the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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Employment Creation Fund Client(s)

Dear Sir/Madam

UPDATE ON PROGRESS WITH REPLENISHMENT OF THE ECF BY NATIONAL TREASURY

This letter serves to update all Employment Creation Fund (ECF) beneficiaries on the progress and/or lack thereof by the National Treasury concerning plans to resume rapid disbursements to all duly approved ECF projects and/or beneficiaries.

Following the lodgement of the regular requisition by the ECF Secretariat in December 2016, the IDC Unit of the National Treasury refused to replenish the fund and asserted that we need to conduct an audit of the entire fund, notwithstanding the fact that the fund was regularly audited by Ernst and Young (EY) and later by PSTM for expenditure verification before as a trigger for payment of subsequent trench payments to all projects. The Department of Trade and Industry (**the dti**) subsequently acceded to this and engaged EY to audit the fund from inception to date. The audit covered two phases, the transfer's reconciliation and the expenditure verification audit review.

The audit reports were then presented to National Treasury IDC and we thought that we would start servicing our clients only for National Treasury to refuse accepting the said reports, with no sound academic reason whatsoever, but just to say they are not happy with the standard disclaimer of the EY report, which disclaimer is so standard that all auditors include in all their reports on non-statutory audit work. Time passed by with projects deteriorating on the ground. We kept following up with them as clients were constantly querying with us until IDC told us they have decided to engage Deloitte to do exactly the same audit review done by EY.

Deloitte finally presented their report to **the dti** and the National Treasury for final adoption at the meeting held at the National Treasury in the presence of both the Director General of the dti and the Director General of National Treasury.

The meeting requested **the dti** to map out a proposal on the enhancement of the administrative processes in line with the Deloitte's observations and the cash flow requisition.

The ECF then prepared the action plans as requested and presented them to the IDC team. We additionally sent out the same December 2016 requisition with all the EY and PSTM reports including the collated copy of the progress reports on the entire portfolio, depicting progress on individual project's milestones. However, such was rejected with the reason code to the effect that we need to limit the requisition to only the projects sampled by Deloitte and make sure we include the recommendations by Deloitte on all new MOA's. Now, we could not exclude other obligated projects by mere virtue of the fact that they were not part of the sample.

We then revised the specimen of the MOA and included all Deloitte's observations as advised by National Treasury as being the following key ones:

- Description of project deliverables;
- Reporting Requirements;
- Procurement procedures;
- Escalation procedures;
- Withdrawal processes;
- Disclosure of sources of funding

Though, we felt the aforesaid were a bit frivolous to cause the damage that the portfolio is sustaining, we attempted to infuse them in the specimen MOA, even though, most of them are already part of the same legacy MOA. We then sent a revised MOA reflecting the same flimsy and administrative findings, only to be told that we also need to reflect the fact that audits will be undertaken retrospectively, as if audits are undertaken any other way naturally, and that we need to insist that clients send us receipts for goods and services procured as invoices do not indicate the fact that a transaction has occurred, I mean really now, what on earth.

Further, we were told that ECF clients should follow a tender process whenever procuring goods and services, should they reach the legislative threshold. I mean how does one apply public entity's procurement legislation on proprietary limited juristic entities. It is just mind disabling.

We were further told that we needed to establish and administer an oversight committee composed of various members from the entire economic cluster. Notwithstanding that, we are convinced that we cannot be involved in overseeing ourselves as the administrative body and communicated that such would be contrary to the basic principles of good governance, we finally conceded after insistence by the IDC management.

Thus as you may notice on the demands by our colleagues that it is rather very difficult to understand them as most of their demands are somewhat academically absurd.

This unnecessary impasse started in 2016 and now we are in the second half of 2018. This is despite the fact that the Honorable Deputy Ministers and both the Directors General personally invested their time in attempting to assist and afford wisdom, but to no avail. This is quite scary as if you were a *Conspiracy Theorist*, you would be forgiven to conclude that this is deliberate and organised to undermine African Leadership and more severely to undermine and totally distort the programs of the mass democratic movement on eradication of poverty, unemployment and inequality. I mean how do you smoke up projected leveraged investment of

R3.5bn and thousands of potential rural and peri-rural jobs with such impunity whilst getting personally salaried millions of tax payers hard earned money in such a poor country. Thus, it is not that the economy is acutely ill because of lack of domestic investment and all other economic analysts' "mumbo jumbo", it is partly because we have characters in the public service who are so powerful to undermine our leadership, just hell bent on destroying the very efforts of the state to take out blacks and Africans in particular from the yoke of living in shacks that are constantly burning down, with sewage always streaming in and their children always going to school bare feet.

These things are just treasonous in a normal world and one could ask as to how does the state allow such operating systems to assume such critical functions of black SMME development and economic equalisation without vetting their actual orientations. This is a parallel state.

Thus, because, we are not in the faculty of *Conspiracy Theory*, we would not promote the afore-said. However, as the ECF Secretariat, we would like to inform all clients that with our experience with the IDC lot, we are not confident that you are going to get your money anytime soon if ever. Therefore, to try assisting the situation we had indicated to them our desire to offload the programme form our product offerings, so we may de-risk and allow them to give it to one of their preferred white monopoly capital firms for on management. Like the biblical story of two mothers fighting for a child and proposing to cut it into half, we prefer to give up the administration of the programme wholly.

I mean we were not even given funds for day to day administration, over the years we depended on **the dti**'s budget. That is how, brutal their sophisticated system is. However, we are sure they paid Deloitte handsomely within thirty days for the flimsy audit.

Thus, please direct all your queries to the following National Treasury public servants:

1) Mr Ian Stuart (Deputy Director General)
2) Mr Robi Toli (Chief Director)
3) Ms Seema Naran (Director)
4) David Milne (Deputy Director)
5) Hennie Swanepoel (Function unknown)

Attached, kindly see a copy of the Deloitte's Observations as part of their audit report and judge for yourselves.

Yours Sincerely

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Paseka Masemula
Fund Manager: ECF
The Department of Trade and Industry
Date:..24/..07..2018