

Report
Department of National Treasury
PRASA David Sekgobela and Associates (Pty) Ltd
Account: 105451
Provision of transportation after hours for PRASA employees

December 2016

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EXECUTIVE SUMMARY OF FINDINGS AND OPINION

This executive summary must be read together with the full report, annexures and exhibits in this matter.

Mandate

1. The Public Protector in her report on the Passenger Railway Agency of South Africa ("PRASA") investigation, directed the Office of the Chief Procurement Officer ("OCPO") to conduct forensic investigations in respect of all PRASA contracts above R10 million from 2012 to date.
2. Bowmans was mandated by National Treasury to investigate 20 PRASA contracts above R10 million, awarded by PRASA between 2012 to date.
3. Awarded contracts included *inter alia* this David Sekgobela and Associates (Pty) Ltd provision of transportation contract.
4. National Treasury selected the 20 PRASA contracts to be investigated by Bowmans.

Summary of findings and opinion

5. Employees working after hours, i.e. from 18h00pm to 6h00am, are considered critical staff members and includes train drivers who operate the first and last trains scheduled for public transportation each day by PRASA.
6. In terms of the Basic Conditions of Employment Act, PRASA is obliged to provide transportation to its employees working outside normal hours.

2011 contract (November 2011 to October 2013)

7. David Sekgobela and Associates was awarded the bid in 2011 to assist PRASA in providing transportation to PRASA employees working outside normal hours. During the tender process, both David Sekgobela and Associates and another bidder, namely Rabali Passengers & Goods Transport, achieved the exact same scores. It is unclear from tender documentation why PRASA awarded the contract to David Sekgobela and Associates.
8. The contract was for a period of two years, from November 2011 to October 2013.
9. David Sekgobela and Associates was contracted to supply 16 Minibus/Kombis and 16 drivers. We noted that only 10 of the 16 Minibus/Kombis were supplied.
10. It appears from our investigation that both PRASA and David Sekgobela and Associates failed to correct the pricing, which appears to have resulted in over-invoicing by David Sekgobela and Associates and possibly fruitless and wasteful expenditure by PRASA.

Extension of contract (November 2013 to December 2014)

11. David Sekgobela and Associates' contract was extended from November 2013 to December 2014, whilst PRASA finalised the tender process for the new period.

2015 contract (January 2015 to December 2016)

12. During April 2014, PRASA invited suppliers in an open tender to bid for the transportation contract.
13. The evaluation criteria for the bid documentation was the following:

Technical evaluation criteria	Weight
Project implementation approach and methodology	30 points
Experience of executing projects of a similar nature and size	25 points
Passenger liability insurance cover	15 points
Capacity, capability and availability of resources	20 points
Competence of the drivers and suitability of vehicles	10 points
Total	100 points

14. We found that both Messrs Ngobeni and Rabekane failed to evaluate the bids in accordance with the following three criteria:
- a. Passenger liability insurance cover,
 - b. Capacity and availability of resources, and
 - c. Competence of the drivers and suitability of the vehicles.
15. Despite the incomplete bid evaluation scores, David Sekgobela and Associates was awarded the 2015 transportation contract.
16. PRASA entered into an agreement on 27 January 2015 with David Sekgobela and Associates whereby they would be responsible to provide 16 Minibus/Kombis and 16 drivers to assist PRASA with the transportation of the employees after hours to and from their homes.
17. The agreement was signed for a period of two years, commencing on 1 January 2015 and expiring on 31 December 2016.
18. The value of the contract was R14,998,489.62.

Over-invoicing by David Sekgobela and Associates (2015 contract)

19. David Sekgobela and Associates was responsible to provide 16 Minibus/Kombis and 16 drivers to PRASA for a period of two years.

20. Once again, only 10 Minibus/Kombis were supplied by the supplier. The remaining 6 Minibus/Kombis that were utilised were PRASA's own vehicles that were used for transportation at the depots.
21. The contract value of R14,998,489.62, was for the provision of 16 Minibus/Kombis, 16 drivers, insurance and a monthly management fee. Included in the R14,998,489.62 was R10,200,000 (excluding VAT) tendered for the 16 Minibus/Kombis. This equates to R26,562.50 (excluding VAT) tendered per Minibus/Kombi per month.
22. The supplier invoiced PRASA for R42,500 (excluding VAT) per Minibus/Kombi per month. Therefore, David Sekgobela and Associates continued to invoice PRASA an amount of R10,200,000 for the Minibus/Kombis, although it only provided 10 of the 16 Minibus/Kombis (R42,500 multiplied by 10 Minibus/Kombis = R425,000 per month multiplied by 24 months = R10,200,000 (excluding VAT)).
23. This constitutes to over-invoicing of R4,360,500 (including VAT) over the 24 months of the contract as reflected in the table below:

Description	Amount (Rand)
Invoiced per Minibus/Kombi	42,500.00
Amounted tendered per Minibus/Kombi	26,562.50
Over-invoiced per Minibus/Kombi per month	15,937.50
Number of actual Minibus/Kombis delivered per month	10
Over-invoiced for all 10 Minibus/Kombis per month	159,375.00
Number of months per contract	24
Over-invoiced over the duration of the contract (excluding VAT)	3,825,000
VAT @ 14%	535,500
Over-invoiced over the duration of the contract (including VAT)	4,360,500

Prior allegations against principal member/shareholder (unrelated to PRASA)

24. It should be noted, that in an unrelated matter to PRASA, during 2009, Mr Sekgobela was a state witness in a tender fraud trial for R3.6 million. It was alleged during this trial that he was complicit in the fraud against the state.

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ABBREVIATIONS

Descriptions and explanations of abbreviations and terms relevant to this report are listed below. These descriptions and explanations are intended to simplify the report content and are not intended to be authoritative.

Abbreviation / term	Description
BBBEE	Broad-Based Black Economic Empowerment as defined in the Broad Based Black Economic Empowerment Act no 53. of 2003.
Bowmans	Bowmans Inc., forensic investigators for National Treasury.
COIDA	Compensation for Occupational Injuries and Diseases Act
CIDB	Construction Industry Development Board
GCEO	Group Chief Executive Officer
Kombi	A minibus, especially one used to transport passengers commercially
Metrorail	Metrorail operates commuter rail services in urban areas
Minibus	A small bus for about ten to fifteen passengers
Mr Bopape	Mr Maishe Bopape, Senior Manager: Supply Chain Management
Mr Mashea	Mr Thabo Mashea, Senior Manager: PRASA Rail SCM
Mr Mofi	Mr Mosengwa Mofi, PRASA Rail CEO
Mr Ngobeni	Mr Stephen Ngobeni, Executive Manager: PRASA Cres Facility
Mr Phadi	Mr Teboho Phadi, Planning and Control Manager, Train Operations Office at PRASA Rail
Mr Rabekane	Mr Andries Rabekane ("Mr Rabekane") – Senior Manager: Train Operations: Metrorail
Mr Sekgobela	Mr David Sekgobela. Director and shareholder of David Sekgobela and Associates
Mr Van Oordt	Mr John van Oordt, Depot Manager at Scheiding Depot, Pretoria North
Ms Selinah Mbukwane	PRASA Acting Depot Manager at Wolmerton Depot, Pretoria North

Abbreviation / term	Description
National Treasury	The National Treasury of the Republic of South Africa. National Treasury means the National Treasury as established in terms of section 5 of the Public Finance Management Act, 1999 (Act no 1 of 1999).
Notice to proceed	Notice to proceed means an official letter duly signed by an authorised PRASA representative to the contractor instructing the contractor to carry out work.
OCPO	Office of the Chief Procurement Officer
PRASA	Passenger Rail Agency of South Africa
Public Protector	<p>The Public Protector is appointed by the President, on the recommendation of the National Assembly, in terms of Chapter Nine of the Constitution, 1996. The Public Protector is required to be a South African citizen who is suitably qualified and experienced and has exhibited a reputation for honesty and integrity.</p> <p>The Constitution also prescribes the powers and duties of the Public Protector: The Public Protector Act regulates further powers, duties and the execution thereof.</p> <p>The Public Protector has the power to investigate any conduct in state affairs, or in the public administration in any sphere of government, that is alleged or suspected to be improper or to result in any impropriety or prejudice.</p>
R	Rand, the RSA currency.
RSA	Republic of South Africa
SCM	Supply Chain Management
SDP	Supplier Development Program. A program PRASA attempted to follow in order to provide BBBEE companies the opportunity to develop by working together with well-established companies.
Shosholozza	Shosholozza Meyl operates regional and inter-city rail services.
TEC	Technical Evaluation Committee
VAT	Value Added Tax

1. BACKGROUND

- 1.1 In December 2008, the Passenger Rail Agency of South Africa (PRASA) was established, consolidating all of the passenger rail entities to better manage and aggressively address the underperformance of rail passenger services into an entity that was more modern, efficient and customer-focused.
- 1.2 PRASA is a South African state owned enterprise responsible for most passenger rail services in the country. It consists of four branches:
- 1.2.1 Metrorail - operates commuter rail services in urban areas;
- 1.2.2 Shosholoza Meyl - operates regional and inter-city rail services;
- 1.2.3 Autopax - operates regional and inter-city coach services; and
- 1.2.4 Intersite - manages the property owned by PRASA.
- 1.3 Operating within six large cities across the country, today PRASA manages over 374 stations and transports over 2.2 million passengers daily through its local metropolitan line and 1.4 million passengers per annum through its main line passenger service.
- 1.4 On 27 January 2015, PRASA entered into a two year contract with David Sekgobela and Associates for the provision of transportation services for an amount of R14,998,489.
- 1.5 David Sekgobela and Associates was responsible to provide 16 Minibus/Kombis and drivers to assist PRASA with the transportation of their staff members after hours, i.e. from 18h00pm to 6h00am, to and from their homes.
- 1.6 During 2014, the Public Protector investigated various allegations of irregularities at PRASA. The Public Protector found widespread evidence of maladministration, improper conduct and nepotism at PRASA.
- 1.7 The Public Protector in her report on the PRASA investigation, directed the Office of the Chief Procurement Officer (OCPO) to conduct forensic investigations in respect of all PRASA contracts above R10 million from 2012 to date.
- 1.8 Bowmans was mandated to conduct forensic investigations into 20 PRASA contracts, which included *inter alia* the David Sekgobela and Associates (Pty) Ltd provision of transportation contract.

2. MANDATE, PERIOD, REPORT FORMAT AND QUALIFICATIONS TO OUR REPORT

Mandate

- 2.1 Bowmans was mandated by National Treasury to provide forensic investigation services in respect of PRASA. The principal objectives of our investigation were to:
- 2.1.1 Investigate the procurement processes, which were followed in the appointment of the supplier.

- 2.1.2 Determine whether the appointment of the supplier was made in line with relevant prescripts and were approved by relevant authorities.
- 2.1.3 Establish where applicable, whether deviations were in-line with relevant prescripts.
- 2.1.4 Determine whether payments correspond to the respective bid price and/or contractual agreement.
- 2.1.5 Identify all persons or entities that unduly benefited as a result of irregular conduct.
- 2.1.6 Advise on the remedial actions to be taken, in instances of maladministration and/or where improper conduct has been detected.
- 2.1.7 Provide a report on the findings.

We were not mandated to and did not conduct an audit in compliance with generally accepted auditing standards.

Period under investigation

- 2.2 We investigated the period from 2010 to the date of this report.

Report format

- 2.3 Section 3 of the report sets out the work which we have performed. Section 4 onwards deals with our detailed findings.
- 2.4 References in this report in parenthesis are to the various annexures and exhibits, which must be read in conjunction with this report.

Qualifications to our report

- 2.5 This report is provided solely as an internal document, for the addressees and their legal Counsel, and to the National Treasury. It may not be used for any other purpose or disseminated to any person without the prior written consent of Bowmans.
- 2.6 Our report deals only with the documentation with which we have been provided, together with other information which we have been able to obtain from third parties.
- 2.7 In compiling this report, we have accepted and relied on representations from persons and on the authenticity of documents provided to us. In order to make these representations and documents admissible for Court purposes, the authors of the representations and documents would have to confirm these in the relevant Court processes.
- 2.8 Should it come to light that material information has been withheld or additional information is brought to our attention, we have the right to amend our report.

3. WORK PERFORMED

Documents reviewed

- 3.1 Company search of David Sekgobela and Associates.

- 3.2 Director search of Mr David Sekgobela.
- 3.3 Director search of Machuene Welhemina Sekgobela.
- 3.4 PRASA Supply Chain Management Policy dated February 2009.
- 3.5 PRASA Supply Chain Management Policy dated September 2013.
- 3.6 Tender documentation relating to the appointment of David Sekgobela and Associates as the supplier of the transportation of the PRASA employees.
- 3.7 Agreement between PRASA and David Sekgobela and Associates dated 27 January 2015.
- 3.8 David Sekgobela and Associates creditor account in the accounting records of PRASA.
- 3.9 David Sekgobela and Associates invoices and other supporting documentation for the payments made by PRASA to David Sekgobela and Associates.

Discussions held

- 3.10 We held discussions with the following individuals:

Name	Position
PRASA	
Ms Sarah du Plessis	Assistant Manager: Supply Chain Management
Mr John van Oordt	Depot Manager – Scheiding Depot, Pretoria
Ms Selinah Mbukwane	Acting Depot Manager – Wolmerton Depot, Pretoria North
David Sekgobela and Associates	
Mr David Sekgobela	Director and shareholder of David Sekgobela and Associates.

Other Procedures Performed

- 3.11 Performed a company search on David Sekgobela and Associates.
- 3.12 Performed director searches on the two directors, namely Mr David Sekgobela and Ms Machuene Welhemina Sekgobela.
- 3.13 Obtained and perused the supply chain management policy and procedures for the period under investigation.
- 3.14 Obtained copies of all procurement files and related documentation relevant to the David Sekgobela and Associates transportation contract.

- 3.15 Read and reviewed appointment of David Sekgobela as supplier of PRASA for the transportation of the PRASA employees.
- 3.16 Obtained and reviewed the agreement between PRASA and David Sekgobela and Associates dated 27 January 2015.
- 3.17 Obtained the David Sekgobela and Associates creditors account in the accounting records of PRASA in electronic format.
- 3.18 Obtained all supporting documentation for the payments made by PRASA to David Sekgobela and Associates.
- 3.19 Compared David Sekgobela and Associates creditor accounts in the accounting records of PRASA to the physical David Sekgobela and Associates invoices.
- 3.20 Conducted various preliminary interviews with PRASA officials and the shareholder and director of David Sekgobela and Associates, Mr David Sekgobela.
- 3.21 Compiled a report on our findings.

4. COMPANY INFORMATION

- 4.1 David Sekgobela and Associates CC, registration number 2000/027352/23, was founded in 2000 (Exhibit 1). The close corporation was converted to a private company during 2016, and is now registered as David Sekgobela and Associates (Pty) Ltd registration number 2016/184721/07.
- 4.2 David Sekgobela and Associates has two directors as listed in the table below (Exhibit 1):

#	Director	ID number	Appointment date
1	Mr Sephoko David Sekgobela	630826 5832 080	25 May 2000
2	Ms Machuene Welhemina Sekgobela	761110 0363 081	1 December 2003

- 4.3 David Sekgobela and Associates have been providing transportation services to the PRASA since 2011.
- 4.4 Mr Rantsima Philemon Sekgobela was also a member of David Sekgobela and Associates but resigned on 16 May 2012.
- 4.5 The business address of David Sekgobela and Associates' is 136 Hornbill Crescent, Montana.
- 4.6 David Sekgobela and Associates' nature of business according to the company search is stated as "Agriculture hunting forestry and fishing" (Exhibit 1).
- 4.7 At the time that PRASA signed the contract with David Sekgobela and Associates, the close corporation had a 100% black equity membership, owned by Mr Sephoka David Sekgobela 60%, Mr Rantsima Philemon Sekgobela 25% and Ms Machuene Welhemina Sekgobela 15%.

4.8 Mr David Sekgobela is also a director of the following entities (Exhibit 2):

#	Entity	Registration number
1	Amogelang Transport Services CC	1999/036643/23
2	Amogelang Transport Services (Pty) Ltd	2000/018818/07
3	Bidmark (Pty) Ltd	2004/001618/07
4	Black Diamond Boutique Hotel (Pty) Ltd	2014/177368/07
5	Charlemagne Mamogale and Associates CC	2004/128352/23
6	Cold River Holdings (Pty) Ltd	2007/014631/07
7	Colourful Rainbow Investments CC	2006/122200/23
8	Copper Sunset Trading 125 (Pty) Ltd	2005/028280/07
9	DSA Rail (Pty) Ltd	2014/177365/07
10	DW Agricultural Projects (Pty) Ltd	2012/218666/07
11	Marycon Security Services CC	2002/015274/23
12	Nationgrow CC	1997/023732/23
13	Phahamang Cleaning and Waste Removals CC	2000/006074/23
14	Phakisa Freight and Courier Services CC	2000/011363/23
15	Rofhedza Transport and Earthworks (Pty) Ltd	1999/023759/07
16	Versitrade 295 (Pty) Ltd	2001/015360/07

4.9 Ms Machuene Welhemina Sekgobela is also a director of the following entities (Exhibit 3):

#	Entity	Registration number
1	Black Diamond Boutique Hotel (Pty) Ltd	2014/177368/07
2	DSA Rail (Pty) Ltd	2014/177365/07
3	Winter Night Investments 217 CC	2005/050082/23

5. PRIOR ALLEGATIONS AGAINST PRINCIPAL MEMBER/SHAREHOLDER

5.1 The Sowetan Live reported on 21 May 2009 that the high-profile trial of former chief executive officer of the Mpumalanga Economic Empowerment Corporation Ernest Khoza and its former director Stanley Soko took place on Monday, 18 May 2009 in the Nelspruit regional court. Mention was made in this article that two state witnesses testified in this trial, including David Sekgobela, a former Chief Financial Officer in the Office of the Premier. According to the Sowetan Live, Sekgobela claimed not to have been aware of a R3,6 million advance paid by the provincial government to Rainbow Kwanda Communications.

6. PRASA SUPPLY CHAIN MANAGEMENT POLICY – FEBRUARY 2009 AND SEPTEMBER 2013

6.1 The PRASA Supply Chain Management ("SCM") Policies dated February 2009 and September 2013 stipulates that for (Exhibits 4 and 5):

6.1.1 All amounts less than R350,000 - a minimum of three written quotes should be obtained from suppliers listed on the PRASA database.

6.1.2 All amounts more than R350,000 - a competitive tendering process is applicable.

6.2 Exceptions for competitive tendering will only be considered in the following circumstances (Exhibits 4 and 5):

6.2.1 In the case of emergency;

6.2.2 In the case of a sole source; and

6.2.3 In the case of confinements.

6.3 Contracts must be awarded for a period of not more than three years except bids for lease agreements for immovable property which may be awarded for a period of not more of five years.

7. PRASA SCM POLICY (FEBRUARY 2009) – UNSOLICITED BIDS (PARA 11.3.3)

7.1 According to PRASA's Supply Chain Management Policy dated February 2009, unsolicited bids are generally prohibited unless it is approved for consideration by the GCEO (Exhibit 4).

7.2 However, the GCEO should take the following into account (Exhibit 4):

7.2.1 That the unsolicited bid is a unique concept or offering.

7.2.2 That the offering of the bid cannot be provided efficiently through competitive bidding process.

7.2.3 That there are no suppliers in the market that can provide a similar offering without copying from the unsolicited bid.

8. PRASA SCM POLICY (SEPTEMBER 2013) – CONFINEMENT (PARA 12.3.8)

8.1 According to paragraph 12.3.8 of the PRASA Supply Chain Management Policy dated September 2013, "Confinement" occurs "where the needs of the business preclude the use of

the competitive tendering process and for practical reasons only one or a select number of tenderers are approached to quote for goods and/or services" (Exhibit 5).

- 8.2 Situations where the method of "Confinement" are used include, but are not limited to the following (Exhibit 5):
- 8.2.1 The task that represents a natural continuation of previous work carried out by the firm;
- 8.2.2 An assignment where only one or a limited number of firms are qualified or have experience of exceptional worth for the assignment;
- 8.2.3 Appointment of professional services such as legal, financial, technical contracts and security where unique expertise and/or security are required; and
- 8.2.4 If it is an emergency as defined in clause 12.3.6 (refer below).
- 8.3 The decision to make use of the confinement process has to be motivated by PRASA for approval and ratification by the GCEO (Exhibit 5).

Emergency purchases (Para 12.3.6)

- 8.4 Purchases made for emergency "situations" where competitive tendering would be inappropriate is limited to the following types of situations (Exhibit 5):
- 8.4.1 Disasters (e.g. damage from cyclone, flood, fires, etc.);
- 8.4.2 System failures (including supporting items which could affect the system); and
- 8.4.3 Security risk.
- 8.5 During emergencies the required goods, works or services may be obtained by means of quotations by preferably making use of PRASA's supplier database (Exhibit 5).
- 8.6 A motivation of the emergency purchase has to be submitted by PRASA to the GCEO for ratification (Exhibit 5).

9. TENDER APPOINTMENT OF DAVID SEKGOBELA AND ASSOCIATES IN 2011 AND SUBSEQUENT EXTENSIONS

November 2011 – October 2013 (24 months)

- 9.1 PRASA appointed David Sekgobela and Associates during April 2011 as the contractor for the transportation of PRASA employees after hours (Exhibit 6).
- 9.2 An open tender process was followed where David Sekgobela and Associates, and Rabali Passengers & Good Transport were awarded the same evaluation scores during the tender process (Exhibit 6).
- 9.3 However, David Sekgobela and Associates were recommended by Mr Maishe Bopape, Senior Manager of PRASA Supply Chain Management, for approval by the PRASA Rail CEO, Mr Mosenngwa Mofi. Mr Mofi signed the recommendation report for approval on 7 April 2011 (Exhibit 6).

- 9.4 The contract was for the period November 2011 to 30 October 2013 for a contract value of R14,467,968 (Exhibit 6).
- 9.5 During this period, David Sekgobela and Associates only supplied 10 Minibus/Kombis instead of 16 as stipulated per the contract (Exhibit 7).
- 9.6 It is not certain why David Sekgobela and Associates were recommended for approval and not Rabali Passengers or Good Transport, as all three companies achieved the exact same evaluation scores during the tender process.

November 2013 – March 2014 (5 months)

- 9.7 David Sekgobela and Associates' contract was extended from October 2013 to March 2014 on a month-to-month basis whilst PRASA finalised the tender process for the new period (Exhibit 7).

April 2014 – July 2014 (4 months)

- 9.8 David Sekgobela and Associates' contract was extended a second time from April 2014 to July 2014 to bridge the gap until the tender process for the new process was finalised (Exhibit 7).

10. TENDER APPOINTMENT OF DAVID SEKGOBELA AND ASSOCIATES (2014)

Purchase requisition

- 10.1 Bowmans have not been provided with the purchase requisitions issued by PRASA.

Tender advertisement

- 10.2 PRASA advertised the tender for the provision of 16 Minibus/Kombis and drivers on 3 April 2014 in the Star and the Sowetan Newspapers.

Request for Proposal

- 10.3 The Scope of Work according to the Request for Proposal was the following (para 8) (Exhibit 9):

"The provision of 16 Minibus/Kombis 10 seater minimum and drivers for the Operations Department"

- 10.4 According to the Request for Proposal, the following milestone dates was to be adhered to:

- 10.4.1 Compulsory briefing session for bidders – 11 April 2014
- 10.4.2 Closing date for questions and answers – 17 April 2014
- 10.4.3 Closing date for submission of final proposal – 29 April 2014

- 10.5 The duration of the contract was for a period of 12 months (Exhibit 9).

Collection register

- 10.6 A total of 27 (twenty-seven) companies collected the tender documentation by 29 April 2014 (Exhibit 10):

"Tenders received" register

- 10.7 PRASA compiled a "tenders received" register that recorded the bid documentation received from the bidders before the closing date of the tender (Exhibit 11).
- 10.8 A total of 11 (eleven) bidders submitted bid documentation, namely (Exhibit 11):
- 10.8.1 Andriapha-Mbitha Thakathi
 - 10.8.2 Premier Rental and Logistics
 - 10.8.3 Simunye Fleet Management
 - 10.8.4 Sakhumzi Chaffeur Services
 - 10.8.5 Great Life Trading and Projects
 - 10.8.6 Justtebsa Technologies
 - 10.8.7 AA Phiri and Son Distributors
 - 10.8.8 Nhlelo Property Development
 - 10.8.9 Razaans Transport
 - 10.8.10 Providex (Pty) Ltd
 - 10.8.11 David Sekgobela and Associates
- 10.9 The bid documentation was received and opened by Ms Sarah du Plessis. Mr Nokuthula Mtshali and Ms Belinda Smith signed as witnesses (Exhibit 11).
- 10.10 The "tenders received" register was submitted to Ms Belinda Smith (Exhibit 11).

Technical Evaluation Committee members

- 10.11 The following individuals served on the Tender Evaluation Committee ("TEC"), to evaluate the bid documentation received from the bidders:
- 10.11.1 Mr Stephen Ngobeni ("Mr Ngobeni") – Executive Manager: PRASA Cres Facility
 - 10.11.2 Mr Andries Rabekane ("Mr Rabekane") – Senior Manager: Train Operations: Metrorail
 - 10.11.3 Mr Thabo Mashea ("Mr Mashea") – Senior Manager: PRASA Rail SCM

Declaration and confidentiality forms

- 10.12 All three TEC members declared that they had no interest or relationship with the companies that submitted bid documentation for the transportation of the PRASA employees (Exhibit 12).
- 10.13 Furthermore, all three TEC members signed confidentiality agreements in which they undertook to keep the information about the bid confidential and not to disclose the bid information to anyone (Exhibit 12).

Evaluation score sheets

- 10.14 On 21 May 2014, all TEC members submitted their evaluation score sheets for the bid documentation submitted by the contractors (Exhibit 13).

10.15 The evaluation criteria for the bid documentation was the following (Exhibit 14):

Technical evaluation criteria	Weight
Project implementation approach and methodology	30 points
Experience of executing projects of a similar nature and size	25 points
Passenger liability insurance cover	15 points
Capacity, capability and availability of resources	20 points
Competence of the drivers and suitability of vehicles	10 points
Total	100 points

10.16 Mr Machea submitted the following evaluation scores (Exhibit 13):

Company	Mr Thabo Machea				
	Passenger liability insurance cover	Capacity and availability of resources	Competence of the drivers and suitability of vehicles	Project implementation approach and methodology	Experience of executing project of a similar nature and size
Andriapha-Mbitha Thakathi	15	18	10	25	20
Premier Rental and Logistics	15	20	10	18	10
Simunye Fleet Management	0	0	0	16	15
Sakhumzi Chaffeur Services	15	16	10	15	10
Great Life Trading and Projects	0	0	0	9	5
Justtebsa Technologies	15	10	10	18	16
AA Phiri and Son Distributors	0	0	0	8	6

Nhlelo Property Development	15	18	10	21	20
Razaans Transport	0	0	0	9	7
Povidex (Pty) Ltd	15	18	10	11	6
David Sekgobela and Associates	15	20	10	25	24

10.17 Mr Ngobeni submitted the following evaluation scores (Exhibit 13):

Company	Mr Stephen Ngobeni				
	Project implementation approach and methodology	Experience of executing project of a similar nature and size	Passenger liability insurance cover	Capacity and availability of resources	Competence of the drivers and suitability of vehicles
Andriapha-Mbitha Thakathi	25	22	No score	No score	No score
Premier Rental and Logistics	15	10	No score	No score	No score
Simunye Fleet Management	17	15	No score	No score	No score
Sakhumzi Chaffeur Services	13	12	No score	No score	No score
Great Life Trading and Projects	10	5	No score	No score	No score
Justtebsa Technologies	15	14	No score	No score	No score
AA Phiri and Son Distributors	12	8	No score	No score	No score
Nhlelo Property Development	21	20	No score	No score	No score
Razaans Transport	10	5	No score	No score	No score

Povidex (Pty) Ltd	10	10	No score	No score	No score
David Sekgobela and Associates	23	18	No score	No score	No score

10.18 Mr Ngobeni submitted the following evaluation scores (Exhibit 13):

Company	Mr Andries Rabekane				
	Project implementation approach and methodology	Experience of executing project of a similar nature and size	Passenger liability insurance cover	Capacity and availability of resources	Competence of the drivers and suitability of vehicles
Andriapha-Mbitha Thakathi	25	25	No score	No score	No score
Premier Rental and Logistics	10	10	No score	No score	No score
Simunye Fleet Management	10	10	No score	No score	No score
Sakhumzi Chaffeur Services	20	20	No score	No score	No score
Great Life Trading and Projects	10	7	No score	No score	No score
Justtebsa Technologies	20	18	No score	No score	No score
AA Phiri and Son Distributors	7	5	No score	No score	No score
Nhlelo Property Development	20	20	No score	No score	No score
Razaans Transport	10	8	No score	No score	No score
Povidex (Pty) Ltd	10	7	No score	No score	No score
David Sekgobela and Associates	30	25	No score	No score	No score

10.19 As can be seen from the tables above, both Messrs Ngobeni and Rabekane provided no evaluation score for the bidders for the following criteria:

10.19.1 Passenger liability insurance cover,

10.19.2 Capacity and availability of resources, and

10.19.3 Competence of the drivers and suitability of the vehicles.

10.20 Of the 11 (eleven) companies that submitted bid documentation, five companies were eliminated as they failed to achieve the minimum threshold of 65%.

10.21 Two companies, namely Andriapha Mbita Thakathi Transport Services (Pty) Ltd and Nhlelo Properties (Pty) Ltd were disqualified as the companies were owned by Mr and Ms Mbiza (husband and wife), who submitted two separate bids, which was not disclosed to PRASA.

10.22 The four companies, that achieved the minimum of 65% threshold, quoted the following prices for the tender (Exhibit 14):

Entity	Quotation
Premier Rental and Logistics (Pty) Ltd	R19,694,400
Justtebsa Technologies	R34,783,999
David Sekgobela and Associates	R14,998,490
Sakhumzi Chauffeur Services	R25,344,000

10.23 The TEC provided the following scores to the four companies:

Entity	Points for financial offer	BBBEEE score	Total points
Premier rental and Logistics (Pty) Ltd	55.78	8	63.78
Justtebsa Technologies	(39.40)	8	(31.40)
David Sekgobela and Associates	90.00	8	98.00
Sakhumzi Chauffeur Services	20.14	8	28.14

Technical report

10.24 There was no external technical report for this bid process.

Security screening report

- 10.25 On the 9 December 2014 when the CEO of PRASA Rail approved the recommendation report, no security screening report had been performed and/or provided for David Sekgobela and Associates.

Recommendation report

- 10.26 On 12 November 2014, the Senior Manager of PRASA Supply Chain Management, Mr Maishe Bopape ("Mr Bopape"), submitted a recommendation report to the PRASA Rail Chief Executive Officer, Mr Mosenngwa Mofi ("Mr Mofi") (Exhibit 14).
- 10.27 The scope of the project was described as (Exhibit 14):
"The contractor shall provide 16 Minibuses and drivers"
- 10.28 Mr Bopape, based on the TEC's scoring of the bid documentation, recommended on 12 November 2014 to the CEO, that the bid of David Sekgobela and Associates be approved for the provision of 16 Minibus/Kombis and drivers at a total cost of R14,998,489.62 over a period of two years (Exhibit 14).
- 10.29 The CEO, Mr Mofi, approved the recommendation report on 9 December 2014 (Exhibit 14).
- 10.30 There was no security screening report completed at the time when the recommendation report was signed by the CEO, Mr Mofi (Exhibit 14). Whilst the PRASA SCM policy does not stipulate that a security screening report should be performed on the supplier prior to the approval of the contract. However, it is standard procedure in PRASA to perform a security screening report prior to recommending the contract for approval by the GCEO.

Outstanding tender documentation

- 10.31 Despite having requested the documentation, at the time of finalising this report the following documents were still outstanding/not provided by PRASA:
- 10.31.1 Tender advice
 - 10.31.2 Letter of intent
 - 10.31.3 Notice to proceed
 - 10.31.4 Letter of acceptance
 - 10.31.5 Rejection letters

11. AGREEMENT BETWEEN PRASA AND DAVID SEKGOBELA AND ASSOCIATES DATED 27 JANUARY 2015

- 11.1 PRASA and David Sekgobela and Associates signed an agreement for the "Provision of 16 Minibus/Kombis 10 seater minimum and drivers" on 27 January 2015, contract number HO/PR/OP/250/09/2013 (Exhibit 15).
- 11.2 The contract value was R14,998,489.62 (fourteen million nine hundred and ninety eight thousand, four hundred and eighty nine Rand and sixty two cents) including VAT (Exhibit 15). The contract awarded to David Sekgobela and Associates for November 2011 to October

2013 was for a contract value of R14,467,968. The new contract was only increased by 3.7%. It is unknown why the new contract had such a small increase in price.

- 11.3 The contract commenced on 1 January 2015 and the date of completion was stipulated as 31 December 2016 (i.e. 24 months) (Exhibit 15).
- 11.4 Unlike similar other PRASA agreements, this agreement between PRASA and David Sekgobela and Associates had no pre-conditions that had to be fulfilled (Exhibit 15). There was no requirement stipulated in the contract that David Sekgobela and Associates had to provide PRASA with a performance bond, i.e. an unconditional and on demand bank guarantee to the value of 10% of the Contract Price.
- 11.5 According to Ms Sarah du Plessis (PRASA SCM Assistant Manager), only contracts exceeding R100 million has to provide performance bonds to PRASA. However, the PRASA SCM policy does not support this statement. The PRASA SCM policy does not exclude contracts less than R100 million from not providing performance bonds. Therefore, if the contract stipulated that the supplier was responsible to provide PRASA with a performance bond, then according to the PRASA SCM policy, such performance bond had to be provided to PRASA prior to the conclusion of the contract. [It is possible that the condition was deliberately relaxed by PRASA to make the contract achievable by the supplier].
- 11.6 According to the agreement, the David Sekgobela and Associates did not have the right to subcontract the entire contract but only a portion of the services subject to the written approval of PRASA (para 15.2.1) (Exhibit 15).
- 11.7 In terms of the contract, David Sekgobela and Associates had to provide 16 Minibuses and drivers (Annexure B to the contract).
- 11.8 David Sekgobela and Associates was also responsible for the following:
- 11.8.1 A professional registered service for the provision of 16 Kombi's and drivers
- 11.8.2 Provision had to be made for 10,000 kilometers per vehicle per month. On submission of an invoice, a trip sheet had to be provided and authorised by a duly appointed Metrorail employee.
- 11.8.3 A credit note had to be passed where less than 10000 kilometers travelled in any period (difference thereof).
- 11.8.4 An additional invoice had to be submitted for kilometers in excess of 10,000.
- 11.8.5 Fuel and other vehicle related expenses was the responsibility of the contractor.
- 11.8.6 The contractor was accountable for all insurance claims (loss of damage to vehicles or part thereof)
- 11.8.7 Drivers were required to operate in the Gauteng area (Pretoria, Braamfontein, Germiston, Benrose and Vereeniging).

- 11.8.8 Drivers had to transport Metrorail employees from their residence to their place of employment and vice versa.
- 11.8.9 Drivers had to be medically fit, PDP licensed with no prior or pending traffic violations and no endorsements on their Drivers Licenses.
- 11.8.10 The contractor was liable and accountable for costs incurred due to traffic violations by drivers during the contract period
- 11.8.11 Drivers would be subjected to medical surveillance prior to commencement.
- 11.8.12 It was considered an essential service, hence the service was required daily and provision thereof had to be made
- 11.8.13 Penalty clauses were included in the final contract for non-delivery of service and a further termination of contract penalty was to be enforced where conditions were breached more than twice.

12. INTERVIEW – MR TEBOHO PHADI (PLANNING AND CONTROL MANAGER: TRAIN OPERATIONS OFFICER)

- 12.1 Mr Teboho Phadi ("Phadi") is employed as the Planning and Control Manager, Train Operations Office at PRASA Rail. Mr Phadi provided the following background and information regarding the David Sekgobela and Associates transportation contract (Annexure B):

Background

- 12.2 PRASA has a responsibility to provide transportation to employees when they have finished the day's work.
- 12.3 The PRASA train station depots provide Mr Phadi with the details and number of employees that need to be transported from/to the depots before and after work when there is no public transport.
- 12.4 The Gauteng Region has 9 (nine) depots and all nine depots provide Mr Phadi at the Train Operations Office, with their transportation requirements and the relevant information.
- 12.5 The information provided enables Mr Phadi to draft a submission of the transportation services required to obtain the services through a tender process.
- 12.6 PRASA Head Office (Ms Sarah du Plessis and Ms Joey van Eden) then commence with the tender process to appoint a service provider for the Transportation Service required.
- 12.7 David Sekgobela and Associates were previously appointed by PRASA to provide the transportation service to PRASA staff members.
- 12.8 PRASA entered into a service contract with David Sekgobela and Associates for the provision of 10 Kombis and 16 Kombi drivers [It should be noted that this is not correct, as the contract was for the provision of 16 Minibus/Kombis and 16 drivers].

- 12.9 Contract number HO/PR/OP/250/09/2013 was entered into with the supplier, the tender commenced on 1 January 2015 and the date of completion of the contract was stipulated as 31 December 2016.
- 12.10 The contract price for the tender was R14, 998, 489.62 (including VAT).
- 12.11 The nine depots are currently in the process of providing Mr Phadi with the new information of the transportation requirements for 2017. Mr Phadi would use this information in his submission for the new contract to be tendered for, when the contract with the David Sekgobela and Associates expires on 31 December 2016.
- 12.12 David Sekgobela and Associates provide transportation services to PRASA staff members of the following depots:

#	Depot	Depot Manager
1	Springs	Willem Potgieter
2	Braamfontein	Ramona Makhoba
3	Naledi	Lebogang Segone
4	Germiston	Richard Msiza
5	Vereeniging	Willem Doman
6	Scheiding, Pretoria	John van Oordt
7	Elandsfontein	Louw Bezuidenhout
8	Randfontein	Lebohang Motlounge
9	Wolmerton	Selinah Mbukwane

- 12.13 It is the responsibility of the Depot Manager to check and verify that the service provider delivers the service that he was appointed for.
- 12.14 The depots keep record of the transportation provided to the employees and check the invoice of the service provider for correctness before it is sent to Mr Phadi's office for submission of payment to David Sekgobela and Associates.
- 12.15 The following procedures are followed when payments are made to David Sekgobela and Associates:
- 12.15.1 David Sekgobela and Associates submits their invoices to Mr Phadi's office.

- 12.15.2 The depots confirm via email that the service rendered was correctly invoiced.
- 12.15.3 The depots will report any deviations.
- 12.15.4 The purchase requisition would be opened electronically and sent to Regional Operations Manager (Mr Rabekane), Financial Manager (Mr Shivambu) and Provincial Manager (Mr Tembela Kulu) who would then approve the invoice for payment.

13. INTERVIEW – MR JOHN VAN OORDT (DEPOT MANAGER: SCHEIDING DEPOT PRETORIA)

- 13.1 Mr John van Oordt has been the Depot Manager at Scheiding Depot, Pretoria North since August 2011. Mr Van Oordt provided the following background and information regarding the David Sekgobela and Associate transportation contract (Annexure C):

Background

- 13.2 PRASA has a responsibility to provide transportation to employees when they commence work before 05h00am in the morning and PRASA provide transport to employees when they have finished their work after 19h00pm in the evening.
- 13.3 David Sekgobela and Associates provide Mr Van Oordt's Depot with 7 (seven) drivers (these seven drivers are included in the total 16 drivers David Sekgobela and Associates was responsible to provide to PRASA in terms of the contract). However, PRASA is required to provide the vehicles (Hyundai H1 Kombis) that are the property of PRASA.
- 13.4 Therefore, David Sekgobela and Associates does not provide the vehicles for the Scheiding depot. David Sekgobela and Associates only provide two drivers. The two drivers from Wolmerton Depot travel with one PRASA vehicle. Upon arrival at the Scheiding depot; they then use another one of the PRASA vehicles of the Scheiding depot for the transport service.
- 13.5 The drivers then obtain the list of employees from the Scheiding Depot Roster office for the employees requiring transport services.
- 13.6 At night they complete two trips the first trip is at 19h30pm and the second trip is at 21h30pm when they transport employees to their homes.
- 13.7 The drivers then stay at the depot until they are required to commence with the first collection of employees from their homes the next morning. In the morning the drivers depart at approximately 02h00am depending on the number of employees that requires transport.
- 13.8 The drivers then commence the second and last trip to transport employees from their homes to the depot.
- 13.9 When the drivers arrive at the depot after the last morning trip, they sign back the vehicles in the vehicle monitoring book.
- 13.10 The drivers also complete the logbook kept in the vehicle, for the trips undertaken. The drivers are then released from their duty and return the next evening for duty at 18h00pm.

- 13.11 On a monthly basis, the Fleet Coordinator at the depot submits copies of the Log books and the Vehicle Monitoring book to Messrs Mpho Moloi and Denzel Laka at Fleet Department, PRASA House.
- 13.12 Mr Van Oordt stated that they never have sight of the invoices prepared by David Sekgobela and Associates and he does not know if the information they provide to PRASA House is provided to David Sekgobela for the preparation of the invoice.
- 13.13 Mr Van Oordt confirmed that the drivers provided by David Sekgobela and Associates are always on time when they report for duty.
- 13.14 However, Mr Van Oordt is of the opinion that PRASA provide the PRASA vehicles for David Sekgobela and Associates' drivers to utilise and the drivers have no accountability for the condition of the vehicle or the manner they use the vehicles.
- 13.15 According to Mr Van Oordt the depot does not have enough vehicles, as the depot's fleet has high mileage and encounters numerous breakdowns and accidents.

14. INTERVIEW – MS SELINAH MBUKWANE (ACTING DEPOT MANAGER: WOLMERTON DEPOT, PRETORIA NORTH)

- 14.1 Ms Selinah Mbukwane ("Ms Mbukwane") has been employed as the PRASA Acting Depot Manager at Wolmerton Depot, Pretoria North since 1 September 2016. Ms Mbukwane provided the following background and information regarding the work provided or services rendered to PRASA by David Sekgobela and Associates in terms of the transportation contract (Annexure D).

Background

- 14.2 PRASA has a responsibility to provide transportation to employees when they commence work before 05h00am in the morning and to provide transport to employees when they have finished their work after 19h00pm in the evening.
- 14.3 David Sekgobela and Associates (in terms of the transportation contract) provide the Wolmerton Depot with 7 (seven) drivers (these seven drivers are included in the 16 drivers that David and Sekgobela and Associates had to provide in terms of the agreement). PRASA provide the vehicles (Hyundai H1 Kombis) that are the property of PRASA.
- 14.4 David Sekgobela and Associates does not provide the vehicles at the Wolmerton Depot. They only provide the seven drivers. Every day, two of the drivers go to the Scheiding Depot with one of the Wolmerton vehicles. The Wolmerton Depot shares the drivers and vehicles with Scheiding Depot and assists them where possible.
- 14.5 The remaining five drivers then obtain the list of employees requiring transport from the Wolmerton Depot Roster office.

- 14.6 During the evening the drivers complete two trips when transporting employees. The first trip is at 19h30pm and the second trip is at 21h30pm when the drivers transport the last employees to their homes.
- 14.7 The drivers will then stay at the Depot until they are required to commence the first collection of employees from their homes. The drivers depart at approximately 02h00am depending on the number of employees needing transport.
- 14.8 The drivers then commence the second and last trip to transport employees from their homes to the depot.
- 14.9 When the drivers arrive at the depot, they sign back the vehicles in the vehicle monitoring book.
- 14.10 The drivers also complete the logbook (kept in the vehicle) for the daily trips. The drivers are then released from their duties and return for duty at 18h00pm the following evening.
- 14.11 On a monthly basis, the Fleet Coordinator at the Depot submits copies of the Log books and the Vehicle Monitoring book to Messrs Mpho Moloi and Denzel Laka at Fleet Department, PRASA House.
- 14.12 Ms Mbukwane never has sight of the invoices prepared by David Sekgobela and Associates. She was uncertain whether the information the Wolmerton Depot provided to PRASA House was provided to David Sekgobela for the preparation of their invoice.
- 14.13 Ms Mbukwane confirmed that the drivers provided by David Sekgobela and Associates were always on time when they report for duty.
- 14.14 Ms Mbukwane raised the issue that PRASA provide the vehicles for the David Sekgobela and Associates' drivers to utilise for the transportation and that in her opinion the drivers had no accountability for the condition of the vehicle or the manner they use the vehicles.
- 14.15 PRASA does not have enough vehicles as the fleet at the Depot has high mileage and suffers numerous breakdowns and accidents.

15. **INTERVIEW – MR DAVID SEKGOBELA (DIRECTOR AND SHAREHOLDER)**

- 15.1 Mr David Sekgobela ("Mr Sekgobela") is the founder and co-owner of David Sekgobela and Associates, the business is located at 136 Hornbill Crescent, Montana (Annexure E).

Background

- 15.2 During 2010, Mr Sekgobela learnt about a tender advertised by PRASA for the provision of 16 (sixteen) Minibus/Kombis (10 seater minimum) and drivers for the Operations Department, Metrorail, Gauteng.
- 15.3 The closing date for the tender number PR/HO/OPS/006/11/2010 was 13 January 2011.
- 15.4 David Sekgobela and Associates submitted their tender to PRASA and was successful in their bid.

- 15.5 The tender closed and PRASA advertised the same tender requirements again. David Sekgobela and Associates submitted their bid documents every time PRASA advertised the same tender. David Sekgobela and Associates were successful in their bids. They have been providing the same service to PRASA since 2011.
- 15.6 David Sekgobela and Associates also submitted bid documentation for the tender advertised under tender number HO/PR/OP/250/09/2013 for the provision of 16 (sixteen) Minibus/Kombis 10 seater minimum and drivers to provide transportation in the Gauteng area.
- 15.7 The tender awarded to David Sekgobela and Associates was for the period 1 January 2015 to 31 December 2016. The contract price for the tender was R14,998,489.62.
- 15.8 David Sekgobela and Associates provide transportation services to PRASA for the following depots:

#	Depot	Number of kombis	Number of drivers
1	Springs	1 Kombi (DSA)	1 driver
2	Braamfontein	3 Kombis (DSA)	3 drivers and 1 supervisor
3	Naledi	1 Kombi (DSA)	1 driver
4	Germiston	1 Kombi (DSA)	1 driver
5	Vereeniging	2 Kombis (DSA)	2 drivers
6	Scheiding, Pretoria	6 Kombis (PRASA)	7 drivers
7	Elandsfontein	1 Kombi (DSA)	1 driver
8	Randfontein	1 Kombi (DSA)	1 driver
9	Wolmerton	6 Kombis (PRASA)	7 drivers

- 15.9 David Sekgobela and Associates provide a total number of 10 Kombis (indicated as "DSA") for the service to PRASA as indicated in the table above.
- 15.10 At the Wolmerton and Scheiding Depots, David Sekgobela and Associates utilise the PRASA Kombis for the service and only provide six drivers for the service and one supervisor that they also use as a reserve driver.
- 15.11 David Sekgobela and Associates provide one supervisor at Braamfontein who also assists as a driver. Furthermore, they also provide two cleaners at Wolmerton to clean the vehicles that was used during the evening and early morning trips.
- 15.12 David Sekgobela and Associates submit monthly invoices for the services rendered.

- 15.13 They claim the same amount per month, which is derived from the contract, i.e. contract price divided by 24 (twenty-four) months, which is an amount of R624,937.07.
- 15.14 It equates to R7,499,244.81 for a 12 (twelve) month period or for a period of 24 (twenty-four) months, it equates to the contract price of R14, 998, 489.62.
- 15.15 David Sekgobela and Associates submit their invoices during the first week of the month and PRASA usually pays at the end of the month.
- 15.16 According to Mr Sekgobela, PRASA, in certain instances paid late or paid in the middle of the month.

16. PAYMENTS MADE BY PRASA TO DAVID SEKGOBELA AND ASSOCIATES

- 16.1 PRASA effected a total of R14,373,552.61 payments to David Sekgobela and Associates for the period January 2015 to November 2016 as listed in the table below (Annexure F) (Exhibits 16 and 17).

Invoice number	Document Date	Amount (Rand)
572	14 January 2015	624,937.07
573	11 February 2015	624,937.07
574	4 March 2015	624,937.07
575	9 April 2015	624,937.07
576	7 May 2015	624,937.07
577	3 June 2015	624,937.07
578	6 July 2015	624,937.07
579	4 August 2015	624,937.07
580	2 September 2015	624,937.07
581	5 October 2015	624,937.07
582	3 November 2015	624,937.07
583	3 December 2015	624,937.07
584	5 January 2016	624,937.07

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Invoice number	Document Date	Amount (Rand)
585	4 February 2016	624,937.07
586	2 March 2016	624,937.07
587	5 April 2016	624,937.07
588	3 May 2016	624,937.07
589	6 June 2016	624,937.07
590	6 July 2016	624,937.07
591	4 August 2016	624,937.07
592	5 September 2016	624,937.07
593	3 October 2016	624,937.07
594	4 November 2016	624,937.07
Total	23 months	14,373,552.61
OUTSTANDING	December 2016	624,937.07
Total per contract		14,998,489.68

- 16.2 David Sekgobela and Associates invoiced PRASA for 23 months under the transportation contract. All 23 invoices were paid by PRASA.
- 16.3 There is one month's invoice remaining as the transportation contract expires on 31 December 2016.
- 16.4 The contract value was R14,998,489.68 for transportation for a period of 24 months, i.e. from 1 January 2015 to 31 December 2016.
- 16.5 David Sekgobela and Associates invoiced PRASA every month for an amount of R624,937.07 (R14,998,489.68 divided by 24 months), which consist of the following:

Description	Quantity	Unit price (Rand)	Total (Rand)
Minibus	10	42,500.00	425,000

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Description	Quantity	Unit price (Rand)	Total (Rand)
(minimum 10 seats)			
Insurance (comprehensive and passenger liability)	10	1,068.61	10,686.10
Drivers	16	5,400.00	86,400.00
Management fee	1	26,104.31	26,104.31
Sub-total			548,190.41
VAT @ 14%			76,746.66
Total amount due			624,937.07

16.6 We have not noted any adjusting credit notes issued by David Sekgobela and Associates for transport of less than 10,000 kilometers per month as stipulated per the agreement. Similarly, we have not seen any additional invoices where monthly kilometres exceeded the 10,000 kilometers per month.

17. OVER-INVOICING OF MINIBUS/KOMBIS

17.1 David Sekgobela and Associates was successful with tender HO/PR/OP/250/09/2013.

17.2 As explained above, the Request for Proposal, recommendation report and agreement stipulated that the contract was for 16 Minibus/Kombis and 16 drivers.

17.3 However, David Sekgobela and Associates only provided 10 Minibus/Kombis and the other 6 Minibus/Kombis were provided by PRASA for both the 2011 and 2015 contract.

17.4 Therefore, David Sekgobela and Associates were contracted to provide 16 Minibus/Kombis but only provided 10.

17.5 David Sekgobela and Associates invoiced the following for the drivers, insurance and management fee per month for the 2015 contract:

Description	Quantity	Unit price (Rand)	Total (Rand)	Over the 24 months
Insurance	10	1,068.61	10,686.10	256,466.40
Drivers	16	5,400.00	86,400.00	2,073,600.00

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Description	Quantity	Unit price (Rand)	Total (Rand)	Over the 24 months
Management fee	1	26,104.31	26,104.31	626,503.44
Sub-total (excluding VAT)			548,190.41	2,956,569.84

- 17.6 The contract value was R14,998,489.62 (including VAT) or R13,156,569.84 (excluding VAT).
- 17.7 Therefore, if the insurance, drivers and management fee costs for the 24 months totalling R2,956,569.84 (excluding VAT) is deducted from the total contract value of R13,156,569.84 (excluding VAT), then a total amount of R10,200,000 pertained to the Minibus/Kombis.
- 17.8 David Sekgobela and Associates was contracted for the provision of 16 Minibus/Kombis at a rate of R637,500 (R10,200,000 divided by 16) for the 24 months. Or R26,562.50 per month per Minibus/Kombi.
- 17.9 However, David Sekgobela and Associates invoiced the 10 minibus/Kombis at a rate of R42,500 per Minibus/Kombi.
- 17.10 Therefore, David Sekgobela and Associates over-invoiced PRASA with R15,937.50 per Minibus/Kombi per month.
- 17.11 This amounts to a total over-invoicing of R4,360,500 (including VAT) as reflected in the table below, for the 2015 contract:

	# of Minibus / Kombis	Rate per Minibus / Kombi	Per month	Over the 24 months
Invoiced by David Sekgobela and Associates	10	42,500.00	425,000	10,200,000
Should be	10	26,562.50	265,625	6,375,000
Over-invoicing (excluding VAT)				3,825,000
VAT				535,500
Over-invoicing (including VAT)				4,360,500

17.12 Bowmans did not have the necessary information to quantify the over-invoicing for the 2011 contract.

18. PHYSICAL VERIFICATION OF THE TRANSPORTATION

18.1 Bowmans visited the Scheiding and Wolmerton depots and interviewed Mr John van Oordt and Ms Selinah Mbukwane respectively as explained above.

18.2 Bowmans visited the two depots during the day and were therefore unable to verify the physical transportation services provided by David Sekgobela and Associates delivered between 18h00pm and 2h00am.

18.3 However, Bowmans confirmed that the total number of Minibus Kombis provided by David Sekgobela and Associates to PRASA was 10 (ten) and the total number of drivers was 16 (sixteen).

19. CONCLUSION AND REMEDIAL ACTION

19.1 The payment by PRASA on the over-invoicing by David Sekgobela and Associates constitutes fruitless and wasteful expenditure, as defined in section 1 of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

19.2 The PRASA Board should consider disciplinary action against the individuals involved and all fruitless and wasteful expenses as detailed above should be recovered from the supplier.

19.3 Internal controls must be implemented through the establishment of a fruitless and wasteful register, disclosure in the annual financial statements and additional control as stipulated in the National Treasury Fruitless and Wasteful expenditure guidelines.

ANNEXURES

The detailed report should be read in conjunction with the annexures listed below. Annexures constitutes the working paper of Bowmans:

Annexure #	Description
A	Notes of interview conducted with Ms Sarah du Plessis
B	Notes of interview conducted with Mr Teboho Phadi (Planning and Control Management: Train Operations Officer)
C	Notes of interview conducted with Mr John van Oordt (Depot Manager: Scheiding Depot Pretoria)
D	Notes on interview conducted with Ms Selinah Mbukwane (Acting Depot Manager: Wolmerton Depot, Pretoria North)
E	Notes on interview conducted with Mr David Sekgobela (director and shareholder)
F	David Sekgobela and Associates invoices paid by PRASA as per the David Sekgobela and Associates creditor account in the accounting records of PRASA compared and agreed to the physical David Sekgobela and Associates invoices

EXHIBITS

The detailed report should be read in conjunction with the exhibits listed below. Exhibits are third party documentation obtained from e.g. PRASA and David Sekgobela and Associates:

Exhibit #	Description
1	Company search of David Sekgobela and Associates
2	Director search on Mr David Sekgobela
3	Director search on Ms Machuene Welhemina Sekgobela
4	PRASA Supply Chain Management Policy dated February 2009
5	PRASA Supply Chain Management Policy dated September 2013
6	Recommendation report for the provision for transport dated 7 April 2011
7	Recommendation report dated 28 May 2014 for the extension of the David Sekgobela and Associates contract on a month-to-month basis from April 2014 to July 2014
8	Tender file check list
9	Request for Proposal
10	Tender collection register with the closing date stated as 29 April 2014
11	Supply Chain Management – tenders received register 5 May 2014
12	Declaration of interest by TEC members and confidentiality agreements signed by the TEC members
13	TEC members' evaluation score sheets for the bids dated 21 May 2014
14	Supply Chain Management recommendation report dated 9 December 2014
15	Agreement between PRASA and David Sekgobela and Associates dated 27 January 2015
16	David Sekgobela and Associates creditor account in the accounting records of PRASA
17	David Sekgobela and Associates invoices and other supporting documentation for the payment made by PRASA to David Sekgobela and Associates in terms of the

Report
Department of National Treasury
PRASA David Sekgobela and Associates (Pty) Ltd
Account: 105451
Provision of transportation after hours for PRASA employees

December 2016

Exhibit #	Description
	transportation contract.