



MINISTER
TRADE AND INDUSTRY
REPUBLIC OF SOUTH AFRICA

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Prof. N A Nevhutanda
Chairperson: National Lotteries Commission
Block B, Hatfield Gardens
333 Grosvenor Street
Hatfield
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Dear Prof. Nevhutanda

ALLEGATIONS RELATED TO PRO-ACTIVE FUNDING

Your letter dated 15 February 2019 refers.

On 5 March 2019, my office received a forensic investigation report in respect of alleged irregularities relating to the Proactive Funding allocated to the Denzhe Primary Healthcare NPO. **the dti**, Internal Audit unit reviewed the report and the following shortcomings were identified:


- a) Interviews were not conducted with the officials mentioned in the report.
- b) There is no evidence that a site visit to Denzhe was conducted.
- c) Mr Ramulifho's affidavit is not conclusive, he is only confirming the statements in Ms Tshikalange's affidavit.
- d) Ms Tshikalange's affidavit is not conclusive, there is a section in the affidavit that makes reference to "we", **the dti** is unable to ascertain whether the affidavit was prepared by her or by someone else on her behalf. Also, Ms Tshikalange's affidavit makes reference to several annexures and such information has not been attached to the report.
- e) The latest status update in respect of a case that was allegedly reported by Ms Tshikalange was not obtained from the SAPS.
- f) The report makes reference to various requests for additional funding that was made to the NLC, yet the said requests were not provided to us. As part of annexures, the report does not further state the custodian of the said requests.

- g) The report **does not** indicate when "Upbrand Properties" was appointed to build the new rehabilitation centre, nor the current and previous Directors of Upbrand, as well as the procurement process that was followed in their appointment process.
- h) The report is **silent** on the role played by the COO in respect of the approval process of Denzhe's application.
- i) The report **does not** further indicate the date on which the brother of the COO resigned as the Director of Upbrand.
- j) The report **does not** indicate the failure by the grantee to conduct proper due diligence in line with section 7.1.10 of the Grant Agreement which states that "*the Grantee must conduct proper due diligence investigation on the appointed contractor in the event of the grant being utilised to construct a building*".
- k) An amount of R27.5 million was allocated to Denzhe, however the expenditure cost breakdown in respect of the allocated funds **was not provided** or analysed accordingly with exception to a mere R535 240.34 paid to two Ocean Basket franchises.
- l) The report **does not** make reference to the submission of progress reports by Denzhe, contract to section 10.1.1.1.2 which indicates that "*Progress reports must be submitted once (75%) of each tranche payment has been utilised or six (6) months after each tranche payment, whichever comes first*"; and
- m) The COO's, laptop **was not** imaged so to ascertain if there was no communication between himself and his brother that could have been crucial for the investigation.

In view of the above shortcomings, I thus recommend that the allegations in respect of Denzhe Primary Healthcare be re-investigated, and the scope of the investigation be extended to include the following additional allegations received relating to Proactive funding:

- Misappropriation of funds in respect of the rebuild of the Vhafamadi High School.
- Alleged fraudulent activities relating to Proactive Funding paid to the Buyelekhaya Annual Music Festival.

Yours sincerely



Dr Rob Davies, MP
Minister of Department of Trade and Industry

9 April 2019

CC: Ms. Thabang Mampane (Commissioner: NLC)