**HEADS OF ALLEGATIONS AGAINST** **LERATO DANIELLA SEGAMETSI MOLAPO**

**PERSONS INVOLVED IN THE ALLEGED CRIME AND CONTRAVENTIONS**

Lerato Madyo **also known as** Lerato Daniella Segametsi Molapo

Title: Former Chief Financial Officer (Gauteng Department of Health)

**BACKGROUND**

1. A Special Investigating Unit (“SIU”) report released in December 2022 confirmed allegations of serious maladministration and possible fraud and corruption related to the supply chain management process at Tembisa Hospital (“the Report”).
2. The findings of the Report validated a separate report compiled by the late Gauteng Department of Health (GDoH) whistle-blower Babita Deokaran who had flagged R850 million in suspicious payments out of Tembisa Hospital.
3. The Report confirmed the allegations of maladministration and possible fraud and corruption related to the SCM (Supply Chain Management) process at the Tembisa hospital under the GDoH.
4. In addition, the report further revealed the following:

4.1 That fraudulent service providers and suppliers are conducting business with the GDoH at Tembisa Hospital and that possible fraudulent payments were made.

4.2 It found numerous irregularities in respect of the bid documents provided to Tembisa Hospital by the successful and unsuccessful bidders, which should have led to the disqualification of the bidders.

4.3 It confirmed the irregular appointment of service providers which caused the GDoH to suffer irregular expenditure.

4.4 That the acting CEO of Tembisa hospital at the time of the irregular procurement, Dr Ashley Mthunzi, was responsible for authorising purchase order request forms which led to the irregular appointment of 13 service providers. This finding is based on the 27 documents received and analysed by the SIU.

4.5 The SIU recommended disciplinary action against the former acting CEO Mthunzi for failing in his duties as the accounting authority at Tembisa Hospital.

4.6 The SIU added that it would recommend referrals to the National Prosecuting Authority (NPA) in respect of the implicated service providers.

1. Deokaran, who had been a witness in the investigation into the R332 million corrupt PPE deals in the department, had reported the irregular spending to department’s Chief Financial Officer Lerato Madyo and had called for a forensic investigation. Nothing was done at the time.
2. In its report, the SIU described the irregularities it had uncovered at Tembisa as “merely the tip of the iceberg” which pointed to serious maladministration related to irregular procurement processes. Based on the outcome of the investigation, the SIU confirmed that the matters do not fall within the mandate of the existing proclamation R23 of 2020. This resulted in the SIU applying for a presidential proclamation.
3. Deokaran first notified Madyo via an official email report, a summation of her surface level investigation, 19 days before she was murdered. She flagged R850 million in suspicious payments from Tembisa Hospital. In a space of a year, more shocking revelations have surfaced with the R500,000 payment which was made towards the purchase of 200 pairs of girls’ skinny jeans. The hospital claimed that the jeans were mistaken for suturing material.
4. Maydo stated that she had “requested HoD to grant approval for investigation.” This claim was refuted by then-Gauteng Health Department HoD Sibongile Zungu, who stated that, “there was never a report and request for an investigation.” Instead of pursuing a forensic probe into Tembisa, as Deokaran had recommended, Madyo instead authorised a random internal audit of all hospitals in the province. Tembisa Hospital auditors examined a sample of just 18 individual payments – of 1 203 identified by Deokaran before her murder – and found that all were irregular. Like Deokaran, the auditors asked for a broadscale investigation. This never happened. The Gauteng Premier’s office, which initiated the case against Madyo, could not provide a charge sheet showing what misconduct she is accused of.
5. On the 26 August 2022, Premier David Makhura placed both Ashley Muthunzi and Lerato Madyo on precautionary suspension, with full pay. They face serious allegations pertaining to the improper procurement and payment of service providers at Tembisa hospital. The SIU is probing dodgy tenders to the tune of over R850 million.
6. In May 2023 Gauteng Health MEC Nomantu Nkomo-Ralehoko in an oral reply to a question by Jack Bloom revealed that Tembisa Hospital CEO Dr Ashley Mthunzi would only face disciplinary charges of corruption in August. According to the MEC, while there are no specific charges against Madyo at this stage although she features prominently in the allegations because she approved payments.
7. Again, in September 2023 the Health MEC revealed in a written reply that the disciplinary hearing of Tembisa Hospital CEO Dr Ashley Mthunzi and chief financial officer Lerato Madyo will begin on October 9. Nkomo-Ralehoko said six officials at Tembisa Hospital were suspended and the investigating officer was finalising the charges. This follows the Special Investigating Unit's (SIU) report, which recommended they be disciplined in December last year (2022).
8. Both Mthunzi and Madyo faced 13 misconduct charges related to their endorsing of medical supply contracts with grossly inflated prices, overlooking a litany of discrepancies, including forged documents. Mthunzi was charged with failing in his fiduciary duty by not rejecting the bid while Madyo was accused of an oversight failure and failing to prevent fruitless and waster full expenditure. The 13 individual purchase orders Mthunzi and Madyo approved were among more than 1 000 dubious payments flagged by Deokaran in her report into “possibly fraudulent” transactions out of the hospital. For these 13 tenders from which their charges stem, Tembisa Hospital paid R5.6 million.
9. On 23 August 2024, the Gauteng provincial government confirmed that Gauteng Department of Health CFO Lerato Madyo has resigned. While on suspension, she received nearly R3 million in salaries while sitting at home. In addition, her pension was not frozen to enable recovery of money that may be proven to have been lost because of her negligence.
10. An interim update released by the SIU in September revealed that the investigation has expanded to over R2 billion in looted funds. The investigation is expected to conclude in November 2027. The investigation, initially meant to investigate expenditure at the hospital from January 2020 to September 2023, was expanded to include transactions from 2018 to 2024. More than 15 current and former officials have been identified as having received over R120 million through their involvement in the corruption schemes. This number is expected to rise as investigations continue. The SIU said it has prepared 116 disciplinary referrals against the 13 officials, of which 108 were delivered to Gauteng Health relating to maladministration and the irregular appointment of service providers at the hospital.

**THE INVOLVED PERSON(S) IS DEEMED TO HAVE VIOLATED THE FOLLOWING LEGISLATIONS AND THUS COMMITTED CRIMES**

**15. THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT (PRECCA)**

15.1 Section 34: Failure in her position of authority to report known or suspected corrupt transactions such as theft, fraud, extortion, forgery, or uttering forged documents involving amounts of R100 000 and more to the police; thereby committing a criminal offence.

15.2 Section 21: Conspiracy to commit offence in terms of PRECCA.

**16. THE CRIMINAL PROCEUDRE ACT (CPA):**

16.1 Section 18: Attempting, conspiring, or inciting another to commit an offence such as fraud.

**17.** **THE PUBLIC FINANCE MANAGEMENT ACT (PFMA):**

17.1 Section 38: Failure to ensuring effective, efficient and transparent systems of financial and risk management and internal controls;

- Failure to ensure the effective, efficient, economical and transparent use of resources of the department.

- Failure to immediately report the discovery of any unauthorised, irregular or fruitless and wasteful expenditure to the Treasury.

– Failure to take effective and appropriate disciplinary steps against officials who contravened the PFMA.

17.2 Section 51: Negligence in ensuring an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

17.3 Section 45: Negligence in ensuring the system of financial management was upheld within their areas of responsibility, leading to fruitless and wasteful expenditure and irregular expenditure.

17.4 Section 81: Financial misconduct for wilfully or negligently failing to exercise assigned powers and duties as prescribed in section 44.

**REQUEST TO INVESTIGATE**

In light of the above, the Democratic Alliance in Gauteng hereby request the South African Police Services to urgently investigate the alleged serious crimes and offences committed by the persons involved. This emanates from the following:

1. Contravening Section 34 of the Prevention and Combating of Corrupt Activities Act (PRECCA) which makes it a criminal offence not to report corruption, theft, fraud, extortion, or forgery if the value is R100 000 or more, as well as violating
   1. Section 21 of PRECCA concerning a conspiracy to commit an offence;
2. Contravening Section 18 of the Criminal Procedure Act which deals with attempting or conspiring to commit an offence such as fraud;
3. Violations of the Public Finance Management Act (PFMA) including the following sections:

3.1 Section 38 which covers the failure to immediate report the discovery of any unauthorised, irregular, or fruitless and wasteful expenditure to the Treasury, as well as failure to ensure effective, efficient, and transparent systems of financial and risk management and internal controls;

3.2 Section 51 which covers negligence in ensuring an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;

3.3 Section 45 which covers negligence in ensuring the system of financial management was upheld, leading to fruitless and wasteful expenditure and irregular expenditure;

3.4 Section 81 which covers financial misconduct for wilfully or negligently failing to exercise assigned powers and duties.

**PREPARED BY:**

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