

# Prasa identifies improper contracts worth R1.5bn

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The Passenger Rail Agency of SA (Prasa) has identified more than 40 companies with contracts totalling R1.5bn that it says were awarded improperly. This discovery forms part of Prasa's year-long forensic investigation into a number of contracts awarded under former CEO Lucky Montana and other Prasa officials.



[Image Source: BDIve](#) - Popo Molefe. Picture: FUXLEY MAKGATHO

Prasa's forensic investigation was initiated following a report by the public protector, released in August 2015, which revealed Prasa had improperly extended tenders, contravening its supply chain management policy, the Public Finances Management Act and the Constitution. In her recommendations, Public Protector Thuli Madonsela said the Treasury should commission forensic investigations into contracts and tenders above R10m at Prasa.

The Treasury, through its chief procurement officer, would work independently but the public protector would "determine the terms of reference so that they don't go too shallow", she said. Treasury procurement official Mbulelo Gingcana, working under the Treasury's chief procurement officer, Kenneth Brown, was seconded to Prasa to strengthen the agency's supply chain management process.

## Appointment of CEO

Last week, Prasa announced that it had appointed the chief financial officer at the Department of Transport, Collins Letsoalo, as acting CEO to replace acting CEO Nathi Khenia.

Prasa chairman Popo Molefe said on Wednesday that the board had not appointed a permanent CEO as the appointee would come into a "detrimental environment", including "disciplinary actions against suspended employees and concluding the ongoing forensic investigation instituted by the board".

## Abusing confinements

Molefe said the forensic investigation had revealed that the "previous management" had been appointing suppliers by way of "confinements". According to Prasa, confinements are used to appoint suppliers under emergency situations or where the supplier is deemed to be the only one capable of providing the service, instead of going through a tender process.

Contracts with more than 40 companies had been identified as being awarded and then extended by abusing confinements. "The practice of appointing of suppliers by way of 'confinements' under the previous management now stands revealed as an unlawful enrichment scheme for suppliers that are allegedly connected to, among others, former senior Prasa officials," Molefe said.

## **Contracts under scrutiny**

"On the face of it, the services provided could have been procured through the normal (supply chain management) processes." Molefe said other entities that had been awarded contracts on an "ad hoc basis" had been identified as part of the rolling stock and infrastructure programmes. Payments to these entities had been stopped while the validity of the contracts was investigated.

The agency had asked the courts to review and set aside long-term contracts to the value of R7bn in five civil actions filed in the high court to "prevent further irregular and potentially unlawful expenditure", he said. This includes a R3.5bn contract for 70 locomotives procured from Spanish manufacturer Vossloh Espana through empowerment group Swifambo Rail Leasing. The locomotives had been procured to improve the Shosholozha Meyl service.

Prasa also wants R2bn worth of security work by Siyangena Technologies set aside, on the grounds that the company had won the work irregularly by rigging the bid. However, Siyangena argued in court papers that the contracts granted to it were of an "extremely specific nature", and Prasa could not have chosen contractors from a list.

In her report last year, the public protector found Prasa improperly extended a tender initially awarded to Siyangena to supply and install high-speed gates at Doornfontein Station.

*Source: Business Day*

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