



SIU_{SA}

STRIKING AGAINST CORRUPTION

PROGRESS REPORT

to the President in terms of section 4(1)(f) of the Special Investigating Units and Special Tribunals Act No. 74 of 1996 In Re:

Investigation into the Gauteng Department of Health, Tembisa Hospital as declared by Proclamation No 136 of 2023 (Government Notice No. 48217 of 01 September 2023)

FOR PUBLIC RELEASE

2025



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anti-corruption authority for a corrupt
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Distribution List

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Summary Table

Proclamation Number:	136 of 2023
Name of State Institution:	Gauteng Department of Health
Summary of Schedule to the Proclamation:	<p>The procurement of or contracting for goods and services by or on behalf of the GDOH for the Tembisa Hospital.</p> <p>Any unlawful or improper conduct by officials or employees of the GDOH or the Tembisa Hospital.</p>
ENE Outcomes:	
<i>Rand value of potential cash and/or assets to be recovered</i>	R1 078 389 040
<i>Number of referrals made for disciplinary action against officials and/or Executives</i>	116
<i>Number of referrals made for administrative action</i>	25
<i>Number of referrals made to the relevant Prosecuting Authority (NPA and AFU)</i>	4
<i>Number of investigations closed out under a published proclamation</i>	14
<i>Rand value of matters in respect of which evidence was referred for the institution or defence/opposition of civil proceedings</i>	R53 999 827
Other Matters of importance to highlight:	Extraordinarily complex investigation of syndicates involving fraud, corruption, money laundering, bid rigging and racketeering.

STRIKING AGAINST CORRUPTION

List of Abbreviations

Abbreviation	Description
AA	Accounting Authority
AFU	Asset Forfeiture Unit
AO	Accounting Officer
B-BBEE	Broad-Based Black Economic Empowerment
CIPC	Companies and Intellectual Property Commission
CSD	Central Supplier Database
DPCI	Directorate for Priority Crime Investigation
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
GDOH	Gauteng Department of Health
GEPF	Government Employees Pension Fund
HOD	Head of Department
Medicines Act	Medicines and Related Substances Act of 1965
Ms Deokaran	Ms Babita Deokaran
NPA	National Prosecuting Authority
NT	National Treasury
OOP	The Office of the Premier, Gauteng
PFMA	Public Finance Management Act, Act 1 of 1999
POCA	Prevention of Organised Crime Act, Act 121 of 1998
PPPFA	Preferential Procurement Policy Framework Act, Act 5 of 2000
PRECCA	Prevention and Combating of Corrupt Activities Act, Act 12 of 2004
Proclamation	Proclamation 136 of 2023
PO(s)	Purchase Order(s)
QAC	Quotation Adjudication Committee

Abbreviation	Description
RFQ	Request for Quotation
SAHPRA	South African Health Products Regulatory Authority
SBD	Standard Bidding Document
SCM	Supply Chain Management
SIU	Special Investigating Unit
SIU Act	Special Investigating Units and Special Tribunals Act, Act No. 74 of 1996
SARS	South African Revenue Service
SOP	Standard Operating Procedure
SRM	Sustainable Resource Management
Tembisa Hospital	Tembisa Provincial Tertiary Hospital
TOR	Terms of Reference



Table of Contents

Distribution List	2
Summary Table.....	3
List of Abbreviations.....	4
Executive Summary	8
1. Summary of SIU Outcomes and Consequence Management.....	10
1.1. Number of referrals made for Disciplinary Action against Officials and/or Executives	10
1.2. Number of referrals made for Administrative Action	10
1.3. Number of referrals made to the Relevant Prosecuting Authority	11
2. The SIU'S Legislative Mandate	11
3. The Functions of the SIU.....	12
4. Legislative Framework	12
4.1. The Constitution of the Republic of South Africa, 1996	12
4.2. The Public Finance and Management Act (Act 1 of 1999) ("PFMA").....	12
4.3. Preferential Procurement Policy Framework Act, Act 5 of 2000 (Act No 5 of 2000) ("PPPFA") and its regulations	13
4.4. Practice Guide 01 of 2018.....	13
4.5. Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 ("PRECCA")	13
4.6. Prevention of Organised Crime Act, Act 121 of 1998 ("POCA")	13
4.7. Treasury Regulations in terms of Section 76 of PFMA issued 15 March 2005.....	13
4.8. Relevant NT practice and instruction notes and circulars.....	13
4.9. Public Service Regulations.....	14
4.10. Department of Health SCM Policy and circulars	15
4.11. Gauteng Provincial Treasury	16
4.12. Financial Intelligence Centre Act (Act No 38 of 2001) ("FICA")	16
5. Summary of findings.....	17
5.1 Procurement irregularities	17
5.2 SAHPRA non-compliance	23
5.3 NT transversal contract non-compliance	23
5.4 Syndicate Activity	25
5.4.1 Syndicate X	25
5.4.2 Maumela Syndicate	26
5.4.3 Mazibuko Syndicate	27
5.5 Additional syndicates.....	27
5.5.1 Syndicate A	28

5.5.2	Syndicate B	28
5.5.3	Syndicate C	28
5.5.4	Syndicate D	28
5.5.5	Syndicate E	28
5.5.6	Syndicate F	28
5.6	Corruption	28
5.7	Value for money	33
5.8	Collaboration with other state institutions	35
5.9	Risks and challenges	36
6.	Outcomes	36
6.1	Disciplinary referrals	36
6.2	NPA referrals	37
6.3	Administrative action	37
6.4	Matters referred to civil litigation	37
7.	Interim observations based on current findings	37
8.	Way forward	39
9.	Conclusion and Sign Off	40



Executive Summary

The Special Investigating Unit ("**SIU**") is honoured to present this progress report to His Excellency, President Matamela Cyril Ramaphosa in terms of section 4(1)(f) of the Special Investigating Units and Special Tribunals Act, 1996 (Act No. 74 of 1996) ("**SIU Act**") pursuant to the publication of Proclamation 136 of 2023 ("**Proclamation**"). This report is for public release.

The Office of the Premier, Gauteng ("**OOP**") and the SIU entered into a secondment agreement on 14 September 2022 for the provision of forensic investigative capacity to the OOP for purposes of conducting an internal investigation based on a Gauteng Department of Health ("**GDOH**") report dated 04 August 2021 authored by the late Ms Babita Deokaran ("**Ms Deokaran**"), former Chief Director: Financial Accounting at the GDOH. Ms Deokaran's report indicated that, based on an analysis conducted on the Purchase Orders ("**PO(s)**") issued between 1 April 2021 and 31 July 2021, 63% of all POs issued during the period under review for values between R400 000 (four hundred thousand rand) and R500 000 (five hundred thousand rand) were linked to the Tembisa Provincial Tertiary Hospital (hereinafter referred to as "**Tembisa Hospital**"), and/or its service providers. This raised red flags as the level of expenditure was excessive for the size of the hospital as compared to much larger Provincial Hospitals in Gauteng. Ms Deokaran's report listed 224 service providers which traded with the Tembisa Hospital within the highlighted period and value range.

The scope of the OOP/SIU secondment investigation included, *inter alia*, to investigate allegations of maladministration, fraud and corruption related to the Supply Chain Management ("**SCM**") process at the Tembisa Hospital as from 2019 to date relating to the suppliers and/or service providers as identified in Ms Deokaran's report.

The OOP final investigative report was referred to the SIU on 8 December 2022 by the Acting Director General of the OOP. The OOP final investigative report was further released to the public by the OOP on 13 December 2022. Based on the OOP final investigative report, the SIU prepared a motivation for a proclamation which led to Proclamation No. 136 of 2023 being published on 01 September 2023. The SIU investigation covers the period 01 January 2020 to 01 September 2023, but also authorises the investigation of matters that occurred before 1 January 2020 or 1 September 2023 which is relevant to, connected with, incidental or ancillary to the matters mentioned in the Schedule to the Proclamation or involve the same persons, entities or contracts investigated under authority of the Proclamation,

The investigation currently involves 207 service providers which traded with the Tembisa Hospital under 4,501 POs. Each PO is linked to a purported three-quote procurement process purportedly involving three competing bidders. The total value of matters under investigation by the SIU in terms of the Proclamation is R 2 043 293 404.10. These numbers are constantly updated as new companies

are identified through ongoing investigations and the flow of funds involving irregularly appointed service providers at the Tembisa Hospital.

During the SIU investigation, the SIU identified three main syndicates which operated at the Tembisa Hospital. To date, the SIU investigation team has analysed 2,207 procurement bundles linked to the POs, all of which are irregular. The SIU investigation team identified the officials of the GDOH and/or the Tembisa Hospital who irregularly benefited through alleged corrupt payments from the syndicates for the role(s) they played in the irregular appointment of the service providers. Corrupt payments are made to the officials through complex money laundering webs of linked accounts, facilitating the flow of illicit funds.

The investigation involves the following:

- Severe maladministration and abuse of procurement processes;
- Extensive fraud involving fronting, collusion and the submission of false Supply Chain Management ("**SCM**") documentation;
- Excessive profiteering and a general lack of value for money received;
- Extensive money laundering and racketeering; and
- Extensive corruption linked to numerous service providers and officials of the GDOH and/or the Tembisa Hospital who abused their positions of trust and authority within the GDOH or the Tembisa Hospital for their own benefit.

This is a multi-disciplinary investigation involving various agencies and requires collaboration amongst all role-players.



1. Summary of SIU Outcomes and Consequence Management



1.1. Number of referrals made for Disciplinary Action against Officials and/or Executives

To date, the SIU has prepared 116 disciplinary referrals against 13 officials of which 108 was delivered to the GDOH relating to maladministration and the irregular appointment of service providers at the Tembisa Hospital. One matter was held back for the preparation of civil litigation and seven additional referrals were finalised in preparation for hand-over to the GDOH.

It should be noted that the irregular appointment of the Tembisa Hospital service providers was not merely irregular but, in many instances, blatantly fraudulent. The officials identified played a crucial role in the fraudulent appointment of these service providers. Their actions directly led to the exploitation of the three-quote procurement process at Tembisa Hospital and the irregular expenditure suffered by the GDOH. It is these same officials who received millions of rands in alleged corrupt payments from the fraudulently appointed service providers. The officials were corrupted to misuse their positions within the GDOH to the advantage of the service providers. In respect of Tembisa Hospital, the persons who benefitted most from this blatant exploitation was the lower level GDOH officials who manipulated the procurement processes and the syndicated service providers.

1.2. Number of referrals made for Administrative Action

To date, the SIU referred 25 matters to the South African Health Products Regulatory Authority ("SAHPRA") relating to the contravention of *inter alia* Section 22C(1)(b) of the Medicines and

PROV_GDOH_1362023_092025_Progress for Public release_85115 10

Related Substances Act of 1965 ("**Medicines Act**"), as amended. The SIU confirmed with SAHPRA that none of the Tembisa Hospital service providers were licensed to manufacture or supply medical goods and/or medicines.

1.3. Number of referrals made to the Relevant Prosecuting Authority

To date, the SIU has referred four matters to the NPA for corruption involving officials of the GDOH or the Tembisa Hospital and implicated service providers of the Tembisa Hospital with a total value of R42 233 938.61 paid to the officials.

It should be noted that the officials involved in the referrals were GDOH officials directly responsible for and involved in the fraudulent appointment and receipt of goods of the Tembisa Hospital service providers. The SIU found that not only did officials within the SCM process benefit from their illicit actions, but also officials who acted as end-users signing for goods received. These actions lead one to conclude that all GDOH records related to the procurement and receiving of goods at Tembisa Hospital were purposely and fictitiously generated by GDOH officials in an attempt to make the processes appear legitimate.

2. The SIU's Legislative Mandate

Empowering legislation:

Special Investigating Units and Special Tribunals Act, 1996 (Act No. 74 of 1996) ("**SIU Act**").

Mandate:

Investigate serious malpractices or maladministration in connection with the administration of State institutions, State assets and public money, as well as any conduct which may seriously harm the interests of the public.

Vision:

The independent public integrity and anti-corruption authority for a corruption-free South Africa.

Mission:

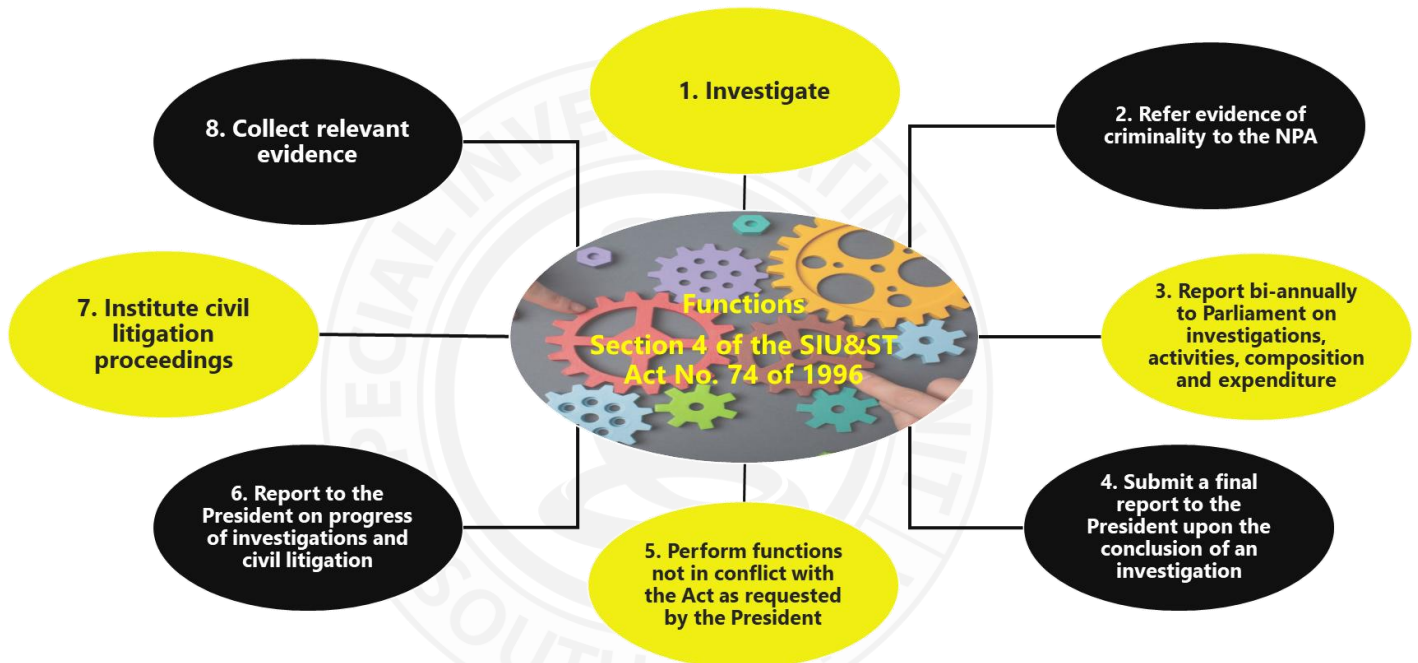
Protecting the public interest and assets through prevention measures and systemic investigations to eradicate fraud, maladministration and corruption.

Values:

- Integrity
- Co-operation
- Professionalism

- Efficiency
- Independence

3. The Functions of the SIU



4. Legislative Framework

The following legislation, prescripts and policies are *inter alia* applicable to this investigation.

4.1. The Constitution of the Republic of South Africa, 1996

Section 2 of the Constitution provides that any conduct contrary to the Constitution is invalid.

Section 195(1) of the Constitution provides that public administration must be governed by constitutional democratic values and principles, including a high standard of professional ethics.

Section 217(1) 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.

4.2. The Public Finance and Management Act (Act 1 of 1999) ("PFMA")

Section 38 of the PFMA places the responsibility of preventing irregular expenditure on the Accounting Officer. The section further places responsibility on the Accounting Officer to ensure there is an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

Section 45 of the PFMA also places similar responsibilities on other officials in a Department.

PROV_GDOH_1362023_092025_Progress for Public release_85115

12

4.3. Preferential Procurement Policy Framework Act, Act 5 of 2000 (Act No 5 of 2000) ("PPPFA) and its regulations

The PPPFA sets out the implementation framework to allow for preferential procurement.

4.4. Practice Guide 01 of 2018

Determination of Validity of a Broad-Based Black Economic Empowerment ("**B-BBEE**") Verification Certificate, B-BBEE Certificate and Sworn Affidavit

The B-BBEE practice guide 01 of 2018 provides guidelines for determining the validity of a B-BBEE verification certificate, B-BBEE certificate and sworn affidavit.

4.5. Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 ("PRECCA"

For the purposes of this investigation, the following sections of PRECCA are relevant:

- Section 3, which provides for the general offence of corruption;
- Section 4, which provides for offences in respect of corrupt activities relating to public officers;
- Section 10, which provides for offences in respect of corrupt activities relating to the receiving or offering of unauthorised gratification;
- Section 12, which provides for offences in respect of corrupt activities relating to contracts; and,
- Section 21, which provides for attempt, conspiracy and inducing another person to commit an offence.

4.6. Prevention of Organised Crime Act, Act 121 of 1998 ("ICA")

For the purposes of this investigation, all sections under Chapter 3 of POCA are relevant as they provide for offences relating to the proceeds of unlawful activities.

4.7. Treasury Regulations in terms of Section 76 of PFMA issued 15 March 2005

Treasury Regulations 16A.6.1 prescribes that the procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury ("**NT**").

4.8. Relevant NT practice and instruction notes and circulars

NT SCM Practice Note 1 of 2003, which provides for the implementation of Standard Bidding Documents ("**SBDs**").

NT SCM Practice Note 4 of 2003, which provides for the code of conduct of SCM practitioners.

PROV_GDOH_1362023_092025_Progress for Public release_85115

13

As per NT Practice Note 8 of 2007/2008, Accounting officers should invite and accept written price quotations for requirements up to an estimated value of R 500 000 from as many suppliers as possible, who are registered on the list of prospective suppliers. Paragraph 3.5 notes that goods, works, or services may not deliberately be split into parts or items of lesser value merely for the sake of procuring goods, works or services otherwise than through the prescribed procurement process. It is noted that a requirement for goods, works, or services consisting of different parts or items must, as far as possible, be treated and dealt with as a single transaction.

It is noted in paragraph 6.1 that the Accounting Officer must be in possession of an original, valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R 30 000 (VAT included).

NT SCM Instruction Note 3 of 2016/2017, which provides guidance on measures to prevent and combat abuse in the SCM system.

NT PFMA SCM Instruction Note 4A of 2016/2017 CSD, which prescribes the utilisation of the mandatory Central Supplier Database ("**CSD**").

NT SCM Circular 5 of 2016/2017, which relates to the requirement for submission of B-BBEE certificates and sworn affidavits.

National Treasury Circular 3 of 2016 "*Utilisation of Transversal Term Contract*", which relates to the use of transversal term contracts.

NT PFMA SCM Instruction Note 2 of 2021/22 was issued to amend the threshold values within which accounting officers may procure goods and services by means of petty cash, written price quotations or competitive bids. As per paragraph 3.2.1, the threshold value for written price quotations was amended from a maximum estimated value of R500 000 to R1 000 000, and price quotations should be obtained from prospective suppliers that are registered on CSD. It is once again repeated, as per paragraph 4.1, that the procurement of goods and services may not be deliberately split into parts or items of a lesser transaction value in order to circumvent the prescribed procurement process. The instruction note came into effect as from 01 July 2021; however, it does not apply retrospectively and therefore procurement processes that commenced prior to the instruction coming into effect must be concluded based on the prescripts applicable when the quotes/bids were invited or advertised.

NT SCM Instruction Note 3 of 2021/2022 which provides guidance in respect of enhancing compliance, transparency and accountability in SCM.

4.9. Public Service Regulations

R.877 of 2016, as amended by Notice 581, Government Gazette 42394 dated 11 April 2019.

For the purposes of this investigation, the following regulations are considered relevant:

- Section 11, which requires employees to adhere to the Constitution and other laws;
- Section 12, which deals with the employee's relationship with the public; and,
- Section 13, which deals with ethical conduct with specific reference to section 13(a), wherein it is stated that:

"An employee shall— (a) not receive, solicit or accept any gratification, as defined in section 1 of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004), from any employee or any person in return for performing or not performing his or her official duties."

4.10. Department of Health SCM Policy and circulars

Relevant circulars

GDOH Circular Minute 63 of 2017 provides the procedure for receiving goods and capturing RLS02 on the Sustainable Resource Management ("**SRM**") system

GDOH Circular Minute 8 of 2019, which provides the Standard Operating Procedure ("**SOP**") for the Quotation Adjudication Committee ("**QAC**").

GDOH Circular Minute 8 of 2019, which provides for the QAC Terms of Reference ("**TOR**").

GDOH Circular Minute 5 of 2020, which contains the code of conduct for SCM practitioners and bid specification, evaluation and adjudication teams.

GDOH Circular Letter 7 of 2020 regarding the guidelines on deviations from a competitive bidding process

GDOH Circular Minute 17 of 2020 regarding the submission of SCM information to be included in the 2019/2020 annual financial statements, including irregular expenditure.

GDOH QAC TOR dated 2021/2022, which sets out the functions, powers, and duties of the QAC.

GDOH Circular Letter 7 of 2022 regarding the procurement of goods and services above R 500 000 but below R 1 million applicable in the 2022/2023 financial year.

GDOH Circular Minute 42 of 2022, which relates to the submission of procurement plan status and planned procurement from 01 January 2023 to 31 March 2023.

GDOH SCM policies

GDOH SCM policy dated 26 September 2016, which provides guidance in respect of all matters SCM-related.

GDOH SCM policy dated 07 May 2019, with specific reference to the following sections:

- Section 13: Fraud and corruption;
- Section 14: Code of Conduct and Ethics;
- Section 15: Measures to enhance compliance monitoring and improve accountability and transparency;
- Section 16: Demand management;
- Section 20: B-BBEE status level certificates;
- Section 21: Validity of B-BBEE certificates;
- Section 26: Evaluation of bids with specific reference to bids above R30 000 and below R500 000;
- Section 28: Refers to, amongst others, tax clearance and bidding document requirements;
- Section 37: Avoiding abuse of the SCM system; and
- Section 44: Annexure Procurement procedures, which includes procurement through quotations.

4.11. Gauteng Provincial Treasury

Gauteng Provincial Government Model SOP for the request for quotation process issued by the Gauteng Provincial Treasury on 15 February 2022.

Gauteng Provincial Treasury SCM framework and compliance assessment tool 2021/2022, which provides guidance in respect of avoiding abuse of SCM; code of conduct for SCM officials and other role players; use of the CSD; and procurement processes implemented.

4.12. Financial Intelligence Centre Act (Act No 38 of 2001) ("FICA")

For the purpose of this investigation, the SIU will focus on the following relevant sections of the FICA:

- Section 28, which relates to the reporting of accountable institutions on cash transactions above the prescribed limit.
- Section 51, which sets out the offences related to non-compliance with section 28 of the FICA;
- Section 29, which relates to a person reporting on suspicious and unusual transactions;
- Section 52, which sets out the offences related to non-compliance with section 29 of the FICA; and,
- Schedule 1 to the FICA, which provides a list of all accountable institutions.

5. Summary of findings

For the purposes of this report, the following preliminary findings will be highlighted:

- Procurement fraud;
- Syndicate activity at the Tembisa Hospital; and
- Corruption involving the Tembisa Hospital employees/officials.

5.1 Procurement fraud

In respect of the procurement bundles collected and analysed to date, the SIU has identified that all payments made to the service providers are purportedly based on the three-quote system. All service providers were appointed on quotations, and each transaction value was below R500 000. It appears that the three-quote procurement process was intentionally abused to circumvent the tender process and to keep the authorisation level as low as possible. As previously mentioned, in addition to the service providers raking in the millions, it is the officials on the ground, at the grassroots level, who benefited most financially from the unscrupulous looting at Tembisa Hospital. These officials controlled the SCM processes; they created a fictitious need, went through a bogus procurement process, and fraudulently signed for goods which were, most likely, never delivered.

Based on the total value of the goods procured during the relevant review period, and the frequency and regularity of the Request(s) for Quotation(s) ("**RFQ(s)**") going out for the same or similar goods, it is apparent that the Tembisa Hospital or relevant officials had intentionally split the need for the goods in order to ensure that such goods can purportedly be procured under the R500 000 threshold prescribed for the lawful use of RFQs. This is in direct contravention of relevant prescripts of the NT and is inherently an abuse of the procurement processes in order to avoid going out to public tenders.

In addition, the GDOH or the Tembisa Hospital contravened the provisions of the GDOH's Decentralised Supply Chain Management Policy of 2019 as approved by the Head of Department ("**HoD**") of the GDOH on 7 May 2019, which stated that "*Subdividing of requirements to avoid the invitation of formal competitive bids should not be allowed*", i.e. the splitting of orders.

The SIU found that suppliers frequently provided separate invoices for different items, all issued on the same day for the same amount(s) or similar amount(s) linked to separate POs; and suppliers frequently provided separate invoices for different items, all issued only a few days apart.

By circumventing the tender procurement process, the risk of potentially revealing the true identity of the beneficial owner(s) of the supplier(s) is minimised, as it allows for the containment of irregular procurement processes within the Tembisa Hospital. The SIU confirmed exactly this, that major syndicates were at work at Tembisa Hospital. Various service providers formed groups, i.e.

syndicates, they colluded with one another, committed acts of fraud and corruption, all to hide the true identities of those who finally benefited from the Tembisa Hospital cash cow, the ultimate Kingpins, private individuals living the high life, spending millions on lavish lifestyles.

In summary, a regular RFQ procurement process should normally entail the following:

1. Completion of the RLS01: Purchase Request Form for Goods and Services. The form sets out the available budget; items required; estimated unit price; signature of the end-user and authorisation by the relevant delegated authority, which in this case was the relevant Chief Executive Officer ("**CEO**") of the Tembisa Hospital at the time.
2. The document is submitted to the SCM section responsible for sending out the RFQs; evaluation, adjudication and recommendation of the relevant service providers. The relevant documents included in this process are:
 - The RFQ was sent to each potential service provider who should be selected from the Central Supplier Database (CSD), with respect to the appropriate commodity on the CSD. The CSD is a database of organisations, institutions and individuals who offer to provide goods and services to the government. The CSD will serve as the single source of key supplier information for organs of state from 01 April 2016, providing consolidated, complete and verified supplier information to procuring organs of state. In the case of the Tembisa Hospital, the RFQs were sent to three potential suppliers, but such suppliers were not sourced from the CSD and/or not from the appropriate commodity on the CSD, and the potential suppliers on the CSD were also not selected by means of a fair process (e.g. rotation). RFQs were sent to predetermined bidders waiting in the wings, bidders linked to the various syndicates that operated at Tembisa Hospital. The whole looting scam would not have succeeded if potential service providers were randomly sourced from CSD. For the exploitation of Tembisa Hospital to succeed, the selection of service providers could not be random; it had to be controlled to ensure that preselected bidders were appointed, which would ultimately benefit the Kingpins.
 - The RFQ documents provided by each bidder should normally include the following:
 - The quotation;
 - The relevant CIPC documents;
 - Copy of the director's identification document;
 - Valid B-BBEE affidavit/certificate;
 - Valid Tax Clearance Certificate or PIN;
 - The bidders' Central Supplier Database report;

- The following Standard Bid Documents (SBDs):
 - SBD4: Declaration of interest;
 - SBD8: Declaration of bidder's past SCM practices;
 - SBD9: Certificate of Independent Bid Determination; and
 - SBD6.1: Preferential Procurement calculation document.
 - The SCM document checklist (very rarely included in the bundles);
 - The vetting committee, also referred to as the Quotation Adjudication Committee (QAC), will provide the evaluation sheet with the recommended bidder and the evaluation sheet with the signatures of the vetting committee or QAC.
3. Based on the recommended service provider, the GDOH Head Office is responsible for issuing the relevant PO to the service provider to be appointed. The PO is sent to the service provider. The Tembisa Hospital SCM will print the PO and include it in the procurement bundle.
 4. Also included on the procurement bundle is the invoice as provided by the service provider and the RLS02: Goods/service receipt note.
 5. In respect of the goods received process:
 - a. The role of the transit office: The transit office is responsible for receiving all goods delivered at the Tembisa Hospital and issuing the relevant RLS02. Goods are divided into two categories: direct /" buy-out" deliveries or dry dispensary/stores deliveries. Store deliveries are items used by most sections of the hospital on a daily basis, such as toilet paper, bandages, cotton wool, etc. On the other hand, direct deliveries include items that are specific to a certain ward or section, such as items specifically required for theatre, casualties, paediatrics, maternity, and intensive or high care.
 - b. Process involved in the receipt of store items: The delivery truck will enter the deliveries gate and sign the security register along with all other visitors to the hospital. The SIU obtained all available access control registers from the Tembisa Hospital. Upon preliminary review of the registers, the number of deliveries recorded in the access control registers does not justify the number of POs issued to the service providers under investigation.

After signing in at the gate, the truck then heads for the store's delivery area, where it is received by the transit clerk. The transit clerk will verify the delivery against the relevant PO, as received from SCM, and sign for goods received. The transit clerk will then capture

the delivery on the SRM system. This is a crucial action as it gives the green light to the GDOH Head Office to continue with the payment of the service provider, as the goods were purportedly received. The transit clerk prepares the RLS02, which he or she then signs and provides to the relevant transit supervisor for signature. The RLS02 is then included in the procurement bundle and delivered to the Finance Department at the Tembisa Hospital.

The transit clerk will also issue a document referred to as a VA7, which confirms the delivery. The document records the relevant PO number, stock details and date received. A copy of the VA7 is sent to the Warehouse and the Posting Office. Upon receipt of the VA7, the Warehouse will issue a document referred to as a VA10, allowing for stock control. The Posting Office will issue a document referred to as a VA11A or bin card, also allowing for stock control, recording stock entering or leaving the shelves. The transit clerk manually records all VA7s in a book or register and files the document.

- c. Process involved in the receipt of direct deliveries: The delivery truck will enter the deliveries gate and sign the access control register along with all other visitors to the hospital. The truck then heads for the store's delivery area, where it is received by the transit clerk. The transit clerk will verify the end-user from the RLS01 or PO included in the procurement bundle as received from SCM. The transit clerk contacts the end-user for verification and collection. The end-user will go to the stores for verification and then signs the RLS02 document confirming that the goods were purportedly received. The RLS02 is also signed by the transit supervisor. The end-user will then take the relevant items from the store for storage at the relevant ward/section.

The transit clerk will then capture the delivery on the SRM system. This is a crucial action as it gives the green light to the GDOH Head Office to continue with the payment of the service provider, as the goods were purportedly received.

In respect of direct deliveries, no VA7 is issued. However, all direct deliveries are manually listed in a book/register by the transit clerk when the complete procurement bundle is sent to the Finance Department for reconciliation and archiving. It should be noted that the service providers under investigation were mostly responsible for direct deliveries.

6. The procurement process is thus concluded after the transit clerk confirms delivery of the goods on the SRM system, allowing for the payment to be made to the service provider.

In respect of the procurement process, the SIU has identified *inter alia* the following irregularities:

- Prospective suppliers were not sourced from the CSD and/or not from the appropriate commodity list as required in terms of NT prescripts and SCM requirements;

- The SIU found no evidence to indicate that service providers were rotated to ensure fair and equitable procurement processes. Many of the service providers appointed could be traced back to a limited group of specific beneficial owners. The illusion of the rotation of service providers was created through collusion, fronting and syndicated activities.
- The SIU identified material non-compliance with the terms and conditions as set out in the RFQs sent to prospective suppliers and fraud, which included the following:
 - Outstanding and/or missing required bid documents such as company registration documents and a copy of the director identification document;
 - Outdated company registration documents with incorrect director details, which allow for obscuring the true director and ultimate beneficiary;
 - Incomplete SBDs, which would include excluding director information, relevant company information, previous trading information, declarations of connections to any GDOH and/or government officials;
 - Manipulated and altered SBDs where information, specifically signatory dates, was removed, either just scratched out or through the use of correcting fluid and replaced with new dates to make the documents appear valid for the purposes of the RFQ. This was used to re-process RFQ documents from past and completed SCM processes with respect to purportedly new SCM processes.
 - Unsigned and undated SBDs;
 - Expired or undated and unsigned B-BBEE certificates, which should be considered invalid;
 - Incorrect or inconsistent Director details in SBDs; CIPC and/or B-BBEE certificates;
 - SBDs addressed to other government departments and not the GDOH or the Tembisa Hospital. The SIU found SBDs addressed to other GDOH institutions and also other departments, such as the South African Defence Force, etc..
 - SBDs dated prior to the issuing of the RFQ, which indicates that the service provider was aware of the RFQ, or they were simply re-processed/repeatedly using the same bid documents for different RFQs;
 - Fraudulent CIPC and B-BBEE documents. At this point of the investigation, the SIU confirmed with one of South Africa's leading certification verification and B-BBEE compliance specialists that several B-BBEE certificates were forged or fraudulently issued under their company name.

- Expired tax clearance certificates; and,
- The SIU identified various links between the winning bidders and the unsuccessful bidders through electronic money transfers, shared directorship, and collusion amongst family members, etc.

From the irregularities and blatant fraud identified, it could be concluded that the procurement documents were intentionally fabricated to make the procurement process appear legitimate. Under no circumstances should any of the fraudulently appointed Tembisa Hospital service providers have even been considered for adjudication, let alone been appointed.

- Actions of the QAC:
 - The SIU found that the QAC frequently adjudicated on non-compliant bidders, and the SIU found no evidence that the QAC highlighted or identified any of the irregularities as identified by the SIU;
 - The SIU found that the Tembisa Hospital SCM division would record that all three potential service providers were compliant as per the terms and conditions as set out in the RFQ, even though they were clearly not, and recommend the appointment of a service provider to the QAC as per the *"Evaluation form"* even if the specific service providers were without a doubt non-compliant. It seems clear that the appointment of the majority of the service providers was done in contravention of the terms and conditions of the RFQ. In some cases, all the possible identified irregularities are present in the bid documents of just one service provider appointed as a successful bidder on one RFQ.
 - Upon review of the procurement bundles, the SIU found that the QAC would recommend appointment of clearly non-compliant bidders to the CEO of the Tembisa Hospital.
- Actions of SCM and relevant authorities:
 - The CEO of the Tembisa Hospital, during the period under review, authorised the appointment of non-compliant bidders. One would then ask the question as to why no red flags were raised from the Office of the CEO based on the vast number of RFQ appointments that were authorised almost daily.
 - The Tembisa Hospital SCM officials would then request the issuing of POs for non-compliant bidders from the GDOH Head Office. Once again, no red flags were raised by either SCM and/or the GDOH regarding the completely disproportional number of POs processed during the period under review.

- Actions of the GDOH Head Office:
 - Issuing compliance certificates in respect of clearly non-compliant bidders. The SIU found no evidence that would indicate any red flags being raised by the GDOH in respect of the number of RFQs processed by the Tembisa Hospital. The SIU also found that compliance certificates were issued for blatantly non-compliant bidders.
 - Issuing POs to non-compliant bidders. The SIU found that the same persons issuing the irregular compliance certificates were responsible for issuing the POs to the non-compliant bidders, which offends against the principle of segregation of duties. At no point in this process did any of the GDOH officials report any suspicion of irregularities/or raise any concerns. It was only in August 2021 that Ms Deokaran suspected irregularities based on an analysis conducted from April to July 2021.
- Actions of the transit office:
 - The SIU confirmed that Goods Received Vouchers were captured on the SRM system prior to the transit supervisor signing the RLS02, confirming that goods were purportedly received.
 - The SIU found that not all deliveries, when compared to the number of POs issued to a service provider, are recorded in the relevant registers kept by the transit office. These records are thus either incomplete or support the reasonable inference drawn by the SIU that most of the goods were never actually delivered.

5.2 SAHPRA non-compliance

Many of the goods procured by the Tembisa Hospital will qualify as “*medical devices*” under the Medicines Act, which requires SAHPRA registration and licensing. SAHPRA confirmed that none of the service providers under investigation were issued with the relevant SAHPRA licences to supply the purported medical devices during the period under review. As such, the SIU initiated the process of referring these suppliers to SAHPRA to take the necessary steps against unlicensed service providers, and since contravention of the Medicines Act also constitutes a potential criminal offence, referrals will also be made to the NPA.

5.3 NT transversal contract non-compliance

The GDOH and the Tembisa Hospital should have done a proper needs analysis for the relevant goods and based on the average value of the goods procured on an annual basis over previous years, which would have identified a procurement need for the goods far in excess of the R500 000 threshold then applicable to the lawful use of RFQs. Consequently, the GDOH and the Tembisa

Hospital should have approached NT to go out on one or more public tenders (s) to secure one or more transversal type contract(s) for a period of at least three years.

The use of a central procurement process facilitated by NT is in line with the provisions of NT Circular 3 of 2016 *"Utilisation of Transversal Term Contract"*, where the following paragraphs are *inter alia* relevant:

Paragraph 2.2 of Circular 3 of 2016 states that *"The problems experienced with the current decentralised and fragmented procurement system are, among others, as follows:*

- *Not realising the benefits from leveraging economies of scale;*
- *Duplication of effort in the procurement of common goods and services;*
- *Inconsistency in prices and lack of standardisation of common goods;*
- *Strategic sourcing methodologies and principles not applied in procuring common goods and services;*
- *Inconsistency in policy application;*
- *Inadequate contract management;*
- *Poor service delivery;*
- *Poor inventory management; and*
- *Increased levels of corruption and abuse";*

Paragraph 2.4 of Circular 3 of 2016, which states that *"Centrally arranged contracts enable government to, among others, leverage its bulk purchasing power and achieve savings through economies of scale, eliminate duplication, reduce administrative costs, improve consistency in policy application, improve contract management and better service delivery";*

Paragraph 3.2 of Circular 3 of 2016, which states that *"Once a contract has been designated as transversal in nature, government institutions will be obliged to participate in such transversal contracts";* and

Paragraph 3.6 of Circular 3 of 2016 states that *"All accounting officers and accounting authorities of all departments, constitutional institutions and 3A and 3C public entities will be required to participate in transversal term contracts, unless the relevant treasury has exempted the institution from such participation".*

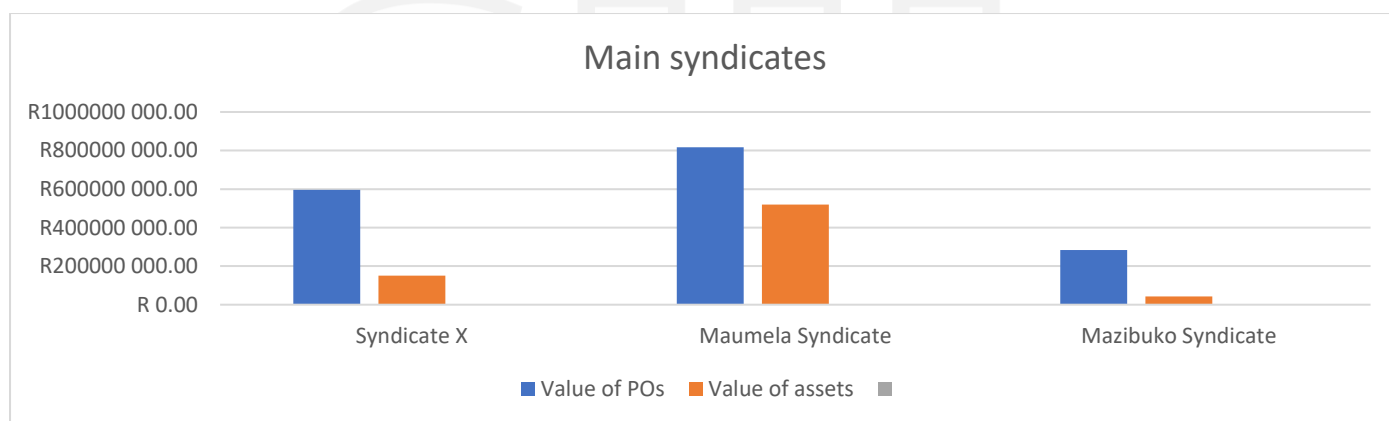
Treasury Regulations 16A.6.5 provides that *"The accounting officer or accounting authority may opt to participate in transversal term contracts facilitated by the relevant treasury. Should the accounting officer or accounting authority opt to participate in a transversal contract facilitated by the relevant treasury, the accounting officer or accounting authority may not solicit bids for the same or similar product or service during the tenure of the transversal term contract."*

Furthermore, common sense dictates that where such transversal contracts were concluded through the facilitation of NT (especially longer term contracts) with suppliers or service providers, where the expectation of bulk buying power over the term of the transversal contracts would have been used to persuade the successful supplier/service provider to submit prices or rates as low as possible, with the legitimate expectation to make-up any potential loss in singular profit through the bulk sales as envisaged in the transversal contracts, it would be improper and against the rule of law for NT (on behalf of participating State institutions) to grab such financially and administratively beneficial deals, only to go back on the deals later (but still within the tenure of such transversal contracts) by also procuring goods or services provided for under such transversal contracts from other suppliers or service providers and by means of other SCM processes (e.g. RFQs). The SIU conducted an interview with NT regarding transversal contracts, and NT confirmed that several transversal contracts were in place, of which the GDOH was a party. The SIU found that items were purchased on the three-quote procurement process, which were available on transversal contracts at the time.

5.4 Syndicate Activity

The SIU identified three main syndicates which operated at the Tembisa Hospital during the period under review. These syndicates are linked to activities of money laundering, fronting, collusion, fraud, corruption and racketeering; and made use of conduit companies and accounts for the benefit of singular person(s) and/or family/ies.

The chart below provides a summary overview of the value of POs and assets linked to the three main syndicates:



5.4.1 Syndicate X

The SIU is reviewing 1,237 three-quote procurement process bundles valued at R596 424 356 linked to syndicate X. As the investigation is ongoing and because of the possibility of dissipation of assets, the SIU will refrain from mentioning the syndicate name. The SIU finalised the analysis of 646 of

these procurement bundles. All procurement bundles reviewed thus far resulted in the identification of countless procurement irregularities and blatant fraud. The SIU identified numerous secondary conduit accounts, which were used to launder funds from the service providers trading with the Tembisa Hospital, acquire assets and make corrupt payments to various officials of the GDOH or the Tembisa Hospital.

Assets identified

To date, the SIU has been able to identify a number of assets linked to syndicate X with a combined value of approximately R150 000 000.

Alleged corruption identified

To date, the SIU has been able to trace alleged corrupt payments made directly or indirectly by or on behalf of syndicate X to at least 32 accounts linked to current and former officials/employees of the GDOH or the Tembisa Hospital to a combined value of R56 450 000.

The corrupted officials were responsible for identifying the need, sourcing service providers linked to syndicate X, adjudicating and recommending the appointment of these service providers, approving the appointment of the service providers, certifying compliance with regulations, issuing POs, confirming that goods were delivered and allowing for payments to be made to the tainted service providers. It would appear from the SIU's financial analysis that each link in the procurement chain was tainted by corruption.

5.4.2 Maumela Syndicate

The SIU is reviewing 1,728 three-quote procurement process bundles valued at R816 560 710 linked to the syndicate. The SIU finalised the analysis of 924 of these procurement bundles. All procurement bundles reviewed thus far resulted in the identification of countless procurement irregularities and fraud. The SIU identified numerous secondary conduit accounts, which were used to launder funds from the service providers trading with the Tembisa Hospital to the ultimate beneficiary. It would appear that Tembisa Hospital contributed to lavish lifestyles and the acquisition of phenomenal assets.

Assets identified

To date, the SIU has been able to identify a number of assets linked to the syndicate with a combined value of approximately R520 000 000. Through a Trust account and two companies, numerous luxury vehicles and properties were purchased.

The SIU identified numerous properties linked to the syndicate with a combined value of R293 434 000. These properties include, but are not limited to, properties in Port Zimballi; a property in Bantry Bay purchased at R75 000 000; and various properties in and around Gauteng, including Sandhurst and Hurlingham, valued at R151 300 000.

In addition, the SIU identified the numerous luxury vehicles linked to the syndicate with a combined value of R223 598 516. These vehicles include, amongst others, numerous Bentleys and Lamborghinis.

5.4.3 Mazibuko Syndicate

The SIU is reviewing 651 three-quote procurement process bundles valued at R283 504 291 linked to the syndicate. The SIU finalised the analysis of 392 of these procurement bundles. All procurement bundles reviewed thus far resulted in the identification of countless procurement irregularities and fraud. The SIU identified secondary conduit accounts, which were utilised to launder funds from the service providers trading with the Tembisa Hospital and acquire assets.

Assets identified

To date, the SIU has identified numerous properties purchased by the syndicate members via a Trust. These properties include numerous properties in the Western Cape and Gauteng with a combined value of R42 646 502.

5.5 Additional syndicates

In addition to the service providers linked to the three main syndicates, the SIU identified a number of smaller syndicates linked *inter alia* through directorship and the flow of funds through bank accounts. The identification of new and smaller syndicates is ongoing as the investigation constantly reveals more connections. The smaller syndicates involve:

- Links to former or current GDOH officials where the officials are or were directors of these companies, or are relatives of the directors, or are receiving payments via the companies linked to the syndicates;
- It would appear that the smaller syndicates and/or the lesser-paid service providers were used as conduits by the main syndicates for the benefit of GDOH officials.
- The service providers in these syndicates performed various electronic transfers amongst the companies within the syndicate(s), which points to collusion and fronting;
- Payments to unsuccessful bidders;

- The companies in the syndicate(s) received payments from the main syndicates; and
- Irregularly appointed service providers.

As these matters are currently under investigation, the SIU is not in a position to reveal the companies linked to the syndicates, the suspected Kingpins or the GDOH officials linked to the syndicates.

5.5.1 Syndicate A

Syndicate A consists of at least three Tembisa Hospital service providers, which received payments valued at R9.6 million.

5.5.2 Syndicate B

Syndicate B consist of six service providers, and the transactions linked to this syndicate are valued at R76 455 929.

5.5.3 Syndicate C

Syndicate C consists of five service providers who received total payments valued at R8 640 199 from the Tembisa Hospital.

5.5.4 Syndicate D

Syndicate D consists of six service providers who received total payments valued at R37 535 454 from the Tembisa Hospital.

5.5.5 Syndicate E

Syndicate E consists of four service providers who received total payments valued at R3 397 590 from the Tembisa Hospital.

5.5.6 Syndicate F

Syndicate F consist of three service providers linked to one director who received total payments valued at R28 940 852 from the Tembisa Hospital.

5.6 Corruption

In respect of the activities of the syndicates and other irregularly appointed service providers at the Tembisa Hospital, the SIU was able to identify extensive money laundering, fronting, collusion and bid rigging involving, to date, at least 15 former or current GDOH officials, most of whom were

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employed at Tembisa Hospital. As the investigation is ongoing and the possibility of dissipation of assets and threats to the officials involved, the SIU will currently not reveal the identities of the officials linked to corrupt activities.

These officials selfishly abused their positions within every step of the Tembisa Hospital procurement chain to the benefit of the fraudulently appointed service providers and to ultimately enrich themselves.

Through their actions, these officials showed a ruthless disregard for the law, their employer, their community and their patients. They run Tembisa Hospital like their own private business, wheeling and dealing with corrupt service providers to support their lavish lifestyles at the expense of human life and the dignity of the patients. In light of the corrupt actions of the GDOH officials, the money looted was intended to line their own pockets or those of the service providers; it was never intended to provide crucial medical care to the most vulnerable people within our country.

It should be noted that the number of officials identified is constantly increasing as the SIU's investigation continues. Each official played a crucial role in the irregular appointment and/or payment of each service provider.

Officials linked to alleged corruption.			
Official	Salary level	Corrupt activities	Progress
Official 1	Hospital-level Management Salary Level 9, which is considered a mid-level position	Received payments from syndicate A in his/her personal capacity and through business accounts linked to family members. The SIU is currently investigating payments to the combined value of at least R30 000 000 made to accounts linked to the official.	Disciplinary referral made for the role in the irregular appointment or payment of service providers. Matter is prioritised for NPA referral. The matter is under investigation.
Official 2	Clerk Salary Level 5, which is considered an entry-level position	Received payments from two of the main syndicates and syndicate D in his/her personal account and business accounts linked to family members. The SIU is currently investigating payments to the combined value of at least R2 200 000	Disciplinary referral made for the role in the irregular appointment or payment of service providers. This matter is prioritised for NPA referral.

Officials linked to alleged corruption.			
Official	Salary level	Corrupt activities	Progress
		made to accounts linked to the official.	
Official 3	Hospital-level Management Salary Level 7 (mid-level)	Received payments from one of the main syndicates. The SIU is currently investigating payments to the combined value of at least R950 000 made to accounts linked to the official.	Disciplinary referral made for the role in the irregular appointment or payment of service providers. This matter is prioritised for NPA referral.
Official 4	Hospital-level Management Salary Level 10 (mid-level)	Received payments from two of the main syndicates in his/her personal account and business accounts. The SIU is currently investigating payments to the combined value of at least R26 000 000 made to accounts linked to the official.	Disciplinary referral made and referral made to the NPA in respect of alleged corruption.
Official 5	Hospital-level Management Salary Level PNB3 (management position)	Received payments from two of the main syndicates and syndicate D in his/her personal account and business accounts linked to family members. The SIU is currently investigating payments to the combined value of at least R27 940 000 made to accounts linked to the official.	Matter referred to the NPA for alleged corruption.
Official 6	Assistant Nurse Salary Level 3 (entry level)	Received payments from two of the main syndicates and syndicate B in business accounts linked to family members. The SIU is currently investigating payments to the combined value of at least	Disciplinary referral made for the role in the irregular appointment or payment of service providers. An NPA referral was made in

Officials linked to alleged corruption.			
Official	Salary level	Corrupt activities	Progress
		R7 300 000 made to accounts linked to the official.	respect of alleged corruption.
Official 7	Clerk Salary Level 5 (entry level)	Received payments from one of the main syndicates and syndicate D in a family member's account. The SIU is currently investigating payments to the combined value of at least R1 150 000 made to accounts linked to the official.	Investigation ongoing.
Official 8	Clerk (entry level)	Received payments from two of the main syndicates. The SIU is currently investigating payments to the combined value of at least R2 275 000 made to accounts linked to the official.	Investigation ongoing.
Official 9	Clerk (entry level)	Received payments from two of the main syndicates and syndicate D in his/her personal account. The SIU is currently investigating payments to the combined value of at least R2 470 000 made to accounts linked to the official.	Investigation ongoing.
Official 10	Clerk Salary Level 5 (entry level)	Received payments from two of the main syndicates and syndicate B in business accounts linked to family members. The SIU is currently investigating payments to the combined value of at least R6 385 000 made to accounts linked to the official.	Investigation is ongoing.
Official 11	Medical staff	Payments made from one of the main syndicates to a	Disciplinary referral made for the role in

Officials linked to alleged corruption.			
Official	Salary level	Corrupt activities	Progress
		possible family member of the official. To be confirmed. The SIU is currently investigating payments to the combined value of at least R750 000 made to accounts potentially linked to the official.	the irregular appointment or payment of service providers. Investigation ongoing.
Official 12	Hospital-level management (mid-level)	Received payments from one of the main syndicates to business account(s) linked to the official. The SIU is currently investigating payments to the combined value of at least R7 400 000 made to accounts linked to the official.	Disciplinary referral made for the role in the irregular appointment or payment of service providers. Matter is prioritised and the investigation is ongoing.
Official 13	Hospital-level management Salary Level 11 (Management level)	One payment to the value of R13 000 000 was made to a person possibly linked to the official. To be confirmed through further investigation.	Official deceased. Corruption investigation not yet initiated.
Official 14	Hospital level management (Management level)	Received payment from one of the main syndicates in a business-linked account. The SIU is currently investigating payments to the combined value of at least R5 500 000 made to account(s) linked to the official.	Official deceased. Investigation ongoing.
Official 15	Clerk Salary Level 2 (entry level)	Received payment from one of the main syndicates in his/her personal account. The SIU is currently investigating payments to the combined value of at least R1 895 000 made to accounts linked to the official.	Officially deceased. Corruption investigation not yet initiated.

To date, the total value of alleged corrupt payments linked to GDOH officials is R122 228 000. Not only did the GDOH pay millions of rands to fraudulently appointed service providers, but the GDOH officials responsible for the fraudulent appointments filled their pockets with the same funds laundered through the accounts of these service providers.

From the table above, it is evident that it was not the most senior officials within GDOH who received the most in corrupt payments.

In the case of Tembisa Hospital, the rot is not only at the top (as commonly believed) but also deeply embedded at the root.

5.7 Value for money

The SIU embarked on the process of determining value for money. The process involves determining whether goods were delivered or not, especially from service providers linked to the main syndicates and whether the GDOH received fair value for money if the goods were indeed delivered.

For this process, the SIU is considering *inter alia* the following aspects:

- Determining whether goods were delivered;
- Pricing of items invoiced;
- Verify business activities from the business accounts of the Tembisa service providers; and,
- The overall increase in expenditure at the Tembisa Hospital during the period under review.

To determine whether the goods were indeed delivered or not, the SIU had to establish the relevant process involved in receiving goods at the Tembisa Hospital.

The SIU conducted interviews to determine the process, roles and responsibilities of those involved:

- Transit clerk
As explained earlier in the report, the transit clerk is responsible for receiving goods, preparing the RLS02, which indicates that goods were purportedly received and issuing the Goods Received Voucher on the SRM system, which gives the green light for payment to commence. Transit clerks are also responsible for listing all VA7 documents reflecting store deliveries and all direct delivery POs delivered to the Finance office in the respective registers.
- Transit supervisor
The transit supervisor confirmed the delivery process.
- Security Manager
Provided with the access registers for the period under review.

Test case: Company A

The team conducted a test case by verifying all deliveries made by Company A, linked to one of the main syndicates. The team reviewed the VA7 register and the register reflecting the direct deliveries. Of the 58 transactions (POs) linked to the service provider, the team was only able to identify 26 deliveries noted in the direct deliveries register. The process of verifying deliveries is a time-consuming, painstaking process which requires the manual verification of entries of 4,501 purchase orders in three books of at least 300 pages each. This verification process is ongoing.

In respect of pricing, the SIU is consulting transversal contracts which were in place during the period under review, reviewing the Tembisa Hospital Demand Plans, and consulting the market. To date, in respect of items which were found on transversal contracts, the SIU found that many of the items purchased by the Tembisa Hospital on a three-quote procurement process were significantly overpriced. Even a simple Google search reveals that many of the goods were easily available within the market at far lower prices than those paid by the Tembisa Hospital.

In addition, the SIU is analysing the bank accounts of all service providers linked to the investigation to identify all purported business activities relevant to goods purportedly delivered at the Tembisa Hospital.

In respect of the overall expenditure of the Tembisa Hospital, in respect of the line item *"Invoice: Medical Supplies"*, the SIU was able to establish the following: The majority of goods delivery for the POs under investigation can be categorised under *"Invoice: Medical Supplies"*.

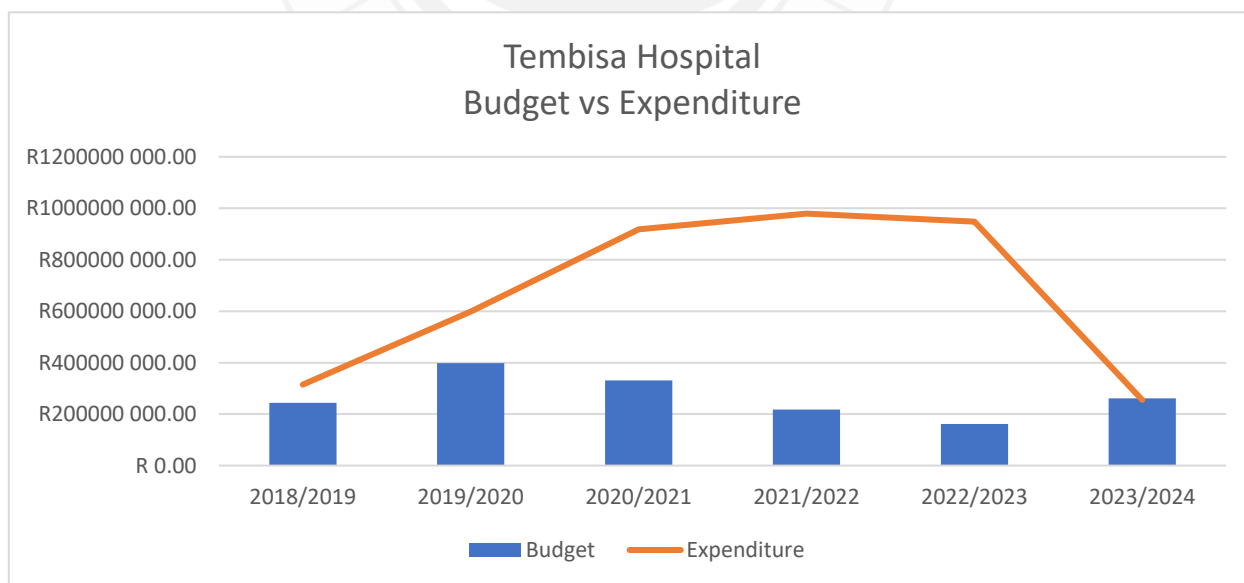
The Tembisa Hospital is defined as a Provincial Tertiary Hospital and falls in the same category as the Kalafong and Helen Joseph Hospitals. The SIU is in the process of reviewing the overall expenditure at the Tembisa Hospital from the period 2018/2019 to 2023/2024.

To date, the SIU has been able to establish a significant increase in expenditure from 2018/2019 to 2019/2020 at the Tembisa Hospital in respect of medical supplies expenditure. Overall expenditure for medical supplies increased from R315 378 678 to R598 631 372. Then again, a further excessive increase was noted from 2019/2020 to 2020/2021. It should be noted that it is during this period that syndicate activity significantly increased at the Tembisa Hospital. This substantial increase was maintained from 2021/2022 to 2022/2023. One may potentially suspect that a degree of the increases could potentially be attributed to the impact of Covid-19 on medical supply expenditure, but these significant increases at the Tembisa Hospital cannot be seen at the Kalafong Hospital and the Helen Joseph Hospital. However, a significant drop of 73% in the overall expenditure for medical supplies is noted from 2022/2023 to 2023/2024. The overall expenditure dropped from

R948 195 837 to R255 174 351. It should be noted that the Gauteng Office of the Premier (OOP) Secondment report on the initial Tembisa Hospital investigation was released in December 2022, which led to a significant decrease in syndicate activity at the Tembisa Hospital, as noted from the payments as per the Basic Accounting System ("**BAS**"). In addition to the growth in expenditure, the SIU also noted significant overspending as compared to the budget for the relevant financial years.

It should be noted that the SIU reviewed the inpatient admission numbers for Tembisa Hospital from 2018 to 2024 (the same period as for the expenditure reports). The SIU found that the patient numbers did not significantly fluctuate during 2018 and 2024. The patient numbers reviewed does not justify the significant increases noted in respect of the expenditure linked to medical supplies. It was in fact noted that in instances where patient numbers decreased, expenditure significantly increased, and where expenditure significantly decreased (after 2022/2023), patient numbers increased.

In summary, the graph below shows the increase and drop in expenditure at Tembisa Hospital between 2018 and 2024:



5.8 Collaboration with other state institutions

The Tembisa Hospital investigation is a multi-agency investigation involving cooperation between the following agencies:

- DPCI;
- AFU;
- NPA;

- SARS;
- NT; and
- FIC.

The need for interagency co-operation in complex and priority matters, such as the Tembisa Hospital, is crucial to the successful completion of the investigation, allowing all agencies to work together towards a common legitimate goal.

5.9 Risks and challenges

Challenges include, but are not limited to:

- Collection of the procurement bundles relevant to the investigation;
- Collection of electronic payment information and cyber evidence;
- An extensive number of payments and service providers involved;
- Extensive and intricate money laundering syndicates, which the SIU was not initially aware of during the planning phase of the investigation. Bank statement analysis revealed an extensive money laundering web stretching far beyond what was initially identified by Ms Deokaran.
- The investigation is continuously changing as more information and evidence come to light, exposing more corruption and money laundering.

In respect of the Tembisa investigation, the risks include, but are not limited to:

- Protecting the investigation team (and whistle-blowers or co-operating persons) at all costs and ensuring their safety due to the involvement of alleged violent criminals and organised criminal syndicates; and
- Various officials/employees of the GDOH or the Tembisa Hospital either fear for their lives or fear potentially implicating themselves in unlawful conduct or acts of misconduct, which makes it more difficult to secure full cooperation.

6. Outcomes

6.1 Disciplinary referrals

To date, the SIU has prepared 116 disciplinary referrals against 13 officials, of which 108 were delivered to the GDOH against 13 officials relating to the irregular appointment of service providers at the Tembisa Hospital. One matter was held back for the preparation of civil litigation, and seven additional referrals were finalised for handover to the GDOH. The SIU will also refer all recommendations for disciplinary action to the National Department of Health to ensure that the necessary steps are taken against those implicated.

6.2 NPA referrals

To date, the SIU has referred four matters to the NPA for corruption involving GDOH officials and Tembisa Hospital service providers. The SIU works closely with the NPA and DPCI to assist as and when required, as it relates to the Tembisa Hospital investigation.

6.3 Administrative action

The SIU referred 25 matters to SAHPRA for non-compliance of service providers in respect of SAHPRA requirements. The Tembisa Hospital service providers were not licensed with SAHPRA to either manufacture and/or supply medical devices as defined in the relevant prescripts.

6.4 Matters referred to civil litigation

Two matters were referred to civil litigation for assessment and approved for Counsel to be appointed. Both matters are linked to one of the main syndicates and include:

- Matter 1 valued at R27 663 835,10. Counsel was appointed and briefed. Currently, the Notice of Motion and Founding Affidavit are in draft.
- Matter 2 valued at R26 335 991,70. Counsel was appointed and is to be briefed soon.

The SIU intends to take civil litigation action against all irregularly and fraudulently appointed service providers. This will include, but is not limited to, all service providers linked to the three main syndicates, which involve at least 133 service providers linked to 3,616 three quote procurement events valued at R1 696 489 356.49.

7. Interim observations based on current findings

The SIU's investigations into the Tembisa Hospital's three-quote procurement process, during the period under review, give rise to a number of grave concerns. Among the principal concerns are the following:

- The ignorance or complete disregard of the rules regulating public sector procurement and the almost unchecked powers given to officials/employees in regard to the spending of public funds;
- The absence of the exercise of any effective oversight over the procurement process by responsible officials within the Tembisa Hospital and the GDOH (accounting officers/authorities) and related costs; including oversight over how the costs were determined; whether what was procured was what was legitimately required and requested; and having regard to the purpose for which the procurement was undertaken, whether the State received fair value for what was paid;

- Lack of any steps taken to address the Tembisa concerns and total lack of consequence management.

The SIU considered and examined the processes followed and compared them to what the regulatory measures require. The picture that emerges from that comparison is highly worrisome. In essence, that comparison reveals *inter alia* the following:

- Various regulatory measures, some of a more specific nature and others that are more general in nature, have been put in place to ensure that the public interest is properly safeguarded when three-quote-based procurement is to be undertaken. However, many of the measures were not followed. In some instances, the failures were due to the simple and sometimes cynical disregard of the applicable measures.
- Such failures are in themselves serious and indicate maladministration or malpractice of various degrees of seriousness.

However, as grave as the transgressions may be, it is the consequences that are of even more serious concern. The principal and immediate effect of the failures to observe the applicable rules of the game is this:

- To a large extent, the officials involved were either active participants or simply turned a blind eye to the rule of law, and by doing so, they in effect allowed the public purse to be looted. The SIU is deeply conscious of the fact that there appears to be a consensus that the losses were the result of serious maladministration and/or malpractices on the part of the officials/employees of the GDOH or the Tembisa Hospital and, in many cases, in collusion with third parties.

The question is then what can be done to stem the rot? One should start at the bottom of the SCM hierarchy and consider the type of person employed as an SCM official.

- Public procurement requires civil servants who are appropriately skilled in the art of procurement and who are people of integrity.
- Furthermore, layered voice stress analysis should be used in the appointment of SCM officials and all role-players in the procurement and payment processes.
- All SCM personnel must understand what is required in respect of a three-quote procurement process, and when it is not appropriate to use such a process. That it is not a method to be used to bypass the tender process; that it cannot be used to split orders. NT has provided guidance in this regard through the issuing of practice notes and circulars.

- In many instances, the SIU found that junior or newly appointed staff merely followed instructions of senior or just longer-serving officials and/or even though such staff may be uncomfortable with such instructions for fear of being seen to be insubordinate or not “playing along” with what was already ongoing. As one person explained to the SIU, when the person joined the GDOH, the Tembisa bus was already moving at full speed, which left one with only one of two choices: either jump on or get hit by the bus. The SIU encourages individuals to make use of Whistle-blower Hotlines to report such instances. In the case of officials’ safety being threatened or on the line, officials should be reminded that matters may be reported anonymously to relevant Whistle-blower Hotlines, including the SIU’s Hotline.
- All SCM officials should be subject to regular vetting and annual lifestyle audits. Living beyond your means, as dictated by your salary, should be explained. However, vetting should be extended to include spouses or life-partners and maybe even consider children, as the SIU found that alleged corrupt payments did not go to the officials directly, as they used accounts linked to the spouses and/or children.

Public procurement is widely recognised as one of the public sector activities most vulnerable to corruption, given the large sums of money involved and the involvement of State institutions and the private sector. Based on the SIU’s investigation, the GDOH and the Tembisa Hospital’s procurement is plagued by ills such as bribery, fronting, bid rigging, collusive bidding, malfeasance and maladministration. The result of this is that ultimately service delivery is compromised, which impacts negatively on those most vulnerable in our country. As transparency is an important principle in the procurement process, as recognised by our Constitution, a commitment to transparent procurement practices is necessary. It is also crucial that the GDOH takes the necessary steps against officials found guilty of any of the ills referred to above.

8. Way forward

The SIU will finalise matters systematically and make the necessary referrals as a matter (service provider) is finalised. In respect of the corruption matters, the SIU will finalise prioritised matters as identified during the course of our investigation. These matters will be referred to the GDOH and the NPA for required action.

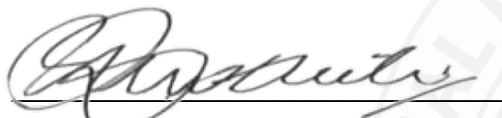
The SIU will continue to make referrals to the GDOH for disciplinary action and the NPA for criminal action, while instituting appropriate civil proceedings in the Special Tribunal as the investigation is ongoing.

The SIU also intends to refer matters to the GDOH for the consideration of blacklisting and also to SARS for non-compliance with relevant prescripts.

The SIU envisages that the complete investigation into all service providers will be finalised by November 2027.

9. Conclusion and Sign Off

The investigation into all matters under Proclamation No. 136 of 2023 is ongoing. More detail cannot be given at this stage, *inter alia*, for fear of potentially compromising the ongoing investigation of the SIU and those of the other agencies.



Adv. JL Mothibi

Head of Special Investigating Unit

Date: 26 September 2025

