



**MINISTER
TRADE AND INDUSTRY
REPUBLIC OF SOUTH AFRICA**

Private Bag X274, Pretoria, 0001 • the dti Campus, 77 Meintjies Street, Sunnyside Pretoria • Tel: (012) 394 1481, Fax: (012) 394 0337 • www.thedti.gov.za,
Private Bag X9047, Cape Town, 8000 • Tel: (021) 461 7191/2/3, Fax: (021) 465 1291

Prof. N A Nevhutanda
Chairperson: National Lotteries Commission
Block B, Hatfield Gardens
333 Grosvenor Street
Hatfield
Pretoria
0083

Dear Prof. Nevhutanda

**ALLEGATIONS RELATED TO PRO-ACTIVE FUNDING ALLOCATED TO DENZHE
PRIMARY HEALTHCARE NPO**

Your letter dated 10 April 2019 refers.

In your letter you advise that the NLC instructed the independent investigators to include the findings of the previous report and of further work completed to address the shortcomings identified by **the dti**. Additionally that the NLC has expanded the scope of the investigation to include the Vhafamadi Secondary School. **the dti** Internal Audit has also noted the outcome of the Buyelekhaya investigation and that the allegations have not been confirmed.

the dti reviewed the revised forensic report received on 09 May 2019, and note that certain shortcomings were not addressed. Given the seriousness of the allegations the following concerns which have been raised must be addressed:

- a) Mr Ado Krige should be interviewed to obtain his version of events as failure to do so is contrary to the principle of "audi alteram partem (hear the other party).
- b) Investigators did not engage with the CIPC to obtain evidence relating to the resignation of Mr Johannes Ledwaba as a Director of Upbrand.

In view of the two forensic investigation reports from your independent investigators, and in light of the investigation outcome, it is evident that the Proactive Funding allocated to Denzhe was not used for its intended purpose. I have also noted that there is an ongoing court process between the two external parties as stated in your forensic report. The NLC signed a grant agreement with Denzhe and an amount of **R27,585,625.29** was paid to Denzhe. The outcome of the investigation is without evidence that the drug rehabilitation centre was completed.

Given the above, and in the spirit of good governance, I thus recommend recovery of the funds paid to Denzhe and the pursuit of a criminal case in line with section 76(1) (f) of the PFMA which states that *"12.5.1 When it appears that the state has suffered losses or damages through criminal acts or possible criminal acts or omissions, the matter must be reported, in writing, to the accounting officer and the South African Police Service. If liability can be determined, the accounting officer must recover the value of the loss or damage from the person responsible. 12.5.2 The accounting officer may write off losses or damages arising from criminal acts or omissions if, after a thorough investigation, it is found that the loss or damage is irrecoverable."*

Although the investigation did not find any evidence of conflict of interest concerning the brother of the Chief Operating Officer, the Department is concerned with potential issues of conflict of interest and discourages grant funding to family members and friends. Moving forward, this matter must be closely monitored to ensure that no actual or perceived conflict of interest with friends and family exists in grant funding applications. In addition, I am referring to the Department, consideration of policy guidelines on conflict of interest relating to public entities, for advice to the Ministry.

the dti is of the view that public confidence should be promoted with respect to Proactive Funding and I therefore request that you provide **the dti** Internal Audit with a list of all approved Proactive Funding Projects for the past three years (2016 -2018), to enable the unit to conduct an independent assessment on the funding granted for the period.

I kindly request feedback with timelines on the recommended remedial action within 30 days from the date of this letter. Additionally please provide my office with monthly progress reports thereafter.

Yours sincerely



Ebrahim Patel
Minister of Trade and Industry

14 August 2019

Cc: Ms. Thabang Mampane (Commissioner: NLC)