



**Ministry of Human Settlements
and Public Works**

PROVINCE OF KWAZULU-NATAL

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To: The News Editor

All Media

MEDIA STATEMENT ON PROGRESS ON CLAMPING DOWN FRAUD AND CORRUPTION

At the beginning of my tenure, I made it clear that fraud and corruption will not be tolerated within the two departments that I am responsible for. It is timely that a progress report be provided thus far to keep the citizens of KwaZulu-Natal informed that government is serious about clamping down on fraudsters.

When an employee is found to be involved in unscrupulous acts a two pronged approach is taken, one where the employee is charged in a criminal court and the other where the department follows the disciplinary procedures within, with the intention of ridding the department of criminal elements.

The Auditor-General, undertook three Performance Audits relating to the allocation and award of Housing Subsidies:-

- to applicants employed by the Provincial and National spheres of Government;
- to applicants employed at the eThekweni Municipality; and
- Controls over the allocation and approval of subsidies.

After a detailed forensic investigation into the identified employees of the National and Provincial Government and the eThekweni Municipality, the employees identified as having defrauded the Housing Subsidy Scheme were referred to the Special Investigations Unit (SIU), who have been mandated by Proclamation R7 of 2007, to assist in managing the criminal, civil and disciplinary cases arising from this fraud. The Minister of Human Settlements has had the period of this Proclamation extended so the SIU work is continuing. The SIU will conduct 10 new investigations per province.

- The SIU has an in-house prosecuting team staffed by personnel from the Office of the National Director of Public Prosecutions;
- Criminal dockets are prepared and forwarded to this internal prosecution team for evaluation to proceed with legal action;
- Upon approval of these cases by the prosecution team, criminal dockets are registered with Police Stations where the alleged fraud has been perpetrated;
- Arrangements are then made with the local courts to have the dates and a Magistrate is set aside for these cases to be heard;
- Formal charges are drafted jointly with the SAPS and served against the alleged perpetrators.

I would like to reiterate that this is a process and cannot be completed overnight. However, by adopting this approach, cases are finalized on the date of trial.

The results of these efforts thus far are:-

466 dockets were registered with the South African Police Services. Successful prosecutions were achieved in 420 cases with various convictions.

46 cases were not prosecutable and were either withdrawn or struck off the role.

1036 acknowledgements of debts totaling R11.2 million are being recovered via the Special Investigation Unit.

423 disciplinary case files have been prepared for various provincial departments where staff have also received houses for which they do not qualify. This process is being managed by the Office of the Premier.

Some of these disciplinary files have been referred to the respective provincial departments to commence with the internal disciplinary process.

PROJECT INVESTIGATIONS

Intensive investigations have yielded the following results to date:-

Copesville Housing Project

2 officials within the Property Management Directorate were arrested on allegations of fraud relating to sale of government houses. This matter is still ongoing.

Brackenham Housing Project

1 official was arrested in June this year, appeared in court and was released on R5000 bail. The case is scheduled for this month.

The investigation into this project is still ongoing and a Syndicate relating to corruption involving departmental officials and private individuals is suspected.

Midlands Area

An investigation into a project in the Midlands area has revealed that the contractor has been submitting invoices on sites previously claimed on and paid for. Charges relating to double payments, potential double claims, forgery and fraud are currently being drafted. An announcement will be made once this case is finalized.

Aracia Park

This project investigation commenced via the unlawful receipt of housing subsidies by public servants. This project is an Institutional Subsidy Scheme project, which is administered by Msunduzi Housing Association. This project yields 432 subsidy units.

Through intensive investigation into this project it has been identified that 76 government officials have received subsidies in this project. Further investigations revealed the following results related to these government officials:-

25 were within threshold and therefore qualified;

51 were identified who did not qualify, of whom 29 are Provincial Government officials and 22 are National Government Officials.

During this investigation, it has been identified that 29 Provincial officials created fraudulent pay slips which reflect a falsified income to claim a benefit in this project.

These matters were presented to a specialized commercial prosecutor for screening and it has been recommended that these cases need to be referred to a specialized court for hearing. 5 cases have been registered with SAPS, hearings are scheduled for the month of September.

Investigations into the 22 National Government officials and the remaining subsidy applicants from the private sector are ongoing.

Newcastle Municipality

An investigation into two housing projects has commenced in this Municipality. Allegations of procurement irregularities, fraud, corruption, financial misconduct on double claiming linked to sub-standard construction has been identified in these projects. The Department of Human Settlements has paid out more than R 80 million for these projects. A detailed forensic audit into the expenditure related to these projects is currently being undertaken with a view to reclaiming monies that have been fraudulently claimed.

Allegations relating to corrupt activities by councilors and a senior official allegedly receiving bribes from service providers and employees covertly contracting with service providers are also being investigated.

Due to the extent of potential fraud in these projects a phased approach is adopted in this investigation to quantify the fraud. The investigation is focusing on the period of four financial years.

Housing Projects Contracts Investigation

The SIU has conducted a systemic walk-through audit in the Department during 2009. A report on the finding has been tabled with the Department with finding and recommendations.

Emanating from this report, 4 housing projects have been identified for investigations by the SIU relating to contracts.

One of these projects is in the Northern Region of KwaZulu-Natal, where there is suspicion that a contract worth millions was sold by the primary contractor to another contractor.

Other Disciplinary Cases

PUBLIC SERVANTS WHO UNLAWFULLY RECEIVED LOW COST HOUSING SUBSIDIES AND EMPLOYED IN THE KWAZULU-NATAL PROVINCIAL ADMINISTRATION.

The Department of Human Settlements and the Department of Public Works will combine to minimize costs on four cases that are currently being investigated.

HEAD COUNT EXERCISE AND VERIFICATION PROCESS

In December 2009 the department conducted the head count exercise and it was revealed that four officials were found to have been absent from work, for more than two (2) years.

In June this year the services of these officials were terminated on account of misconduct

Released by
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