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**How a hijacked organisation scored millions from the Lottery**

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**By Raymond Joseph and Anton van Zyl**

These two buildings, part of a rehab centre, were built with Lottery funding. The roofs leak and doors and windows do not fit properly and will need to be repaired. (Pic: GroundUp)

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When Takalani Tshikalange set up a non-profit organisation in rural Limpopo in 2012 to help people with HIV she hoped to make a real difference.

But despite her best intentions, Denzhe Primary Care failed to take off. The organisation lay dormant for four years.

Then, out of the blue, Tshikalange received an SMS alert from her bank in October 2016 informing her that R7.5m had been deposited into Denzhe’s bank account by the National Lottery Commission (NLC).

But when Tshikalange visited the bank and asked for printouts of statements, she was refused because, according to the bank’s records, she was no longer a signatory on the NPO’s account. The bank froze the account while it conducted an investigation.

Tshikalange laid a complaint of fraud with the Midrand Police in November 2016, saying she was "the owner" of Denzhe and "someone took my NPO documents and changed the details at FNB".

What followed has left Tshikalange terrified.

"People have been threatening me … about my NPO," Tshikalange said when contacted by phone. "They keep calling me on my phone. I have kids; I do not need this stress anymore. I saw the money going into the account on my phone … and I saw it going out. I did not get anything."

An investigation into Denzhe has revealed a colourful cast of characters. They include controversial Pretoria-based lawyer Lesley Ramulifho; Melanie du Plessis, his girlfriend; and Ado Krige, a former biker who spent time in jail where he found religion and who now runs an unregistered drug rehabilitation facility near Pretoria that uses religion and prayer to try cure addicts.

Ramulifho has been in the news several times over the past decade, including being accused of[**defrauding**](https://www.iol.co.za/news/politics/law-firm-in-trouble-over-inflated-bills-1426335) government departments and parastatals. He was also[**linked**](https://www.pressreader.com/south-africa/business-day/20151127/281479275329859) to a dodgy deal to supply aircraft to SAA.

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Despite Denzhe receiving a total of R27.5m in Lottery funding to build a new drug rehabilitation and sports centre, the facility is still incomplete. It is shoddily built, roofs leak, there are cracks in walls, and doors and windows do not fit properly. An existing lapa was converted into a "sports centre" at a cost of about R5m. An independent quantity surveyor later found that the total value of work done was R4.8m.

Our investigation uncovered two payments totalling R535 240 from Denzhe’s bank account towards two Ocean Basket franchises.

It also revealed how a company — of which the brother of the Chief Operating Officer of the NLC was sole director — signed a R15m contract to build the "new" Denzhe rehabilitation centre. He subsequently resigned although he was a director at the time of the signing of the contract.

So what had happened to Denzhe?

By the time Tshikalange became aware that her NPO was no longer under her control, it had already secured a R22m grant from the NLC.

The application to the NLC for funding a drug rehabilitation centre was submitted on 9 September 2016. The three directors of Denzhe Primary Care were Nkhumbuleni Lesley Ramulifho, Karabo Charles Sithole and Liesl Joy Moses, according to the application. The "new" directors initially asked for more than R31.36m. But this was trimmed down, although an additional R5.58m was approved in early 2017 to complete outstanding work.

The application did not go through the normal channels where it would have been considered by one of the NLC’s three Distribution Agencies. Instead, it was handled via a "proactive funding" process which was introduced in 2015 when amendments were made to the National Lotteries Act. The amendments allowed the Minister of Trade and Industry, the Lotteries Board or the Commission to identify "worthy" projects and fast-track these applications.

"The introduction of proactive funding has enabled us to assist in areas with limited access to resources," the NLC said in a statement earlier this year.

In the case of Denzhe, basic checking would have raised red flags. But the NLC has previously confirmed that it only checks whether an NPO is registered on the official Department of Social Development database. It does not check whether the NPO is compliant and whether the names of the people applying for funding on behalf of an NPO match the office bearers registered with the DSD.

A little more than a month after Denzhe’s funding application was submitted, the first tranche of R7.5m was paid into the NPO’s FNB account, which had been dormant for many years and only had a balance of R68. A month later a second tranche of R7.5m was paid into the account by the NLC.

When Tshikalange became suspicious and reported the matter to the police, FNB immediately froze the bank account. But Ramulifho obtained a court order to unblock it. A day later the account was emptied and on 8 December Denzhe opened a new account with Nedbank. The NLC was notified of this change the following day.

**How was the money spent?**

Instead of constructing a new rehab centre, Ramulifho found a much easier way; he used an existing one and gave it a bit of a facelift. This was[**House Regeneration**](http://www.hr7.co.za/) north of Pretoria. It has been in existence since 2009 and is run by former biker-turned-saviour, Dr Ado Krige, who claims on the organisation’s website that they have been involved in drug rehabilitation projects for over 30 years.

House Regeneration is privately owned and for-profit. It is also not registered with the Department of Social Development, and both these facts should disqualify it from receiving NLC funding.

Krige’s centre spurns conventional treatments. Instead it uses religion and prayer as a cure for addiction.

Krige says he met Ramulifho in July 2016 through mutual friends at the church they attend. "At our first meeting about this project Mr Ramulifho told us that he had a mandate from the NLC to set up a national network of rehabilitation centres in SA and that R300m had been earmarked for this." Ramulifho was accompanied by his girlfriend, Melanie du Plessis, and both gave the impression that they were representing the NLC, says Krige.

* **READ**: **[Joffe on corruption – Transformation’s achilles heel. Where did FIFA millions go?](https://www.fin24.com/BizNews/joffe-on-corruption-transformations-achilles-heel-where-did-fifa-millions-go-20160609)**

Ramulifho and du Plessis impressed Krige and they discussed plans to upgrade the existing rehab facility. But when Ramulifho told Krige that Denzhe Primary Care wanted to buy the property, he and his family refused, stating that "we were acting on a mandate from Jesus Christ and the ministry was not for sale".

During a follow-up meeting, Ramulifho and Du Plessis said that the NLC might be willing to provide R6m for the renovation and upgrading of the facilities, according to Krige. At that stage House Regeneration catered for about 70 male patients.

"It was then proposed that an entire new complex be built and Ramulifho mentioned an amount of R18m to be funded by Lotto with Denzhe Primary Care as the project manager," says Krige.

**Out with the old - in with the old**

Documents were drawn up by Ramulifho’s office and signed on 14 October 2016. The project was to be completed at the latest by the end of May 2017.

But disruptions with the construction work took their toll and tension began mounting between Denzhe and the Krige family, particularly after demands were made for references to Christianity to be removed from sign boards at the rehab.

Things got worse when the NLC realised that House Regeneration was not registered as a rehabilitation centre, even though Krige said he had declared this "upfront" to Ramulifho.

Over the next few months there were numerous promises about when work would be completed. Krige became so frustrated that he visited the NLC’s offices in Pretoria early in January to complain to the Commissioner, Thabang Mampane. He also reported his concerns about Ramulifho to her.

By March 2018 the relationship had broken down completely. Ramulifho wrote to Krige stating that Denzhe had decided to terminate the operational partnership "due to the ongoing slandering of Denzhe Primary Care name and myself as a chairman." Ramulifho also informed Krige that Denzhe would have his organisation evicted from the premises and a new operating partner would be appointed to complete the project.

The Denzhe project is now mired in controversy and Ramulifho has sent a lawyer’s letter demanding R17m, claiming he was misled that the rehab was registered with DSD.

Krige said: "I was upfront about the fact that we were faith-based and not registered with DSD, but that I was working hard to get the facility registered. We were running a successful rehabilitation centre that was profitable. It supported me and my three sons, who were all involved in the business. The business suffered and we have lost a fortune because of this."

**Who is the real builder?**

When the NLC was requested to provide details of the project earlier this year, the emails were forwarded to the COO, Phillemon Letwaba. He was very reluctant to make any information available and after a lot of pressure gave the name of Denzhe’s "chairman", Lesley Ramulifho.

An application was made under the Promotion of Access to Information Act (PAIA) to force the NLC to provide information, but without success. Even an appeal was turned down, with the NLC reverting to a "secrecy clause" in the regulations and the protection of the privacy of NPOs. Documents were, however, leaked to us which helped provide the missing pieces of the puzzle.

It transpired that a R15m building contract was signed in October 2016 with Upbrand Properties. The first payment of R7,165,000 was made the same day, according to NLC records we have seen. Upbrand Properties was registered in January 2016 with Johannes Kgomotso Letwaba, the older brother of the NLC’s COO, Phillemon Letwaba, as the sole director. Asked whether this did not constitute a conflict of interest, Phillemon Letwaba initially denied that any of his family members were involved.

"I have checked with all my family members and none of them is a director of Upbrand Properties and this information you can check it with CIPC directly. Additionally they have no knowledge of any contract signed between Denzhe and Upbrand Properties," Letwaba said via email.

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A company search, however, showed that Johannes Letwaba was a director of Upbrand Properties in December 2016, but resigned in March 2017. When this was pointed out to the NLC’s COO, he denied that a contract had been signed between Upbrand Properties and Denzhe.

In a press release posted on its website last week in response to our questions, the NLC said it "follows strict prescribed processes and continually encourages its employees to disclose matters of conflict of interests where applicable. It has since engaged individuals who may have been highlighted in some of the issues raised around the implementation and funding of the project (Dhenze) and is satisfied with explanations provided."

Further investigation also showed that this is not the only NLC-funded project Lesley Ramulifho is involved with. He played a key role in applying for funding for I am made 4 God’s Glory (IM4GG), which was also dormant and non-compliant. Like Denzhe it had never submitted annual financial statements and other legally required documentation to DSD and should not have been eligible for Lottery funding.

IM4GG’s registered address in Garsfontein, Pretoria, is the same as that of the law offices of Ramulifho, who applied for the funding as "chairman" of the NPO. DSD officials became suspicious when they discovered that the supporting documentation was not included when an application was submitted to replace the original IM4GG board with Ramulifho, his stepdaughter Liesl Moses and Karabo Charles Sithole, Ramulifho’s co-trustee in the Denzhe Primary Care Trust, which was set up in 2016. (We were unable to track down Moses or Sithole.)

The same three were inserted as directors when the details of Denzhe were changed, although the original 2012 Denzhe directors are still listed with DSD.

The details of the original IM4GG directors were reinstated by DSD on its NPO register. But the document reflecting the initial changes was used to get an R11.9m grant from the Lottery, which was less than the R15m originally applied for.

In the application for funding, Ramulifho said the aim of the project was to "provide appropriate infrastructure in order to advance sport, recreation and physical activity in communities across the country while addressing government’s transformation agenda".

* **READ**: [**The agony and ecstasy – a new investor’s story**](https://www.fin24.com/Wealth-and-Investment/Your-voice/the-agony-and-ecstasy-a-new-investors-story-20151126)

Ramulifho failed to answer a series of questions about the rehab, or how Lottery money was used for Ocean Basket franchises.

His lawyer, Victor Mabe, responded on his behalf, merely to state that the matter is before the High Court and as such his client may not respond. He said his client had been "defrauded by serious and criminal misrepresentations". Asked to explain, he did not respond.

In a follow-up email he praised the merits of the project to curb addiction to drugs such as nyaope. He also said that the NLC had given a clean audit of the rehab centre during construction, and that it had given positive feedback about the centre once it was completed.

This is the first of a series of articles on the National Lottery.

**Timeline**

* 1 February 2012 - Denzhe Primary Care registered as NPO, but it never takes off.
* March to September 2016 - Lesley Ramulifho takes over Denzhe, apparently without the knowledge of the founder Takalani Tshikalange.
* July 2016 - Ado Krige and Ramulifho meet.
* 19 October 2016 - NLC deposits R7.5m into Denzhe’s bank account.
* 20 October 2016 - Contract between Denzhe and the contractor, Upbrand Properties, in which NLC COO Phillemon Letwaba’s family has a stake.
* 4 November 2016 - Construction work starts at House Generation. This is followed by numerous problems and delays, and escalating tension between Krige and Ramulifho.
* March 2018 - Krige and Ramulifho’s relationship completely breaks down.

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