



Private and confidential

Mr Hermann Erdmann
Chief Executive Officer
The Recycling Economic Development Initiative of South Africa NPC
4th Floor, Sunclare Building
21 Dreyer Street
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6 September 2016

Dear Mr Erdmann

Executive Summary – The Recycling Economic Development Initiative of South Africa NPC (“REDISA”) June 2016 Department of Environmental Affairs (“DEA”) report review

1. Based on our letter of engagement, dated 22 July 2016 (**Annexure 1**), you mandated us to perform review procedures relating to the operations of REDISA. The specific procedures to be performed are set out in terms of the letter of engagement (paragraph 19 (a) - (f)). As of date of this Executive Summary, we are in the process of completing these procedures and this letter should be read in conjunction with our full report which is still a work in progress.
2. On 30 August 2016, you requested us to perform additional review procedures which specifically focussed on the six month period ended 31 August 2016 (“period under review”).
3. This request was formalised *via* our “extension of scope” letter with you (**Annexure 2**) and entails performance of similar procedures as referred to in paragraph 1 above in order to obtain maximum coverage across the operations and activities of REDISA for the period under review. As of date of this Executive Summary, we are still in the process of conducting the procedures mandated as per the extension of scope.
4. Both the letter of engagement (**Annexure 1**) and its accompanied extension of scope letter (**Annexure 2**) are subject to our Terms and Conditions of Business (**Annexure 3**).
5. As part of our procedures performed and in *lieu* of the outstanding findings arising from them, you requested us to review and comment on the following information, as included in the DEA report for June 2016 (“the DEA Report”):
 - a. Jobs created;
 - b. Small Business or Small, Medium and Micro Entities (“SMME’s”); and
 - c. Broad Based Black Economic Empowerment (“B-BBEE”) related to the above.

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The Company’s principal place of business is at 2 Eglin Road, Sunninghill where a list of the directors’ names is available for inspection.

6. In order to comment on the information included in the DEA Report, we performed the following:
 - a. Reviewed the DEA report;
 - b. Summarised the information that pertains to paragraph 5 (a) – (c) above;
 - c. Agreed the information summarised to supporting schedules and information supplied by REDISA;
 - d. Performed verification (on random sample basis) of substantive evidence supporting these schedules and information;
 - e. Commented on the facts and circumstances noted through performance of procedures per paragraph 6 (a) – (d) above.
7. The purpose of this Executive Summary is to set out the facts and circumstances noted through performance of the procedures specified in paragraph 6 (a) – (e) above and our work performed to date based on the mandate provided by the letter of engagement dated 22 July 2016 (**Annexure 1**).
8. Our work was based on the information, interviews and documentation provided by REDISA.
9. The information supplied to us was taken at face value and we cannot confirm the completeness or authenticity of information used in performing our work nor can we confirm that we had sight of all relevant documentation.
10. We were not required to, nor did we undertake an audit in terms of the International Standards on Auditing.
11. We do not express any legal opinion in this document, nor should anything stated herein be regarded as such.
12. This Executive Summary has been prepared solely for the use of REDISA and its legal representatives. It should not be disclosed to any other party without our prior written consent, which we may, at our discretion withhold or give subject to conditions. It shall be a condition of such consent, if given, that PricewaterhouseCoopers Advisory Services (Pty) Ltd accepts no responsibility to that third party and that any such third party will hold PricewaterhouseCoopers Advisory Services (Pty) Ltd harmless in respect of any consequences of such disclosure. Whether or not we have given our consent, we will not accept liability or responsibility to any other party who may gain access to this report.
13. We did not perform any of the following procedures:
 - a) Audit or other assurance procedures of the operating efficiency of the National Centralised Computer System (“NCCS”) and its associated support systems; or
 - b) Audit or other assurance procedures over any of the Information Technology General Controls (“ITGC’S”) or application controls associated with any of these applications.
14. The facts and circumstances surrounding the procedures performed are included under the following headings below:
 - A. Summary of the DEA Report;
 - B. Agreement of summarised information and verification of supporting schedules; and
 - C. Commentary on information included in the DEA Report.

A. Summary of the DEA Report

Jobs created

15. We noted a total of 3,152 jobs were created within the industry. These jobs were categorised as follows:

Table 1 – Jobs created per type and province

Area of Industry	Number of jobs
Head Office	139
Processors	199
Transporters	412
Depots	180
Waste Pickers	2,197
Pre Processors	15
Secondary Processors	10
Total	3,152

16. We noted that the ethnicities and genders of the individuals in Table 1 above are as follows:

Table 2 – Ethnicity and gender of individuals occupying jobs created

Area of Industry	Number of jobs
Management	
Black Male	26
Black Female	12
Coloured Male	9
Coloured Female	13
Indian Male	10
Indian Female	5
White Male	10
White Female	3
Total	88
General Staff	
Black Male	1,665
Black Female	1,207
Coloured Male	100
Coloured Female	40
Indian Male	25
Indian Female	4
White Male	16
White Female	7
Total	3,064
Grand total	3,152

Small Businesses

17. We noted 239 small businesses or SMME’s per the DEA Report. These businesses are categorised as follows:

Table 3 – Types of SMME’s established

Area of Industry	Number of jobs
Transporters	121
Depots	25
Pre-processing	1
Secondary processing	1
Processors	17
Micro collectors	74
Total	239

B. Agreement of summarised information and verification of supporting schedules

Jobs created

18. We obtained listings of individuals that was used to compile the figures included in the DEA Report, which is summarised in Table 1 and Table 2 above. The listings obtained included 3,152 individuals in total and was agreed to the different areas of industries with no exception (ie. we noted 139 individuals on the Head Office listing etc.).
19. We performed a search on the Identity Document (“ID”) numbers for all individuals included on the listings and noted 13 duplicated ID numbers. This indicates that total number of jobs created rather amounted to 3,139.
20. The details of these duplicated ID numbers will be included as part of our final reporting deliverable in terms of our Letter of Engagement (**Annexure 1**).
21. The reason obtained from REDISA management for these duplicates was that errors were made in capturing the listings as they were generated manually and that certain individuals were included on the listings twice.
22. We also selected a random sample of 33 individuals’ ID numbers to verify against the ID copies provided. We verified 29 of the 33 individuals’ ID numbers against copies of their ID’s. The remaining four (4) individuals’ ID copies could not be provided as these individuals related to Transporters and Processors who did not provide REDISA with copies of the ID’s.
23. In order to verify the validity of the ID numbers and names provided, we verified the ID’s using the “Dun & Bradstreet” subscription database and noted that three (3) of the ID numbers related to ID’s issued to South African citizens and were verified.
24. The fourth individual, Mr Adriaan Dippenaar’s ID number (5210145007084) matched an ID number which purportedly belonged to a “Mr Adriaan Jordaan”. REDISA could not provide an explanation for this as the individual was not employed by them but rather by one of the



Transporters. This Transporter could not be named by REDISA as they did not retain ID and personal detail documentation in respect of all employees of Transporters contracted.

Small businesses

25. We obtained listings of entities used to compile the figures included in the DEA Report, summarised in Table 3 above. The listings obtained included 239 entities in total and was agreed to the different areas of industries with no exceptions (Ie. we noted 121 entities on the Transporter listing etc.).
26. In order to ensure that the entities included on the entity lists were legitimately included on the NCCS, we agreed a (random) sample of 24 entities to the NCCS entity list obtained from REDISA. No anomalies were noted in this regard.

B-BBEE of jobs created and small businesses

27. We agreed a (random) sample of 32 individuals' ID's to the listings of individuals, which was used to compile the information per the DEA Report as included in Table 2 above and noted no anomalies.
28. We obtained a random sample of 24 entities' B-BBEE compliance certification and noted that all these entities have at least a "level 3" compliance. This indicates, based on current B-BBEE legislation, that these entities are at least 51% black owned.
29. It should be noted that we could not obtain B-BBEE certification for any of the Micro Collector Co-operatives (74 entities) as this is not documentation which REDISA retains or is required to retain based on the Plan. We were informed by REDISA that all of these Co-Operatives are at least more than 51% black owned.

C. Commentary on information included on the DEA Report

30. The DEA Report indicates that 3,152 jobs have been created by the Plan as at 30 June 2016. To date our procedures indicate that 3,139 have been created. The difference constitutes capturing errors made by REDISA staff.
31. Through random sample testing, we identified 1 out of 31 individuals included in the total of 3,139 which could not be verified through ID checks performed. The reason obtained from REDISA for this anomaly is that the Transporter with whom the individual is contracted did not provide a valid ID.
32. The DEA report suggests (information summarised in Table 2 above) that a total of 3,116 (3,152 - 7 - 16 - 3 - 10) individuals from previously disadvantaged groups are employed in jobs created through the operations of REDISA. This amounts to 98.86% (3,116/3,152) of the total number of jobs created as at 30 June 2016.
33. Should duplicates identified on the listings of individuals be deducted, this figure decreases to 3,103 (3,116 - 13). This constitutes 98.85% (3,103/3,139) of the total number of jobs created.
34. 1,281 (12 + 13 + 5 + 1,207 + 40 + 4) of the 3,103 jobs created for previously disadvantaged individuals are for females. This aggregates to 41.28% (1,281/3,103) of the total jobs to previously disadvantaged individuals.



35. Testing performed across random samples selected from the listings of individuals used for jobs created per the DEA Report indicated a single (1) anomaly in terms of ID verification for the individuals.
36. Our extension of scope letter mandated us to perform review of 100% of the information for the 6 month period ended 31 August 2016. As part of this, we will perform a 100% review of the jobs created figures for the 31 July 2016 DEA Report, still to be issued. As at the date of this Executive Summary, this has not yet been concluded.
37. The DEA Report further indicates that a total of 239 small businesses or SMME's were created as at 30 June 2016. A random sample of 24 entities' B-BBEE compliance certification was obtained and we noted that all of the selected entities had a B-BBEE grading of at least level 3, which indicates they are at least 51% black owned.
38. Our extension of scope letter mandated us to perform review of 100% of the information for the 6 month period ended 31 August 2016. As part of this we will perform a 100% review over the entities created figures for the 31 July 2016 DEA Report, still to be issued. As at the date of this Executive Summary, this has not yet been performed.
39. The facts and information included above pertain to results obtained through performance of our initial review in terms of the mandate covered in our letter of engagement. The information included in this Executive Summary is not exhaustive and additional information may be obtained through completion of our mandates in terms of the letter of engagement and the extension of scope letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Malcolm Campbell', written in a cursive style.

Malcolm Campbell
Director – Forensic Services