

From City Press

How R502m grew to R2.7bn in a year

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President Jacob Zuma has ordered the Special Investigating Unit to probe how a little-known firm of consulting engineers received water and sanitation contracts worth hundreds of millions of rands without tendering for the jobs.

In terms of the proclamation gazetted last week, the unit will investigate the appointment of LTE Consulting by Lepelle Northern Water.

Documents that City Press has obtained show how the value of the contracts dished out to LTE and its related companies has increased from R502 million to R2.7 billion in less than a year.

In September 2014, Lepelle Northern appointed LTE Consulting to deliver a R502 million “turnkey” emergency water and sanitation project in the water-scarce Mopani District Municipality in Limpopo, where the national Freedom Day celebrations will be held on Wednesday.

Just six months earlier, in Sweetwaters, south of Johannesburg, the company scored a R200 million water and sewer reticulation contract it had not tendered for.

The proclamation reveals that the investigating unit will probe the Gauteng and Limpopo contracts, including allegations of “serious maladministration”, theft and wastage of public money, and flouting tender procedures.

LTE was appointed on a “turnkey” basis for the Limpopo and Gauteng projects. In turnkey projects, a single company is appointed and becomes responsible for the entire project, including the appointment of all subcontractors.

THE LIMPOPO GIG

Last month, City Press reported that shortly after her appointment as water and sanitation minister, Nomvula Mokonyane authorised Polokwane-based water utility Lepelle Northern to implement a R502 million water and sewage provision project in Giyani.

Lepelle directly appointed LTE Consulting on an emergency basis, and the company in turn appointed Khato Civils and South Zambezi to do the construction.

The project was completed in October 2014. But last year, Lepelle Northern Water dished out nine more mega water projects, totalling R2.2 billion, to the three companies without following any tender procedures.

The documents also reveal that:

. Between April and September last year, Khato Civils was paid R850 million, of which R735 million was for the nine new projects;

. Of that sum, R217 million was for “rejuvenating” 154 boreholes. A document from the department of water and sanitation shows that the contract price for this job was set at R198 million, but it was increased to R217 million. This week, two companies quoted City Press less than R100 000 for a single borehole. Mopani’s boreholes cost R1.4 million each to “rejuvenate”;

. LTE’s Nedbank statements reveal that between June 2014 and February this year, Lepelle made five payments to the company, totalling R134 million; and

. The companies bagged two more contracts, without tenders, including the design and construction of the Nwamitwa Dam outside Tzaneen and the Nandoni-Mhinga water supply tender. These fall outside of the R2.7 billion in contracts the companies have already received.

THE GAUTENG PROJECT

In March 2014, while Mokonyane was the premier of Gauteng, the directors of LTE discovered that the company was handed a R200 million “turnkey” water and sewer reticulation project for which it had not tendered.

A scandal erupted after the company’s management wrote to the provincial department of human settlements, which gave it the tender, asking it to take it back because it was irregularly awarded and there was no proper tender process.

In this project, LTE appointed Khato Civils, without a public tender, to do the construction work.

WHAT LEPELLE SAYS

Lepelle Northern Water acting CEO Phineas Legodi said the nine new projects worth R2.2 billion were always part of the original tender.

“From the beginning, it was clear that for the intervention to be effective, it required that the project be divided into short- and long-term milestones.”

These nine contracts, he said, were part of the long-term projects.

But in an interview with City Press last week, he said the entire project was worth R502 million.

Legodi defended handing over all the mega water projects to LTE, Khato Civils and Zambezi South, saying he was procuring for an emergency project and procurement policies allowed him to do that.

Regarding the R217 million spent on 154 boreholes, Legodi said the scope of work included “sighting, drilling, yield testing, installation of boreholes and pump stations, construction of pump houses, refurbishment of existing boreholes, testing of water quality, design, installation, electrification and power supply”, which contributed to the cost.

LTE RESPONDS

Asked how his company received the other nine mega water projects, LTE’s chief executive, Thulani Majola, said: “A tender was advertised for consultants to be on the panel of the department of water and sanitation. LTE responded to the tender and was subsequently appointed.”

Once on the panel, Majola said consultants received work based on their capacity and experience.

“Due to the complexity of this project, and LTE being a Level 6 consultant, we accepted the appointment as per the procurement procedure.”

Majola confirmed that his company was also awarded the contract to design Nwamitwa Dam, but he declined to reveal how much it was worth.

Responding to a question about swift payments made to his company, Majola said: “Invoices are progressively drawn and submitted to the client. The project comprises various work packages, all at varying stages of implementation.

“For invoicing purposes, a single consolidated invoice is drawn per month.”

Khato Civils boss Simbi Phiri declined to comment.

R170m and still no water

Sipho Masondo 2016-03-14 06:30

Cardo Rikhotso of Siyandhani Village near Giyani, transports his water by wheelbarrow. Residents buy water from people with boreholes or from the water merchant in town, thanks to a project that appears to have flopped PHOTO: LUCKY NXUMALO

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Veterans want answers on water supply tender

Dodgy tender processes and ministerial intervention turn water supply project into a pipe dream

R170 million was paid to three companies in October 2014 to ensure a consistent supply of water to the Limpopo town of Giyani and surrounding villages.

Despite this, residents go for up to five days at a time without water and are forced to buy from neighbours fortunate enough to have boreholes.

A City Press investigation has revealed that the three companies – LTE Consulting, and construction companies Khato Civils and South Zambezi – were awarded a R502 million tender in September 2014 to improve the water supply to the entire Mopani District Municipality.

LTE ceded the contract to Khato Civils on October 10 – and three days later that company was paid R170 million.

Documents obtained by City Press show this payment as R100 million in “advances”, and the remaining R70 million for “measured work” that had already been completed.

The payment was for an “emergency project” – the refurbishment and maintenance of the Giyani water and waste-water plants. The project was handed over by deadline at the end of October 2014.

The ceremony was attended by President Jacob Zuma and Water and Sanitation Minister Nomvula Mokonyane.

But 18 months later, there is still little water to be had in Giyani's taps.

Shortly after being appointed minister in May 2014, Mokonyane revoked the Mopani District Municipality's powers to act as a water services authority. She then directly appointed Polokwane-based, state-owned water utility Lepelle Northern Water to be the implementing agent for the entire R502 million project.

Lepelle Northern Water then directly appointed LTE Consulting, based in Midrand, Johannesburg, as consulting engineers. In turn, LTE appointed construction firms Khato Civils and South Zambezi to do the actual work.

An engineer who is aware of the project, who asked not to be named, said LTE should never have won the contract because the company's core business was consulting, not construction.

Another problem, he said, was that before ceding the contract to Khato, LTE was both the consulting engineers and the construction company. "They were both referee and player at the same time. This is unheard of in our sector. It is highly irregular."

Thulani Majola, a senior LTE executive, refused to comment, and referred all queries to the department of water and sanitation.

NO TENDER

In the past three weeks, City Press has approached Mokonyane's department five times to find out if the services of Lepelle Northern Water were procured via an open public tender process.

No responses were given.

Siviko Mabunda, secretary of the Forum of Limpopo Entrepreneurs (Fole), insists there was no tender.

Despite several requests for comment, Lepelle Northern Water did not respond and answer whether LTE, Khato Civils, or South Zambezi were appointed through a public tender process. According to the Public Finance Management Act, goods and services exceeding R500 000 have to be procured through public tender.

ERRATIC SUPPLY

Documents relating to the Giyani project show that on October 13 2014, Lepelle Northern Water's acting CEO, Phineas Legodi, signed and approved the R170 million payment to Khato Civils.

Companies and Intellectual Property Commission (CIPC) information reveals that Khato Civils and South Zambezi are related companies and share a director, Simbi Phiri. Phiri is also listed on LTE's newsletter as an employee of the company.

In addition to the R170 million paid to Khato Civils, the documents also reveal that in the space of two weeks, between October 13 and 27 2014, Lekgodhi also signed and approved further payments of R126 million from the department despite incomplete work.

Several visits to Giyani in the past three weeks revealed that residents go without water for up to five days at a stretch.

Before Khato Civils refurbished the Giyani water and waste-water plants in October 2014, the town's residents had the same complaint, but little appears to have changed.

In Giyani's townships, residents were seen pushing wheelbarrows to get water from neighbours with boreholes.

The water merchant in the Giyani city centre was inundated with residents replenishing their containers.

The shopkeeper refused to comment, but resident Shimmy Nxumalo said she was used to buying water.

"What can we do? I spend in excess of R100 on water every week. Thank God I can afford it. There are people in villages who use raw water straight from the rivers. It's pretty sad."

Khato Civils and South Zambezi were required to refurbish and maintain water pumps and boreholes, increase water pressure, install new pump stations, repair leaking valves and increase water supply to the Nkhensani Hospital, according to a scope of work document.

Speaking on condition of anonymity, an employee who works at the hospital said that in 2014 Khato Civils had built an expensive water purification plant there, but it had worked for only a month.

"I don't know what it costs, but it is quite expensive. It was supposed to purify water from the boreholes for our toilets and equipment.

"If the water is not purified, the equipment [such as sterilisers] breaks."

In the last year, the employee said, the water supply had been erratic and inconsistent, but there had always been some sort of supply.

The situation was worse in other places.

In Section E, Thomas Chauke said there was no water on Tuesday and Thursday, and it happened almost every week. "If we don't have, we go to those with boreholes and they sell to us."

Selinah Mkhari, who lives in Section F, said she was shocked to hear that so many millions of rands had been paid to improve water supply.

"Water supply here has never changed. It would be a miracle to have an uninterrupted water supply for seven days on end."

Speaking to City Press on Friday, Phiri said he owned Khato Civils and South Zambezi. He also said he had known LTE's directors for many years and worked for the company "many years ago".

“Look, I don’t know how LTE got the contracts. They brought us in to help with the work because we have the expertise. We have worked with them on other projects before and we have a memorandum of understanding.”

Phiri denied that the R170 million was an upfront payment.

“When they paid us that money, I had used my own R66 million on their projects. So they were settling that and paying for us to continue doing more work.”

However, he did not respond as to why he was paid three days after LTE had ceded the contract to him.

Phiri said as much as Giyani still had water problems, the situation had improved dramatically.

“When we went there, the sewage plant had not been working for two years. They were spilling their sh*t into rivers. We fixed reservoirs, purification plants, repaired leaks and improved boreholes. We brought experts from overseas to help us with water pressure and many more.”

Phiri said he was aware that many villages did not have water, and that getting water to those areas would take time because of the rugged terrain.

NO COMMENT

The department of water and sanitation has not responded in three weeks. City Press asked why the companies were paid advances, why there was still no water in Giyani, and why no public tenders appeared to have been issued by Lepelle Northern Water.