unauthorised.

(x) During our interview with Lokose Mrubata, she informed us that Kwanokuthula Community Policing Forum utilised some of the funds to pay for the rectification of a fence. This is in contravention of the Grant-in-Aid policy, which stipulates in paragraph 4.1.4 that funding of projects and to organisations shall, inter alia, exclude capital costs.

(xi) Lokose Mrubata further stated that some of the funds were utilised to establish a fruit and vegetable garden, which is located behind the Police Station in Kwanokuthula. This is the same fruit and vegetable garden the Bitou Sohluma

Organisation referred to during their interview. It therefore appears that Bitou Sohluma Organisation and the Kwanokuthula Community Policing Forum utilised the Grant-in-Aid funds for the same purpose.

(xii) During our investigation, we confirmed the existence of the fruit and vegetable garden, located behind the Police Station in Kwanokuthula.

(xiii) The application submitted by the Kwanokuthula Community Policing Forum did not indicate that funds will be utilised for the establishment of a fruit and vegetable garden. It therefore appears that the Grant-in-Aid funds could have been utilised for the wrong purpose.

(xiv) Daluxolo Ncame appears to have failed to ensure that the requirements of the Grant-in-Aid Policy were complied with.

(g) Based on the above and the allegations of the whistle-blowers, the possibility exists that the funds paid to Kwanokuthula Community Policing Forum in terms of Grant-in-Aid, could have been misappropriated.

<u>Recommendations</u>

(h) We recommend disciplinary action against Denise Makhetha for her possible involvement in irregularities pertaining to the Kwanokuthula Community Policing Forum.

(i) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended for him for non-compliance with the Municipality's Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

(j) We recommend criminal action in terms of fraud and corruption against the relevant representatives of the Kwanokuthula Community Policing Forum.

(k) We recommend that the Municipality determine the involvement of Plett Tourism with the Kwanokuthula Community Policing Forum, as they might be duplicating efforts of providing financial assistance to the organisation.

(l) We recommend that the Municipality recover the money from the Kwanokuthula Community Policing Forum Recovery in terms of the funds spent on items not allowed for as per the Grant-in-Aid Policy.

11.4.8 Eden Social Networks:

Background

(a) Eden Social Networks applied for Grant-in-Aid funding to the Bitou Municipality in February 2017 (see Annexure 11.11). The application was signed by Ncedo Mantyi in his capacity as chairperson of the organisation.

(b) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, Eden Social Networks was registered on 6 May 2016 with registration number: 170-280 NPO. This information corresponds with the certificate of registration submitted with their application.

(c) Based on information contained in an internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, an amount of R250,000.00 was allocated to Eden Social Networks in terms of Grant-in-Aid. The Municipal Manager (Thabo Ndlovu) approved this allocation on 24 April 2017.

(d) The Bitou Municipality entered into an agreement with Eden Social Networks in terms of the MFMA. It is recorded in the agreement that the Bitou Municipality will transfer an amount of R250,000 to Eden Social Networks in respect of the period 15 April 2017 to 30 June 2016. According to this agreement, the Municipal Manager (Thabo Ndlovu) signed the agreement on 2 May 2017. Ncedo Mantyi (Chairperson of Eden Social Networks) signed the agreement as the duly authorised representative on 24 April 2017.

(e) According to expenditure voucher: 117764 (see Annexure 11.11), dated 4 May 2017, an amount of R250,000.00 was paid to Eden Social Networks in terms of Grant-in Aid.

Findings

(f) Our investigation revealed that:

(i) Eden Social Networks applied for Grant-in-Aid funding after the closing date of 30 December 2016;

(ii) The agreement between the Bitou Municipality and Eden Social Networks recorded that the amount to be transferred was in respect of the period 15 April 2017 to 30 June 2016. The end date was incorrectly recorded and should have been 30 June 2017.

(iii) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, Eden Social Networks was registered in the Gauteng province.

(iv) Paragraph 7.7 of the agreement stipulates that Eden Social Networks should submit monthly reports reflecting expenditure to the Director: Strategic Services of the Bitou Municipality. The Bitou Municipality could not provide us with these monthly reports.

(v) Eden Social Networks did not provide a copy of their organisation's latest bank statement and bank account confirmation letter as required during their application.

(vi) Eden Social Networks indicated in their application that their physical address is: [redacted] Our physical verification of this address was unsuccessful. The property at this address is a residential home and belongs to Sylvia Sebezo. According to Sylvia Sebezo, she has owned this property for many years. Sylvia Sebezo stated that she does not know an organisation by the name of Eden Social Networks, however recognised the name Ncedo Mantyi. Apparently, her son (Phakamile Sebezo) worked with Ncedo Mantyi at some point in time. Sylvia Sebezo currently provides aftercare to school children at her home.

(vii) We determined that Phakamile Sebezo works as a Senior Human Resource Officer at the Bitou Municipality, however he was apparently out of town when we wanted to interview him. During our interview with Pedro Peters, he stated that Phakamile Sebezo is apparently the owner of a company that provides training services to the Bitou Municipality. Pedro Peters promised to provide us with evidence of this, however at the time of this report, we did not receive any information from him in this regard.

(viii) We tried multiple times to arrange an interview with Ncedo Mantyi without success.

(ix) Daluxolo Ncame appears to have failed to ensure that the requirements of the Grant-in-Aid Policy were complied with.

(g) Based on the above and the allegations of the whistle-blowers, the possibility exists that the funds paid to Eden Social Networks in terms of Grant-in-Aid, could have been misappropriated.

Recommendations

(h) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended for him for non-compliance with the Municipality's Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

(i) We recommend criminal action in terms of fraud and corruption against the relevant representatives of the Eden Social Networks.

(j) We recommend that the Municipality determine the involvement of Phakamile Sebezo with Eden Social Networks and whether there is any truth in the allegation made by Pedro Peters.

11.4.9 Kamvalethu Development Project:

Background

(a) Kamvalethu Development Project applied for Grant-in-Aid funding to the Bitou Municipality on 23 August 2017 (see Annexure 11.12). The application was signed by Lindelwa Mtila in her capacity as chairperson of the organisation.

(b) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, the Kamvalethu Development Project was registered on 7 March 2017 with registration number: 186-693 NPO. This information corresponds with the certificate of registration submitted with their application

(c) Based on information contained in an internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, the Municipal Manager approved payments to be made in terms of Grant-in-Aid on 24 April 2017. The list attached to this memorandum indicates that an amount of R50,000.00 was allocated to Kamvalethu Development Project, however this is a different list compared to the supporting documents of other Grant-in-Aid payments as mentioned earlier in our report. A second memorandum from Daluxolo Ncame submitted to the Municipal Manager, dated 28 August 2017, exists where the Municipal Manager (Thabo Ndlovu) approved the payment, however the funds were to be used from the 2017/2018 financial year.

(d) The Bitou Municipality entered into an agreement with Kamvalethu Development Project in terms of the MFMA. It is recorded in the agreement that the Bitou Municipality will transfer an amount of R50,000 to Kamvalethu Development Project in respect of the period 1 July 2017 to 30 June 2018. According to this agreement, the Municipal Manager (Thabo Ndlovu) signed the agreement on 29 August 2017. Lindelwa Mtila (Chairperson of Kamvalethu Development Project) signed the agreement as the duly authorised representative, however her signature was only dated as "2017".

(e) According to expenditure voucher: 120464 (see Annexure 11.12), dated 7 September 2017, an amount of R50,000.00 was paid to Kamvalethu Development Project in terms of Grant-in Aid.

Findings

(f) Our investigation revealed that:

(i) Kamvalethu Development Project applied for Grant-in-Aid funding approximately eight months after the closing date of 30 December 2016. They also registered their organisation as an NPO after the closing date of 30 December 2016. We could not find any evidence indicating that the invitation to apply for financial assistance was re-advertised by the Municipality.

(ii) Kamvalethu Development Project did not complete their application form adequately. No objectives or strategies to achieve their objectives were provided. The form merely indicates "N/A". The purpose for which the funds will be utilised indicates "See Attached", however no document was attached.

(iii) The constitution of Kamvalethu Development Project, which they submitted with their application, appears to have been copied from the constitution of Bitou Masakhane or *vice versa*.

(iv) Kamvalethu Development Project did not provide a copy of their organisation's latest bank statement and bank account confirmation letter as required during their application.

(v) Paragraph 7.7 of the agreement stipulates that Kamvalethu Development Project should submit monthly reports reflecting expenditure to the Director: Strategic Services of the Bitou Municipality. The Bitou Municipality could not provide us with these monthly reports.

(vi) Due to the fact that Kamvalethu Development Project was not a registered NPO at the time of the closing date of 30 December 2016, they should not have been allocated funding. In addition, it appears that they were paid from the 2017/2018 budget without re-applying for funding.

(vii) Daluxolo Ncame appears to have failed to ensure that the requirements of the Grant-in-Aid Policy were complied with.

(viii) During our interview with Lindelwa Mtila, she stated the following:

(A) During March 2017, "the Mayor" invited a large group of people from the community to attend a meeting held in the Council Chambers of the Bitou Municipality. During this meeting, they were informed of the opportunity to apply for Grant-in-Aid.

(B) She and 47 people of the community decided to register Kamvalethu Development Project as a Non-profit Organisation in order to apply for Grant-in-Aid.

(C) Subsequently another 8 people joined Kamvalethu Development Project, after receiving word that they will be receiving money from the Bitou Municipality.

(D) A committee of members from Kamvalethu Development Project compiled the constitution of the organisation.

(E) Sometime later, a meeting took place at the Bitou Municipality where an unknown lady from Durban came to assist them with registering their Non-profit Organisation. A few months` thereafter, they received their NPO certificate.

(F) "Cingi" from the gender desk called her to provided her with the Grant-in-Aid application form.

(G) She had to re-submit Kamvalethu Development Project's application several times, as it apparently went missing at the Bitou Municipality.

(H) She was unaware that the closing date for the Grant-in-Aid applications was 30 December 2016, as stated on the application form.

(I) During April 2017, "Cingi" called her to attend a meeting at the Kwanokuthula Community Hall (she was not sure about the exact date). At this meeting, "the Mayor" informed them that Kamvalethu Development Project would receive an amount of R50,000. Various groups of the community attended the meeting (Award Ceremony).

(J) She was called to the Bitou Municipality by "Emile" in order to sign the agreement with the Bitou Municipality. The content of the agreement was not explained to her and she was unaware that they had to provide monthly expenditure reports to the Bitou Municipality, and therefore never did.

(K) After they received the R50,000 payment from the Bitou Municipality, the whole amount was withdrawn in cash.

(L) Each of the 56 members of Kamvalethu Development Project received approximately R1,000.

(M) The funding received were mainly used to buy rain suits and rain boots.

(N) She personally received R1,000 of the R50,000. Her portion was utilised to buy a rain-suit to the value of R350 and a pair of rain-boots to the value of R200. The remainder of the R1,000 was used to buy chips to resell for her own benefit.

(g) Based on the above, the funds paid to Kamvalethu Development Project were not utilised for the achievement of the objectives of the Bitou Municipality, as stated in the Grant-in-Aid Policy. The funds paid to Kamvalethu Development Project was squandered and no financial controls were implemented to ensure the funds were utilised as intended.

Recommendations

(h) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended for him for non-compliance with the Municipality's Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

(i) We recommend disciplinary action against Peter Lobese and Cingisisa Ngemntu-Sonjani for non-compliance with the Municipality's Grant-in-Aid Policy.

(j) We recommend criminal action in terms of fraud and corruption against the relevant representatives of the Kamvalethu Development Project.

11.4.10 Protea Service Centre:

Background

(a) Protea Service Centre applied for Grant-in-Aid funding to the Bitou Municipality on 22 December 2016 (see Annexure 11.13). The application was signed by Anna Hoffman in her capacity as chairperson of the organisation.

(b) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, the Protea Service Centre was registered on 8 July 2009 with registration number: 069-513 NPO. This information corresponds with the certificate of registration submitted with their application.

(c) Based on information contained in an internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, an amount of R20,000.00 was allocated to Protea Service Centre in terms of Grant-in-Aid. The Municipal Manager (Thabo Ndlovu) approved this allocation on 24 April 2017.

(d) The Bitou Municipality entered into an agreement with Protea Service Centre in terms of the MFMA. It is recorded in the agreement that the Bitou Municipality will transfer an amount of R20,000 to Protea Service Centre in respect of the period 15 April 2017 to 30 June 2017. According to this agreement, the Municipal Manager (Thabo Ndlovu) signed the agreement on 2 May 2017. Anna Hofmann (Chairperson of Protea Service Centre) signed the agreement as the duly authorised representative, however her signature was only dated as "2017".

(e) According to expenditure voucher: 117752 (see Annexure 11.13), dated 4 May 2017, an amount of R20,000.00 was paid to Protea Service Centre in terms of Grant-in Aid.

Findings

(f) Our investigation revealed that:

(i) Paragraph 7.7 of the agreement stipulates that Protea Service Centre should submit monthly reports reflecting expenditure to the Director: Strategic Services of the Bitou Municipality. The Bitou Municipality could not provide us with these monthly reports.

(ii) The Protea Service Centre appears to have utilised the funds for the purpose as provided for in their application. During our interview with Anna Hoffman, Maria Johnson and Katie Aaron, adequate proof was provided to us indicating what the funding was utilised for and that it complements the goals, objectives, programmes and actions of the Bitou Municipality.

(iii) We also noted that Protea Service Centre received an amount of R10,000 on 20 July 2018 in terms of Grant-in-Aid.

Recommendations

(g) No action is recommended.

11.4.11 Bitou Masakhane:

Background

(a) Bitou Masakhane applied for Grant-in-Aid funding to the Bitou Municipality, however their application was not dated (see Annexure 11.14). The application was signed by Mbambeleli Khephe in his capacity as chairperson of the organisation.

(b) According to the Department of Social Development's database for Non-profit Organisations (NPO's) in South Africa, Bitou Masakhane was registered on 28 February 2017 with registration number: 186-301 NPO. Bitou Masakhane did not provide an NPO registration certificate with their application, however, did provide a printout from the Department of Social Development's database indicating their registration.

(c) The Bitou Municipality entered into an agreement with Bitou Masakhane in terms of the MFMA. It is recorded in the agreement that the Bitou Municipality will transfer an amount of R50,000 to Bitou Masakhane in respect of the period 15 April 2017 to 30 June 2016. According to this agreement, the Municipal Manager (Thabo Ndlovu) signed the agreement on 15 June 2017. An unknown person signed the agreement as the duly authorised representative of Bitou Masakhane on 15 June 2017.

(d) According to expenditure voucher: 118978 (see Annexure 11.14), dated 28 June 2017, an amount of R50,000.00 was paid to Bitou Masakhane in terms of Grant-in Aid.

Findings

(e) Our investigation revealed that:

(i) Mbambeleli Khepe is the Treasurer of Bitou Masakhane and not the Chairperson as indicated on the application form. Bitou Masakhane therefore misrepresented the facts on their application form.

(ii) Bitou Masakhane applied for Grant-in-Aid funding after the closing date of 30 December 2016.

(iii) The supporting documents attached to expenditure voucher 118978 included the internal memorandum from Daluxolo Ncame (Office of the Executive Mayor) to the Municipal Manager, dated 4 April 2017, and the list of allocations attached to this memorandum did not include Bitou Masakhane. The payment to Bitou Masakhane was therefore unauthorised.

(iv) The agreement between the Bitou Municipality and Bitou Masakhane recorded that the amount to be transferred was in respect of the period 15 April 2017 to 30 June 2016. The end date was incorrectly recorded and should have been 30 June 2017.

(v) The constitution of Bitou Masakhane, which they submitted with their application, appears to have been copied from the constitution of Kamvalethu Development Project or *vice versa*.

(vi) Paragraph 7.7 of the agreement stipulates that Bitou Masakhane should submit monthly reports reflecting expenditure to the Director: Strategic Services of the Bitou Municipality. The Bitou Municipality could not provide us with these monthly reports.

(vii) The organisation did not provide a bank account confirmation letter as required during their application.

(viii) Daluxolo Ncame appears to have failed to ensure that the requirements of the Grant-in-Aid Policy were complied with.

(ix) During our interview with Mbambeleli Khephe and Bulelwa Shey, they stated that:

(A) "Cingi" from the office of "the Mayor" assisted them early in January 2017 to complete the application form to apply for Grant-in-Aid as well as to draft their constitution;

(B) The hand writing on the application form was that of "Cingi" (It should be noted that Mbambeleli Khephe's name was written as signature, however it was not his actual signature);

(C) Due to the late arrival of the funds, they did not buy uniforms for the car guards as planned. The funds were utilised to buy school uniforms for their children;

(D) Approximately R49,000 was shared amongst the 36 car guards and an amount of approximately R1,000 remained in their bank account, which was then later transferred to a new bank account;

(E) "The Mayor" told them that they could buy the uniforms for their children and that should there be any money left, they should buy food for the children; and

(F) They provided information to "Mr Dali" towards the end of September 2017 on how the funds were utilised.

(x) The agreement between the Bitou Municipality and Bitou Masakhane was signed by "B Shey" as duly authorised representative, however Bulelwa Shey stated during her interview that it was not her signature. According to her, she only signed as witness and confirmed her signature on the document as one of the witnesses. She could not identify the person who signed as duly authorised representative and cannot recall if anyone was with her when she signed as witness.

(f) Based on the above, the funds paid to Bitou Masakhane were not utilised for the achievement of the objectives of the Bitou Municipality, as stated in the Grant-in-Aid Policy. The funds paid to Bitou Masakhane was squandered and no financial controls were implemented to ensure the funds were utilised as intended

Recommendations

(g) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended for him for non-compliance with the Municipality's Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

(h) We recommend disciplinary action against Peter Lobese and Cingisisa Ngemntu-Sonjani for non-compliance with the Municipality's Grant-in-Aid Policy.

(i) We recommend criminal action in terms of fraud and corruption against the relevant representatives of Bitou Masakhane.

11.5 Conclusion

11.5.1 In conclusion, it appears as if there has been widespread mismanagement of the Grant-in-Aid fund.

11.5.2 It appears that Peter Lobese abused his position as Executive Mayor to strengthen his political party, the AUF. Grant-in-Aid funds were merely handed out to members of the public, without being legitimate non-profit organisations. In addition, the Office of the Executive Mayor, assisted members of the public to irregularly register organisations to enable them to apply for Grant-in-Aid.

11.5.3 The Office of the Executive Mayor did not comply with the Grant-in-Aid Policy of the Bitou Municipality in terms of Section 67 of the MFMA. During our interview with Peter Lobese, he portrayed Grants-in-Aid as a general Mayoral discretionary fund. It therefore suggests that he does not understand the regulatory aspects of transferring funds to organisations and bodies outside of government.

11.5.4 Thabo Ndlovu, in his capacity as Municipal Manager, should have ensured that adequate processes and controls were in place to comply with regulatory aspects of Grants-in-Aid. He however entered into formal agreements with irregular non-profit organisations and allowed payments to be made to these organisations. This resulted in the following:

(a) Beneficiaries being registered without having legitimate constitutions;

(b) Payments were made to beneficiaries with incomplete application forms and without having provided the required supporting documentation during their applications for funding to Bitou Municipality;

(c) Payments were made to beneficiaries without proper business plans or which included prohibited expenditure items;

(d) No financial reporting or auditing on the recipient beneficiaries or the funded projects has been undertaken;

(e) Significant discrepancies exist between the amounts of funding applied for in funding applications and the actual payments made to the beneficiaries concerned; and

(f) Funding being utilised for reasons not in line with the overall objectives and strategies of the Bitou Municipality.

11.6 Recommendations

11.6.1 Besides the specific recommendations made above in terms of each beneficiary, we recommend the following action:

(a) We recommend disciplinary action against the following individuals for the overall non-compliance with the Grant-in-Aid Policy of the Bitou Municipality, non-compliance of Section 65 and 67 of the MFMA as well as non-compliance with Schedule 1 and 2 of the Local Government: Municipal Systems Act, in terms of the code of conduct for councillors and code of conduct for municipal staff members:

(i) Peter Lobese;

(ii) Emile Kramer;

(iii) Cingisisa Ngemntu-Sonjani; and

(iv) Denise Makhetha.

(b) We recommend that it be recorded in the human resource files of Thabo Ndlovu and Daluxolo Ncame, that similar disciplinary action would have been recommended for them, however due to their subsequent resignation, no disciplinary action can be taken.

(c) We recommend criminal action in terms of corruption, fraud and racketeering, against the implicated officials and organisations.

(d) We recommend that the Municipality determine whether similar irregularities occurred during the allocation and payment of Grant-in-Aid to other organisations and bodies.

12. PHASE 5: DONATION OF 36,000 BRICKS TOWARDS THE 100-DAY PROGRAMME

12.1 Introduction

12.1.1 A vacant site on Thomas Street in Kwanokuthula, Plettenberg Bay has been developed to create an entertainment area for the surrounding community as part of a Clean-up campaign by Bitou Municipality. Paving bricks were donated by Kurlandbrik for this purpose.

12.1.2 An allegation was made that not all of the bricks were used for the paving of the proposed entertainment area and that a significant number of excess bricks were removed and used elsewhere for other purposes.

12.2 Procedures followed

12.2.1 We consulted Graham Black, Elizabeth Jacobs and Tami Hurford of Kurlandbrik, regarding the donation of bricks made to Bitou Municipality and requested any related documentation.

12.2.2 We consulted Marc De Gouveia of Bitou Civils, regarding the use of the bricks donated by Kurlandbrik and the project to pave and beautify the vacant lot on Thomas Street, Kwanokuthula.

12.2.3 We consulted Vusumzi Cagwe, who was subcontracted to do some of the paving work on the project by Bitou Civils.

12.2.4 We consulted Jeremy Basson regarding his role in the project and the use of the bricks.

12.2.5 We interviewed Makhaya Mana regarding his role in the project and the initial request for the bricks.

12.3 Documents obtained

12.3.1 We obtained the following from Kurlandbrik:

(a) A letter addressed to "The Manager" for Kurlandbrik from "Smuts Mana" (Makhaya Mana) requesting assistance in the form of paving bricks (see Annexure 12.1).

(b) A letter addressed to Kurlandbrik from "S Mahana" (Makhaya Mana) dated 21 August 2017 referring to the donation of 800 square metres of paving bricks for "Kwano Thomas Street" (see Annexure 12.2).

(c) An email train between Elizabeth Jacobs and Jeremy Basson between 4 September and 12 October 2017 (see Annexure 12.3).

(d) An aerial view photograph demarcating the various lots around Thomas Street, Kwanokuthula provided to Kurlandbrik by Jeremy Basson (see Annexure 12.4).

(e) An email and letter from Elizabeth Jacobs/Graham Black to Makhaya Mana sent on 14 September 2017 informing Makhaya Mana that Kurlandbrik will not be able to donate bricks for the project (see Annexure 12.5).

(f) An email from Tami Hurford to Matthew Scholtz on 11 October 2018 breaking down how many bricks were donated by Kurlandbrik to Bitou Municipality (see Annexure 12.6).

(g) The delivery notes for the bricks delivered by Kurlandbrik to the Thomas Street development (see Annexure 12.7).

12.3.2 We obtained the following from Bitou Civils:

(a) An invoice from Bitou Civils sent to Bitou Municipality with a purchase order attached (see Annexure 12.8).

(b) A written invoice from Sibahle Construction to Bitou Civils for "*Paving @ Kwano*" (see Annexure 12.9).

(c) An email from Marc de Gouveia to Mark Fourie dated 8 August 2018 (see Annexure 12.10).

12.4 Findings

12.4.1 We established the following from our consultation with Graham Black, Elizabeth Jacobs and Tami Hurford of Kurlandbrik, as well as the documents provided by same.

(a) We were told by Graham Black that Kurlandbrik was approached by Makhaya Mana from the Executive Mayor's Office regarding the possible donation of paving bricks for the development of an area in Kwanokuthula for the community, as part of a Madiba 67-minutes project. We have been provided with a letter dated 21 August 2017 on Bitou Municipality's letterhead which is signed by Makhaya Mana in his capacity as Advisor of the Executive Mayor, in which he requested that "Kurland Bricks" assist Bitou Municipality in providing paving bricks for the "beautification of the cleaned dumping site in Ward 5" (See Annexure 12.1). The written request stated that Bitou Municipality planned on building a braai area at the location for the community's use. We have been told by Elizabeth Jacobs of Kurlandbrik that Makhaya Mana sent this written request to Kurlandbrik and that she brought this letter to Graham Black's attention.

(b) Attached to the written request was another letter on Bitou Municipality's letterhead dated 21 August 2017 addressed to "Kurland Bricks", also signed by Makhaya Mana as Advisor in the Executive Mayor's Office (See Annexure 12.2). The letter thanks the entity for the donation of 800 square metres of paving bricks to Bitou Municipality "communicated by Mr. Smuts Mahana Advisor in the Executive Mayor's Office". This letter states that the area to be paved is in "*Kwano Thomas Street*". On the document, "*36 000 Bricks*" was handwritten above the words "*800m2 paving bricks*" and the words "*and first bricks for fireplace*" was handwritten below. The number of 36 000 bricks appears to indicate how many bricks would be required for the paving area and possibly the fireplace mentioned.

(c) In a series of emails dated 4 September 2017 to 12 October 2017 between Elizabeth Jacobs of Kurlandbrik and Jeremy Basson (whose main function according to the Municipal website is the "*[c]leaning and beautification of open spaces*"), Elizabeth Jacobs relayed Graham Black's request for a photo, sketch or diagram as well as the perimeter of the area for which the donated bricks were being sought from Kurlandbrik (See Annexure 12.3). According to Elizabeth Jacobs' email, Makhaya Mana advised her that Jeremy Basson would be able to provide this information. In these emails, Jeremy Basson provides Elizabeth Jacobs with a photo of the area, with lines denoting the perimeter of each lot and a description of which lot they plan to pave (See Annexure 12.4).

(d) While this exchange of emails between Elizabeth Jacobs and Jeremy Basson was ongoing, Elizabeth Jacobs sent an email to Makhaya Mana on 14 September 2017 attaching a letter from Kurlandbrik thanking him for the information regarding the site to be paved but stating that Graham Black would not be able to donate the bricks requested due to the quantity required (See Annexure 12.5). This was explained as being due to Kurlandbrik needing to ensure it had sufficient stocks of paving bricks to complete projects for its clients. The letter went on to say that 36,000 paving bricks would be required for the paving area, which is a large amount and would equate to a value of R134,000. She stated that Graham Black had been under the impression that only a few pallets of bricks were needed to build a few braai facilities and possibly pave under picnic tables, and he had not realised that the entire area would need to be paved.

(e) We were told by Tami Hurford that Graham Black had been contacted by Jeremy Basson (or another official from Bitou Municipality), and that Graham Black and Jeremy Basson visited the proposed paving site to measure the area. They agreed to reduce the area which needed to be paved, which would result in fewer bricks needing to be donated. Graham Black agreed that Kurlandbrik would donate jumbo bricks instead of paving bricks, as the paving bricks were in high demand and Kurlandbrik had none to spare for this donation. Graham Black told us that the jumbo brick is a double brick that is made when the wire used in the brick making process breaks, and that Kurlandbrik has a number of jumbo bricks that have accumulated for a number of years. In a discussion with Graham Black, he commented that when he went to look at the now completed paved area, it seemed as though fewer bricks had been utilised than had been delivered by Kurlandbrik, but he could not provide an estimate of how many bricks had been utilised and therefore could not make a definitive assessment as to whether that was the case. It is clear that the agreement between Kurlandbrik and Bitou Municipality changed sometime between 14 September 2017 and 12 October 2017, in that Graham Black wanted to determine the size of the area again after having seemingly retracted his donation on 14 September 2017 and based on the change in the size of the area that needed to be paved from 800 square metres to 420 square metres.

(f) Tami Hurford provided us with four delivery notes which indicated that bricks were donated and delivered by Kurlandbrik to Bitou Municipality between 23 and 30 November 2017 (See Annexures 12.6 and 12.7), recording that a total of 8,500 jumbo bricks were delivered on four different dates. Tami Hurford explained to us that these jumbo bricks are larger than the originally offered paving bricks and are not usually suitable for paving but could be placed on their side to do so. According to Tami Hurford, the dimensions of a Jumbo Brick are approximately 220 mm in length, 150mm in width and 110mm in height. The Kurlandbrik delivery notes indicate that the deliveries were made to the "Thomas Street Development" in Kwanokuthula, and record the name "Jeremy" and the cellphone number '[redacted]. We have linked this cellphone number to Jeremy Basson. The delivery notes also reflect the words "sponsorship account", which appears to confirm that it was in fact a donation by Kurlandbrik.

12.4.2 We established the following from our interview with Makhaya Mana.

(a) According to Makhaya Mana, there was an area next to a tavern in Kwanokuthula where rubbish was being dumped. Cleaning and rejuvenating certain areas had been made an objective for Bitou Municipality. It was therefore decided that this area, with the help of the community, would be cleaned up and then Bitou Municipality would pave it and create a braai area in order to prevent future dumping and create a nice area for the community. The Bitou Municipality did not have funds for this project however, as they were already halfway through the financial year and there was no budget for this project.

(b) He approached Graham Black, of Kurlandbrik, requesting assistance for the project as they did not have the funds or budget for the bricks required for the project. He introduced himself and made the request alone. He stated that Graham Black asked him to provide the measurements for the area that needed to be paved. He asked officials from the Department of Community Services and Mark Fourie to assist him with measuring the area. He went to the site with an official working under Mark Fourie and they measured two sites (one large lot and one smaller lot). Makhaya Mana then sent the measurements to Kurlandbrik.

(c) Makhaya Mana received a letter from Kurlandbrik stating they would not be able to donate the amount of bricks requested, as the donation would cost too much. Makhaya Mana then made the decision to rather only pave the larger lot, and not the smaller lot and communicated this proposal to Kurlandbrik. According to Makhaya Mana, Graham Black then agreed to donate bricks on this basis. The bricks were then delivered to the site. Mark Fourie then took over the project, now that Makhaya Mana had laid the foundation for the project to move forward.

(d) Makhaya Mana had no knowledge of the delivery of the bricks, the paving or any possible theft of any bricks from the site. He was not a part of the project going forward.

12.4.3 We established the following from our consultation with Marc De Gouveia from Bitou Civils, as well as the documents provided by same.

(a) According to Marc De Goveia of Bitou Civils, he was approached by Jeremy Basson of Bitou Municipality for construction work at the site on Thomas Street. Marc De Goveia and Jeremy Basson visited the site on Thomas Street, where they measured the area and Bitou Civils then provided the Bitou Municipality with a quotation for construction work in an area of 964 square metres which included two areas on Thomas Street. Marc De Goveia told us that Bitou Municipality later sent Bitou Civils an order number for work to be done to a small area of only 240 square metres on Thomas Street. Marc De Goveia said that he did not ask why the area had been reduced in size, but assumed it was due to budgetary restrictions. This new work order specified the scope as cleaning the site of rubbish, levelling the area to get the sub-base in, and then putting in the paving.

(b) Bitou Civils' invoice dated 16 January 2018 addressed to Jeremy Basson at Bitou Municipality in the amount of R99,123 (See Annexure 12.8) attached a purchase order which was stamped by Bitou Municipality's Supply Chain Management Department on 25 October 2017. The purchase order specified the following items:

(i) Remove topsoil – R3,790.50

(ii) Preparation and compaction – R2,992.50

(iii) Construct 150mm G2 Base Course Compacted – R43,092.00

(iv) Supply and Construct Paving Complete – R49,248.00

(c) The item reflecting "Supply and Construct Paving Complete" is ambiguous in that it seems to imply that bricks were supplied by Bitou Civils, in addition to the construction of paving. We discussed this issue with Mark Fourie and other third-party brick suppliers and paving companies and came to the conclusion that this was unlikely.

(d) An invoice was also attached from Sibahle Construction addressed to Bitou Civils for "Paving @ Kwano" for R7,170.00 (see Annexure 12.9). The invoice also showed that Bitou Civils had sub-contracted the laying of the clay bricks to Sibahle Construction in contravention of Schedule 4 - The Schedule of Proposed Subcontractors and Item 8 of the BBD 6.1 Form of the proposal submitted by Bitou Civils for tender SCM/09/2016/ENG where Bitou Civils stated that no work would be subcontracted. We have determined that the person performed the work for Sibahle Construction was Vusumzi Cagwe. We note that Vusumzi Cagwe was previously temporarily employed by Bitou Municipality as an Electrical Assistant.

(e) Bitou Civils is currently a service provider to Bitou Municipality under a three-year contract for the repairs and auxiliary works on roads. We do not believe that the preparation of the site, laying of clay bricks and the building of barbeque stands fall within the terms of reference for tender SCM/09/2016/ENG for the repairs and auxiliary works on roads. It is our view that the project should have been opened to tender. Bitou Civils and the Bitou Municipality were unable to provide a plausible reason why tender SCM/09/2016/ENG was used for this project.

(f) We note an email from Marc de Gouveia to Mark Fourie dated 8 August 2018 (See Annexure 12.10). In the email, Marc de Gouveia states that Bitou Civils originally quoted on a 964 square metre area but received an order for 240 square metres. He goes to say that the bricks had "220mX150mm faces" and calculated that approximately 8640 bricks would be needed (taking into account a 20% wastage estimate) from their suppliers. In this email Marc de Gouveia estimates that 8,040 bricks were used for the project. This correlates with the delivery notes received from Kurlandbrik which state that 8,500 bricks were delivered to the site.

12.4.4 We have received conflicting accounts of how Vusumzi Cagwe and/or Sibahle Construction were sub-contracted by Bitou Civils to do paving work at the Thomas Street site.

(a) The version put forward by Marc de Gouveia of Bitou Civils is that on commencement of work at Thomas Street, he was approached by Vusumzi Cagwe (known to him as Mavusi) who introduced himself as the Community Liaison Officer for Kwanokuthula. Marc de Gouveia told us that Vusumzi Cagwe stated that he had previously done paving on projects that were familiar to Marc De Gouveia, and that Marc De Gouveia therefore offered Vusumzi Cagwe some of the paving work on a pay per square metre basis. Bitou Civils then paid Sibahle Construction for the work done by Vusumzi Cagwe. According to Marc De Gouveia, there was never pressure from anyone to sub-contract Vusumzi Cagwe, and that Bitou Civils has subsequently utilised Vusumzi Cagwe's services at another site because the quality of his work was good.

(b) Makhaya Mana stated to us that Vusumzi Cagwe approached him and told him that he had experience with laying bricks. Vusumzi Cagwe told him that he lived adjacent the site and wanted to do some of the brick laying work. Makhaya Mana said he was aware that Mark Fourie had already appointed somebody to do the work. Makhaya Mana approached the site manager/supervisor of the contractor and asked if there was an opportunity for someone in the area with bricklaying experience to do some of the work at the site. Makhaya Mana introduced Vusumzi Cagwe to this site manager/supervisor but stated to us that he didn't receive an answer as to whether they could provide work to Vusumzi Cagwe as he had to ask his boss. This site manager/supervisor never returned to Makhaya Mana, but Makhaya Mana did become aware that Vusumzi Cagwe was given work at the site.

(c) Vusumzi Cagwe has told us that Bitou Civils contacted him initially and offered him the work as he had previously performed some of the curbing work for some of the newly built streets and roads in Kwanokuthula for Bitou Civils.

12.5 Conclusion

12.5.1 We have not found any evidence to support the allegation that a significant number of excess bricks were removed and used elsewhere for other purposes.

12.6 Recommendations

12.6.1 We recommend the following action:

(a) Disciplinary action be taken against Jeremy Basson and Pedro Peters as they would have been aware that the scope of work for the development of the entertainment site did not fall within the terms of reference for tender SCM/09/2016/ENG.

(b) That the Bitou Municipality takes remedial action against Bitou Civils for subcontracting work to Sibahle Construction in contravention of Schedule 4 - The Schedule of Proposed Subcontractors and Item 8 of the BBD 6.1 Form of the proposal submitted by Bitou Civils for tender SCM/09/2016/ENG.

(c) There is a dispute of fact surrounding how Vusumzi Cagwe and/or Sibahle Construction was sub-contracted by Bitou Civils to do paving work at the Thomas Street site. Vusumzi Cagwe was the subject of a previous forensic investigation into his irregular appointment as an Electrical Assistant at Bitou Municipality and there are still concerns that on Vusumzi Cagwe's own version of facts that he may have been provided the work for an ulterior motive. The Bitou Municipality should engage with Bitou Civils and Sibahle Construction to clarify the contractual relationship between Bitou Civils, Vusumzi Cagwe and/or Sibahle Construction.

13. PHASE 6: DONATION OF R10,000 TOWARDS THE WORKSHOP FOR MAYORAL STAFF

13.1 Introduction

13.1.1 An allegation was made that officials from the Office of the Executive Mayor procured a donation in the amount of R10,000 from Kurlandbrik in June 2017 to fund a workshop/event at the Dunes that had already been paid for by the Bitou Municipality.

13.2 Procedures followed

13.2.1 We procured and inspected expenditure packs from Bitou Municipality relating to the Dunes.

13.2.2 We consulted the managing director, Graham Black, and employees of Kurlandbrik, Elizabeth Jacobs and Tami Hurford, regarding the donation of R10,000 made to Bitou Municipality and any related documentation.

13.2.3 We consulted Jean Labuschagne, Marian Whitehead and Inus Bester of the Dunes and requested any documentation relating to the R10,000 donation from Kurlandbrik to Bitou Municipality.

13.2.4 We interviewed Makhaya Mana regarding the allegation.

13.2.5 We interviewed Manfred van Rooyen regarding the allegation.

13.3 Documents obtained

13.3.1 We extracted a number of documents from expenditure packs relating to expenses incurred by Makhaya Mana and conferences held at the Dunes.

(a) Expenditure documents relating to a conference organised by Makhaya Mana on 15 and 16 February 2017 (see Annexure 13.1).

(b) Expenditure documents reflecting unpaid expenses incurred by the Office of the Executive Mayor between 14 and 17 February 2017 (see Annexure 13.2).

(c) Expenditure documents reflecting payment of previously unpaid expenses incurred by the Office of the Executive Mayor between 14 and 17 February 2017 (see Annexure 13.3).

13.3.2 We obtained the following from Kurlandbrik:

(a) Emails sent between Marian Whitehead, in charge of Functions and Events at the Dunes, and Athol Morris, an accountant for Kurlandbrik, dated between 21 and 22 June 2017 (see Annexure 13.4).

(b) The invoice sent by the Dunes to Kurlandbrik on 21 June 2017 with the proof of payment attached (see Annexure 13.5).

13.3.3 We obtained the following documents from the Dunes

(a) Invoices dating between 29 September 2017 and 28 February 2018 marked for the attention of Kurlandbrik (Bitou Municipality) (see Annexure 13.6).

13.4 Findings

13.4.1 We established the following facts from our consultation with Graham Black, Elizabeth Jacobs and Tami Hurford of Kurlandbrik, as well as the documents provided by same.

(a) Makhaya Mana had previously attended a meeting with Peter Lobese and Graham Black regarding the possible sale or donation of land owned by Kurlandbrik to Bitou Municipality to be used for housing. According to Elizabeth Jacobs, no donation towards a function had been discussed at this meeting. Tami Hurford stated that the possible transaction regarding the land never went further, and the land in question was not sold or donated.

(b) Makhaya Mana later approached Kurlandbrik regarding a possible donation towards an event or a teambuilding meeting (workshop) to be held at the Dunes. Elizabeth Jacobs told us that Graham Black was not willing to donate the amount of R10,000 unless he received an official request or he received a written indication that the function was to have a suitable purpose.

(c) According to Tami Hurford, during a period in which Graham Black was away from the office and not available, Makhaya Mana began to telephone her directly regarding the donation. She told us that she informed him that she was not in a position to make such a payment without Graham Black's authorisation, and that the only other person who could possibly authorise the donation was Athol Morris, Kurlandbrik's bookkeeper. She says that she then called Athol Morris, who was aware of the situation and had spoken to Graham Black regarding the matter, and that Athol Morris thereafter spoke to Makhaya Mana as well as the Dunes. Athol Morris then made the payment once he was satisfied with the documentation in this regard.

(d) On 21 June 2017, the Dunes sent the invoice of R10,000 to Athol Morris for a "function", as shown in the email correspondence between himself and Marian Whitehead (copying in Makhaya Mana and Nita Wilson) (see Annexure 13.4). The address was recorded as "Sponsorship / S Mhana Mayor's Office / Bitou Municipality / Plettenberg Bay". Athol Morris paid this invoice on 22 June 2017 on behalf of Kurlandbrik (see Annexure 13.5).

13.4.2 We established the following facts from our consultation with Jean Labuschagne, Marian Whitehead and Inus Bester of the Dunes, as well as the documents provided by same.

(a) According to Jean Labuschagne and Marian Whitehead of the Dunes, Makhaya Mana asked the restaurant for a line of credit of R10,000, and that the invoice was to be sent to Kurlandbrik. Marian Whitehead stated that she telephoned Athol Morris to ask him whether Kurlandbrik was aware of the expense, to which he responded that they were aware of it. She then sent Athol Morris an invoice for R10,000 and confirmed what Kurlandbrik had explained to us as above.

(b) Marian Whitehead informed us that the Office of the Executive Mayor had outstanding bills with the Dunes at the time when the R10,000 was received. She stated that Manfred van Rooyen, who was organising a conference on behalf of the Office of the Deputy Mayor at the time, would ensure the outstanding bills would be paid. It was then agreed that the R10,000 received from Kurlandbrik would be used to pay part of the bill for the conference Manfred van Rooyen was organising. Marian Whitehead agreed to this as she knew that the R10,000 was to be used for a function, but no specific function had been identified to her. This was not discussed with Makhaya Mana.

(c) Makhaya Mana had previously organised a conference on behalf of the Office of the Executive Mayor at the Dunes between 15 and 16 February 2017. This conference followed the Municipalities supply chain process and was paid timeously (See Annexure 13.1). Makhaya Mana however incurred expenses, on behalf of the Office of the Executive Mayor, totalling R14,963 above and beyond the amount quoted by the Dunes (See Annexure 13.2). We discovered the relevant expenditure pack which outlined what expenses the R14,963 was spent on (See Annexure 13.3). In this expenditure pack, recommendation to register potential irregular expenditure is lodged by Pedro Peters for R11,039 of the R14,963 owed to the Dunes. According to this recommendation, the R11,039 was spent on the hosting of two "Braai events" at the Dunes based on documentation provided by Makhaya Mana. The outstanding R3,924 was spent on hotel rooms at the Dunes and a meal for two guests, which the documentation indicates were Vuyokazi Mbelani and possibly her child. This seems to corroborate Marian Whiteheads explanation.

(d) When Makhaya Mana became aware of how the R10,000 had been utilised, he became very upset and told Marian Whitehead that she had no right to inform any of the other municipal officials of the donation or to allow the money to be used for other purposes.

(e) Makhaya Mana thereafter approached Jean Labuschagne roughly a week later and informed him that the R10,000 donation from Kurlandbrik had been intended to be used for meetings between himself and other municipal and government officials offsite. Jean Labuschagne granted Makhaya Mana access to a R10,000 credit line with the Dunes to allow him to use the R10,000 as he had previously intended to use it. There was R800 that was spent above and beyond the R10,000 according to Jean Labuschagne, which Makhaya Mana had committed to pay himself.

(f) Makhaya Mana proceeded to use the R10,000 line of credit granted to him by Jean Labuschagne over a number of visits to the Dunes between September 2017 and February 2018. This is reflected in the invoices provided to us marked for attention by "Kurlandbrik (Bitou Municipality)" (see Annexure 13.6). Approximately R1,802 of the expenses outlined in the invoice was for alcohol.

(g) It is not clear whether the line of credit was used for any purpose related to the official business of Bitou Municipality, as had been alleged by Makhaya Mana to Jean Labuschagne.

13.4.3 We conducted an interview with Makhaya Mana regarding the complaint. He provided the following version of events:

(a) Makhaya Mana stated that occasionally there will be visitors to the Office of the Executive Mayor that they would like to entertain, but cannot use Municipal funds for this purpose.

(b) Makhaya Mana stated that he went to Graham Black and said that he needed a donation to entertain some individuals. He stated to us that Graham Black asked how they would entertain the individuals. He stated that he would take them out for food and for a drink. Makhaya Mana claimed that Graham Black laughed and said it was rare that he was so honest about it. Makhaya Mana said that he was honest about this point because he wanted the person donating for this purpose to know that it would be used for alcohol so that they may object if they don't want their money to be used that way. Makhaya Mana requested R10,000 and he said that Graham Black agreed to this. He confirmed that he asked Graham Black to pay the money over to the Dunes, where they planned on entertaining the individuals. He states that at no point did he say that the donation would be for a function or workshop for Bitou Municipality.

(c) He informed the Dunes of this arrangement. He stated that when he went to follow up on whether the money had been received, he spoke to a lady (matching the description of Marian Whitehead). According to him, this lady informed him that R7,000 had been deducted from the R10,000 donation to settle previous outstanding expenses. Makhaya Mana later spoke to the owner, and this deduction was then reversed. He explained that this was not Municipal money and should not be used for Municipal expenses.

(d) Makhaya Mana stated that the R10,000 donation was then used by the Office of the Executive Mayor to entertain a number of visitors. This entertainment was of a less formal nature and could not, according to him, be paid for by the Bitou Municipality. Makhaya Mana could not provide us with the names of these visitors or the purposes of these visits.

13.4.4 We conducted an interview with Manfred van Rooyen regarding the complaint. He provided the following version of events:

(a) Manfred van Rooyen stated that the R10,000 donation was procured from Kurlandbrik solely at Makhaya Mana's own initiative.

(b) Manfred van Rooyen confirmed that there was no need for any donation for any event/function or workshop hosted by Bitou Municipality. The only function or event that the R10,000 donation could have been put toward was the strategic session for the AUF/DA coalition organised by Manfred van Rooyen during June/July 2017. This event was duly procured using the available "votes" of the Office of the Executive Mayor.

13.5 Conclusion

13.5.1 A R10,000 donation was solicited by Makhaya Mana from Kurlandbrik to be used at the Dunes. This R10,000 donation was then used as a line of credit by Makhaya Mana over a number of visits to the Dunes, and not for an officially sanctioned Municipal event or function.

13.5.2 There is a dispute of fact, in that Makhaya Mana states that he requested the donation from Kurlandbrik specifically for the purpose of entertaining visitors to the Office of the Executive Mayor, which would include purchasing food and alcohol. Kurlandbrik and the Dunes state that Makhaya Mana had originally informed them that the R10,000 donation was to be used for a function or workshop for Bitou Municipality. Jean Labuschagne did however mention that once the line of credit was granted to Makhaya Mana again, he disclosed that it was to be used to entertain visitors/government officials' away from the Bitou Municipality.

13.6 Recommendations

13.6.1 We recommend the following action:

(a) Disciplinary action against Makhaya Mana in terms of:

(i) Schedule 2, Section 2(d) of the Local Government Municipal Systems Act, Act 32 of 2000, for not acting in the best interest of the Bitou Municipality and in such a way that the credibility and integrity of the Bitou Municipality was compromised through the misrepresentation made by him to Kurlandbrik regarding how the donation of R10,000 was to be used.

(ii) Schedule 2, Section 4(1)(a) of the Local Government Municipal Systems Act, Act 32 of 2000, for using his position for personal gain.

(b) That the amount of R10,000 be recovered from Makhaya Mana through civil action/litigation by Bitou Municipality, as the donation obtained from Kurlandbrik was lawfully the Municipalities money and he did not have the authorisation to spend it.

(c) Criminal Action be taken against Makhaya Mana in terms of Chapter 2, Section 4(1)(a) of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004, for requesting a donation as a public officer on behalf of Bitou Municipality that he used in order to benefit himself.

14. PHASE 7: POSSIBLE MISREPRESENTATION OF EXPENDITURE AT RESTAURANTS

14.1 Introduction

14.1.1 There is an allegation that officials in the Office of the Executive Mayor have established a scheme to privately entertain themselves at several restaurants in Plettenberg Bay at the expense of the Bitou Municipality. We have been told that these officials consume large amounts of alcohol at the restaurants and then instruct the staff of the restaurants to fraudulently alter the items on the invoices to reflect the equivalent monetary value in meals.

14.1.2 We have conducted several interviews with the owners and managers of a number of restaurants which certain whistle-blowers have identified, namely: the Dunes, LM in Plett, The Lookout Restaurant and Moby's (formerly known as Moby Dicks). We have also received invoices, slips and statements from a number of these restaurants to corroborate our findings.

14.2 Procedures followed

14.2.1 We Interviewed Jean Labuschagne, Marian Whitehead and Inus Bester of the Dunes and requested any documentation relating to requests by municipal officials to misrepresent expenditure at the Dunes.

14.2.2 We Interviewed Luiz Da Fonseca of LM in Plett and requested any documentation relating to requests by municipal officials to misrepresent expenditure at LM in Plett.

14.2.3 We Interviewed Chris Stroebel and Pippa Stroebel of The Lookout Restaurant and requested any documentation relating to requests by municipal officials to misrepresent expenditure at The Lookout Restaurant.

14.2.4 We Interviewed Henk and Diane Visser of Moby's and requested any documentation relating to requests by municipal officials to misrepresent expenditure at Moby's.

14.2.5 We interviewed Makhaya Mana regarding the allegation.

14.2.6 We interviewed Manfred van Rooyen regarding the allegation.

14.2.7 We requested certain expenditure packs from the Expenditure Section of the Financial Directorate of Bitou Municipality related to the allegation.

14.3 Documents obtained

14.3.1 We obtained the following documents from Marian Whitehead and Jean Labuschagne of the Dunes Resort:

(a) Invoices dating between 29 September 2017 and 28 February 2018 marked for the attention of Kurlandbrik (Bitou Municipality) (See Annexure 14.1).

14.3.2 We obtained the following documents from Luiz Da Fonseca of LM in Plett:

(a) A slip created to misrepresent alcohol ordered by municipal officials as a snack platter dated 27 July 2017 (See Annexure 14.2).

(b) Various slips containing alcohol ordered by municipal officials which had been charged to Bitou Municipality by LM in Plett (see Annexure 14.3).

(c) An invoice with slips attached for a Mayoral Street Function dated 16 December 2017 (see Annexure 14.4).

(d) Slips reflecting alcohol and platters ordered by Makhaya Mana on 28 July 2018 and 11 August 2018 (see Annexure 14.5).

14.3.3 We obtained Letters issued by Thabo Ndlovu as Municipal Manager to both Makhaya Mana and Daluxolo Ncame respectively for expenses incurred at The Lookout Restaurant by both individuals (see Annexure 14.6 and 14.7).

14.3.4 We obtained the following documents from Dianne and Henk Visser of Moby's:

(a) The quote issued by Moby's to Plett Tourism and the proof of payment provided by Plett tourism (Annexure 14.8).

(b) Slips and bank statements reflecting credit granted by Moby's to Makhaya Mana on behalf of Plett Tourism (Annexure 14.9).

14.3.5 We extracted a number of documents from expenditure packs relating to expenses incurred by Makhaya Mana and conferences held at the Dunes (see Annexure 14.10).

14.4 Findings

14.4.1 We established the following facts from our interview with Marian Whitehead, Jean Labuschagne and Inus Bester (the restaurant manager) on 14 August 2018, as well as the documents provided by same.

(a) As a background to our interviews with Marian Whitehead, Jean Labuschagne and Inus Bester, we refer to Phase 6 of our investigation pertaining to a donation of R10,000 towards the Workshop for Mayoral Staff, where we discussed how Makhaya Mana secured a donation of R10,000 from Kurlandbrik to the Dunes on the basis that it would be used for a Bitou Municipality function, but that instead the Dunes gave a line of credit to Makhaya Mana based on this donation.

(b) This line of credit was utilised a number of times by Makhaya Mana for both food and alcohol. According to the slips provided by the Dunes, the cost of this alcohol amounted to R1,802 (see Annexure 14.1). On the basis that the amount of R10,000 was paid by Kurlandbrik to the Dunes as a donation for the benefit of the Bitou Municipality, the amount should be considered Municipal funding.

(c) It is our assessment that Makhaya Mana used the manner in which this donation was made, namely that the Dunes directly invoiced Kurlandbrik, to avoid proper SCM procedures which would have prevented him from using municipal funds to purchase alcohol.

(d) Jean Labuschagne informed us about an incident where Makhaya Mana told Inus Bester that he was "thirsty". Inus Bester took this to be a request for alcohol and brought this to Jean Labuschagne's attention. Jean Labuschagne reminded Inus Bester of the Dunes' policy of not serving alcohol to municipal officials at the Bitou Municipality's expense. Jean Labuschagne then offered a drink to Makhaya Mana and the person accompanying him at Jean Labuschagne's own expense. Jean Labuschagne explained to us that he is aware of what can and cannot be billed to the Bitou Municipality.

(e) When asked whether staff members at the Dunes have ever been requested to amend an invoice to hide alcohol consumption or expenditure, Jean Labuschagne stated that the restaurant's system does not allow slips to be amended as it would cause disruptions in the stock control. Jean Labuschagne told us that he was not aware of any instances of municipal officials requesting that slips be changed to hide any alcohol consumption or expenditure.

(f) Inus Bester told us that to his knowledge, in the time that he has been a manager and has organised conferences for Bitou Municipality, no slips had been changed to hide alcohol consumption and no left over food expenses have been converted into a bar tab. According to Marian Whitehead, Inus Bester had been working at the Dunes for less than a year at the time of the interview.

14.4.2 We established the following facts from our interview with Luiz Da Fonseca, the owner of LM in Plett, on 16 August 2018, as well as the documents provided by same.

(a) Luiz Da Fonseca told us that municipal officials would often eat and have drinks at LM in Plett, sign on the slip and take the slip with them. Luiz Da Fonseca told us that the invoice would not be paid and when he followed up with the municipal official, he would be told that the reason for non-payment was because the invoice included alcohol. He would then be asked to reproduce the invoice to no longer reflect alcohol, but to instead give a vague description such as "drinks" or to amend it to a completely different item. He cited Daluxolo Ncame as an example of a municipal official who has done this before.

(b) He acknowledges that he would previously make manual changes to the slips but stopped this practice as it was easily identifiable (see Annexure 14.2). We note a number of slips and an invoice provided to us by Luiz Da Fonseca which include large quantities of alcohol being charged to Bitou Municipality (see Annexure 14.3 and 14.4). When asked why he complied with the requests to amend invoices, he told us that he does not want to "rock the boat" as he currently uses a section of municipal land in front of his restaurant that he does not pay rent for. He also told us that he has not been threatened by municipal officials.

(c) Luiz Da Fonseca told us the following about two instances with municipal officials that he was struggling with at the time of the interview.

(i) According to Luiz Da Fonseca, he was approached by Stanley Juries regarding hosting a municipal event at LM in Plett on 16 June 2017. Stanley Juries told him that there would be an open tab for municipal officials which would be paid by the Bitou Municipality. Luiz Da Fonseca told us that this is normal for these events.

(ii) After the event had ended, and whilst the tab was still open, Stanley Juries approached Luiz Da Fonseca and explained that the municipal officials intended moving to another location (which he believed to be the rugby field). Stanley Juries provided Luiz Da Fonseca with a list of alcohol (including beer and whiskey) which Stanley Juries wanted LM in Plett to include on the tab but which they would take with them to the second location. According to Luiz Da Fonseca, this list of alcohol amounted to approximately R27,000. Luiz Da Fonseca provided Stanley Juries with the alcohol, and Stanley Juries then left with the alcohol.

(iii) The following day, Stanley Juries asked Luiz Da Fonseca to provide more food and alcohol for another event, still included as part of the same tab. Luiz Da Fonseca provided this food and alcohol, amounting to approximately R10,000. When Luiz Da Fonseca later attempted to issue the invoices to Bitou Municipality, he says that Stanley Juries told him not to include the two amounts totalling R37,000 with the statement which would go to Council, as the cost would be paid from another budget for sports/entertainment. The amount was therefore never included with the other municipal expenses.

(iv) Luiz Da Fonseca told us that it became clear to him some months later, following meetings with Stanley Juries, Daluxolo Ncame, Thabo Ndlovu and William Cloete, that the food and alcohol had not been for municipal officials and that the invoices were incurred in Stanley Juries personal capacity. According to Luiz Da Fonseca, he is unable to provide documentary evidence of these expenses as he was asked for the slips, they were printed multiple times and given to Daluxolo Ncame and Stanley Juries. They returned to him at a later stage and asked him to change the slips to not reflect alcohol. Neither Daluxolo Ncame, nor Stanley Juries will provide him with the slips he provided them, and the slips are no longer saved on his system. He requested the slips from Daluxolo Ncame so that he could show Thabo Ndlovu the expense when he had a meeting with him, but Daluxolo Ncame stated to him that the slips had become faded and were no longer readable. LM in Plett had not been paid the R37,000 amount at the time of the interview.

(v) At the Unity Walk event on 28 July 2018, Makhaya Mana introduced himself to Luiz Da Fonseca and requested some platters and drinks (specifically beer) for people attending the event. Luiz Da Fonseca agreed to provide the items and processed an order and invoice, expecting payment at a later stage (see Annexure 14.5). According to Luiz Da Fonseca, Makhaya Mana did not make payment and only collected the platters and alcohol after the people who attended the event had already left.

(vi) Luiz Da Fonseca said that Makhaya Mana again contacted him on 11 August 2018 wanting to order platters, but that Luiz Da Fonseca requested that Makhaya

Mana make payment for the two platters and the alcohol he had received on 28 July 2018. Luiz Da Fonseca told us that Makhaya Mana said that he would pay for the platters but insisted that the alcohol had been gifts or were given to him. Luiz Da Fonseca denied this and insisted that Makhaya Mana pay for the platters and the alcohol. At the time of our interview with Luiz Da Fonseca, Makhaya Mana had not made payment for the platters or alcohol.

14.4.3 We established the following facts from our interview with Chris Stroebel and Pippa Stroebel, the owners of The Lookout Restaurant, on 16 August 2018, as well as the documents provided by same.

(a) Chris Stroebel told us that the restaurant has a strict policy when serving municipal officials. They will only bill municipal officials with slips and the municipal official should attach a voucher issued by the Bitou Municipality, which he says has not been forthcoming recently.

(b) According to Chris Stroebel, The Lookout Restaurant previously did a lot of work for the Bitou Municipality but no longer receives a lot of municipal orders. He believes that this is because the restaurant is unwilling to serve municipal officials unless they can present a voucher issued by the Bitou Municipality or the officials pays in his/her personal capacity. According to Chris Stroebel, despite these instructions, staff members have previously been bullied into serving municipal officials without the relevant documents or have been falsely promised that the relevant documents will be sent down after the meal. The accounts department for The Lookout Restaurant then tries to retrieve the money from the Bitou Municipality, which Chris Stroebel says is "impossible".

(c) According to Chris Stroebel, he understood the changing of slips for municipal officials to hide the consumption of alcohol to be a common practice in Plettenberg Bay. He had heard of other proprietors, including Moby Dicks and the Ski-boat Club, being approached by municipal officials and councillors to do so. Chris Stroebel told us that it was brought to his attention and he made it clear in a staff meeting that if this practice was carried out at The Lookout Restaurant, the manager on duty at the time would be dismissed. Staff members have unequivocally been told that changing slips to reflect food instead of alcohol or any similar action will lead to dismissal.

(d) The Bitou Municipality is The Lookout Restaurant's landlord and Chris Stroebel says he wants to avoid any kind of risk to the restaurant's lease by taking part in this practice. In addition, he told us that he will not condone this illegal action and any involvement by his staff. According to Chris Stroebel, only a manager or Chris Stroebel himself can cash-up, void or change the slips, and therefore the waiters cannot do so without someone senior knowing of it.

(e) Samantha Kopkae, a manager at The Lookout Restaurant, confirmed that Chris Stroebel had made a directive to her that there cannot be any alcohol on any municipality slip, no municipal official is allowed to eat without a voucher, and the docket needed to be signed with the name and telephone number of the municipal official.

(f) According to Pippa Stroebel and Chris Stroebel, all invoices issued by The Lookout Restaurant to the Bitou Municipality have been paid, aside from an invoice for an event that took place on Mandela Day. For Mandela Day, The Lookout Restaurant donated 100 meals to aged people. On the day of the event, Makhaya Mana approached Samantha Kopkae after the meal and asked her to organise a tab of R3,000 for alcohol but to charge it as food as the "*Mayor is having a great time*". Samantha Kopkae refused to do so as she knew it would lead to her being dismissed. Samantha Kopkae then reported this to Chris Stroebel and Pippa Stroebel.

(g) According to Pippa Stroebel and Chris Stroebel, on 8 July 2017 Thabo Ndlovu had a special lunch at The Lookout Restaurant with who Chris Stroebel believes were Thabo Ndlovu's Heads of Department. Chris Stroebel says that champagne was ordered during the meal, but that Thabo Ndlovu asked to have the champagne removed off the invoice and charged separately as food so that he could claim back the whole bill. The restaurant refused to do so. According to Chris Stroebel, Thabo Ndlovu was also told that he would not be allowed to leave without paying the invoice, and that Thabo Ndlovu did so with his personal credit card. Chris Stroebel is of the view that following this interaction, the Bitou Municipality has stopped providing business to The Lookout Restaurant.

(h) It appears from the documents provided to us that Makhaya Mana and Daluxolo Ncame have incurred substantial expenses at The Lookout Restaurant which they attempted to pass on to the Bitou Municipality. Thabo Ndlovu, on behalf of the Bitou Municipality, informed both of them that the Bitou Municipality cannot pay the outstanding invoices that had been presented by The Lookout Restaurant to the Bitou Municipality which had been signed by them in letters addressed to each of them individually (see Annexure 14.6 and 14.7). In these letters, Thabo Ndlovu informs both Makhaya Mana and Daluxolo Ncame that a monthly adjustment against their payroll account would be processed over a period of 10 months in order to recover the expenses. William Cloete stated to us that no disciplinary action had been initiated against either Makhaya Mana or Daluxolo Ncame for incurring these expenses, and no instruction had been issued by the Municipal Manager to do so.

14.4.4 We established the following facts from our interview with Henk and Diane Visser, the owners of Moby's, on 23 August 2018, as well as the documents provided by same.

(a) According to Diane Visser, Makhaya Mana made a reservation for New Years eve 2016/2017 for a table for 30 municipal officials, which took up most of the upstairs deck of the restaurant. Diane Visser told us that Makhaya Mana told her that the group wanted specific brands of whiskey (Johnny Walker Blue and Black, and Glen Fiddich 18 year) for this event. In order to meet this requirement Diane Visser had to order the whiskey on consignment from their supplier, as the restaurant does not normally stock the requested whiskey. Diane Visser requested that the event be paid for up front, and payment was received from Plett Tourism.

(b) According to Diane Visser, on the day of the event Makhaya Mana arrived at 18h00 with his wife and assured Diane Visser and the staff that the other attendees for the event would be arriving shortly. Aside from several children who sat down for the starters course and some of the main course that had been arranged, no one arrived for the event booked by Makhaya Mana and the upper deck of the restaurant remained empty. Diane Visser said that Makhaya Mana did not answer his phone when she tried to contact him on the night, but that he returned after midnight and wanted to take alcohol in lieu of the food that had not been eaten by the guests. Diane Visser said she refused to do so.

(c) Diane Visser called Plett Tourism when their offices opened in the new year as they had paid for the event up front at Diane Visser's request, as well as an amount for drinks at the event (see Annexure 14.8). According to Diane Visser, Cindy Wilson-Trollip of Plett Tourism apologised for how the event had turned out. Diane Visser stated that Plett Tourism requested that Moby's consider providing a credit for a certain number of meals for Makhaya Mana. Diane Visser said that she informed Plett Tourism that the meals had been prepared on the night and therefore the expense had been incurred, but she agreed to provide a credit anyway. She explained to us that she made the exception because she wanted to retain municipal business.

(d) The credit agreed to by Diane Visser was utilised by Makhaya Mana, his wife and associates that Makhaya Mana brought to entertain (see Annexure 14.9). According to Diane Visser, once the credit amount had run out, Makhaya Mana began to "harass and threaten" the staff of Moby's and create "a scene" in the restaurant. She told us that Makhaya Mana would threaten to close Moby's down as the land was owned by the Bitou Municipality and granted to Diane and Henk Visser on tender. According to Diane Visser, Makhaya Mana would tell staff members that they would lose their jobs if Moby's was closed down and reduced one of her managers to tears. Diane Visser says he would phone her 10 times a day or more, and sometimes as late as 22h00, when he was refused entrance to the restaurant. The threats, harassment and phone calls by Makhaya Mana happened over a prolonged period in either March or April 2017 according to Diane Visser. She does not have any recordings or messages evidencing any of this however, as he never left a voicemail or a message.

(e) Based on the Memorandum of Agreement between Bitou Municipality and Plett Tourism (Annexure 19.8), Plett Tourism cannot use its funding for any "food or entertainment expenses of any kind" (in terms of section 3 of the Plett Tourism MOA). The payment of money from Plett Tourism to Moby's for the New Years eve event was therefore in breach of the Plett Tourism MOA.

14.4.5 We conducted an interview with Makhaya Mana regarding the complaint. He provided the following version of events:

(a) Regarding the outstanding expenses owed to the Dunes for a conference in February, which had been discussed under Phase 6: Donation of R10,000 towards the Workshop for Mayoral Staff, Makhaya Mana stated that part of the extra expense had been for alcohol. This alcohol had allegedly been ordered at the request of Peter Lobese (Executive Mayor) and allegedly approved by Thabo Ndlovu (the Municipal Manager) to calm down the attendees after heated discussions had been held during both days of the conference. Peter Lobese told Makhaya Mana to speak to the Municipal Manager (Thabo Ndlovu) and ask for verbal authorisation to order the alcohol. Thabo Ndlovu gave this verbal authorisation, according to Makhaya Mana. Makhaya Mana states that these amounts were eventually paid through a deviation brought before the Municipal Council but did not provide any documentation that such a deviation was sought. According to the expenditure pack outlining the extra expenses (see Annexure 14.10), the Dunes records these expenses as "Braai @ R225.00" for both days of the conference, misrepresenting the fact that the Bitou Municipality would actually be paying for alcohol. There is no deviation for the expense in the expenditure pack, but Pedro Peters did lodge a recommendation that the two invoices received by the Supply Chain Management Unit on the instructions of Makhaya Mana for the hosting of "Braai events" be registered as potential irregular expenditure. Daluxolo Ncame is listed as the responsible project manager that incurred these expenses, based on the recommendation by Pedro Peters.

(b) Pertaining to events at LM in Plett, Makhaya Mana stated that he did order platters but did not order any beer from LM in Plett. He stated that he believes that Supply Chain Management was supposed to have paid for the platters ordered from LM in Plett. He stated that caterers had been organised to provide food to the people at the Unity Walk event, but they did not arrive. He requested that Luiz Da Fonseca created the platters quickly for him to feed the people attending the event. He cannot confirm whether LM in Plett was ever paid for these platters. Makhaya Mana did not provide any documentation to support his version of events.

(c) Makhaya Mana denies ever approaching a manager at The Lookout Restaurant to create a tab for alcohol to the value of R3,000.

(d) Makhaya Mana denies ever requesting that specific brands of whiskey (Johnny Walker Blue and Black, and Glen Fiddich 18 year) be made available at the New Years eve event he had organised at Moby's. Makhaya Mana denies ever requesting that alcohol be given to him by Moby's in lieu of food not eaten at the New Years Eve event. Makhaya Mana denies ever threatening or harassing the staff or management of Moby's but does state that they did provide him with credit with which to eat food following the New Year's Eve event.

(e) Makhaya Mana stated that when he had organised the event at Moby's for New Years Eve, he had been relatively new at Bitou Municipality. A day before the event, the Councillors who had been invited to the event told him they would probably not be able to attend the event because of other events they would be attending. Makhaya Mana states that the money for the event was transferred to Plett Tourism. He states that Plett Tourism organised the event at Moby's. He did not inform Moby's of the Councillors who would not be attending. Makhaya Mana states that he did not request a refund, as Plett Tourism had paid Moby's for the event.

14.5 Conclusion

14.5.1 From the available documents it seems that officials in the Office of the Executive Mayor have established a scheme to privately entertain themselves at several restaurants in Plettenberg Bay at the expense of the Bitou Municipality.

14.5.2 Makhaya Mana, Daluxolo Ncame and Stanley Juries, have been involved in this scheme of ordering and/or consuming alcohol and instructing the staff of the restaurants to fraudulently alter the items on the invoices to reflect the equivalent monetary value in meals and/or softdrinks. It appears as if Thabo Ndlovu also attempted to do so at The Lookout Restaurant, however he failed as their management forced him to settle the account with his credit card.

14.5.3 There is a dispute of fact, in that Makhaya Mana denies certain conduct outlined by the various owners and staff of the restaurants mentioned above and denies having made certain requests as alleged by the various owners and staff of the restaurants mentioned above. We note however that Makhaya Mana has displayed a pattern of behaviour, supported by the documentary evidence above and in other phases of our report, that supports the version of events of the owners/staff of the restaurants.

14.5.4 We have requested information and documents on multiple occasions from Makhaya Mana to disprove the allegations made against him, and he has failed to do so. Based on this pattern of behaviour, we are of the opinion that Makhaya Mana's denial, without proof of the contrary, is false.

14.6 Recommendations

14.6.1 We recommend the following actions:

(a) The Bitou Municipality address certain expenses being incurred by Plett Tourism in contravention of their Memorandum of Agreement with the Municipality, such as food and entertainment expenses being paid out for events attended by Municipal officials, Councillors of Bitou Municipality and their families.

(b) Disciplinary action against Makhaya Mana in terms of:

(i) Irregular expenditure incurred in terms of Section 32(1)(c) of the MFMA, incurred by himself on 15 and 16 February 2017 at the Dunes, namely the alcohol purchased for attendees of the workshop.

(ii) Irregular expenditure incurred in terms of Section 32(1)(c) of the MFMA, incurred by himself at the Lookout Restaurant between 14 July 2017 and 4 August 2017, namely the meals/drinks purchased for himself which was later deducted from his salary.

(iii) Schedule 2, Section 4(1)(a) of the Local Government Municipal Systems Act, Act 32 of 2000, for using his position for personal gain.

(iv) The contravention of the principles of the Bitou Municipalities' Code of Conduct for Supply Chain Management Practitioners and Other Role Players in that he:

(A) As per Section 1(1) - Performed his duties in such a way as to unlawfully gain a form of compensation, payment or gratuities from persons, or providers/contractors for himself;

(B) As per Section 3(3) - Committed the Bitou Municipality to transactions for the procurement of goods and / or services without the necessary authority (of an Accounting Officer or their delegates); and

(C) As per Section 3(4) - Made transactions on behalf of the Bitou Municipality where it was not recorded or accounted for in an appropriate accounting system or were made in a false/misleading entry in such a system.

(c) Criminal Action be taken against Makhaya Mana in terms of Chapter 2, Section 4(1)(b)(i)(aa) of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004, for influencing or attempting to influence the staff of the restaurants to fraudulently alter the items on the invoices to reflect the equivalent monetary value in meals or other vague items ("Braai event").

(d) Disciplinary action against Daluxolo Ncame in terms of:

(i) Irregular expenditure incurred in terms of Section 32(1)(c) of the MFMA, incurred by himself at the Lookout Restaurant between 12 July 2017 and 16 August 2017, namely the meals/drinks purchased for himself which was later deducted from his salary.

(ii) Schedule 2, Section 2(d) of the Local Government Municipal Systems Act, Act 32 of 2000, for not acting in the best interest of the Bitou Municipality and in such a way that the credibility and integrity of the Bitou Municipality were compromised during his misrepresentations made to Luiz Da Fonseca regarding alcohol and food taken offsite for his personal enrichment.

(iii) Schedule 2, Section 4(1)(a) of the Local Government Municipal Systems Act, Act 32 of 2000, for using his position for personal gain.

Note: Daluxolo Ncame resigned from the Bitou Municipality with effect from 31 January 2019. The Bitou Municipality should place a note in the human resource file of Daluxolo Ncame indicating that he would have been subjected to disciplinary proceedings and direct any individuals making reference checks to the forensic report.

(e) Disciplinary action against Stanley Juries in terms of:

(i) Schedule 2, Section 2(d) of the Local Government Municipal Systems Act, Act 32 of 2000, for not acting in the best interest of the Bitou Municipality and in such a way that the credibility and integrity of the Bitou Municipality were compromised during his misrepresentations made to Luiz Da Fonseca regarding alcohol and food taken offsite for his personal enrichment.

(ii) Schedule 2, Section 4(1)(a) of the Local Government Municipal Systems Act, Act 32 of 2000, for using his position for personal gain.

15. PHASE 8: REQUESTS FOR BRIBES TO SECURE THE AWARD OF A TENDER

15.1 Introduction

15.1.1 The Bitou Municipality published a tender notice and invitation to tender on 30 January 2018 under notice number 25/2018 and tender SCM/2018/79/ENG for the "Upgrading of Natures Valley Bulk Water Supply – Phase 1". The closing time was 12h00 on 23 February 2018.

15.1.2 A male individual purporting to be "Vincent Mkhefa" from the "CFO Office" of the Bitou Municipality telephoned a representative of Dumbe Civils on 2 March 2018 from mobile telephone number [redacted] requesting a bribe of R50,000 to successfully secure the award of the tender.

15.1.3 The male individual stated that the R50,000 bribe needed to be paid into a Nedbank bank account with the following particulars:

(a) Account holder: W.G. Mogale

(b) Branch code: [redacted]

(c) Account number: [redacted]

(d) Payment reference: Dumbe Civils

15.1.4 The representative of Dumbe Civils asked the male individual for which tender the R50,000 bribe was for and the male individual told him, "Upgrading of Natures Valley Bulk Water Supply – Phase 1".

15.1.5 The male individual told the representative of Dumbe Civils that he also knew that the tender price that Dumbe Civils had submitted for tender SCM/2018/79/ENG was R5,755,915.17. The representative of Dumbe Civils believed that the male individual therefore worked at the Bitou Municipality and had intimate knowledge of the tender.

15.1.6 The male individual made two further telephone calls to the representative of Dumbe Civils on 12 March 2018.

15.2 Procedures followed

15.2.1 We conducted a high-level review of tender SCM/2018/79/ENG to determine the relevant dates for the evaluation, adjudication and award of the tender to the successful bidder.

15.2.2 We contacted the bidders for tender SCM/2018/79/ENG to determine which representatives of the bidders had been contacted to request a bribe to secure the award of the tender.

15.2.3 We conducted a search on the Central Reference Database of the Number Portability Company (Proprietary) Limited to determine whether the mobile telephone number of [redacted] had been ported to an alternate mobile service provider.

15.2.4 We conducted a "Telephone Trace" search on a local subscription–based corporate intelligence service to determine whether the mobile telephone number of [redacted] could be linked/associated to individuals.

15.2.5 We conducted a "Telephone Trace" search on open source intelligence websites to determine whether the mobile telephone number of [redacted] could be linked/associated to social media accounts.

15.2.6 We conducted a "Banking Enquiry/Account Validation" search on a local subscription–based corporate intelligence service using the bank account information (Nedbank, Branch code [redacted], Account number [redacted] and the identity number of Vincent Mkhefa [redacted] to determine whether Vincent Mkhefa was the account holder of the bank account.

15.3 Documents obtained

15.3.1 We obtained a handwritten note via an independent third-party recording the sequence of events between the male individual and the representative of Dumbe Civils (See Annexure 15.1).

15.3.2 We obtained the following from the Bitou Municipality:

(a) Tender Notice and Invitation to Tender for notice number 25/2018 and tender SCM/2018/79/ENG (See Annexure 15.2).

(b) Tender Opening Results – Published in terms of Section 23(d)(iii) of the Bitou Municipality Supply Chain Management Policy (See Annexure 15.3).

(c) Minutes of the Bid Evaluation Committee Meeting for tender SCM/2018/79/ENG (See Annexure 15.4)

(d) Minutes for the Bid Adjudication Committee Meeting for tender SCM/2018/79/ENG (See Annexure 15.5)

(e) Tenders Awarded to the Bidder Scoring the Highest Preferential Procurement Points for the 4th Quarter of the 2017/18 Financial Year (See Annexure 15.6).

15.4 Findings

15.4.1 The relevant dates for the evaluation, adjudication and award of tender SCM/2018/79/ENG are:

(a) 23 February 2018: Closing date of tender

(b) 29 March 2018: Bid Evaluation Committee Meeting

(c) 16 April 2018: Bid Adjudication Committee Meeting

(d) 16 April 2018: Award of the Tender

15.4.2 The bidders for tender SCM/2018/79/ENG responded as follows:

(a) Gerhard Johan van Vuuren of Simply Civils (Pty) Ltd also confirmed being approached by a male individual requesting a bribe to secure the award of the tender. He stated that his previous business partner was contacted via WhatsApp requesting a bribe before the closing date of the tender. The previous business partner did not have the WhatsApp message anymore and could therefore not provide any further contact details.

(b) Bahlaseli Project Development, Bay Projects Coastal (Pty) Ltd, Benver Civils & Plant Hire, Bitou Civils, Casnan Civils, CD Emmie Construction, Entsha Henra (Pty) Ltd, Nkoko & Hata & Sky (JV), Techni Civils (Pty) Ltd and Urhwebo e-Transand stated that they had not been contacted to request a bribe.

(c) G-Force Engineering Enterprise, John Skinner Construction, Muravha Building & Civils, SC Housing (Pty) Ltd and Ukhana Projects CC did not respond to our attempts to secure formal responses from them regarding whether they were contacted to request a bribe to secure the award of the tender.

15.4.3 The search on the Central Reference Database of the Number Portability Company (Proprietary) Limited revealed that the mobile telephone number of [redacted] had not been ported to an alternate mobile service provider (See Annexure 15.7).

15.4.4 The "Telephone Trace" search on a local subscription–based corporate intelligence service did not link/associate to any individuals (See Annexure 15.8).

15.4.5 The "Telephone Trace" search on open source intelligence websites did not link/associate to any individuals on Facebook, Twitter, Instagram, LinkedIn, Google Mail or Yahoo Mail. The mobile telephone number was also not found on TrueCaller, or WhatsApp. The mobile telephone number was also not found on iMessage confirming that the mobile device was active on a non-Apple operating system.

15.4.6 The "Banking Enquiry/Account Validation" search did not link/associate to Vincent Mkhefa (See Annexure 15.9).

15.4.7 We conducted a "Easy Trace" search for individuals named "WG Mogale" on a local subscription–based corporate intelligence service commencing at age 30 with a 5-year deviation and extracted the identity numbers of two individuals (See Annexure 15.10). We then conducted "Banking Enquiry/Account Validation" searches using the bank account information and the two identity numbers extracted from the "Easy Trace" searches and positively confirmed "Wisani Gaybone Mogale (identity number [redacted]" as the owner of the bank account (See Annexure 15.11).

15.5 Intelligence on Wisani Gaybone Mogale

Personal Particulars

Name	Wisani Gaybone Mogale
Identity number	[redacted]
Passport number	Not available
Date of birth	12/03/1984
Gender	Male
Citizenship	South African
Marital status	Single
Residential address	[redacted]
Telephone numbers	[redacted]
Email accounts	None
Websites	None

Banking

Bank Account	Nedbank Account Number: [redacted]

	Branch code: [redacted] Account type: Current (Cheque) Account
Account Exists	Yes
Initials Match	Yes
Surname Match	Yes
ID Number Match	Yes
Account Active	No
Account opened for at least 3 Months	Yes
Account Accepts Debits	No
Account Accepts Credits	No
Account Type Match	Yes

Commercial

Presage score	He has a credit score of [redacted] (low risk).
Adverse credit information	There are no defaults, judgments, court notices (administration orders, sequestrations or rehabilitation orders) or debt review notes on record.

Property

Immovable property	None
Vehicles	None

Directorship of K2017391142 (South Africa) (Pty) Ltd

Company Registration Number	2017/391142/07
Company Status	In Business
Registered Address	[redacted]

Registration Date	31/08/2017
Director Type	Director
Appointment Date	31/08/2017
Status Date	31/08/2017
Director Status	Active

Directorship of Pfuxeto Holdings (Pty) Ltd

Company Registration Number	2015/278611/07
Company Status	In Business
Registered Address	[redacted]
Registration Date	06/08/2015
Director Type	Director
Appointment Date	06/08/2015
Status Date	06/08/2015
Director Status	Active

15.6 Conclusion

15.6.1 We have confirmed that Wisani Gaybone Mogale (identity number [redacted] is the account holder of the bank account Nedbank, branch code [redacted] account number [redacted] We have not been able to conclusively show that Wisani Gaybone Mogale solicited bribes from Dumbe Civils or other service providers submitting proposals for tender number SCM/2018/79/ENG. Lawful access would be required to determine whether the bank account has been used to receive bribes.

15.7 Recommendations

15.7.1 We recommend the following action:

(a) The Bitou Municipality lodges a criminal complaint against Wisani Gaybone Mogale (identity number [redacted]) in terms of Section 13 (offences in respect of corrupt activities relating to procuring and withdrawal of tenders) of the Prevention and Combating of Corrupt Activities Act (12 of 2004).

(b) SAPS would need to secure a subpoena in terms of Section 205 of the Criminal Procedure Act (51 of 1977) on the bank account Nedbank, branch code [redacted] account number [redacted] to obtain evidence of whether the bank account has been used to receive bribes.

16. PHASE 9: CERTAIN GHOST COMPANIES WHICH ALLEGEDLY DO NOT PROVIDE GOODS OR SERVICES

16.1 Introduction

16.1.1 An allegation was made that "ghost companies" exists, which are managed by officials within the Office of the Executive Mayor and by the Executive Mayor. These companies are allegedly listed as beneficiaries at the Bitou Municipality to which payments have been made without these companies performing any work.

16.1.2 For the purpose of this report, we understand "ghost companies" to be entities, which might exist or do not exist and who apparently provides services or goods in an irregular manner to the Municipality.

16.1.3 During our investigation, we obtained information from a whistle-blower who wishes to remain anonymous. The whistle-blower informed us that several "ghost companies" are used by officials in the Office of the Executive Mayor to process payments for services, which was not rendered to the Bitou Municipality. In addition, certain existing companies are used to provide services, however the costs for these services have been inflated.

16.1.4 A second whistle-blower, who also wishes to remain anonymous, confirmed these allegations and added that Cingisisa Ngemntu-Sonjani, the Special Programmes Coordinator in the Office of the Executive Mayor, is responsible for "*creating fake events on the system and generating false agenda's*".

16.1.5 The whistle-blowers directed us to the following "ghost companies" and/or specific transactions, which are discussed in more detail further in this report:

(a) Hluma Enterprises;

(b) Morester Funeral Service;

(c) Xolani Selanto;

(d) S'phethezona Trading and Investments;

(e) Kukokonke Trading;

(f) Iqabaka Trading;

(g) Biso;

(h) Groupex Funeral Services;

(i) Nocezo ME; and

(j) Wash 4 Joy.

16.2 Work Performed

16.2.1 In order to determine whether there is any merit to this allegation, we have:

(a) Reviewed expenditure vouchers pertaining to the 10 alleged "ghost companies", as mentioned above;

(b) Determined whether the 10 "ghost companies" are registered on the Central Supplier Database;

(c) Determined whether contracts and/or service level agreements have been concluded with the alleged "ghost companies";

(d) Determined whether payments have been made to the alleged "ghost companies" for the procurement of goods and services; and

(e) Consulted the following individuals, which have knowledge of the allegation:

(i) Carlos Koeberg – Acting Manager: Supply Chain Management

(ii) Alan Croutz – Manager: Legal Services;

(iii) Ntho Maredi – Manager: Expenditure Management;

(f) Interviewed the following individuals, which have knowledge of the allegation:

(i) Peter Lobese – Executive Mayor;

(ii) Pedro Peters – Manager: Supply Chain Management;

(iii) Stanley Juries - Clerk: Special Programmes (Office of the Executive Mayor);

(iv) Cingisisa Ngemntu-Sonjani - Special Programmes Coordinator (Office of the Executive Mayor);

16.3 Documentation obtained

16.3.1 During our investigation, we:

(a) Secured expenditure vouchers on the alleged "ghost companies". These expenditure vouchers were provided to us by the Bitou Municipality's expenditure section and include:

(i) Hluma Enterprises;

(ii) Morester Funeral Service;

(iii) Xolani Selanto;

(iv) S'phethezona Trading and Investments;

(v) Kukokonke Trading;

(vi) Iqabaka Trading;

(vii) Biso;

(viii) Groupex Funeral Services;

(ix) Nocezo ME; and

(x) Wash 4 Joy.

(b) Secured a list of all payments made to these alleged "ghost companies" from the Bitou Municipality's expenditure section for the period 1 July 2016 to 10 December 2018 (See Annexure 16.1).

16.4 Findings

16.4.1 Hluma Enterprises:

<u>Background</u>

(a) Southern Ambitions 1660 CC with registration number: 2009/025610/23 trades as "Hluma Enterprises" and is owned by Cingisisa Ngemntu-Sonjani with identity number: [redacted] and Phumzile Donald Sonjani with identity number: [redacted] Hluma Enterprises apparently provides laundry services to the Municipality.

(b) The whistle-blower informed us that Hluma Enterprises is owned by Cingisisa Ngemntu-Sonjani.

Findings

(c) Our investigation revealed that:

(i) Hluma Enterprises is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(iii) Hluma Enterprises is indeed owned by Cingisisa Ngemntu-Sonjani. She and her spouse, Phumzile Sonjani, became principal members of this organisation on 1 April 2009 and are currently still active members. Cingisisa Ngemntu-Sonjani confirmed this during our interview with her and stated that she did disclose it to the Bitou Municipality.

(iv) We found a declaration of business interest on Cingisisa Ngemntu-Sonjani's human resource file (see Annexure 16.2) pertaining to Hluma Enterprises. We noted however that the date appears to have been altered. The original date of 20 August 2017 appears to have been backdated to reflect 20 August 2015.

(v) Thandokazi Siphungu captured a purchase request for the washing, drying and ironing of 8 extra large curtains on 21 November 2017 to the value of R1,944.95. The request was authorised by Daluxolo Ncame.

(vi) One quotation was obtained from Hluma Enterprises to the value of R1,944.95, dated 16 October 2017.

(vii) A purchase order was issued on 23 November 2017.

(viii) Hluma Enterprises submitted Invoice Number: 2, dated 17 November 2017 to the Bitou Municipality for the "*Wash, Dry and iron of 8 extra 8large curtains*". According to expenditure voucher 122058 (See Annexure 16.3), dated 14 December 2017, this invoice to the value of R1,944.95 was paid by the Bitou Municipality.

(ix) According to the invoice, the service was rendered on 16 October 2017. We noted that the purchase order was issued after the service was rendered.

(x) Cingisisa Ngemntu-Sonjani stated during her interview that the expense related to the curtains in the Office of the Executive Mayor.

(xi) Daluxolo Ncame approved the invoice and certified that the service was rendered.

(xii) The fact that the value of this transaction is just below the procurement threshold of R2,000, suggests that the value was intentionally kept below the threshold to avoid further SCM processes.

(xiii) Cingisisa Ngemntu-Sonjani did not tell the truth during our interview with her, stating that the Bitou Municipality advertised for the rendering of this service. Since the value of the service was below R2,000, the Bitou Municipality would not have advertised for the rendering of this service.

(xiv) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction. The possibility exists that Hluma Enterprises did not render the said services and that Cingisisa Ngemntu-Sonjani colluded with Daluxolo Ncame to fraudulently submit this invoice to the Bitou Municipality.

Recommendations

(d) We recommend the following action:

(i) Disciplinary action should be taken against Cingisisa Ngemntu-Sonjani for providing services to the Bitou Municipality. Section 44 of the SCM Policy prohibits awards to persons in the service of the state, irrespective of the procurement process followed.

(ii) In addition, the cost of the expense should be recovered from Cingisisa Ngemntu-Sonjani.

(iii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for the following, however due to his subsequent resignation, no disciplinary action can be taken:

(A) Authorising the payment to Hluma Enterprises, wherein Cingisisa Ngemntu-Sonjani benefitted. Section 44 of the SCM Policy prohibits awards to persons in the service of the state, irrespective of the procurement process followed; and

(B) Approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, which requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure that the system of financial management and internal control established for the entity is carried out diligently.

(iv) The Municipality should review all other payments made to Hluma Enterprises in order to identify possible further irregularities.

16.4.2 Morester Funeral Service:

<u>Background</u>

(a) Morester Familie Begrafnisdiens CC ("Morester Funeral Service") with registration number: 2002/052615/23 is owned by the following individuals:

(i) Dehan Drew Maritz, with identity number: [redacted]

(ii) Johan Lushain Maritz, with identity number: [redacted]

(iii) Johannes Maritz, with identity number: [redacted].

(iv) Lucille Joyce Maritz, with identity number: [redacted]; and

(v) Luweghan Gawanni Maritz, with identity number: [redacted]

(b) Morester Funeral Service apparently provides funeral services to the Municipality.

(c) Daluxolo Ncame submitted an internal memorandum to the Municipal Manager on 26 July 2017 (see Annexure 16.4), requesting approval for the payment of R27,100 towards the burial of five people whose families are unemployed and requested financial assistance through the mayoral interventions grant. The following allocations were made:

(i) Mbele Jane Family (in terms of Zibonele Manzi) – R5,800;

(ii) Gavin John Dick Family – R5,800;

(iii) John Merwin Wildman – R6,000;

(iv) Shiela Philander – R6,500; and

(v) Doreen Krige – R3,000

(d) Vincent Mkhefa, in his capacity as Chief Financial Officer, commented on the internal memorandum that Morester Funeral Service was not appointed in line with the SCM process and therefore requested advice from SCM in this regard.

(e) Thabo Ndlovu provided his approval for these payments, however commented on the internal memorandum that his approval is provided as the service was already rendered. He further commented that these transactions were irregular, and that action will be taken against the responsible official/s.

Findings

(f) Our investigation revealed that:

(i) Morester Funeral Service is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(iii) The Bitou Municipality paid an amount of R5,800 on 3 November 2017 to Morester Funeral Service in terms of Gavin John Dick's funeral. Based on our review of expenditure voucher 121319 (See Annexure 16.5):

(A) The payment was based on Morester Funeral Service invoice number: 15, dated 2 October 2017, and a single quotation of R5,800 dated 5 July 2017;

(B) Daluxolo Ncame approved the invoice and certified that the service was rendered;

(C) The sister of the late Gavin John Dick submitted an affidavit to declare that she is unemployed and request financial assistance from the Bitou Municipality for the burial of her brother. This affidavit was commissioned by the SAPS; however, it was not signed by the declarant;

(iv) The Bitou Municipality paid an amount of R6,500 on 15 September 2017 to Morester Funeral Service in terms of Shiela Philander's funeral. Based on our review of expenditure voucher 120361 (See Annexure 16.6):

(A) The payment was based on Morester Funeral Service invoice number: 12, dated 10 September 2017;

(B) Daluxolo Ncame approved the invoice and certified that the service was rendered;

(C) The payment was not supported by any quotation.

(v) The Bitou Municipality paid an amount of R5,800 on 15 September 2017 to Morester Funeral Service in terms of Zibonele Manzi's funeral. Based on our review of expenditure voucher 120360 (See Annexure 16.7):

(A) The payment was based on invoice number: 13, dated 10 September 2017 received from Morester Funeral Service;

(B) Daluxolo Ncame approved this invoice and certified that the service was rendered; and

(C) The payment was supported by a single quotation from Morester Funeral Service and only indicated the name "Manzi".

(vi) The required SCM process was not followed as three written quotations should have been obtained.

(vii) The financial assistance provided to the bereaved families did not comply with the Grant-in-Aid Policy.

(viii) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about these transactions. The possibility exists that Morester Funeral Service and Daluxolo Ncame colluded in order to defraud the Bitou Municipality.

<u>Recommendations</u>

(g) We recommend the following action:

(i) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for the following, however due to his subsequent resignation, no disciplinary action can be taken:

(A) Overall non-compliance with the Grant-in-Aid Policy;

(B) Non-compliance with Section 16(2)(a) of the SCM Policy in terms of not obtaining three written quotations as required; and

(C) Approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, which requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure that the system of financial management and internal control established for the entity is carried out diligently.

(ii) The Municipality should review all other payments made to Morester Funeral Service in order to identify possible further irregularities.

16.4.3 Xolani Selanto:

<u>Background</u>

(a) Xolani Eric Selanto ("Xolani Selanto") with identity number: [redacted] residing at [redacted] is a Taxi owner who apparently provides transport services to the Municipality.

(b) According to supporting documentation attached to expenditure voucher 122158 (See Annexure 16.8), the Bitou Local Aids Council submitted an undated letter in 2017 to the Bitou Municipality, requesting financial assistance in the amount of R18,000 towards the transportation of a deceased member's body her family and 30 members to attend the deceased member's funeral in the Eastern Cape. The deceased member was Nomsa Mahamba, the former Treasurer of the Bitou Local Aids Council.

(c) Included in the supporting documentation, is an e-mail from Vuyokazi Wakeni to Vincent Mkhefa, dated 15 December 2017 at 11h26. According to this e-mail, Daluxolo Ncame presented a previous request from Bitou Local Aids Council and supporting documentation, including a revised memorandum, to Vuyokazi Wakeni and requested her to pay Xolani Selanto for the same services. In Vuyokazi Wakeni's e-mail, she requested confirmation from Vincent Mkhefa in order to pay the service provider.

(d) Vincent Mkhefa replied to Vuyokazi Wakeni on 15 December 2017 at 13h03 stating the following:

(i) "*Based on the explanation given by Dali lets make a payment but keep it safe*".

Findings

(e) Our investigation revealed that:

(i) Xolani Selanto is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(iii) A payment of R18,000 was made to Xolani Selanto by the Bitou Municipality on 15 December 2017 as per expenditure voucher 122158.

(iv) The payment was in terms of three minibus trips from Plettenberg Bay to Dimbaza for a funeral.

(v) Invoice number: 3, dated 11 July 2017, submitted by Xolani Selanto, was signed by Daluxolo Ncame and dated as 10 October 2017, certifying that the service was rendered.

(vi) We find it suspicious that Daluxolo Ncame signed the invoice approximately three months after the date of the invoice and that the payment was only made approximately five months after the date of the invoice.

(vii) The payment was supported by three quotations as follows:

(A) MS Gosani – R19,500, dated 3 July 2017;

(B) MJ Melane Transport – R21,000, dated 4 July 2017; and

(C) Xolani Selanto – R18,000, dated 4 July 2017.

(viii) We noted that Xolani Selanto's quotation was the lowest, however it agrees exactly with the amount requested by the Bitou Local Aids Council and is therefore suspicious.

(ix) The e-mail from Vuyokazi Wakeni to Vincent Mkhefa suggests that this might have been a duplicate payment.

(x) The financial assistance provided to the Bitou Local Aids Council did not comply with the Grant-in-Aid Policy.

(xi) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(f) We recommend the following action:

(i) The Municipality should confirm whether this was a duplicate payment, and if so, disciplinary action should be taken against the relevant officials. In addition, the money should be recovered from the relevant officials if it was a duplicate payment.

(ii) We recommend disciplinary action against Vincent Mkhefa for non-compliance with the Grant-in-Aid Policy.

(iii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for non-compliance with the Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

16.4.4 S'phethezona Trading and Investments:

Background

(a) S'phethezona Trading and Investments with registration number: 2007/203281/23, located at [redacted] owned by Vuyokazi Deborah Matsolo with Identity number: [redacted] Her residential address is [redacted] and she apparently provides catering services to the Municipality.

(b) Vuyokazi Deborah Matsolo appears to be the same "Mrs Matsolo", who is the President of Sokhuluwa Youth Future Organisation.

(c) Expenditure Voucher 122266 (See Annexure 16.9):

(i) According to an e-mail from Cingisisa Ngemntu-Sonjani, dated 26 June 2017, to various people and non-profit organisations within the Bitou municipal area, assistance was requested for the Active Kids Festival planned for 15 July 2017 at the Kwanokuthula stadium.

(ii) The assistance required, included the following:

(A) Security;

(B) Volunteers to assist with the kids; and

(C) Selling of tickets at the gate.

(iii) The admission fee was set at R30 and stalls were available at R50.

(iv) Three quotations were obtained for catering during this event and the following organisations submitted quotes:

(A) S'phethezona Trading and Investments – R7,500, dated 13 July 2017;

(B) Buchumile General Trading – R9,400, dated 13 July 2017; and

(C) Lihluma Business Project – R9,150, dated 13 July 2017.

(v) S'phethezona Trading and Investments was selected as the preferred supplier.

(vi) Cingisisa Ngemntu-Sonjani captured a purchase request on 15 September 2017, which was authorised by Daluxolo Ncame.

(vii) A purchase order (382562) was issued on 13 December 2017.

<u>Findings</u>

(viii) Our investigation revealed that:

(A) S'phethezona Trading and Investments is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(B) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(C) The service was rendered before an official order was issued. The official order was only issued approximately three months after the purchase request.

(D) An amount of R7,550 was paid to S'phethezona Trading and Investments on 21 December 2017.

(E) The invoice provided by S'phethezona Trading and Investments, dated 19 December 2017, was for the amount of R7,550, which is R50 higher than the amount they quoted for.

(F) The invoice provided by S'phethezona Trading and Investments was signed by Daluxolo Ncame on 21 December 2017, certifying that the service was rendered.

(G) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

(H) We have reason to believe that this event did not take place and that it was set up to defraud the Bitou Municipality.

(I) It also does not make sense that an entrance fee was charged for the event and not utilised to cover the catering expenses. It is also strange that Cingisisa Ngemntu-Sonjani incorrectly captured the purchase request to the value of R7,550 instead of R7,500 and that the invoice received was for the same incorrect amount, taking into account that the purchase order was only issued afterwards.

(J) The possibility exists that Daluxolo Ncame and Cingisisa Ngemntu-Sonjani colluded in order to defraud the Bitou Municipality.

Recommendations

(ix) We recommend the following action:

(A) Disciplinary action should be taken against Cingisisa Ngemntu-Sonjani for incorrectly capturing the purchase request, resulting in a loss to the Bitou Municipality. Section 105(1)(c) of the MFMA, requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure losses are prevented.

(B) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, however due to his subsequent resignation, no disciplinary action can be taken:

(C) The Municipality should review all other payments made to S'phethezona Trading and Investments in order to identify possible further irregularities.

(D) The Municipality should determine if there is any conflict of interest between the owner of S'phethezona Trading and Investments and Sokhuluwa Youth Future Organisation.

<u>Background</u>

(d) Expenditure Voucher 120248 (See Annexure 16.10):

(i) The Bitou Municipality obtained a quotation from S'phethezona Trading and Investments on 13 July 2017 for the following items:

(A) 4 x 750g Ricoffy for R360;

(B) 8 x 2.5kg Sugar for R440; and

(C) 12 x Full Cream Long Life Milk for R1,152

(ii) A purchase requisition (22395) was approved by Pedro Peters on 13 July 2017, however an official purchase order (380793) was only issued on 17 August 2017.

(iii) S'phethezona Trading and Investments submitted invoice number: 15 to the Bitou Municipality on 14 July 2017 to the value of R1,952. The invoice was approved by Cingisisa Ngemntu-Sonjani, who confirmed that the goods were received.

(iv) The Bitou Municipality paid the invoice on 1 September 2017.

<u>Findings</u>

(v) Our investigation revealed that:

(A) The items were procured before an official order was issued. The official order was only issued approximately a month after the purchase request.

(B) The current price of a 750g of Ricoffy is approximately R80. For 4 tins it would total approximately R320. S'phethezona Trading and Investments charged the Bitou Municipality R360.

(C) The current price of a 2.5kg of Sugar is approximately R40. For 8 packets it would total approximately R320. S'phethezona Trading and Investments charged the Bitou Municipality R440.

(D) The current price for 1L of Full Cream Long Life Milk is approximately R14,00, which means that for 12 litres the price would be approximately R168. S'phethezona Trading and Investments however charged the Bitou Municipality R1,152.

(E) From the above, it appears that the cost of the items purchased might have been inflated. During our interview with Pedro Peters, he stated that the prices were market related in terms of procuring from smaller vendors.

<u>Recommendations</u>

(vi) We recommend the following action:

(A) Disciplinary action should be taken against Cingisisa Ngemntu-Sonjani for approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, which requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure that the system of financial management and internal control established for the entity is carried out diligently.

<u>Background</u>

(e) Expenditure Voucher 120472 (See Annexure 16.11):

(i) The Bitou Municipality obtained the following quotations for catering during the Nelson Mandela 67 Minutes and 100 days programme, scheduled for 18 July 2017:

(A) S'phethezona Trading and Investments – R26,500, dated 18 July 2018 (altered to reflect 14 July 2017);

(B) Sidonela Trading – R28,000, dated 18 July 2017; and

(C) Shekyna Projects – R28,000, dated 14 July 2017

Findings

(ii) Our investigation revealed that:

(A) The quotation received from Sidonela Trading was dated the day of the event, which means that S'phethezona Trading and Investments was selected without having three quotations prior to the event.

(B) The quotation received from S'phethezona Trading and Investments was also dated the day of the event, however, was altered to reflect 14 July 2017.

(C) The system generated purchase request for this service was approved by Daluxolo Ncame on 9 July 2017.

(D) Purchase order 381134 was only issued on 12 September 2017, which is almost two months after the event.

(E) The invoice submitted by S'phethezona Trading and Investments, dated 19 July 2017, was signed by Daluxolo Ncame who certified that the service was rendered.

(F) No supporting documentation was provided to indicate how the Office of the Executive Mayor determined the number of attendees for the event. The catering for 200 people could therefore have been inflated.

(G) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(iii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for the following, however due to his subsequent resignation, no disciplinary action can be taken:

(A) Non-compliance with Section 17(1)(a) of the SCM Policy in terms of not obtaining three formal written price quotations as required prior to incurring the expense; and

(B) Approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, which requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure that the system of financial management and internal control established for the entity is carried out diligently.

Background

(f) Expenditure Voucher 120358 (See Annexure 16.12):

(i) The Bitou Municipality obtained a quotation from S'phethezona Trading and Investments for refreshments for the Executive Mayor's Office on 27 July 2017. The refreshments included the following items:

(A) 3 x Ricoffy (750g);

(B) 5 x Milk (6 pack);

(C) 2 x Green Tea (100 Early grade Tea);

(D) 4 x Five Roses Tea (100);

(E) 5 x Sugar (2.5kg); and

(F) 1 x Jacob Coffee (200)

(ii) S'phethezona Trading and Investments quoted R1,870 for the abovementioned items.

(iii) The purchase order (380797) issued by the Bitou Municipality listed the values (Excluding VAT) of the items requested as follows:

(A) 3 x Ricoffy (750g) – R525;

(B) 5 x Milk (1L x 6) - R510;

(C) 2 x Green Tea Bags (100's) – R84;

(D) 4 x Five Roses Tea Bags (80's) – R220;

(E) 5 x Hullets Sugar (2.5kg) – R325; and

(F) 1 x Jacob Coffee (200g) – R206

(iv) S'phethezona Trading and Investments submitted invoice number: RC06 to the Bitou Municipality on 21 August 2017. The invoice was approved by Daluxolo Ncame on 11 September 2017, who confirmed that the goods were received.

Findings

(v) Our investigation revealed that:

(A) The current price of a 750g of Ricoffy is approximately R80. For 3 tins it would total approximately R240. S'phethezona Trading and Investments charged the Bitou Municipality R525.

(B) The current price for a six pack of 1L Milk is approximately R86, which means that for 5 six packs, the price would be approximately R430. S'phethezona Trading and Investments however charged the Bitou Municipality R510.

(C) The current price of Green Tea bags (100's) is approximately R69. For 2 packets it would total approximately R138. S'phethezona Trading and Investments charged the Bitou Municipality R84.

(D) The current price of Five Roses Tagless Tea bags (100's) is approximately R31. For 4 packets it would total approximately R124. S'phethezona Trading and Investments charged the Bitou Municipality R220.

(E) The current price of a 2.5kg of Sugar is approximately R40. For 5 packets it would total approximately R200. S'phethezona Trading and Investments charged the Bitou Municipality R325.

(F) The current price of Jacobs Coffee (200g) is approximately R110. S'phethezona Trading and Investments charged the Bitou Municipality R206.

(G) From the above, it appears that the cost of the items purchased might have been inflated in most instances. During our interview with Pedro Peters, he stated that the prices were market related in terms of procuring from smaller vendors.

(H) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(vi) The Office of the Mayor should engage with SCM to find an alternative method of ordering refreshments at the best possible price.

Background

(g) Expenditure Voucher 123327 (See Annexure 16.13):

(i) The Bitou Municipality obtained a quotation from S'phethezona Trading and Investments for refreshments for the Office of the Executive Mayor and Municipal Manager on 23 January 2018. The refreshments included the following items:

(A) Cokes (440, 6x3);

(B) Still Water (6x4);

(C) Flavoured Water (6x3);

(D) Energy Drink Green-Monster (6x3);

(E) Energy Drink Original Play (6x3); and

(F) Schweppes Lemonade (6x3).

(ii) S'phethezona Trading and Investments quoted R1,850 for the abovementioned items.

(iii) The purchase order (383239) issued by the Bitou Municipality did not list the values of the individual items and only reflects the total of R1,850.

(iv) S'phethezona Trading and Investments submitted invoice number: 107 to the Bitou Municipality on 12 February 2018. The invoice was approved by Daluxolo Ncame on 12 February 2018, who confirmed that the goods were received.

Findings

(v) Our investigation revealed that:

(A) The current price for a six pack of 440ml Coke is approximately R58. For 3 six packs it would total approximately R174.

(B) The current price for a six pack of Still Water (500ml) is approximately R26.50, which means that for 4 six packs, the price would be approximately R106.

(C) The current price of a six pack Flavoured Water (500ml) is approximately R30, which means that for 3 six packs, the price would be approximately R90.

(D) The current price for a six pack of Monster Energy Drink (Green) is approximately R84.75, which means that for 3 six packs, the price would be approximately R254.25.

(E) The current price for a four pack of Power Play Energy Drink (Original) is approximately R54.49, which means that for 3 four packs, the price would be approximately R163.47.

(F) The current price for a six pack of Schweppes Lemonade (200ml) is approximately R52.99, which means that for 3 six packs, the price would be approximately R158.97.

(G) The total value of the abovementioned items would therefore be approximately R946.69, however S'phethezona Trading and Investments charged the Bitou Municipality R1,850.

(H) From the above, it appears that the cost of the items purchased might have been inflated. During our interview with Pedro Peters, he stated that the prices were market related in terms of procuring from smaller vendors.

(I) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(vi) The Office of the Mayor should engage with SCM to find an alternative method of ordering refreshments at the best possible price.

Background

(h) Expenditure Voucher 121634 (See Annexure 16.14):

(i) The Plettenberg Bay Secondary School submitted a letter "To whom it may concern" dated 10 October 2017, requesting financial assistance towards their annual Valedictory ceremony for their matriculants to be held on 16 October 2017.

(ii) The Bitou Municipality obtained a quotation on 11 October 2017 from S'phethezona Trading and Investments for catering services (food platters) at the Plettenberg Bay Secondary School's ceremony, scheduled for 16 October 2017. S'phethezona Trading and Investments quoted R2,000 for two meat platters and two savoury platters.

(iii) A purchase order (381672) was issued on 16 October 2017.

(iv) S'phethezona Trading and Investments submitted invoice number: DM12 to the Bitou Municipality on 16 October 2017. The invoice was approved by Daluxolo Ncame on the same day, who confirmed that the goods were received.

(v) The invoice was paid by the Bitou Municipality on 23 November 2017.

Findings

(vi) Our investigation revealed that:

(A) No supporting evidence accompanied the expenditure voucher, stating that the Bitou Municipality would contribute towards the Plettenberg Bay Secondary School's ceremony and why only four platters of food would be provided for 290 attendees.

(B) The possibility exists that this donation did not reach the Plettenberg Bay Secondary School.

(C) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(vii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for non-compliance with the Grant-in-Aid Policy, however due to his subsequent resignation, no disciplinary action can be taken.

16.4.5 Kukokonke Trading:

Background

(a) Kukokonke Trading (Pty) Ltd ("Kukokonke Trading") with registration number: 2016/497344/07 is owned by Luyanda Nonceba Dingela with identity number: [redacted] and apparently provides catering services to the Municipality.

(b) An event was planned for the Executive Mayor to host the annual Day of Reconciliation celebrations to open the towns festive season with the switching on of the Christmas lights in the main street on 16 December 2017.

(c) During our review of expenditure voucher 123071 (See Annexure 16.15), we noted that:

(i) The Bitou Municipality obtained a quotation on 15 December 2017 from Kukokonke Trading to provide chair covers and a carpet for this event. Kukokonke Trading quoted an amount of R1,999.

(ii) A purchase order (382888) was issued on 10 January 2018.

(iii) Kukokonke Trading submitted invoice number: 2 for R1,999 on 15 December 2017 and it was approved by Daluxolo Ncame on 19 February 2018, certifying that the services was rendered.

(iv) The Bitou Municipality paid the supplier on 2 February 2018.

Findings

(d) Our investigation revealed that:

(i) Kukokonke Trading is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(iii) A purchase order was issued approximately one month after the event.

(iv) The Bitou Municipality paid the invoice received from Kukokonke Trading prior to the invoice being approved by Daluxolo Ncame;

(v) We further noted that the amount of the expense is just below R2,000 and it therefore appears as if the SCM process could have been circumvented to avoid the need for further quotations.

(vi) We have reason to believe that the service was not rendered and that Daluxolo Ncame fictitiously created this transaction to defraud the Bitou Municipality.

(vii) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

<u>Recommendations</u>

(e) We recommend the following action:

(i) Disciplinary action against Ntho Maredi for processing the payment without having confirmation from the originator of the order and/or Departmental Head that the service was rendered. Section E(4) of the Creditors, Councillors and Personnel Payment Policy requires that:

(A) "*Suppliers' original tax invoices processed for payment shall be certified by the originator of the order and/or Departmental Head. This will represent confirmation of receipt of goods and/or services being received and/or rendered and/or executed in a ways that are acceptable to the relevant departmental head and; where applicable, the relevant contract manager or according to contract standards*".

(ii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for incurring an expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, however due to his subsequent resignation, no disciplinary action can be taken.

(iii) The Municipality should review all other payments made to Kukokonke Trading in order to identify possible further irregularities.

16.4.6 Iqabaka Trading:

Background

(a) Iqabaka Trading Enterprise CC ("Iqabaka Trading") with registration number: 2010/048363/23, is owned by Mzoxolo Eric Dlongwana with identity number [redacted] and Natasha Dianne Jantjies with identity number: [redacted]

(b) Iqabaka Trading apparently provides catering services to the Municipality.

(c) During our review of expenditure voucher 124112 (See Annexure 16.16), we noted that Daluxolo Ncame submitted an internal memorandum to "Supply Chain", dated 28 March 2018, providing confirmation that events took place and that the service providers and/or suppliers needed to be paid.

(d) One such event was for a Woman Empowerment Workshop, scheduled for 26 July 2017, for the provision of catering services to 150 people. The programme director for this event was Cingisisa Ngemntu-Sonjani.

Findings

(e) Our investigation revealed that:

(i) Iqabaka Trading is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(iii) Purchase order (383901) was issued on 29 March 2018, approximately eight months after the event.

(iv) An amount of R9,800 was paid to Iqabaka Trading on 20 April 2018. Invoice 007 received from Iqabaka Trading was signed by Cingisisa Ngemntu-Sonjani, certifying that the service was rendered;

(v) The supporting documentation included the following three quotations:

(A) Iqabaka Trading – R9,800, dated 20 July 2017;

(B) Vuyo-Lekhaya Trading – R10,100, dated 20 July 2017; and

(C) Kukokonke Trading – R10,500, dated 20 July 2017.

(vi) The attendance register attached, indicates that each attendee did not complete the attendance register. The same handwriting appears for several attendees and this raises a concern that the register could have been created afterwards.

(vii) The supporting documentation also includes two system generated purchase requests for the service. One generated on 15 September 2017 and one on 28 March 2018. Both were captured by Cingisisa Ngemntu-Sonjani and approved by Daluxolo Ncame.

(viii) Based on the supporting documentation attached to the abovementioned expenditure voucher, it appears as if this could have been a duplicate payment.

(ix) A possibility exists that the event did not take place and that Cingisisa Ngemntu-Sonjani and Daluxolo Ncame colluded to defraud the Bitou Municipality.

(x) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(f) We recommend the following action:

(i) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for incurring an expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, however due to his subsequent resignation, no disciplinary action can be taken.

(ii) The Bitou Municipality should confirm whether this was a duplicate payment, and if so, relevant action should be taken to recover the money;

(iii) The Municipality should review all other payments made to Iqabaka Trading in order to identify possible further irregularities.

16.4.7 Biso:

<u>Background</u>

(a) Biso (Pty) Ltd ("Biso") with registration number: 2018/036845/07 is owned by Nandipa Macala with identity number: [redacted] and Bulelwa Veronica Ncame with identity number: [redacted]

(b) Biso apparently provides catering services to the Municipality.

(c) A whistle-blower informed us that Biso is owned by "Bulelwa Ncame", the spouse of Daluxolo Ncame.

(d) During our review of expenditure voucher 123841 (See Annexure 16.17), we noted that:

(i) Catering services were required in terms of a request from Bitou Sohluma Organisation for assistance during a planned Gender Based Violence door to door campaign, scheduled for 26 February 2018.

(ii) SCM obtained formal written price quotations on 23 February 2018 for the catering of 100 people during the Gender Based Violence door to door campaign:

(A) Biso – R14,000;

(B) Avusiwe Projects – R17,600;

(C) Avile General Trading – R15,590; and

(D) Swelindawo Catering – R18,955.

(iii) The system generated purchase request was captured on 28 February 2018 by Cingisisa Ngemntu-Sonjani and was approved by Daluxolo Ncame on 1 March 2018.

(iv) Purchase order (383640) was issued on 27 March 2018.

(v) Biso was paid an amount of R14,000 on 29 March 2018.

(vi) The invoice received from Biso was signed by an unknown person indicating "pp C Sonjani". The signature was not dated.

<u>Findings</u>

(e) Our investigation revealed that:

(i) Bulelwa Veronica Ncame is the spouse of Daloxulo Ncame and she is indeed an active Director of Biso. She was appointed as Director on 25 January 2018. No evidence was found on Daluxolo Ncame's human resource file indicating that he disclosed his spouse's business interest in Biso.

(ii) Biso is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(iii) No evidence was found to indicate that a contract and/or service level agreement have been concluded with this alleged "ghost company".

(iv) The purchase order was issued approximately a month after the event.

(v) Attendance registers were not provided as supporting documentation for the payment, and we have reason to believe that this event did not take place.

(vi) The possibility exists that Daluxolo Ncame, his spouse and Cingisisa Ngemntu-Sonjani colluded to defraud the Bitou Municipality.

(vii) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

<u>Recommendations</u>

(f) We recommend the following action:

(i) Disciplinary action against Ntho Maredi for processing the payment without having confirmation from the originator of the order and/or Departmental Head that the service was rendered. Section E(4) of the Creditors, Councillors and Personnel Payment Policy requires that:

(A) "*Suppliers' original tax invoices processed for payment shall be certified by the originator of the order and/or Departmental Head. This will represent confirmation of receipt of goods and/or services being received and/or rendered and/or executed in a ways that are acceptable to the relevant departmental head and; where applicable, the relevant contract manager or according to contract standards*".

(ii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that disciplinary action would have been recommended against him for incurring an expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, however due to his subsequent resignation, no disciplinary action can be taken.

(iii) In addition, disciplinary action would have been recommended against Daluxolo Ncame for failing to disclose his spouse's business interest in Biso, as required by Section 44, 45 and 46(3)(e) of the SCM Policy.

(iv) The Municipality should review all other payments made to Biso in order to identify possible further irregularities.

16.4.8 Groupex Funeral Services:

<u>Background</u>

(a) Groupex Funeral Services (Pty) Ltd with registration number: 2015/370161/07 is owned by Justin Barry Jennings with identity number: [redacted] and Lynton Russel Jennings with identity number: [redacted] and apparently provides funeral services to the Municipality.

(b) During our investigation, we received an anonymous tip off that Mr Makhaya Mana received money from a payment to Groupex Funeral Services. During our review of expenditure voucher 124061 (See Annexure 16.18), we noted the following:

(i) Daluxolo Ncame submitted an internal memorandum to the Municipal Manager and SCM, dated 11 April 2018, pertaining to the burial of the late Zukiswa Maboza. According to the memorandum, the family of the late Zukiswa Maboza, who passed away on 13 March 2018, requested financial assistance in order to pay for her burial as they are underprivileged and unemployed. The Office of the Executive Mayor apparently sent their Moral Regeneration Officer to assess the situation and after discussing the request, Daluxolo Ncame recommended that R3,000 be paid to Groupex Funeral Services to pay for the burial.

(ii) The request was approved by the Acting Municipal Manager, Gerrie Groenewald.

(iii) Daluxolo Ncame authorised the purchase request on 11 April 2018.

(iv) A purchase order was issued on 17 April 2018, after the service had been rendered.

(v) The Bitou Municipality paid the invoice received from Groupex Funeral Services, dated 9 April 2018 to the value of R3,000 on 17 April 2018 for providing the following services:

(A) Coffin;

(B) Collection of deceased;

(C) Storage; and

(D) Burial service

Findings

(vi) Quotations were not obtained from service providers.

(vii) The invoice was not signed off by anyone from the Office of the Executive Mayor, certifying that the service was rendered.

(viii) We noted a letter attached to the expenditure voucher, dated 16 April 2018, from Amandla Ncwana (Credit Control Clerk) on a Bitou Municipality letterhead, addressed "*TO WHOM IT MAY CONCERN*", stating that:

"*This is to confirm that* [redacted] *is not indigent. The house is a shack and informal, therefore no service / rates paid by the residents. The indigent subsidy is applied for refuse and sewerage oonly*".

(c) No evidence could be obtained to indicate that Makhaya Mana benefited during this transaction.

(d) Groupex Funeral Services is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(e) The financial assistance provided to the bereaved family did not comply with the Grant-in-Aid Policy.

(f) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(g) We recommend the following action:

(i) Disciplinary action should be taken against Gerrie Groenewald for:

(A) Overall non-compliance with the Grant-in-Aid Policy;

(B) Non-compliance with Section 16(2)(a) of the SCM Policy in terms of not obtaining three written quotations as required; and

(C) Authorising and/or approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, which requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure that the system of financial management and internal control established for the entity is carried out diligently.

(ii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that similar disciplinary action would have been recommended against him, however due to his subsequent resignation, no disciplinary action can be taken.

16.4.9 Nocezo ME:

Background

(a) Melikhaya Elvis Nocezo ("Nocezo ME") with identity number: [redacted] resides at [redacted]. Nocezo ME is a Taxi owner and apparently provides transport services to the Municipality.

(b) During our investigation, we received an anonymous tip off that irregular payments were being made to Nocezo ME.

(c) During our interview with Emile Kramer, he also stated that irregular payments were made to Nocezo ME. Emile Kramer stated that Nocezo ME provided transport services during the political campaign of the AUF, however at the time, the AUF did not have funds in order to pay for these services. Peter Lobese apparently promised Nocezo ME that he will be provided with business from the Bitou Municipality, once the AUF coalition was elected. Emile Kramer further informed us that he knows that Nocezo ME received cash payments soon after the Grant-in-Aid payments were made by the Bitou Municipality in 2018.

(d) We reviewed expenditure voucher 124058 (See Annexure 16.19) and noted the following:

(i) The supporting documentation to the expenditure voucher indicates that transport was required for attendees to attend a planned TB awareness campaign, scheduled for 8 July 2017 at the New Horizon community hall.

(ii) The following quotations was attached to the expenditure voucher:

(A) Nocezo ME – R3,800, dated 3 July 2017;

(B) SA Landu – R4,000, dated 3 July 2017; and

(C) VW Singata – R4,200, undated.

(iii) Cingisisa Ngemntu-Sonjani captured a purchase request on 15 September 2017 for the provision of transport for the TB awareness programme. The preferred supplier was Nocezo ME with a reserved value of R3,800. Although the request was captured on 15 September 2017, Daluxolo Ncame signed and approved the request on 10 November 2017.

(iv) Cingisisa Ngemntu-Sonjani re-captured the purchase request on 28 March 2018 for the provision of transport for the TB awareness programme. The preferred supplier was Nocezo ME with a reserved value of R3,800. Daluxolo Ncame approved and signed the request on 28 March 2018.

(v) Daluxolo Ncame submitted an internal memorandum to SCM on 28 March 2018, confirming that events (unlisted) took place and recommending that Nocezo ME, inter alia, be paid as the required services was rendered.

(vi) A purchase order (383890) was generated and issued to Nocezo ME on 29 March 2018 to the value of R3,800.

(vii) Invoice number: 92 to the value of R3,800 submitted by Nocezo ME, was paid by the Bitou Municipality on 17 April 2018. The invoice was signed by Cingisisa Ngemntu-Sonjani, certifying that the services was rendered.

Findings

(e) Our investigation revealed that:

(i) Nocezo ME is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) The initial purchase request captured by Cingisisa Ngemntu-Sonjani on 15 September 2017, was more than two months later than the date of the quotations and the date of the event.

(iii) The second purchase request captured by Cingisisa Ngemntu-Sonjani on 28 March 2018, was approximately nine months later than the date of the quotations and the date of the event.

(iv) It is therefore clear that the SCM process was not followed before the expense was incurred.

(v) The possibility exists that the service was never rendered. It appears as if Cingisisa Ngemntu-Sonjani and Daluxolo Ncame might have colluded to defraud the Bitou Municipality. During our interview with Cingisisa Ngemntu-Sonjani, she stated that the service was rendered, however she had to re-capture the request as it was not processed by SCM.

(vi) Daluxolo Ncame resigned from the Bitou Municipality before we were able to question him about this transaction.

Recommendations

(f) We recommend the following action:

(i) Disciplinary action should be taken against Cingisisa Ngemntu-Sonjani for authorising and/or approving the expense without a purchase order and failing to comply with Section 105(1)(a) of the MFMA, which requires each official of a municipal entity, exercising financial management responsibilities, to take all reasonable steps within that official's area of responsibility to ensure that the system of financial management and internal control established for the entity is carried out diligently.

(ii) We recommend that it be recorded in the human resource file of Daluxolo Ncame, that similar disciplinary action would have been recommended against him, however due to his subsequent resignation, no disciplinary action can be taken.

(iii) The Municipality should review all other payments made to Nocezo ME in order to identify possible further irregularities.

16.4.10 Wash 4 Joy:

<u>Background</u>

(a) Wash 4 Joy (Pty) Ltd ("Wash 4 Joy") with registration number: 2015/078171/07 is owned by Ntomboxolo Thelma Mrubata ("Lokose Mrubata") with identity number: [redacted] Wash 4 Joy apparently provides catering services to the Municipality.

(b) We noted that Lokose Mrubata is also the Project Co-ordinator of Kwanokuthula Community Policing Forum.

(c) During our review of expenditure voucher 124900 (See Annexure 16.20), we noted that:

(i) The Office of the Executive Mayor planned an event to be held on 9 August 2017 to commemorate National Woman's Day.

(ii) A purchase request was captured by Cingisisa Ngemntu-Sonjani on 23 August 2017 for catering of extra food for the Woman's Day. This request was approved by Daluxolo Ncame on 23 August 2017.

(iii) A single quotation was obtained from Wash 4 Joy to the value of R7,500, dated August 2017.

(iv) An official purchase order was issued on 27 September 2017.

(v) Cingisisa Ngemntu-Sonjani wrote a memorandum in support of the expense, dated 10 August 2016, confirming that catering was required for 75 additional people during the Woman's Day event. The memorandum was approved by Daluxolo Ncame on 23 August 2017.

(vi) Wash 4 Joy submitted invoice number: 01, dated 2 February 2018, to the Bitou Municipality with a value of R7,500. Cingisisa Ngemntu-Sonjani signed the invoice, certifying that the service was rendered.

(vii) The invoice was paid by the Bitou Municipality on 6 June 2018.

(viii) Vincent Mkhefa sent an e-mail to Vuyokazi Wakeni on 5 June 2018, instructing her to deduct R7,500 from the salary of Cingisisa Ngemntu-Sonjani in June 2018, in respect of the money paid to Wash 4 Joy.

<u>Findings</u>

(d) Our investigation revealed that:

(i) Wash 4 Joy is registered on the Central Supplier Database. This was confirmed by the Acting Manager: Supply Chain Management, Carlos Koeberg.

(ii) The purchase request was captured by Cingisisa Ngemntu-Sonjani approximately two weeks after the event.

(iii) The required SCM process was not followed as three written price quotations should have been obtained.

(iv) An official purchase order was issued almost two months after the scheduled event.

(v) The memorandum written by Cingisisa Ngemntu-Sonjani in support of the expense appears to have been dated incorrectly.

(vi) We find it suspicious that the invoice from Wash 4 Joy was issued approximately six months after the service was rendered.

(vii) The possibility exists that the service was never rendered. It appears as if Cingisisa Ngemntu-Sonjani and Daluxolo Ncame might have colluded to defraud the Bitou Municipality.

(viii) During our interview with Manfred van Rooyen pertaining to the Woman's Day event, he stated that:

(A) He was intimately involved with arranging this event;

(B) The Bitou Municipality estimated that 300 people would attend the event;

(C) Catering was arranged for 300 people. Two service providers were procured to provide the catering. Each service provider had to cater for 150 people. One of the service providers was Wash 4 Joy;