



Presentation to the Portfolio Committee on Trade and Industry

Eskom Inquiry: Mr Matshela Koko's Testimony and Matters Related to the SABS

Date: 13 June 2018

Director-General
Mr Lionel October



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



Paragraph 6

- ➡ On the issue of misleading or manipulation of evidence, in the course of investigating this matter, the senior management of SABS uncovered a possible case of collusion and /or manipulation of SABS processes that occurred at the SABS laboratory in Mpumalanga on 30th August 2015. The Minister has requested the Board of SABS to conduct a full forensic investigation into this breach.

Continuation of Para 6

- The preliminary information presented to us by SABS shows that there was a clear breach of established protocols and that the tests conducted for the Brakfontein coal was “irregular” in a number of respects. Amongst others;
- the samples were delivered on a Saturday night with a request that the tests be run immediately;
- outside of established procedures, three (3) samples were delivered directly to laboratory, which meant that there was no independent verification that the samples came from the mine concerned. The normal process is to source the sample independently from the mine;
- there were unauthorized parties present whilst the tests were being conducted (apparently Eskom insisted that representatives from the Brakfontein/Tegeta Mine be allowed to observe); and
- Eskom suspended a number of staff immediately after the results were released/became known

Paragraph 8

What is particularly disturbing is that it appears that the Eskom management used these “irregular” tests to justify its decision to lift the suspension of Brakfontein coal. When these tests were initially requested on the 26th of August by Ms Ramavhona (she was subsequently suspended) it was on the explicit understanding that these tests would not be used for procurement purposes. The reason for this limitation is that, when conducting ad-hoc, two way tests of this nature, the source of the sample cannot be independently verified. Eskom is well aware that the normal process is for a three-way system where SABS independently sources the coal from a particular mine.

Paragraph 1

I would like to bring to your attention that additional information has been obtained from the National Treasury and emails from SABS. The information obtained shows that collaboration between Eskom and SABS in the procurement of non-compliant coal from Tegeta resulted in irregular expenditure of approximately R3 billion.

Paragraph 2

There is now clear evidence of serious misconduct on the part of both Mr Koko and SABS officials in that an unauthorized and defective test certificate was issued by SABS and used by Mr Koko for an improper purpose. In this regard, an email was received from SABS to the dti indicating that the test report was “irregular”, in breach of standard testing protocols and obtained under false pretenses.

Paragraph 3

That SABS acted in a dishonest and hostile manner by impeding the investigation undertaken by the National Treasury into the SABS test reports. The correspondence between National Treasury and SABS clearly showed that SABS deliberately misled National Treasury by concealing the fact that it had issued a report on 30 August 2015 despite being specifically asked whether it had conducted this test

Paragraph 4

We also wish to bring to your attention that the entity that issued the unauthorized test report (SABS Commercial (SOC) has not been authorised in terms of section 54 of the PFMA; and is therefore operating outside of the precepts of the law.

Paragraph 5

I wish to further point out that the SABS Board and CEO has failed to act despite being aware of the SABS and Eskom collaboration since 13 September 2015. (The matter was covered on the front page of Sunday Times titled: *“How Eskom bowed to the Guptas”*).

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THANK YOU

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