



MEC Mahlakeng Mahlakeng delivered today (Wednesday, January 20, 2010) on the current status and way forward, arising from the finalization and release of the forensic investigation report by PriceWaterHouseCoopers (PWC). Central to the investigation, was the Directorate: Roads Management..

Date: Wednesday, January 20, 2010

- Good Morning

The purpose of the briefing today is to keep you posted with developments, following the conclusion of a forensic investigation by the auditing firm, PriceWatershouseCoopers (PWC).

The 196-page report is now a public document and I am aware that several media houses have obtained copies from the Registrar of the North Gauteng High Court in Pretoria.

We also hope to bring you up to speed, with the current status of the events and our way forward.

You may recall that:

On December 14, 2009, we confirmed the suspension of our Head of Department, Mr Nic van Staden and Chief Financial Officer, Mr Kweku Odame- Takyi.

The latest is:

Charges against them may be finalized before the end of this week.

The suspension of the two brought to three, the number of senior officials, implicated during the investigation and also by PWC in the final report.

Chief Director for roads, Mr Eddie Thebe, was also placed on precautionary suspension in early September last year.

The latest is:

He has been charged with misconduct and mismanagement and is yet to answer to 11 charges, on a date still to be confirmed.

He appeared before the departmental Disciplinary Committee (DC) on November 16, 2009 but asked for a postponement in order to prepare. The presiding officer acceded to his request and granted a postponement. I am informed a new date will be finalised shortly.

We confirmed also in December that the department may have been hit by a multi-million-rand road scandal. The view expressed at the time, was partly informed by the preliminary findings arising from the ongoing investigation by PWC.

Part of PWC's brief when they began their investigation on September 13, 2009 was: To probe the patterns of expenditure and procurement procedures and the appointment also, of consultants and contractors for road projects.

More than R1.5 billion, allocated to our road capital projects (Capex) for the next period of three years, often referred to as Medium Term Expenditure Framework (MTEF), has already been committed.

Within three months, of the current financial year- 2009/2010- the roads directorate had already spent 100 percent of its allocated capital project budget.

Their budget allocation for the current financial year was R525m.

Midway through the investigation, one of the road construction companies sued us for an amount of R64.3m.

The company brought an urgent application at the Northern Gauteng High Court in Pretoria on November 26, 2009. An order was granted against government to pay the company the stated amount within 48 hours.

We have made an application at the same court on Monday, January 11, 2009 for that order to be rescinded and set aside.

We can also confirm, that the final copy of the forensic report by PWC which I spoke about in my introduction, is one of the supporting documents in our application.

We could not make the report public in December 2009 as promised then but , by virtue of that final PWC report now being part of the court papers, it is a public document and we will make copies available to you.

In conclusion:

For us, the way forward in this whole episode is crystal clear.

Following a protracted meeting of a high powered delegation comprising of the management team of the department, PWC, Office of the Premier including an independent firm of legal practitioners held on Tuesday, January 12, 2010: It was resolved to;

1. Issue a directive to Kaulani Civils (Pty) Ltd and Moseme Construction to vacate site with immediate effect. Failure to comply with our directive may result in legal action against them. Kaulani were purportedly appointed to do work on the Lichtenburg-Koster road, while Moseme was doing same on the Phokeng to Sun City Road. The two companies, including a third called Roucomm Systems, have been identified in the PWC forensic report as having been improperly appointed to construct various roads projects in the province. The department has already made payments of more than R100.6m to two of the above mentioned companies. The total value of the ``contracts'', awarded on November 18, 2008 under: ``Emergency Patchwork, Pothole Repairs And Maintenance Programe (Bojanala and Dr Ruth Segomotsi Mompati Districts)'' for the three was more than R424.2m.

2. Pursue civil action for the recovery of all monies paid to the three companies mentioned above.

3. Urgently conduct a due diligence on 54 contracts awarded without following proper procurements procedures.

4. Set-up a meeting with the police corruption busting unit, the Hawks, with the view to: pursue criminal charges against individuals and entities; application for seizure to be done subject to advice arising from consultations with appropriate state agencies.

5. Once summons for damages have been issued against the alleged culprits the department will approach the court to apply for an order, which will enable the department to obtain essential evidence to the case from the premises of the alleged culprits.

Ladies and gentlemen:

On the face of it, one may say I have been vindicated, but on the contrary, I am extremely angry, betrayed, shocked and deeply saddened.

Betrayed and angered by the ``apparent collusion within, and the conniving without,'' of people one would have expected to be the watch dogs of government, our democracy, our people and off course peoples monies.

Deeply saddened also, by those who in their quest tried desperately to put unbearable pressure on me to release the report, even before I could receive the first draft, paddled false information, alleging that I was implicated.

Now that the report is in the public domain, I am yet to be told and shown where in the report am I or was I implicated?

We are called to act decisively against corruption at all levels of government. We must be seen to deal ruthlessly and without fear, the rampant scourge of corruption and the pilfering of state coffers.

I will be failing in my duty if corruption is made to appear not punishable in my department.

I thank you for your time.