

# MILLIONS BLOWN IN CORRUPT IT TENDER

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**P**OLICE are about to swoop on the Ekurhuleni municipality – perhaps even before Wednesday's election – and arrest five senior officials for an elaborate tender fraud that has cost hundreds of millions of rands for a computer system that does not work.

The Saturday Star can reveal that a special investigating team has finalised its probe and will meet with the National Prosecuting Authority next week to have the arrest warrants issued.

Specialist forensic investigators Aurco were called in to the East Rand metropolis when the scope of the fraud proved to be too big for the Ekurhuleni Metropolitan Municipality's (EMM) internal auditors.

The auditors themselves were tipped off by anonymous whistleblowers.

The investigation discovered massive fraud and mismanagement in the EMM Information and Communication Technology (ICT) department involving suppliers in collusion with the municipality's own staff.

The fraud began when Ekurhuleni looked for a company to design and implement a new computer network infrastructure for the municipality.

An internal audit report rang alarm bells when it found the winner of the tender had bypassed the municipality's supply chain management policy.

International computer giant IBM bid unsuccessfully for

the tender. It could have done the work for a third less than the original quote in a third less time. IBM quoted R35 million to have the project completed in 42 weeks, while TCM – the company that “won” the tender – quoted R90m to finish the job in 156 weeks.

The internal auditors found that TCM had never complied with the bid requirements and that their bid application documents should have been rejected. IBM has gold partner status, which means it has the broadest range of expertise, while TCM had but a third rating and was not as competent as IBM. This rating was only awarded to TCM after the tender was awarded.

The audit also found that EMM's staff allowed TCM to start the project without having insurance risk cover, should they fail to complete the project. Over and above this, TCM won the tender without a project or a design plan.

Ekurhuleni paid TCM a maintenance contract before the system and products were installed and implemented.

Eight months after the tender was awarded to TCM, someone in the municipality asked about the company's project plan only to be told none existed. The project manager said a meeting would be held to draw one up and would be emailed to EMM's internal audit department. From June 2007 until June 2009, EMM paid TCM nearly R279m without the project being completed.

The audit report also found that EMM had awarded a ten-

der for the supply, delivery installation, implementation of computers and its components to a company called Meropa.

But Meropa was only registered as a company less than a year before the contract was awarded and it has only one member. That person is related to an EMM employee.

Meropa in turn is inexplicably linked to four other companies that have been awarded tenders to render a service as part of the municipality's ICT system. In total, Aurco has found that Ekurhuleni paid at least R386m on its ICT needs to these six linked companies that might well have been set up as shell companies or “post box” vendors, to channel council funds.

Each company by-passed tender procedures and Aurco believes that there was “bid-rigging” too, where the shell companies were able to tender for work with inside knowledge of what reputable companies had already bid.

● Last week, the Saturday Star reported how the EMM's 2010 office, set up to implement world cup initiatives, wasted R22m between popular DJ S'bu and the greening of non-existent sports fields.

In the process, they flouted tender regulations, according to a secret forensic report.

The council requested a probe into the validity of its 2010 office's spending and appointed Indyebo Consulting to probe the fields and DJ S'bu's record company. Indyebo recommended that the Special Investigations Unit get involved.