



**INVESTIGATION REPORT INTO  
MALADMINISTRATION, CORRUPTION AND  
IRREGULAR SPENDING IN SERVICES SECTOR  
EDUCATION AND TRAINING AUTHORITY**

**ANALYSIS AND FINDINGS OF  
THE GRAYSON REED  
BID - PROC T434**

## 1. INTRODUCTION AND MANDATE

- 1.1 The Organisation Undoing Tax Abuse (“OUTA”) is a non-profit organisation incorporated in terms of the Companies Act, 2008, and has been approved as a public-benefit organisation in terms of the Income Tax Act, 1972.
- 1.2 Using precise methods, OUTA’s mission is to challenge and take action against maladministration and corruption and, where possible, hold to account those responsible for such acts.
- 1.3 OUTA strives for a prosperous country with an organised, engaged and empowered civil society that ensures responsible use of tax revenues in all spheres of Government.
- 1.4 It is on that premise that OUTA decided to pursue an investigation into the Sector Education and Training Authority (“SETA”) following numerous complaints and allegations of maladministration and corruption within that sector.

## BACKGROUND

- 1.5 In 2018, OUTA was approached by whistle-blowers with information that suggested that there was maladministration of funds at Services Sector Education and Training Authority (“SSETA”) in that, SSETA had awarded a contract worth R162,669 000.00 (“one hundred and sixty two million, six hundred and sixty nine thousand rands”) to a consulting company called Grayson Reed Consulting (“Grayson Reed”) for payment of stipends to learners and management of a biometric learner attendance monitoring system, yet little to no services were actually rendered by Grayson Reed.
- 1.6 OUTA was approached by learners who advised that they had not received their stipends in months, some learners were unaware of any biometric

devices that were used to record their attendance at training facilities or businesses, as most roll calls were filled out manually by signing attendance registers. Therefore, OUTA was concerned by these allegations because SSETA had awarded a contract to a company to render these services, yet the delivery of those services remained unclear.

- 1.7 In January 2019, OUTA submitted a request for access to information in terms of the Promotion of Access to Information Act 2 of 2000 (“PAIA”) to SSETA, requesting specific records relating to the contract awarded to Grayson Reed (“tender PROC T434”). Of the records requested, SSETA only provided 4 (“four”) documents to OUTA and refused to provide the rest. OUTA lodged an internal appeal against this refusal by SSETA, however, SSETA did not entertain OUTA’s internal appeal.
- 1.8 In October 2019, OUTA filed a court application in the Johannesburg High Court, challenging SSETA's refusal to provide the outstanding information. Subsequent to lengthy legal proceedings, the court ordered SSETA to comply with the PAIA request and provide OUTA with all the documents.<sup>1</sup>
- 1.9 The court found that SSETA had failed to produce any evidence supporting its refusal to grant access to the information.<sup>2</sup> In addition, the court held that our Constitutional values require that public bodies be transparent and that transparency, in turn, equates to public confidence in how the public funds are managed.<sup>3</sup>
- 1.10 Following the court’s judgement, SSETA furnished OUTA with the requested documents. Receiving that information enabled OUTA to conduct in-depth investigations into Tender PROC T434 and those investigations revealed serious irregularities in the procurement process of Tender PROC T434.

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<sup>1</sup> SSETA - AB

<sup>2</sup> SSETA - AB

<sup>3</sup> SSETA - AB

1.11 OUTA's investigations also revealed a well-established network of individuals and companies who assisted each other in obtaining tenders not only at SSETA but also at other SETAs and other organs in the Department of Higher Education, Science and Innovation.

## **2. ANALYSIS OF TENDER – PROC T434**

2.1. At the time when tender PROC T434 was advertised, evaluated, adjudicated and awarded by SSETA, Mr Nongogo was the CEO, Ms Buzo-Gqoboka was the Executive Manager for legal services, Mr Matsebe was the CFO, Mr Teffo was a Senior Manager at Project Accounting and Mr Themba Mhambi was the Chairperson of the Accounting Authority.

2.2. Mr Andile Nongogo was appointed as the Chief Executive Officer ("CEO") of SSETA from 1 May 2016 to 31 July 2018. The announcement of his appointment was made by Mr Themba Mhambi.

2.3. Prior to his appointment as CEO, Mr Nongogo was a Deputy Director of External Audit at the Auditor General of South Africa from June 2007 until March 2014 when he was appointed as the Chief Financial Officer ("CFO") of SSETA.

2.4. Although Mr Nongogo is a qualified Chartered Accountant and was appointed as CEO of SETA for over 2 ("two") years, the National Skills Authority ("NSA") report dated 14 September 2018 found that Mr Nongogo did not meet the requirements for the position of CEO, as he did not possess a Master's degree which was one of the qualifications required for the position and he did not meet the managerial experience criteria set out for the job .<sup>4</sup>

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<sup>4</sup> SSETA-101

- 2.5. On 1 April 2019, Ms Amanda Buzo-Gqoboka was appointed as the new CEO of SSETA. Prior to her appointment, Ms Buzo-Gqoboka was the Executive Manager for Legal Services at SSETA.
- 2.6. Although Ms Buzo-Gqoboka is an admitted attorney with years of legal experience, the NSA report found that Ms Buzo-Gqoboka did not meet the requirements for the position of Executive Manager of legal as she did not possess a master's degree as per requirements of the job.<sup>5</sup> Furthermore, the report found that the advertisement for that position was only placed internally, contrary to the recruitment and selection policy of SSETA which requires that the advertisement be placed both internally and externally.<sup>6</sup>
- 2.7. Mr Tsheola Matsebe is the current Chief Financial Officer at SSETA. Prior to this appointment, Mr Matsebe was employed in the Public Service and served in the following positions:
- 2.7.1. Between April 2006 and December 2007, he served as a Finance Intern at the Mining Qualifications Authority;
- 2.7.2. Between January 2008 and September 2008, he served as a Finance Officer at the South African Social Security Agency ("SASSA");
- 2.7.3. Between October 2010 and March 2011, he served as a Finance Manager at the Public Service SETA;
- 2.7.4. Between April 2011 and April 2014, he served as a Finance Controller at the Mining Qualifications Authority; and
- 2.7.5. From April 2014 until his appointment as CFO, he served as the Senior Manager: Financial Services at SSETA.
- 2.8. Mr Matsebe is a Professional Accountant and registered as such at the South African Institute of Professional Accountants ("SAIPA"). With his qualifications and vast experience in the Public Sector, Mr Matsebe is presumably knowledgeable in all aspects of the Public Management Finance Act ("PFMA") and procurement policies and procedures.

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<sup>5</sup> SSETA – 101

<sup>6</sup> Ibid

2.9. Mr Mahlomola Teffo is currently a Senior Manager: Project Accounting at SSETA and has been employed at SSETA since 2013. Prior to joining SSETA, Mr Teffo was employed at Construction Education & Training Authority (“CETA”) as a project accountant and at the Chemical Industries Education & Training Authority (“CHIETA”) as a grant specialist.<sup>7</sup> He is also a former Audit Supervisor employed by the Auditor General of South Africa (“AGSA”).

### **3. ADVERTISEMENT OF TENDER – PROC T434**

3.1. On 10 August 2017, Mr Simon Shaba from the Supply Chain Management at SSETA sent an email to Government Printing Works to submit an Advert Placement for publication in the Government Tender Bulletin. Attached to the email was Tender Form 434, Tender Form 437 and Tender Form 438. The insertion date was given as 10 August 2017 and the closing time for receipt of proposals was 18 August 2017 before 11h00<sup>8</sup>.

3.2. The tender was only published in the Government Tender Bulletin on 25 August 2017 with the following description: *“PROC T434 – Appointment of a service provider to process learner stipends payment directly to the learners”*. The closing date for the submissions was 29 August 2017<sup>9</sup>. The advertisement indicated that Mr Jabulani Kunene was the contact person for the completion of bid documents and that no briefing session was required.

3.3. There were only 4 days between the publication of the tender in the Government Tender Bulletin and the closing date to submit tenders.

3.4. The invitation to bid was also advertised on 30 July 2017 in the City Press newspaper<sup>10</sup>. The description read as follows: *“Appointment of a services*

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<sup>7</sup> SSETA-102

<sup>8</sup> SSETA-001

<sup>9</sup> SSETA-002

<sup>10</sup> SSETA-003

*provider to process learner stipends payment directly to the learners*". The closing date was published as 29 August 2017 at 11:00 am and bid documentation and a detailed scope of work were available on the SSETA website.

- 3.5. An identical advertisement to the City Press was published in The Sowetan on 31 July 2017<sup>11</sup>.

#### **4. REQUEST FOR BIDS FOR TENDER – PROC T434**

- 4.1. A Request for Bids ("RFB") was published by SSETA on their website, and it set out all required bidding documents, the objectives, scope of work, device specifications and further information regarding the bid. It also indicated that the duration of the assignment would be 24 months.

- 4.2. It is not clear when the RFB was made available to potential bidders as the two members of the Bid Specification Committee ("BSC") who signed a declaration of confidentiality and impartiality did not insert a date on the signature page. It is also not clear who signed the declaration, but it does appear that the first name and signature belong to Jabulani Kunene who was also the contact person to obtain bid documents, as per the Government Tender Bulletin of 25 August 2017

- 4.3. The RFB requested bids for the *"Appointment of a service provider for the rollout and management of the biometric learner attendance monitoring system (BLAMS) and direct disbursement of periodic learner stipends*. The closing date and time was 29 August 2017 at 11:00 am.

- 4.4. The official RFB description of the bid differs from the advertisements that were placed in the Government Tender Bulletin, The City Press and the Sowetan. In the aforementioned publications, the bid is described as the *"Appointment of a service provider to process learner stipends directly to the learners*". The description of the bid in the advertisements did not

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<sup>11</sup> SSETA-004

mention any rollout and management of a biometric learner attendance monitoring system. The advertisements of a tender and the official RFB must be the same because the advertisement is usually the first public announcement and description of a specific service required by a public institution.

- 4.5. Section 217 of the Constitution requires that when an organ of state contracts for goods and services, it must do so in accordance with principles of fairness, equitability, transparency, competitiveness and cost-effectiveness. Furthermore, fairness and equitability as set out in the Constitution require a procurement process to be conducted in a procedurally fair manner, in that, organs of state should provide all bidders with the same information and opportunities so that they tender for the same thing.

## **5. BID EVALUATION OF TENDER – PROC T434**

- 5.1. SSETA received 7 (“seven”) bids for Bid no. PROC T434. The Bid Evaluation Committee (“BEC”) evaluated the bids and prepared an Evaluation and Recommendation Report for submission to the Bid Adjudication Committee (BAC)<sup>12</sup>.
- 5.2. In the executive summary of the report, the BAC was requested to consider the evaluation process and outcome by the BEC in the meeting held on 21 August 2017. On page 5 of the report, the BAC is referred to the minutes of the meeting held on 21 August 2017 and the committee members who attended the meeting. On page 8, the findings of the report are recommended and signed by Mr Mahlomola Teffo, the BEC Chairperson. Mr Teffo did not insert a date of signature. Mr Matsebe who signed on behalf of the BAC Chairperson also did not insert the date of his signature.

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<sup>12</sup> SSETA-006



- 5.3. The closing date for submission of bids was advertised as 29 August 2017 but it appears that the BEC meeting took place on 21 August 2017 already, a week before the closing date. It is not only irregular but would have excluded any bids that were received between 21 August 2017 and 29 August 2017.
- 5.4. If it could be argued that the evaluation date was mistakenly recorded as 21 August 2017, then that argument would be found wanting because the CFO Report of March 2018 prepared for the National Treasury, also confirms the date on which the evaluation started and ended as 21 August 2017.
- 5.5. The date of the bid evaluation is important because it has an influence on the creditworthiness and authenticity of some documents that were submitted with the bids.
- 5.6. The BEC informed the BAC on page 2 of the report that bids were solicited for the appointment of a service provider for the rollout and management of the Biometric Learner Attendance Monitoring System (BLAMS) and direct disbursement of periodic learner stipends by way of advertisements in the Sowetan and the Star newspapers on 31 July 2017. Copies of the advertisements received by OUTA from SSETA showed the advertisements placed in the Sowetan on Monday 31 July 2017, the City Press on Sunday 30 July 2017 and the Government Tender Bulletin on 25 August 2017. The advertisement in the Star newspaper, as stated by the BEC, was not received and the BEC report did not mention the advertisement in the Government Gazette. OUTA believes that the reason the BEC did not mention the advertisement in the Government Gazette is because the evaluation meeting took place on 21 August 2017, before the advertisement in the Government Gazette was published.
- 5.7. The names of the committee members that attended the meeting on 21 of August 2017 were recorded on page 5 of the report, and it indicates that 6

of the 7 members of the BEC were present. The members present were Mahlomola Teffo (Chairperson), Mlungiseleli Mkhuhlu (Standing Member), Burah Mkhathini (Standing Member), Jabulani Kunene (SCM), Simon Shaba (Supply Chain Management) and Mbalenhle Dlamini (SCM). Sibusiso Dhladhla, a Standing Member, was absent. The report noted that the meeting was quorate and that Mr Simon Shaba (SCM) did the pre-compliance assessment of the bids that were before the BEC.

- 5.8. It was established that Mr Burah Mkhathini, a Standing Member of the BEC, is not employed by SSETA. He is in fact an attorney employed at Nduniso Voyi Incorporated (Voyi Inc), an attorney's firm which served on the SSETA's panel of attorneys. Voyi Inc was mandated by SSETA to inter alia handle their labour-related matters such as disciplinary hearings and advice on suspensions.
- 5.9. The SSETA Supply Chain Management ("SCM") Policy defines an SCM as a person in the employ of SSETA performing an SCM function, a person seconded to SSETA to render an SCM function or a person contracted by SSETA to render an SCM function. The SCM policy allows specialist advisors to assist with the execution of SCM functions only if those services were obtained through a competitive process.
- 5.10. In terms of the SCM policy the BEC must as far as possible be composed of the officials from the user departments and at least one SCM official from SSETA and any other SSETA official formally delegated/appointed by the CEO. Members of each committee must be appointed by the AA or its delegate in writing.
- 5.11. It is not clear why and how Mr Mkhathini was appointed to serve on the BEC. Was he appointed by the AA or the CEO? Were the procedures as described in the SCM policy, followed? How did an employee of a service provider become part of the BEC of SSETA?

- 5.12. Attached to the BEC Evaluation and Recommendation Report, is a Declaration of Confidentiality and Impartiality register. The register was signed on 4 September 2017 by only 4 members of the BEC while 6 members attended the evaluation meeting. The names and signatures identified on the declaration are those of Mahlomola Teffo, Mlungiseleli Mkhuhlu, Burah Mkhathini and Simon Shaba.
- 5.13. It is standard practice that all members sign the Declaration of Confidentiality and Impartiality register before an evaluation meeting starts. However, it seems that register was signed after the meeting took place. Firstly, only 4 out of the 6 members signed the register. Could all the members who took part in the evaluation process not be reached to sign the declaration? Secondly, the register was signed on 4 September 2017 which makes it impossible to believe that the declaration was signed on the same day the evaluation took place.
- 5.14. The BEC meeting was chaired by Mr Mahlomola Teffo. Although the report indicated that each member rated each bid according to the bid evaluation criteria (ad paragraph 4.1 on page 5) and then evaluated it to establish whether the bidder qualified in terms of functionality or not, the report only recorded the evaluations by 3 of the 6 BEC members namely, Teffo, Makhatini and Mkhuhlu (Page 6). It was further reported on page 7, that the same 3 committee members did an evaluation on price and preference.
- 5.15. The functionality requirements included specification and alignment to SSETA biometric system, specification and alignment to SSETA requirements, financial institution partnership or demonstration of access to national financial platforms, the existence of an adequate loss reimbursement arrangement and previous experience. The overall points for functionality were 115 and a bidder needed to score a minimum point of 80.05 to be further evaluated on price and preference evaluation.

- 5.16. The BEC pointed out that Grayson Reed had more strength in almost all areas of functionality, price and BEE status level contribution compared to the other bidders that qualified for the second round of evaluation.
- 5.17. Grayson Reed calculated the total amount for the services as described in the RFB at R162,669,000.00. (“hundred and sixty-two million, six hundred and sixty-nine thousand rand”) and this included card fees, biometric devices, administration of attendance monitoring and disbursements per learner and data for students. The breakdown of the costs for the services will be discussed in detail later in this report.
- 5.18. The BEC recommended to the BAC that Grayson Reed Consulting (Pty) Ltd be awarded PROC T434, the appointment of a service provider for the rollout and management of the Biometric Learner Attendance Monitoring System (BLAMS) and direct disbursement of periodic learner stipends at the rate as indicated in the proposed pricing schedule from date of appointment to 31 March 2020.
- 5.19. The BEC attached the following documents to the report for the attention of the BAC:
- Bid Document Proc T434
  - Pre-compliance checklist
  - Evaluation Score Sheet
  - Confidentiality and Impartiality Register BSC and BEC
- 5.20. Of the documents attached to the evaluation and recommendation reports, OUTA only received the completed bid documents of Grayson Reed and the Confidentiality and Impartiality register signed by 4 persons. OUTA did not receive the pre-compliance checklist and evaluation scorecards.
- 5.21. As mentioned above, Mr Mahlomola Teffo signed the Evaluation and Recommendation Report in his capacity as the BEC Chairperson. Notwithstanding the fact that the report should have been approved by Mr

Andile Nongogo, in his capacity as the Chairperson of the BAC, it was signed by Mr Matsebe instead.

- 5.22. The BEC misled the BAC in the Evaluation and Recommendation report in that :
  - 5.22.1. The BEC reported that the Bid was advertised in the Star newspaper when it was actually published in the City Press.
  - 5.22.2. They failed to inform the BAC that the BEC meeting held on 21 August, was held 4 days before the Bid was advertised in the Government Tender Bulletin.
  - 5.22.3. BEC did not make any effort to give a breakdown of how the total amount for the tender was calculated which made the pricing schedule vague and confusing.
- 5.23. The BEC is duty-bound to do a fair evaluation and make sure that bids comply with Supply Chain Management (SCM) policies and procedures, but the BEC report was full of irregularities and was vague and embarrassing.
- 5.24. It is OUTA's view that the report should not have been accepted by the BAC.

## **6. BID ADJUDICATION OF TENDER – PROC T434**

- 6.1. On 10 October 2017, the SSETA Bid Adjudication Committee (BAC) held a meeting to consider the evaluation process on Bid PROC T434 and to make a submission to the Accounting Authority ("AA") to request a final decision on the appointment of a service provider for the rollout and management of the Biometric Learner Attendance Monitoring System ("BLAM") and direct disbursement of periodic learner stipends.

- 6.2. The submission for the Bid award was made by BAC to the Governance, Risk and Strategy Committee (“GRSC”) which was delegated by the AA to approve bid awards<sup>13</sup>.
- 6.3. BAC informed the AA that attendance registers were kept manually by the training providers and that learners were paid based on these registers in arrears. BAC stated that learners were paid in cash or by way of direct deposits into their personal bank accounts. The AA was further informed that SSETA had developed and finalised a biometrics-based learner attendance monitoring system that generated attendance and stipends reports and was intended to pay stipends and other allowances into a universally accepted pre-paid debit card which would bring down high banking costs for students and would eradicate the risks of cash payments.
- 6.4. Based on the above the BAC motivated to the AA that, in order for SSETA to implement the national rollout of learner attendance monitoring and to do the administration of payment calculation as well as the monthly disbursements of stipends based on attendance, it needs a service provider to perform those actions.
- 6.5. The service provider should have the requisite procurement, administrative, technical knowledge and implementation capabilities to undertake the end-to-end system rollout, to do stipend calculation and administration.
- 6.6. The BAC informed the AA of the minimum competencies and deliverables of the service provider, specifications of the biometric devices, the payment platform by way of a prepaid debit card and the duration of the project for 24 months. This information was identical to the RFB.
- 6.7. The BAC then informed the AA of the general procurement requirements for Bid PROC T434 to show that the bidding process met the prescripts of the SCM Policy.

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<sup>13</sup> SSETA-007

- 6.8. The BAC confirmed that the advertisement requirements were met and that the bid was advertised in the Sowetan and the Star newspapers for 21 working days. They summarised the advertisement and terms of reference of the tender as follows: *“The Services Sector Education and Training Authority (Services SETA) hereby invites bids from innovative and knowledgeable service providers to submit proposals for the rollout and management of the Services SETA biometric learner attendance system and disbursement of attendance related periodic payments to learners nationally”*. This is of course not what was advertised in the newspapers.
- 6.9. The BAC misled the AA when they reported on the advertisement of the tender in the newspapers. The BAC reported that the advertisement appeared in the Star newspaper when it actually appeared in the City Press. The wording of the advertisement quoted by the BAC in the report to the AA, was also incorrect and misleading. The advertisements in the newspapers didn't make mention of biometric systems and only mentioned the service to process learner stipend payments directly to learners.
- 6.10. The BAC's misleading information to the AA did not stop at the advertisements but it extended to the compliance with SCM policies; more specifically the advertisement of the bid in the Government Tender Bulletin<sup>14</sup>. The BAC submitted that the tender was advertised for a period of 21 days and in compliance with prescribed treasury regulations. It further reported that the advertisement was for the appointment of a service provider for the rollout and management of the biometric attendance monitoring system (BLAMS) and direct disbursement of periodic learner stipends. These two statements by the BAC are again incorrect and misleading. The Government Tender Bulletin advertisement is attached to this report as SSETA-002. What was advertised is clearly not what was reported by the BAC. It is also clear that the advertisement was published in the Government Tender Bulletin on 25 August 2017, just 4 days before the closing date to submit bids.

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<sup>14</sup> SSETA – 007

- 6.11. On page 7 of the BAC submission, the BAC states that all the requirements were followed in the bidding process. This is also a misleading statement. The BAC did not mention it in their report that the BEC reported that they evaluated the bids a week before the closing date. This irregular step should have been pointed out by the BAC to the AA. In fact, the BAC should have given the instruction that the whole process must start afresh.
- 6.12. The BAC submitted to the AA that the proposed project amount was R162,669,000.00 based on 100,000 learners and 3333 biometric devices. The breakdown of costs in the BEC report, does not make sense at all. As indicated, it will be discussed in detail later.
- 6.13. The rest of the BAC submission describes the functionality evaluation, price and preference evaluation, details of the recommended provider and the conflict of interests and was in accordance with the bid document as submitted by Grayson Reed and will be discussed in detail later in this report.
- 6.14. In the conflict-of-interest assessment, the BAC reported to the AA that a due diligence and verification exercise had been carried out in respect of the recommended bidder. The BAC then declared that the due diligence was done by confirming;
- 6.14.1. that the bidder was not on Treasury's Database of Restricted suppliers and Register for Tender Defaulters,;
- 6.14.2. that the bidder was registered on the CSD at National Treasury; and,
- 6.14.3. that the bidder's tax status was validated on CSD.
- 6.15. If the BEC and the BAC did a thorough due diligence and verification exercise, they would have realised that the recommended bidder;
- 6.15.1. did not have the required experience;
- 6.15.2. was a dormant company from the date of registration until 2017 when all annual returns were submitted in March 2017 to CIPC;



- 6.15.3. had an inactive status at SARS in that no tax returns were submitted because no income was generated;
- 6.15.4. had a tax compliance certificate that was issued only after the date of the evaluation of bids.
- 6.16. The BAC submission is signed by Mr Tshela Matsebe with the following declaration:

*DECLARATION:*

*I, Tshela Matsebe, in my capacity as Chairperson (alternate member) of Bid Adjudication Committee, hereby declare all the above to be true to the best of my knowledge and all information at my disposal.*

*Signed: Mr Matsebe*

- 6.17. Mr Matsebe did not insert the date of signature. However, on page 6 of the document, it is indicated that the date of the submission was 10 October 2017.
- 6.18. The document indicated that Ms Duduzile Letseli, the chairperson of the SSETA GRSC and delegated by the AA, should have signed the report and indicated whether the award of the bid was approved or not. However, no signature by any member of the AA or an indication that the award was approved or declined appeared on the document.

## **7. ACCOUNTING AUTHORITY RESOLUTION FOR TENDER – PROC T434**

- 7.1. An extract of the resolution taken from the minutes of the GRSC meeting that was held on 10 October 2017 (the same day of the BAC submission)<sup>15</sup>, indicated that the Committee approved a tender award for Bid PROC T434 to Grayson Reed Consortium, amounting to R162,669,000.00 to roll out, to

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<sup>15</sup> SSETA-008

manage the biometric learner attendance monitoring system (BLAMS) and to directly disburse periodic learner stipends.

- 7.2. An interesting remark by the Committee was that it noted that biometric devices would be kept by the learners themselves. Neither the BEC nor the BAC reported that devices would be handed to the learners. It is unclear why the AA would make such a comment. One would expect that the devices would be handed to training providers to record the attendance data of learners and to supply the collected data to SSETA.

## **8. GRAYSON REED BID SUBMISSION FOR TENDER – PROC T434**

- 8.1. On 21 August 2017, Grayson Reed submitted their bid documents to SSETA. Although it appeared that the cover letter was written by Grayson Reed's director, Precious M. Khumalo, it was signed by Samantha Chatambudza, the operations manager. All the other bid documentation were also signed by Samantha Chatambudza in her capacity as operations manager of Grayson Reed.
- 8.2. The date on the cover letter is relevant. According to the Evaluations and Recommendation Report, the BEC meeting that evaluated bids was held on the same date, the 21<sup>st</sup> of August 2017.
- 8.3. The letterhead of Grayson Reed showed the company address as East Wing, Ground Floor, Rivonia Gardens, 33 Wessels Road, Edenburg, 2129, the email address as [info@graysonreed.co.za](mailto:info@graysonreed.co.za) and the company registration number as 2012/000070/07. A logo in the top right-hand corner of the letter, shows the name Grayson Reed Consulting (Pty) Ltd. From the information on the letterhead, the impression was created that the company's registered name was Grayson Reed (Pty) Ltd with the mentioned registration number. There was no reference made to Muroba

Group Holdings (Pty) Ltd or the fact that Grayson Reed Consulting was the trade name for Muroba Group Holdings.

- 8.4. On the front page of the bid documentation appeared the following illustrations; learners sitting in a classroom, a fingerprint, a spreadsheet, a bank card, a biometric device and other small pictures. Below these illustrations were the logos of four companies namely, Kulanati Financial Solutions, Grayson Reed Consulting, Dram Group and NexGen. The relevance and controversy of these logos will be discussed later in this report.
- 8.5. The bid documentation were submitted in three schedules with Schedule 1 containing the Standard Bidding Documents (SBD)<sup>16</sup>, Schedule 2 - Tax Compliant (CSD)<sup>17</sup> and Schedule 3 - Previous Experience<sup>18</sup>.
- 8.6. On page 5 of the SBD, the name of the bidder was indicated as Grayson Reed Consulting (Pty) Ltd. There was again no indication that Grayson Reed Consulting (Pty) Ltd was in fact the trading name for Muroba Group Holdings (Pty) Ltd. According to the SARS eFiling database, the VAT registration number was also that of Muroba Group Holdings (Pty) Ltd<sup>19</sup>. The rest of the information correlates with the information on Grayson Reed's letterhead.
- 8.7. It was a requirement that any successful bidder must submit their tax clearance- and VAT certificate with the bid documents.
- 8.8. In Schedule 2 of the bid documents, the tax certificates of Grayson Reed and its consortium partners could be found.

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<sup>16</sup> SSETA-009

<sup>17</sup> SSETA-010

<sup>18</sup> SSETA-011

<sup>19</sup> SSETA-012

- 8.8.1. The Tax Clearance Certificate for Grayson Reed was only approved on 25 August 2017<sup>20</sup>. This was 4 days after the bid documents were signed and 4 days after the BEC meeting took place. Therefore, the tax clearance certificate could not have formed part of the SBD that was submitted for evaluation on the 21<sup>st</sup> of August 2017
- 8.8.2. The Tax Compliance Certificate for Kulanati Financial Solutions (Pty) Ltd, the first coalition partner of Grayson Reed, was approved on 18 August 2017, just days before the bid documents were signed and evaluated by the BEC<sup>21</sup>.
- 8.8.3. The Tax Compliance Certificate of Dram Holdings (Pty) Ltd was approved by SARS on 8 August 2017, also just weeks before the bid documentation was submitted to SSETA<sup>22</sup>.
- 8.9. If the compliance certificates (i.e. the Tax clearance certificate) of Grayson Reed were not submitted together with the SBD, the submission should have been disqualified immediately because, the SSETA SCM policy does not permit bidders to correct or withdraw material deviations once the bids have been opened.
- 8.10. Grayson Reed's pricing schedule on page 9 of the SBD is difficult to understand. The calculations and/ or explanations for the pricing schedule were not included in the bid documentation. According to the pricing schedule, the total and all-inclusive amount for the bid were R162,699,000.00. There was a note that indicated that this amount was based on 100,000 learners and 3333 biometric devices. The deliverables were broken down as follows:
- 8.10.1. R50.00 for a once-off cost per card;
- 8.10.2. R5000.00 for a biometric unit;

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<sup>20</sup> SSETA-013

<sup>21</sup> SSETA-014

<sup>22</sup> SSETA-015

- 8.10.3. R111.67 per learner for the administration of attendance monitoring and stipend disbursement; and,
- 8.10.4. R10.00 data per learner per month.
- 8.11. According to the RFB, the project was supposed to run for 24 months. One would therefore expect that Grayson Reed's calculations would be made for the same period.
- 8.12. The Annual reports of SSETA indicated that for 3 years prior to 2017 when the bid was advertised, the total number of learners was never above 50,000. Why were 3,333 biometric devices procured? Nowhere in the bid documents could an explanation for these figures be found or how the bidder got to a total amount of R162,699,000.00.
- 8.13. A note on the pricing schedule advised bidders that disbursements such as travel and accommodation would be reimbursed in line with SSETA's travel and accommodation policy. It was important for OUTA to establish what was covered by the policy because Grayson Reed claimed approximately R2,1 million for travel- and accommodation expenses from SSETA.
- 8.14. Grayson Reed indicated that they would be ready within 1 ("one") week after the acceptance of the bid to commence with the project. They also indicated that the quoted rates are applicable for the full period of the contract.
- 8.15. On pages 11 – 15 of the SBD, the director of Grayson Reed, Ms Precious Musene Khumalo, declared that she did not have any relationship or connection with anybody employed by the State. The declaration was however signed by Samantha N.V Chatambudza, the Operations Manager of Grayson Reed and not by Ms Khumalo.
- 8.16. On page 20 ad paragraph 8.7 of the SBD, Grayson Reed declared that it had been in business for 5 years. Although the company was registered in 2012, it is doubtful that the company was actively involved with

management consultancy or as a professional service provider as declared in paragraphs 8.5 and 8.6. Ms Precious Khumalo was appointed as a director on 6 March 2017, only 5 months before the bid was submitted<sup>23</sup>.

- 8.17. The founding director of Muroba Group Holdings was Mr Mokgwakgwe Pilusa. Mr Pilusa was in fact a director on several Muroba companies. What is a concern is that he operated and registered companies with two different identification numbers.
- 8.18. All the Grayson Reed SBDs were signed by Samantha Ndanatsei Vimbai Chatambudza. She was cited as the Operations Manager of Grayson Reed. Ms Chatambudza is a Zimbabwean citizen with passport number [REDACTED] and a close business associate of Mr Raymond Chiimba, the director of the Africawide Group of companies.
- 8.19. Pages 58 - 66 of the SBDs, comprised of the Supplier Declarations Form wherein the bidder made certain declarations under oath regarding the business details, personnel, business address etc. According to the declaration, Grayson Reed was operating from a business premise at the East Wing, Ground Floor, I-Chain House, Rivonia Gardens situated at 33 Wessels Road, Edenburg, Rivonia. A physical inspection of these premises by OUTA investigators in 2019, indicated that there was little to no business activity taking place at this address.
- 8.20. Samantha Chatambudza signed this declaration under oath on 21 August 2017 but the Commissioner of Oath, Mr I.M. Bothwell, signed and stamped the document on 23 August 2017, two days after the evaluation of bids. A deponent should sign a document in front of a Commissioner of Oath so that that the two signatures will be made on the same day and in each other's presence.

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<sup>23</sup> SSETA-016

On page 58 of the SBD, it was declared that the company's turnover was between R330,000 ("three hundred and thirty thousand rand") and R10 million ("ten million rand") for the previous financial year. With such a low turnover and with only 12 full time employees, the question is how Grayson Reed was to manage a R162 million contract ("one hundred and sixty two million rand"). In Schedule 11 of the SBD, the consortium's previous experience is discussed. Grayson Reed did not submit reference letters explaining their previous experiences or any work performed. On page 2 of Schedule 3, the Central Suppliers Database information for Grayson Reed showed that on 2 August 2017 Grayson Reed was not registered as a VAT vendor. The VAT certificate for Muroba Group Holdings attached to the SBD, must have been obtained after 2 August 2017.

- 8.21. It was further declared (on page 61 of the SBD) that Ms Precious Khumalo became the sole director and 100% shareholder of Muroba Group Holdings (Pty) Ltd, trading as Grayson Reed Consulting, on 6 March 2017. It was also declared (on page 62 of SBD) that Ms Khumalo devoted 100% of her time to the company and that she had no interest in any other company. A basic Company search showed however that Ms Khumalo had interests in other companies<sup>24</sup>. At the time of the submission of the Bid documentation, Ms Khumalo was an active director of the company, ECM Trading Solutions (Pty) Ltd and a member of a Close Corporation New Genesis Trading X11 CC<sup>25</sup>.
- 8.22. Mr Ernest Coetzee, the CEO of NexGen, declared that all interactions on behalf of Grayson Reed, were done by Ms Chatambudza and Mr Chiimba. The relevance of this statement will be discussed later in this report.

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<sup>24</sup> SSETA-017

<sup>25</sup> It is important to note that a false statement made in an attested declaration made before a person competent to administer an oath or affirmation or take the declaration in question, is a criminal offence and may result in a fine or a term of imprisonment - Section 9 of Justice of the Peace and Commissioners of Oath Act 16 of 1963

- 8.23. Included in the SBD was proof of Grayson Reed's and its consortium partners', Kulanati Financial Solutions and Dram Holdings, registration on the Central Supplier Database (CSD).
- 8.24. The information for the 3 companies contained in the CSD correlated with the information in the bid documents except the banking details of Kulanati and the business address of Grayson Reed (Muroba Group Holdings).
- 8.25. The Kulanati bank account holder was shown as Over the Edge Creations with an FNB account number [REDACTED]. The confirmation letters from the bank which were included in the SBD's indicated that Kulanati has an FNB bank account with account number [REDACTED]. The relevance of Over the Edge Creations (Pty) Ltd will be discussed later in this report.
- 8.26. All 3 of the consortium companies opened bank accounts at FNB just months before the bid was submitted. Muroba Group Holdings opened an account with account number [REDACTED] at FNB Fourways Mall on 6 April 2017. Ms Precious Khumalo was the authorised representative to act on behalf of Muroba Holdings. Dram Holdings opened an account with account number [REDACTED] at FNB Waterfall Mall on 6 February 2017. Mr Artwell Makelve was authorised to act on behalf of the company. Kulanati Financial Solutions opened an account on 17 May 2017 with account number [REDACTED] at FNB Benmore Gardens and Mr Sandile Zuma was authorised to act on behalf of the company. This begs the question: how were these companies a going concern prior to the bid being awarded? They only opened business accounts a few months prior to the tender being awarded.
- 8.27. The CIPC disclosure certificate of Kulanati Financial Solutions Shows that the company was registered on 21 December 2012. Mr Tebogo Boikanyo was the first director of the company. The company was registered as Over the Edge Creations (Pty) Ltd and changed its name to Kulanati Financial Solutions on 16 May 2017. This is the reason why Kulanati's bank account



details on the CSD indicated that the account holder is Over the Edge Creations. It seems that Mr Boikanyo registered Over the Edge Creations on the CSD as a supplier at least a year before it changed its name and appointed new directors.

- 8.28. On 21 August 2017, Ms Samantha Chatambudza wrote to SSETA and submitted the Grayson Reed Consortium's BBBEE certificates. She attached the consolidated certificate as well as the individual certificates for each consortium partner to her letter. These documents formed part of the SBD of Grayson Reed's bid submission.
- 8.29. The consolidated BBBEE certificates for the consortium were issued on 16 August 2017, just days before the submission of the bid. The individual certificates for Kulanati and Dram were accompanied by Mr Sandile Zuma and Mr Artwell Makelwe's sworn affidavits. Mr Zuma signed his sworn affidavit on 22 August 2017 and Mr Makelwe signed his sworn affidavit on 28 August 2017. It is difficult to understand how these two affidavits could have been attached to Ms Chatambudza's letter dated 21 August 2017 and then included in the SBD that were submitted on 21 August 2017. It appears that these affidavits did not form part of the bid submission. It is OUTA's opinion they were probably included at a later stage.
- 8.30. Included in Schedule 7 and 8 of the SBDs, was a 29-page document wherein Grayson Reed indicated its understanding of the bid requirements and then its response thereto<sup>26</sup>. The cover letter of this document was dated 21 August 2017 and signed by Ms Samantha Chatambudza.
- 8.31. The document stated that there were 4 ("four") companies which formed a consortium for the SSETA bid to appoint a service provider for the rollout and management of the Biometric Learner Attendance Monitoring System (BLAMS) and direct disbursement of learner stipends. It further indicated that the consortium gave SSETA access to consulting firms with extensive experience in executing public service delivery assignments in South Africa

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<sup>26</sup> SSETA-018

successfully and a leading BEE management consultancy with strong linkages to the financial and banking industry. This statement appears to be false or was at least an exaggeration as it will be revealed in this report that the Grayson Reed consortium was established specifically for this bid and that the consortium had no previous experience as promoted in the overview document.

8.32. The four companies who according to the overview document form the consortium were:

- Grayson Reed: 70% share in Consortium;
- Kulanati Financial Solutions: 15% share in Consortium;
- Dram Holdings: 15% share in Consortium; and,
- NexGen reflects zero shares in the Consortium

8.33. The 29-page document further stated that the consortium's banking/ financial provider was First National Bank.

8.34. Grayson Read, a 100% black woman-owned company and a specialist professional services firm with vast experience in increasing organisational, operational and technological efficiencies across various industries, would be the lead entity in the consortium.

8.35. According to the overview document, Grayson Reed also offered a wide range of other services including Information Technology Services, Strategy Management, Project Management, Advanced Analytics and Human Capital Management.

8.36. Kulanati Financial Solutions was described as a majority black-owned company with the aim of delivering simpler and affordable banking products for groups not catered for by the mainstream banking industry.

- 8.37. Dram Group Holdings was introduced as a diversified investment corporation with extensive knowledge and expertise in various fields with several business services listed in the document.
- 8.38. NexGen was described as a company with first-hand knowledge of biometric systems and devices that combine fingerprint devices and GPS functionality to enable their clients to view and manage the clock-in times and locations of their employees.
- 8.39. The document further stated that the consortium had a proven record of successfully executing multi-faceted public service delivery assignments on behalf of the Government on time and within budget, across the country and under difficult working conditions. Through these experiences, they established a solid reputation as a service provider that would ensure maximum results.
- 8.40. It was also stated that the consortium had the ability to financially sustain operations for several months and could carry the establishment cost of the project. Furthermore, the consortium had significant knowledge, insight and experience in payment processing and PFMA expertise. The consortium allegedly gave extensive training on financial management and the PFMA requirements for various public sector institutions.
- 8.41. It was also stated that the consortium had intimate knowledge of the banking sector and that their success in previous and current projects was indicative of their capability to implement and roll-out projects of significant magnitude.
- 8.42. Everything that was stated by Grayson Reed and their consortium up to this stage in the document could have easily been verified if the SSETA evaluation team had requested proof of the so-called projects they claimed to have been involved in. However, in the absence of any proof, it appears that Grayson Reed and its consortium partners had little to no experience,

had a few/ no previous contracts and projects and the consortium was established to fit in with the tender specifications.

- 8.43. Included in the consortium's profile document, was a detailed description of the biometric device that would be supplied to SSETA in terms of the tender. All specifications and technical details were included. There was also a comparison given between what was required by SSETA and what the consortium could provide. The product, the FP05 biometric device would be supplied by NexGen. Although it was indicated that NexGen was one of the consortium partners, that indication was incorrect because NexGen was never part of the consortium and details regarding the role and involvement of NexGen will be discussed later in this report.
- 8.44. The next part of the consortium's profile document described the methodology that would be used to roll out the biometric system and the proposed payment solution. It was stated that the consortium would have teams in all 9 provinces to execute the roll-out and implementation of the system. It also described how the reports would be compiled and what they would include. It was stated that except for headcount reports and monthly reports, there would be a final report containing data that would enable SSETA to extract any relevant statistics they require.
- 8.45. The report also included a plan by Grayson Reed to establish a help desk to manage all queries related to the payments of learners.
- 8.46. The payment of stipends and the design of a bank card were also included in the report. It was submitted that the bank card, supplied by the consortium, would exceed the requirements of SSETA and it were going to be branded with a SSETA logo.
- 8.47. Schedule 9 of the SBD consisted of a basic letter from FNB that confirmed that Kulanati was registered and authorised to utilise the eWallet Pro service under eWallet Pro Contract Numbers [REDACTED] and [REDACTED].

- 8.48. In Schedule 10 of the SBDs, the confirmation of a loss reimbursement arrangement between Camargue and Muroba Group Holdings t/a Grayson Reed Consulting was included. It made provision for a maximum liability cover of R200 million. The policy's starting date was 28 August 2017 and it seemed that Grayson Reed only entered into loss arrangement after they submitted the SBDs. The policy period was only for one year while the contract period was for more than 2 years. It is unknown if Grayson Reed renewed the policy and if they had the necessary cover after August 2018.
- 8.49. Schedule 11 of the SBDs highlights the previous experience of the consortium partners. Included, were several reference letters from business associates of the consortium partners. There was 1 letter for Dram Holdings, 2 letters for Kulanati and 3 letters for NexGen. There was however no reference letter for Muroba Group Holdings (Grayson Reed). This strengthens OUTA's argument that Grayson Reed had no previous experience and was "created" solely for this tender.
- 8.50. Schedule 12 of the SBD's included identification documents of the consortium partners and confirmation of banking details.
- 8.50.1. The identification documents included were for Precious Musene Khumalo as director of Grayson Reed, Artwell Makelwe and Christian Phaladze, the directors of Dram Holdings, and Sandile Comfort Zuma the director of Kulanati. There were no identification documents for the director/s of NexGen.
- 8.50.2. There were confirmation letters for the bank accounts of Muroba Group Holdings, Dram Holdings and Kulanati Financial Solutions. All three companies held bank accounts at FNB. There was no banking confirmation letter for NexGen.
- 8.51. In Schedule 13 of the SBDs, a 3-page document was attached to present a pricing structure in response to SSETA's request for bids.

8.51.1. It was stated that Grayson Reed’s understanding was that SSETA allocated 7,5% of the programme cost to learner programme administration. The tasks identified were the following:

- The collation and administration of time and attendance registers;
- The disbursement of stipends to learners;
- Preparing training monitoring reports;
- The preparation and reconciliation of invoices submitted to SSETA;
- The facilitation and close out of audit and assurance queries relative to training intervention; and,
- The implementation of measures to ensure integrity and credibility of training

8.51.2. Grayson Reed submitted that the aforementioned tasks would become obsolete with the implementation and roll-out of a Biometric Learner Attendance Monitoring System (BLAMS) and recommended that SSETA compensate Grayson Reed with a portion of the fees usually reserved for learner administrative tasks and expenses.

8.51.3. Grayson Reed calculated the fee as 50% of the administration fee per programme. For example, if the learnership rate was R36,000 (“thirty-six thousand rand”) per learner per annum, the fee should be 50% of 7,5% of the total fee which resulted in R1,350.00 (“one thousand, three hundred and fifty rand”) per learner per annum. The fee then calculated to R112.50 (“one hundred and twelve rand, fifty cents”) per learner per month.

8.51.4. The rate for administration as shown in the pricing schedule was R111.67 (“one hundred and eleven rand, sixty-seven cents”) (VAT included) which correlated with the calculation above.

8.51.5. The other costs for deliverables were broken down as follows:

<b>Deliverable</b>	<b>Rate per learner</b>	<b>Rate per unit</b>	<b>Total amount (incl VAT)</b>

Card Fee (once-off)		R43.86	R50.00
Biometric Device		R4,385.96	R5,000.00
Administration fee per learner per month	R97.96		R111.67
Data per learner per month	R8.77		R10.00

- 8.51.6. It was stated that the above-mentioned fees would be based on 100,000 learners and 3,333 biometric devices. The total cost was calculated as R162,669,000.
- 8.51.7. Except for an explanation of the calculation of the administration fees, it is unknown how the total amount was calculated. There was no breakdown of the contract price anywhere in the SBDs.
- 8.52. Schedule 14 of the SBDs contained a consortium agreement between the consortium partners. The agreement was signed on 16 August 2017, just 5 days before the bid evaluation took place. The agreement was signed by representatives of Grayson Reed, Kulanati Financial Solutions and Dram Group. Although NexGen was introduced in the SBDs as a consortium partner, it did not form part of the agreement.
- 8.53. Schedule 15 of the SBDs contained the company profiles of the consortium partners. Again, there was no company profile for NexGen included in this schedule.
- 8.53.1. Grayson Reed's profile mentioned *inter alia* that they served a wide range of domestic clients in both the public- and private sectors. It was also mentioned that one of their values was integrity and that they offered a wide range of services to their clients such as information technology, strategy management, project management, advanced analytics and human capital management. With all the above-mentioned skills and expertise, Grayson

Reed's companies' profile should have more information and Grayson Reed should be able to get reference letters from their various clients.

- 8.53.2. Taking into consideration all the facts mentioned in the paragraphs *supra*, it appears that Grayson Reed only came into existence a few months before the submission of the bid to SSETA and, before Grayson Reed submitted the bid to SSETA, it was a dormant company.
- 8.53.3. In a twelve-page company profile, Dram Group was described as a diversified yet integrated solutions and services provider. It was noted in the profile that Dram Group had extensive knowledge to participate in several business fraternities. The company's group Chairman was Mr Christian Phaladze and the Group CEO was Mr Artwell MaCkelve. (Mr MaCkelve was using a different spelling of his surname. On his identification document it was spelled Makelve.)
- 8.53.4. Dram Group changed its name shortly after the submission of the consortium's bid to SSETA to Africawide FinTech. It became part of the Africawide Group of Companies with Mr Raymond Chiimba as the group CEO<sup>27</sup>.
- 8.53.5. The Kulanati Financial Solutions company profile showed that Mr Jacques Kuhn was the CEO. However, at the time of the submission of the bidding documents, Mr Kuhn had already resigned from that company. During a consultation between Mr Kuhn and OUTA representatives, he confirmed his resignation and provided more information regarding his tenure at Kulanati. OUTA was informed that Mr Thula Ntumba was the actual decision maker at Kulanati. Mr Ntumba was also a director of Ntumba Incorporated, a chartered accountancy firm which was awarded multiple tenders by several SETAs. The role of Ntumba Incorporated and its directors will be discussed in detail later in this report. Mr Sandile Comfort

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<sup>27</sup> The services provided by Dram Group show lots of similarities with the services offered by the Coinvest Group of companies. The Coinvest group will be discussed in detail later in this report, being part of a network of companies and individuals who were awarded multiple tenders by different SETA's.



Zuma was appointed on the same date as Mr Kuhn as the CFO of the company.

8.53.6. Kulanati's services were described as delivering simpler and more affordable banking products to various demographic groups who were not catered for by the mainstream banking industry. The main cash management solution offered by Kulanati was a prepaid debit card and a payroll package solution.

8.53.7. When looked at as a collective, the company profiles of the different consortium partners, covered all the expectations and requirements of the SSETA tender. The inclusion of NexGen in the SBD also covered the exact model and type of biometric device that was specified by SSETA in the RFB.

## **9. LETTER OF AWARD FOR TENDER – PROC T434**

9.1. On 12 October 2017, a letter of award was issued by SSETA to the Grayson Reed Consortium in terms of bid reference number Proc T434 for the appointment of a service provider for the roll-out and management of the Biometric Learner Attendance Monitoring System (BLAMS) and direct disbursement of periodic learner stipends.<sup>28</sup>

9.2. There were two conditions in the award letter. The first was that the rates in the bidding documents and those quoted in the award letter, would be applicable from the date of the appointment until 31 March 2020. The second condition was the conclusion of a valid and binding contract between Grayson Reed Consortium and SSETA.

9.3. The award letter was signed on behalf of SSETA by Mr Tsheola Matsebe as CFO, Ms Amanda Buzo-Gqoboka in her capacity as the Executive

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<sup>28</sup> SSETA-021

Manager: Legal Services and Mr Andile Nongogo as the CEO of SSETA. With their signatures on the letter of award, the signatories acknowledged that they were aware of the contents of the letter and the terms and conditions of the award.

- 9.4. The letter of award requested a quick response and once Grayson Reed had accepted the award in writing a contract would be finalised and submitted to Grayson Reed for consideration. Samantha Chatambudza, in her capacity as Operations Manager of Grayson Reed Consortium, accepted the award on 16 October 2017 and declared that she took note of the conditions.

## **10. MASTER SERVICE LEVEL AGREEMENT**

- 10.1. One of the documents OUTA requested with the PAIA application, was the Master Service Level Agreement (MSLA) between SSETA and the service provider, Grayson Reed Consortium.<sup>29</sup>
- 10.2. The said MSLA was drafted by the legal advisor (Emanuel) on the instruction of and quality assured by the Chief Legal Officer, Ms Buzo-Gqoboka. The standard of the MSLA was not on par with the standard expected. Legal documents have to comply with certain legal and professional standards when drafted and concluded. However, the MSLA between SSETA and Greyson Reed which was worth over R162 million, seemingly fell short of these standards.
- 10.3. For example:
- 10.3.1. The MSLA has a front-page that introduced the parties. Page 2 was however missing, and page 3 started with clause 1.1.9.
- 10.3.2. The numbering of the clauses was not in numeric sequence. There were, for example, several clauses numbered 1.1.1 and 1.1.13. On page 14, a

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<sup>29</sup> SSETA-022

heading appeared under clause 3 and the numbering started at 1.1 and on page 19 after clause 7.4 there was another clause 1.1 and on page 23 after clause 13.4 there was yet another clause numbered as 1.1. Also, on page 23 there were two clauses numbered as 13.3 and two clauses numbered 13.4.

- 10.4. In clause 2.5 (*ad* page 10) of the MSLA, it was stated that the consortium parties have committed to the participation and financial split on the project as follows: Grayson Reed 70%, Kulanati Financial Services 15% and The Dram Group Holdings 15%. Therefore, Raymond Chiimba of the Africawide group of companies, managed and controlled this project with 70%. Shortly after the award of the tender, Dram Group Holdings also became part of the Africawide group of companies that meant that Raymond Chiimba and the Africawide group then had an 85% stake in this contract.
- 10.5. On page 14 of the MSLA, clause 3 or “1.1” it was confirmed that SSETA accepted the bid from Grayson Reed subject to the explicit conditions set out in clause 2.8 of the MSLA. Clause 2.8 of the MSLA stated that the MSLA had to be signed before any services were rendered or any payments made.
- 10.6. Clause 4 of the MSLA, described the commencement, duration and termination of the agreement. It was recorded that the effective date was 1 November 2017 until 31 March 2020, a period of 28 (“twenty-eight”) months. This was however in contradiction with the bid that was advertised, the advertised bid stated that the services would be rendered for 24 (“twenty-four”) months.
- 10.7. The aforementioned clause further stated that SSETA could terminate the contract by giving Grayson Reed one month’s written notice of such a termination.

- 10.8. The MSLA was signed on 13 December 2017 by Mr Andile Nongogo who represented SSETA and Ms Samantha Chatambudza in her capacity as Chief Financial Officer of Grayson Reed Consortium. In other documents like the documents referred to earlier in the report, Ms Chatambudza was referred to as the Operations Manager of Grayson Reed.
- 10.9. All these glaring errors in the MSLA are a cause for concern. According to SSETA’s SCM, the National Treasury Instruction Note on Enhancing Compliance Monitoring and Improving Transparency and Accountability in SCM require that prior to signing a formal contract or service level agreement with a contractor, the accounting officers and authorities must have ensured that such contracts or agreements were legally sound to minimize possible fraud and corruption.<sup>30</sup>

## 11. INVOICES AND PAYMENTS

- 11.1. Grayson Reed issued invoices to SSETA for the total amount of R170,532,362.70 (“one hundred and seventy million, five hundred and thirty-two thousand, three hundred and sixty two rand, seventy cents”). Not all the invoices were paid and some of the invoices were not paid in full.
- 11.2. A breakdown of the payments made to Grayson Reed are as follows:<sup>31</sup>

Invoices Paid	Amount
Stipends	R 117,217,875.85
Admin & Monitoring	R 26,382,807.41
BLAMS Devices	R 10,526,304.00
Branded Cards	R 3,297,836.97
Learner Data	R 734,509.11
Travel & Accommodation	R 2,167,673.07
Unknown (no invoice description)	R 4,344,410.56

- 11.3. All invoices and payments were analysed and grouped together in months. Hereunder is the monthly breakdown grouped together for the specific

<sup>30</sup> SCM Policy

<sup>31</sup> SSETA-023

services or expenses that were paid by SSETA. This was done to show that Grayson Reed did not deliver in terms of the MSLA and shows how certain claims increased over the contract period. The notes with regards to each group of invoices is a cryptic indication of irregularities.

STIPENDS	
Date	Amount
November 2017	728 277,98
December 2017	1 108 399,85
January 2018	1 112 923,15
January 2018	1 070 000,00
January 2018	41 840,59
February 2018	1 268 467,63
March 2018	464 660,66
March 2018	193 339,49
March 2018	3 076 765,81
April 2018	926 434,24
April 2018	15 219 000,00
May 2018	16 154 500,00
June 2018	34 540 800,00
July 2018	41 312 466,45
<b>Total</b>	<b>117 217 875,85</b>

BLAMS Devices				
Date	Invoice Nr	Quantity	Amount	Notes
November 2017	1	65	324 999,64	Nexgen product
January 2018	17	935	4 674 994,76	Nexgen product
April 2018	32	500	2 499 997,20	Invoice from Corncaste (Mauritius) USD210,000.00
June 2018	42	600	3 026 312,40	Model Baggio2-U01
		<b>2100</b>	<b>10 526 304,00</b>	

Administration of Attendance Monitoring & Disbursement of Stipends					
Date	Invoice	Number learners	Amount	Stipend Claim	Notes
November 2017	7	914	102 066,38	728 277,98	Double VAT charged(Credit Note 4 reverse double charge)
December 2017	11	984	109 887,61	1 108 399,85	
January 2018	19	1486	165 931,22	2 224 763,74	No attendance monitoring but stipends claimed
February 2018	24	1623	181 229,05	1 268 467,63	
March 2018	29	3221	323 100,84	3 734 765,96	Credits applied -R36 565,68
April 2018	0	0	-	16 145 434,24	No attendance monitoring but stipends claimed
May 2018	38	7543	754 662,49	16 154 500,00	Credits applied -R94 999,89
June 2018	43	11342	1 277 591,24	34 540 800,00	
June 2018	46	14376	1 619 348,58	-	
July 2018	90	4549	512 410,73	41 312 466,45	Invoice for this Administration only submitted in Feb 2019
August 2018	65	1912	215 372,46	-	Paid on BLAMS
September 2018	60	1626	183 156,71	-	Paid on new sites (new learners/learnership)
September 2018	63	2167	244 096,30	-	Paid on BLAMS
September 2018	64	12759	1 437 205,66	-	Paid on manual attendance registers
October 2018	71	3765	424 099,01	-	Paid on BLAMS
October 2018	72	12995	1 463 789,29	-	Paid on manual attendance registers
November 2018	70	434	48 886,85	-	Paid on new sites (new learners/learnership)
November 2018	78	16236	1 828 863,63	-	Paid on manual attendance registers
November 2018	79	1788	201 404,79	-	Paid on BLAMS
November 2018	80	302	34 018,03	-	Paid on new sites (new learners/learnership)
December 2018	88	895	100 815,04	-	Invoice for this Administration only submitted in Feb 2019
December 2018	81	1770	199 377,23	-	Paid on BLAMS
December 2018	82	17389	1 958 740,43	-	Paid on manual attendance registers
December 2018	83	610	68 711,93	-	Paid on new sites (new learners/learnership)
January 2019	86	784	88 311,72	-	Paid on BLAMS
January 2019	87	4782	538 656,44	-	Paid on manual attendance registers
February 2019	93	15927	1 781 509,70	-	Paid on manual attendance registers. Credit applied
February 2019	94	459	51 702,91	-	Paid on new sites (new learners/learnership)
February 2019	95	2416	272 144,28	-	Paid on BLAMS
March 2019	104	3997	446 057,88	-	Paid on BLAMS
March 2019	105	16342	1 840 803,74	-	Paid on manual attendance registers
March 2019	106	1171	131 904,37	-	Standard Bank payments
March 2019	107	714	80 426,75	-	Paid on new sites (new learners/learnership)
April 2019	115	1454	163 782,20	-	Paid on BLAMS
April 2019	116	623	70 176,28	-	Paid on new sites (new learners/learnership)
April 2019	117	2315	260 767,39	-	Standard Bank payments
April 2019	118	15213	1 713 630,35	-	Paid on manual attendance registers
May 2019	121	3095	348 628,54	-	Paid on BLAMS
May 2019	122	691	77 835,97	-	Paid on new sites (new learners/learnership)
May 2019	123	3598	405 287,72	-	Standard Bank payments
May 2019	124	14979	1 687 272,01	-	Paid on manual attendance registers
May 2019	126	284	31 990,47	-	Rural Allowance
June 2019	129	12664	760 449,51	-	Paid on manual attendance registers. Invoiced for R1 426 504,62
July 2019	140	4505	507 454,46	-	Paid on BLAMS
July 2019	142	337	37 960,52	-	Paid on new sites (new learners/learnership)
August 2019	147	2550	287 238,38	-	Paid on BLAMS
August 2019	148	11826	1 332 110,21	-	Paid on manual attendance registers
August 2019	149	106	11 940,11	-	Paid on new sites (new learners/learnership)
			<b>26 382 807,41</b>	<b>117 217 875,85</b>	

Travel & Accommodation						
Date	Invoice Nr	Total Amount	Flights	Accomm	Rental & Uber	Notes
November 2017	6	43 798,98	25 894,86	6 810,00	11 094,12	Avis - Walt Hogg & Ass
December 2017	12	63 341,60	25 928,28	11 220,00	26 193,32	Avis - Walt Hogg & Ass
January 2018	18	25 444,28	5 231,96	4 320,00	15 892,32	Avis - Walt Hogg & Ass
February 2018	23	35 784,61	15 424,14	4 480,00	15 880,47	Avis - Walt Hogg & Ass
March 2018	28	87 149,90	13 054,14	18 135,00	55 960,76	No source documents
April 2018		11 661,61	-	-	-	No Invoice. Only pre-approval form
May 2018	52	13 062,60	2 345,72	4 310,00	6 406,88	Hand written corrections. No source documents
June 2018	53	25 586,75	10 657,88	3 320,00	11 608,87	Hand written corrections. No source documents
July 2018	54	61 618,50	6 731,16	7 140,00	47 747,34	Hand written corrections. No source documents
August 2018	55	97 554,05	11 776,88	12 355,01	73 422,16	Hand written corrections. No source documents
September 2018	56	85 820,34	27 946,12	14 145,00	43 729,22	Hand written corrections. No source documents
October 2018	73	247 359,45	63 521,46	52 677,59	131 160,40	Checked by SSETA official. Deductions made
November 2018	84	224 113,31	47 093,98	47 170,00	129 849,33	No source documents
December 2018	76	169 234,89	14 114,91	36 913,60	118 206,38	No source documents
February 2019	98	296 775,80	36 970,22	65 105,00	194 800,58	No source documents. Credit note of R100.
March 2019	103	222 002,91	32 738,70	22 245,00	259 309,63	No Source Documents. Credit note R92 290,39 applied
May 2019	127	137 495,72	-	-	137 495,72	No source docs. No breakdown
June 2019	133	155 482,54	-	-	155 482,54	No source docs. No breakdown
July 2019	144	69 656,45	-	-	69 656,45	No source docs. No breakdown
August 2019	151	94 708,83	-	-	94 708,83	No source docs. No breakdown
		<b>2 167 653,12</b>				

Data provided to learners				
Date	Invoice Nr	Number of Students	Amount	Notes
November 2017	7	914	10 419,60	Double VAT (14%) charged. No source documents
December 2017	11	984	9 837,84	No source documents
January 2018	19	1486	14 856,73	No source documents
February 2018	24	1623	16 226,43	No source documents
March 2018	29	3221	32 202,91	No source documents
May 2018	38	5491	63 146,50	Double VAT (15%) charged. Name list of learners attached.
June 2018	43	5491	55 379,48	No source documents
June 2018	46	5491	55 379,48	Another invoice for same amount of Data for June. Invoiced x2
September 2018	61	3080	31 063,34	No source documents
November 2018	69	3389	34 179,76	No source documents
November 2018	77	4109	41 441,32	No source documents
December 2018	85	3630	41 407,08	No source documents. Credit of R337.92 applied
January 2019	89	2626	26 484,52	No source documents
February 2019	96	4199	42 349,01	No source documents
February 2019	99	733	7 392,67	No source documents. Incorrect billing on Inv#96
March 2019	108	4719	47 593,47	No source documents
April 2019	119	4549	45 878,94	No source documents
May 2019	125	5399	54 451,61	No source documents
June 2019	132	5732	57 810,09	No source documents
August 2019	150	4673	47 008,34	No source documents
			<b>734 509,12</b>	

Branded Cards				
Date	Invoice Nr	Quantity	Amount	Notes
November 2017	7	1	3 000,00	Charged for card design - not part of the MSLA
November 2017	7	3000	150 000,00	No proof of delivery.
March 2018	27	4000	199 956,00	No proof of delivery
May 2018	38	1	5 000,00	Charged for "eWallet Pro Card" - not part of the MSLA
August 2018	49	7990	403 007,61	No proof of delivery
November 2018	67	47100	2 375 676,90	No proof of delivery
March 2019	97	3181	160 446,46	No proof of delivery
		<b>65271 cards</b>	<b>3 297 086,97</b>	

Unknown - Invoices with no invoice description, but paid			
Date	Invoice Nr	Amount	Notes
June 2019	122	77 835,97	Paid in full
June 2019	124	1 687 272,01	Paid in full
June 2019	125	54 451,61	Paid in full
June 2019	126	31 990,47	Paid in full
July 2019	128	534 939,23	Paid in full
July 2018	131	70 626,85	Paid in full
August 2019	138	28 611,20	Paid in full
August 2019	139	355 837,66	Paid in full
August 2019	141	1 446 780,27	Paid in full
August 2019	145	56 065,29	Paid in full
		<b>4 344 410,56</b>	

11.4. Most of the invoices were submitted to SSETA without source documents. In instances where “source documents” were attached to invoices, they did not comply with minimum standards regarding authenticity and were not the necessary proof of the claim. OUTA discovered that double VAT was

charged on some invoices and, in one specific case, VAT was claimed when it was not even payable.

11.5. All payments of invoices were approved by either Mr Teffo, who was the chairperson of the BEC and a senior project manager, or Mr Matsebe the CFO and the chairperson of the BAC. Some of the remittances were also signed off by the CEO at the time, Ms Amanda Buzo-Gqoboka.

11.6. Closer inspection of the invoices and remittances revealed multiple irregularities. Not every invoice will be discussed in detail in this report, but it is necessary to point out the irregularities in some of the invoices:

11.6.1. Stipend Payment June 2018

11.6.1.1. On 27 June 2018, Grayson Reed submitted a request for funds to facilitate stipend payments. The amount requested was R32,896,000.00 (“thirty-two million, eight hundred and ninety-six thousand rand”) plus an *ad hoc* amount of R1,644,800.00 (“one million, six hundred and forty-four thousand, eight hundred rand”). In total, it was an amount of R34,540,800.00 (“thirty-four million, five hundred and forty thousand, eight hundred rand”). On the payment advice form the *ad hoc* amount was inserted as VAT. The payment on the payment advice was approved by Mr Matsebe. This negligence of the CFO could have had serious implications for SSETA when they submit their VAT returns and claim back the *ad hoc* amount as VAT.

11.6.2. Invoices #1, #6 and #7<sup>32</sup>

11.6.2.1. The invoices were submitted together to SSETA and were approved for payment by Mr Teffo and Mr Matsebe. All services rendered in respect of these invoices were rendered before the MSLA was signed. Clause 2.8 of the MSLA stated clearly that “*..the Services Seta as indicated in the acceptance letter dated 12 October 2017 has accepted the Bid from Grayson Reed Consortium at quoted rates... and Grayson Reed*

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<sup>32</sup> SSETA-024



*Consortium shall deliver the services as set out... to Services Seta subject to the following conditions: Conclusion of a valid and binding contract between the parties based on price agreement and or acceptance by the Services SETA; and the signing of this Master Services Level Agreement".* Payment of these invoices together with the stipends for November, took place on 18 December 2017, days after the MSLA was signed.<sup>33</sup>

11.6.2.2. For invoice #1, no proof of delivery or a delivery notice for any BLAMS devices was submitted.

11.6.2.3. For invoice #7, SSETA was charged R3000 for the design of branded bank cards that did not form part of the contract and no proof of delivery was submitted.

11.6.2.4. There is also no proof in the form of a register or attendance report, to show who the learners were whose attendance was monitored and whether they indeed received any data.

11.6.2.5. No proof or source documents for the travel expenses were submitted.

### 11.6.3. Travel and Accommodation Policy

11.6.3.1. The RFB stated that travel and accommodation expenses on this project would be in accordance with the SSETA Travel and Accommodation Policy. The effective date for SSETA Travel and Accommodation policy, policy number FIN/POL/03/2018 created in March 2014, was April 2017. It was reviewed in February 2019 and was recommended by *inter alia* Mr Tsheola Matsebe and Ms Amanda Buzo-Gqoboka. Mr Matsebe was also indicated as the owner of the document.<sup>34</sup>

11.6.3.2. The following extract from the policy is relevant:

#### ***Policy Statement***

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<sup>33</sup>SSETA-025

<sup>34</sup> SSETA-026

*It is the policy of Services Sector Education and Training Authority (SSETA) to ensure that SSETA staff members, accounting authority members and officially appointed SSETA service providers make use of travel services for the discharge of Services Seta business in an economical and efficient manner.*

### **Applicability**

*This policy covers all forms of travel used by Services SETA employees, Accounting Authority members, and other stakeholders on Services SETA business.*

### **General principles**

*Services SETA must make bookings utilising negotiated rates and fares, the government negotiated corporate rates and fares where applicable, e.g., discounted air fares with airlines.*

*In cases where the trip includes both air and road travel, the Travel Officer must select the mode and combination thereof that is most cost effective.*

*The Travel Officer must compare various airline fares, accommodation establishment rates and car rental rates before confirming a booking, maintaining the principles of competitiveness and cost effectiveness.*

*Should a staff member or service provider travelling for Services SETA purposes not show up for the flight or place of booked accommodation or missing flights, such costs incurred by Services SETA shall be recovered from the said staff member or other official. This will exclude matters that are outside the control of the staff member or service provider.*

### **Ground Transportation**

*Stakeholders, including employees and members of the Accounting Authority must utilise the most cost-effective mode of transport at all times including car rentals, public transportation, Services SETA vehicles, shuttle services, etc.*

### **Air Travel**

*Travellers must plan well in advance to take advantage of cheaper economy class fares (e.g., V, S, N, Q class tickets) which requires bookings/reservations be made, where possible (excludes urgent ministerial requests or stakeholder engagements required without prior notice), at least seven (7) working days prior to departure.*

### **Domestic accommodation and subsistence**

*Maximum star grading per organisational level are as follows:*

*Accounting Authority members – 5 star*

*Non-executive members – 5 star*

*CEO – 5 star*

*Executive Managers – 4/5 star*

*Senior and middle management – 3 or 4 star*

*All other staff members and service providers – 3 star*

### **Parking/Toll fees/E-Tag fees**

*The cost of parking, toll gate fees and relaxed expenses for official trips shall be reimbursed by Services SETA, provided proof of payment is produced.*

#### 11.6.4. Invoice #18

11.6.4.1. Invoice #18 is dated 31 January 2018 and was submitted by Grayson Reed to SSETA for travel and accommodation expenses.<sup>35</sup>

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<sup>35</sup> SSETA-027

11.6.4.2. The amount claimed was R25,444.28 (“twenty-five thousand, four hundred and forty-four rand,twenty-eight cents”). This amount was paid and the payment advice form was signed by Mr Teffo. The invoice was one of just a few where source documents were attached to the invoice. There is however, no proof that the SSETA Travel Officer was involved with the sourcing of the lowest fares or bookings in line with the SSETA Travel and Accommodation Policy.

11.6.4.3. Attached to the invoice was a report for Uber trips utilised by Grayson Reed employees. The total amount for Uber expenses was R6,545.77 (six thousand, five hundred and forty-five rand, seventy-seven cents”). The specific trip details were also attached. From the details, it appeared that in some instances Uber transport was used to take people home after work. The travel policy did not provide for employees or service providers to be transported from home to the workplace or from the workplace to the individual’s place of residence.

11.6.4.4. The analysis of the trips taken by some Grayson Reed employees showed that hundreds of rands were spent on several Uber trips during the day without any sound explanation. Below is a summary of Uber trips of some employees:

- Tebogo Boikanyo

15/01/2018: 3:58 am – 4:42 am - Uber from Meadowlands to OR Tambo

15/01/2018: 7:41 am – 7:54 am – Uber from OR Tambo to Bartlett AH

15/01/2018: 7:56 am – 8:09 am – Uber from 33 Wessels Rd to Witkoppen Rd

15/01/2018: 8:27 am –9:08 am – Uber from 33 Wessels Rd to Bartlett AH

15/01/2018: 4:22 pm – 4:41 pm – Uber from Bartlett AH to OR Tambo

15/01/2018: 6:15 pm - Flight OR Tambo to Port Elizabeth

17/01/2018: 1:51pm – 2:24pm – Uber from OR Tambo to 11<sup>th</sup> Avenue.

17/01/2018: 2:48pm – 3:44pm – Uber from Rivonia Boulevard to Mbata St

- Kagiso Hlatshwayo

17/01/2018: 7:53 am – 8:41 am – Uber from 33 Wessels Rd to Viewpoint Rd

17/01/2018: 8:16 pm – 8:47 pm – Uber from 30 Wessels Rd to Kaalfontein

11.6.4.5. The total cost for Uber trips on 15 January 2018 by Mr Boikanyo was R932.20. (“nine hundred and thirty-two rand, twenty cents”). The total cost for Uber trips on 17 January 2018 by Mr Boikanyo was R698.63 (“six hundred and ninety-eight rands, sixty-three cents”). No explanation was provided by Grayson Reed why Mr Boikanyo’s travel expenses fell within the prescripts of the SSETA Travel and Accommodation Policy and why Grayson Reed had to be compensated by SSETA for those expenses.

11.6.4.6. The total cost for Uber trips on 17 January 2018 by Kagiso Hlatshwayo was R489.00 (“four hundred and eighty-nine rands”). As with the aforesaid instances, no explanation was provided by Grayson Reed why Mr Hlatshwayo’s travel expenses fell within the prescripts of the SSETA Travel and Accommodation Policy and why Grayson Reed had to be compensated by SSETA for those expenses.

11.6.4.7. Also attached to invoice #18 were several Avis tax invoices to serve as source documents for travel claims related to the Grayson Reed project. All the Avis invoices were made out to a company called Walt Hogg & Associates. Further investigations revealed that this company is owned by Mr Raymond Chiimba and a Zimbabwean citizen, Mr Talent Maturure.

11.6.4.8. OUTA is of the view that the travel claims for car rental submitted by Grayson Reed were irregular and/or fraudulent. There was no proof submitted that Grayson Reed rented and/ or paid for the vehicles as shown in the invoices. Grayson Reed claimed an amount of R8,852.50 (“eight

thousand, eight hundred and fifty-two rands, fifty cents”) from SSETA for travel expenses based on invoices that were made out to another entity.

11.6.4.9. It appears that Mr Chiimba, who operated closely with Grayson Reed, used the opportunity to create expenses for another company which he was a director of and then claimed payment for those expenses from SSETA.

11.6.4.10. The SSETA Travel and Accommodation Policy dictated that service providers were only allowed to use accommodation facilities that have an accommodation star grading of 3 star. The invoice attached to the Grayson Reed claim for travel and accommodation expenses for accommodation on 16 January 2018 for “Tebogo and Mafa” showed that the Sinako Luxury Guest House had a 4-star grading. The claim was against the travel and accommodation policy.

11.6.4.11. Payment for the invoice was however approved and signed off by Mr Teffo. Mr Teffo and/or any other SSETA official who assessed the claim, acted contradictory to the SSETA Travel and Accommodation Policy. The payment of this claim was irregular/ unlawful, and all funds paid, should be recovered from Grayson Reed. The officials involved should be held to account.

## 11.6.5. Travel & Accommodation claims

11.6.5.1. Grayson Reed submitted 20 invoices to SSETA related to travel and accommodation expenses in the total amount of R2,167,653.12 (“two million, one hundred and sixty-seven thousand, six hundred and fifty-three rands, twelve cents”) and as shown in the Travel & Accommodation table *supra*.

- 11.6.5.2. Invoices #52<sup>36</sup>, #53<sup>37</sup>, #54<sup>38</sup>, #55<sup>39</sup> and #56<sup>40</sup> were full of hand-written corrections on the invoices with no source documents to verify the amounts that were claimed.
- 11.6.5.3. On 24 April 2018, Grayson Reed submitted four Travel Itinerary Pre-Approval Forms to SSETA.<sup>41</sup> These pre-approval forms were signed and approved by Mr Teffo. No other invoices or source documents were submitted together with the pre-approval forms. On the same date, Mr Teffo signed and approved a SSETA payment advice form that stated *inter alia* that an invoice was signed and matched against the purchase order and that the invoice matched against deliverables. No invoice was however attached to verify the deliverables.
- 11.6.5.4. There was a significant increase in travel and accommodation expense claims in the last 10 months of the contract. During the second half of the contract period the claims increased by 72%. The table below shows the comparison between the first and second half of the contract period.

Travel & Accommodation claims November 2017 – August 2018	Travel & Accommodation claims September 2018 – August 2019
<b>R 465 002.88</b>	<b>R 1 702 650.24</b>

- 11.6.5.5. In February 2019 and March 2019, the ground travel claims were R194,800.58 (“one hundred and ninety-four thousand, eight hundred rands and fifty-eight cents”) and R259,309.63 (“two hundred and fifty-nine thousand, three hundred and nine rands, sixty-three cents”) respectively. Taking into consideration the explanatory notes attached to the invoices, it

<sup>36</sup> SSETA-028

<sup>37</sup> SSETA-029

<sup>38</sup> SSETA-030

<sup>39</sup> SSETA-031

<sup>40</sup> SSETA-032

<sup>41</sup> SSETA-033

looks like every employee at Grayson Reed was traveling daily by Uber and filling their vehicles every second day with fuel. They then claimed it back from SSETA. Some examples retrieved from the notes attached to invoice 103<sup>42</sup> are tabled below.

Field Agent	Claim	Date	Amount
Tebogo Boikanyo	Fuel	1 March 2019	R 1 464.70
Juleka Chikane	Fuel	4 March 2019	R 780.60
Juleka Chikane	Fuel	6 March 2019	R 500.00
Juleka Chikane	Fuel	6 March 2019	R 500.00
Mafa Mahlobo	Fuel	14 March 2019	R 731.00
Mafa Mahlobo	Fuel	15 March 2019	R 500.00

11.6.5.6. Not only was the fuel claim extremely high but there were also several instances where claims were clearly duplicated and thus charging SSETA double for the same expense. The duplications are tabled below:

Field Agent	Claim	Date	Amount
Mafa Mahlobo	Fuel	7 March 2019	2 x R 439.71
Dumisani Siyo	Fuel	9 March 2019	2 x R 223.70
Sibusiso Buthelezi	Fuel	13 March 2019	2 x R 433.90
Sibusiso Buthelezi	Fuel	14 March 2019	2 x R 300.11
Mafa Mahlobo	Fuel	14 March 2019	2 x R 731.00
Neo Letlole	Fuel	15 March 2019	2 x R 400.02

11.6.5.7. According to the notes attached to invoice 103, the amount for car rental was R131,159.20 (“one hundred and thirty-one thousand, one hundred and fifty-nine rands, twenty cents”) for March 2019. No source documents from Avis were attached to the claim.

<sup>42</sup> SSETA-034



11.6.5.8. On 8 April 2019, Grayson Reed submitted a Credit Note with reference INV-000103 to SSETA for a credit to SSETA in the amount of R92,290.39 (“ninety-two thousand, two hundred and ninety rands, thirty-nine cents”) and a credit date of 2 May 2019<sup>43</sup>. OUTA could not establish against which claims and/ or amounts on invoice #103 this credit was given because there was no supporting documentation. Notwithstanding the credit note, Grayson Reed and some SSETA officials did not follow the prescripts of the SSETA Travel and Accommodation Policy.

#### 11.6.6. Invoices for BLAMS devices

11.6.6.1. Grayson Reed, in their bid documents, submitted that all biometric devices would be sourced from NexGen. They went as far as including NexGen as a consortium partner. However, the invoices for the biometric devices showed that the devices were not all sourced from NexGen.

11.6.6.2. In a consultation between OUTA and the Managing Director of NexGen, Mr Ernest Coetzee, Mr Coetzee indicated that NexGen supplied Grayson Reed with approximately 1000 (“one thousand”) biometric devices. He confirmed that in an affidavit.<sup>44</sup> Therefore, the devices referred to in invoices #1 and #17 was sourced from NexGen. Mr Coetzee added in his affidavit that all the negotiations with Grayson Reed were done by Mr Raymond Chiimba and Ms Samantha Chatambudza.

11.6.6.3. Attached to invoice 32, was an invoice from a company called Corncastle.<sup>45</sup> The invoice was for the supply of 500 (“five hundred”) biometric devices at USD420 per unit. Whether the devices met the technical specifications as set out in the RFB or not, is unknown.

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<sup>43</sup> SSETA-035

<sup>44</sup> SSETA -103

<sup>45</sup> SSETA-036

- 11.6.6.4. The bank details for Corncastle included a bank based in Mauritius. Investigations into this company revealed that Corncastle Limited, Registration number C152303 was registered on 8 December 2017 with registered address Plot 8 Morcellement Nord Rest Reunion Maurell – Petit Raffray Mauritius.<sup>46</sup>
- 11.6.6.5. Further investigations revealed that Corncastle was a company that specialises in providing expansion advice for entities to settle in Africa with administration and operational support to execute their projects. They offered services related to project management, transaction advisory, strategic target setting, market research, capital structure advice and benchmarking. The logo appearing on their website, <https://corncastle.com/> was similar to the logo on the invoice. OUTA's investigations into this company could not establish any imports, sales and/ or manufacturing of biometric devices.
- 11.6.6.6. Attached to invoice #42, was a list with technical specifications of certain devices that were apparently the devices referred to in invoice #42.<sup>47</sup> Closer investigations into the attached list revealed that the specifications were that of a Huawei Media Pad.<sup>48</sup> The specifications did not compare at all with the specifications as published in the RFB.

## **12. CLARITY ON DOCUMENTATION RECEIVED FROM SSETA**

- 12.1. After receipt of the documents requested through the PAIA application, OUTA perused and studied the set of documents and found that not all documents requested were received. On 14 April 2022, OUTA submitted a written request to SSETA to obtain the outstanding documents and to get clarification on certain issues.<sup>49</sup>

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<sup>46</sup> SSETA-037

<sup>47</sup> SSETA-038

<sup>48</sup> SSETA-039

<sup>49</sup> SSETA-040

- 12.2. On 18 May 2022, OUTA received written clarifications on the issues referred to in our request, together with the outstanding documents.<sup>50</sup>
- 12.3. SSETA clarified that they procured 2100 biometric devices and not 3333 as was indicated in the bidding documents. SSETA could not supply OUTA with the brand name of the devices and merely confirmed that the devices that were provided by Grayson Reed met the specifications and were compatible with the SSETA system. SSETA argued that the place of procurement had no significance as long as it met the specifications and was compatible with their systems.
- 12.4. The attachment to invoice #42, as described above, however indicated that the specifications were not similar to that published in the bid documents and were not even a biometric device, but a Huawei Media Pad. OUTA also received information from a whistle-blower that the devices procured from Grayson Reed were not serving the needs of SSETA and that SSETA had to go back onto a manual attendance register monitoring system.
- 12.5. OUTA requested the reasons for the cancellation by SSETA of the contract with Grayson Reed and SSETA provided OUTA with the cancellation letter that was submitted to Grayson Reed on 2 September 2019.<sup>51</sup>
- 12.5.1. The information received from the whistle-blower and mentioned *supra* was confirmed by SSETA in paragraph 11 of the cancellation letter, which stated: *“It is clear from the above meeting that you have not been able to deliver in terms of this agreement, in that the GRC is still paying the majority of the learners based on manual attendance registers”*.
- 12.6. OUTA could not understand why Grayson Reed was contracted to procure 3333 biometric devices when SSETA had approximately 150 training centres. In the clarification letter, SSETA said that 3333 was an estimation

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<sup>50</sup> SSETA-041

<sup>51</sup> SSETA-042

of devices that would be needed to serve all their training centres. In the end, SSETA procured 2100 biometric devices which meant that there were at least 20 devices available for each centre. However, in September 2019, more than a year after the last biometric devices were procured, the system was still reliant on manual attendance registers.

- 12.6.1. SSETA acknowledged that they did not have any delivery notes of the biometric devices and relied on the payment requisitions and supporting documents as proof that they received all the devices.
- 12.6.2. In the absence of documentary proof and proper asset control and considering the fact that SSETA operated a manual attendance monitoring system, OUTA finds it very difficult to accept that all devices were delivered, that it met all the specifications and were compatible with the SSETA system.
- 12.7. In OUTA's letter *ad* paragraph 10, it was requested that SSETA provide the physical addresses of some of their training centres. OUTA requested those because we could not establish the contact details of the centres and we had planned to visit the training facilities to establish if the BLAM system was in operation at the facilities.
  - 12.7.1. SSETA provided OUTA with a list of the physical addresses of the facilities, but also informed OUTA that they did not have the contact details and/ or physical addresses of three of the training centres. The three centres in question, Nelspoort Recruitment, Murraysburg Recruitment and Merweville Recruitment. These centres received stipend payments which were facilitated by Grayson Reed and the attendance of the learners at these centres was also monitored by Grayson Reed. In April 2018 and May 2018, Grayson Reed requested R499,500.00 ("four hundred and ninety-nine thousand, five hundred rand") to pay stipends to learners at the three centres. In July 2018, Grayson Reed requested an amount of R321,682.86

(“three hundred and twenty-one thousand, six hundred and eighty-two rands, eighty-six cents”) from SSETA just for Merweville.

12.7.2. For all the other training centres for which OUTA requested physical details, a list was attached to the SSETA letter with the details of the centres.

12.8. OUTA also requested SSETA to clarify the minutes of the meeting where the Accounting Authority approved the bid being awarded to Grayson Reed and that biometric devices were to be handed to the learners. SSETA replied that it appeared that the minutes were incorrectly captured and that all biometric devices were allocated to the training providers and not the learners.

12.9. Regarding the MSLA, SSETA confirmed that the standard practice at the time was that the contract manager would draft a contract whereafter the Executive Manager Legal Services would review it. After it was reviewed, it would be sent to the CEO for his signature.

### **13. AUDITOR-GENERAL OF SOUTH AFRICA’S MANAGEMENT REPORT**

13.1. The AGSA did an audit on SSETA in 2019 and communicated its findings to the SSETA management. The management report that AGSA submitted included audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the financial year that ended 31 May 2019. It also included information on the internal control deficiencies at SSETA. The findings on Grayson Reed were stipulated in the report on pages 45 to 54<sup>52</sup> and were very similar to OUTA’s findings on the Grayson Reed tender.

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<sup>52</sup> SSETA - 044

- 13.1.1. The AGSA findings confirmed that there were discrepancies between the wording of the advertised request for bids and the description in the tender documents.
- 13.1.2. The AGSA found that there were discrepancies in the evaluation criteria used by the BEC when the committee measured functionality, noting the following: *“In terms of the Preferential Procurement Regulations 5 (1-5), an organ of state must state in the tender documents if the tender will be evaluated on functionality. The evaluation criteria for measuring functionality must be objective. The tender documents must specify the evaluation criteria for measuring functionality, the points for each criterion and, if any, each sub-criterion and the minimum qualifying score for functionality.* The total points were awarded to the winning bidder without evidence in the tender documents that demonstrates the winning bidder’s ability to implement the national rollout of a new system to monitor attendants of learners, the ability to handle 100 000 learners and proof that the internal controls and risk management mechanisms to minimise loss and reimburse the organisation in case of financial loss, were in place.
- 13.1.3. The AGSA found that there was no proof of the Grayson Reed’s previous experience. They also did not include reference letters or testimonials from contactable clients.
- 13.1.4. Finally, the AGSA found that Dram Holdings and Grayson Reed were not registered companies on CIPC data base and that the registration numbers of the two companies belonged to Africawide FinTech and Muroba Group Holdings respectively.
- 13.2. SSETA’s management responded and denied any wrongdoing. They explained that:
  - 13.2.1. The advertisements directed potential bidders to the SSETA website for a detailed scope of work;

- 13.2.2. The tender was advertised in two newspapers and the Government Tender Bulletin. (Management failed to inform the AGSA that the advertisement was not in accordance with Treasury regulations and that the advertisement in the Government Tender Bulletin was only published four days before the closing date.);
- 13.2.3. 6 (“Six”) reference letters were attached to Schedule 11 of the bid documents which was very misleading was misleading - 3 (“three”) of the letters were references for NexGen, which was not part of the consortium. There was no reference letters or testimonial for Grayson Reed, the leading partner of the consortium.
- 13.3. The responses from SSETA’s management at the time, including the then CEO Ms Amanda Buzo-Gqoboka, were misleading and should not have been accepted.

## 14. **CONCLUSION**

Based on the analysis of the evidence before OUTA and the findings illustrated above, it is our submission that the aforesaid tender should not have been awarded to Grayson Reed. Both SSETA and Grayson Reed failed to follow due processes and, as a consequence, those implicated should be held accountable.