

**SUBMISSIONS BY MR ABRAM MASANGO  
FOR THE PORTFOLIO COMMITTEE ON PUBLIC  
ENTERPRISES**

**27 FEBRUARY 2018**



**NICQUI GALAKTIOU INC.**

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## **SUBMISSIONS BY MR ABRAM MASANGO FOR THE PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES**

### **INTRODUCTION**

1.

- 1.1. I have been requested by the Acting Chairperson of Parliament's Portfolio Committee on Public Enterprises ("the Portfolio Committee") to give evidence before the Portfolio Committee to assist in the Inquiry into governance, procurement and financial sustainability of Eskom SOC Limited ("Eskom").
- 1.2. The Portfolio Committee has requested that I attend as a witness to assist in identifying the challenges currently facing Eskom. I have been advised that I was mentioned in the evidence given by Mr Matshela Koko ("Mr Koko") and Mr Anoj Singh ("Mr Singh") before the Portfolio Committee in January 2018.
- 1.3. I have not had access to the transcripts nor the audio recordings of the evidence given by either Mr Singh or Mr Koko.
- 1.4. The Portfolio Committee has reason to believe that I will also be able to assist with certain events which lead to the suspension of five Eskom Executives. I point out that I am only aware of four Executives that were suspended and not five as set out in the invitation to me from the Portfolio Committee dated 21 February 2018.

- 1.5. Even though I have only been requested to provide the Portfolio Committee with limited information, it is prudent that I set out salient issues which must be brought to the attention of the Portfolio Committee.
- 1.6. The topics which will be addressed in these submissions are the following:
  - 1.6.1 my background;
  - 1.6.2 intimidatory tactics;
  - 1.6.3 my suspension from Eskom;
  - 1.6.4 the whistle-blower's report;
  - 1.6.5 Mr Koko's Disciplinary Proceedings; and
  - 1.6.6 the Melrose Arch meeting in March 2015.

## BACKGROUND

2.
  - 2.1. I began my career at Eskom approximately 20 years ago as a senior technician. I hold a National Diploma, National Higher Diploma and a Master's Degree in Project Management. I was the Project Director for the Kusile Power Project for approximately eight years before being promoted to the position of Group Executive of Group Capital at Eskom during August 2015.

- 2.2. During my tenure at Eskom I successfully managed many projects for the financial benefit of Eskom. Given my successful career and many achievements in significant projects at Eskom, I can demonstrate that I have the requisite experience, knowledge, unquestionable commitment and integrity to add value as a key role player and Executive member of the Board. I do not hesitate to state that I have an impeccable good name and reputation and my successful tenure at Eskom cannot be disputed.
- 2.3. I assisted in growing and benefitting the power utility. I will willingly expand on my successful projects, should it be necessary.

#### INTIMIDATORY TACTICS

- 3.
- 3.1. During the early part of 2017 I was seconded to the Office of the Interim Chief Executive Officer, who at the time was Mr Koko, to assist the Chief Financial Officer, Mr Singh. One of the main reasons for my secondment was to assist Mr Singh and Mr Koko in terms of "*the design to cost structure*" at Eskom which was aimed at optimising the finance structure across the business of the power utility and to assist in improving the implementation of Eskom's corporate structure.
- 3.2. Prior to my transfer to the office of the Interim Chief Executive Officer, during February 2017, Mr Singh persisted in requesting that I go on forced study leave to Harvard University in the United States of America ("Harvard"), which I so declined.

- 3.3. Mr Singh advised me that he was mandated by Mr Koko to represent him in enforcing my immediate leave. I was advised by Mr Singh that even though the Harvard study course was commencing in April 2017, I was requested to take immediate leave for the entire month of March 2017, prior to proceeding to Harvard.
- 3.4. The reason for my requested departure, as informed by Mr Singh, was to ease the political tension which was brought about due to the turmoil that reigned in Eskom in particular relating to governance structures. I believe that the real motivation behind my requested departure was to conveniently side-track me at the relevant time as I was an internal candidate for the position of Chief Executive Officer at Eskom. These events arose because, in my view, I provided information of wrong-doing at Eskom, the particularity of which I deal with below.
- 3.5. During a meeting with Mr Singh I advised him that I was not going to be intimidated and that I would not go on forced leave to attend Harvard. During discussions with Mr Singh he threatened that Mr Koko would have me suspended as he did not want my presence within Eskom for the reasons advanced herein. I was advised by Mr Singh that Mr Prish Govender would replace me and occupy the position of acting Group Executive of Group Capital when I go on study leave. It is interesting that my replacement had already been selected even though I had not agreed to go to Harvard.

## MY SUSPENSION

4.

4.1. On 3 November 2017 I received a letter by email in terms of which Eskom temporarily suspended me from work with immediate effect. A copy of the email is annexed hereto marked "A" ("the suspension letter").

4.2. The suspension letter recorded that I may have committed "*serious misconduct or conducts*" relating to *inter alia* an "*undeclared conflict of interest and generally corrupt conduct*". These are vague and unsubstantiated allegations which I deny in the strongest terms. No particularity has been furnished to me in relation to my alleged wrongful conduct. I requested that my suspension be withdrawn. I have no doubt that the reason for my suspension was an attempt to silence me, discredit me and undermine my credibility as a potential witness at Mr Koko's disciplinary hearing.

4.3. I have challenged my suspension and annex a copy of the response addressed by my attorneys dated 7 November 2017, marked annexure "B".

4.4. Approximately four months later I am still on suspension. I have unequivocally expressed my desire to return to my employ at Eskom. It goes without saying that my extensive knowledge and experience can only add value to the power utility at a time when it is in a major crisis.

- 4.5. When the new leadership came into office I tendered my co-operation to the new Chairman and Chief Executive Officer, demonstrating my commitment to Eskom.

## WHISTLE-BLOWER'S REPORT

### 5.

- 5.1. It is now common knowledge that I am the one that submitted the whistle-blower's report, which was prepared in February 2017. At the time I became very concerned regarding issues pertaining to the maladministration and corruption at Eskom, in particular relating to some of the Executives. Having been part of the organisation for more than two decades, I decided to escalate my concerns to the then Chairman, Dr Ben Ngubane ("Dr Ngubane"). I met with Dr Ngubane to raise my concerns particularly regarding Mr Koko. Dr Ngubane requested that I prepare a written report addressing the allegations of corruption, lack of corporate governance, instability in management and gross mismanagement. I advised Dr Ngubane that if no steps were taken to address my very serious concerns at Eskom, the power utility would eventually collapse.
- 5.2. I compiled the report which was dated 1 March 2017 and has subsequently become known as *"the whistle-blower's report"*. This document was marked *"Private and Confidential"* and was only intended for the attention of Dr Ngubane. A copy of the whistle-blower's report is annexed hereto marked **"C"**.



- 5.3. I prepared the whistle-blower's report not knowing that my fate would be sealed, my credibility and integrity challenged, my employment jeopardised and my safety and security compromised.
- 5.4. Needless to say the whistle-blower's report was fundamental to the investigation into the corruption and fraud at Eskom.
- 5.5. The whistle-blower's report dealt with the following matters concerning Mr Koko:
- 5.5.1. undermining the authority of other Executives at Eskom, in particular that without the necessary authority;
- 5.5.1.1. he issued instructions that a project manager for a consultant company at Kusile Power Station should be removed from that project, which was suspicious;
- 5.5.1.2. he removed GTC company (a sub-contractor) from Kusile Power Station Project without any reasons therefor;
- 5.5.1.3. he conspired to remove Mr France Hlakudi ("Mr Hlakudi"), a Senior Manager at the Kusile Power Station, over whom he had no authority and without providing any reasons;

- 5.5.2. separation of politics and professionalism: Mr Koko would treat employees differently if he believed that they had a different political agenda to him;
  - 5.5.3. undermining Governance and Subcommittees: Mr Koko did not adhere to the governance of Eskom. He was appointed as a member of Eskom's Executive Operations Committee; which Committee would make recommendations to the Board. He failed to attend the committee meetings which he was obliged to do;
  - 5.5.4. militarization of Eskom: Mr Koko instructed General Martin (a previous SANDF member) to transfer certain employees from one division to another. I had refused to transfer these employees as there were no valid reasons to do so; and
  - 5.5.5. failure to follow process: Mr Koko would not follow the proper processes within Eskom such as engaging with the Human Resources Department when employees were to be dismissed by him.
- 5.6. In March 2017 Dr Ngubane called a special Board Meeting at which the whistle-blower's report was tabled even though I had provided it to him on a confidential basis given my very serious concerns regarding some of the Executives. I believe that the whistle-blower's report precipitated Mr Koko's suspension. I understand that the Board members had a meeting that same

evening to implement the decision to suspend Mr Koko. I subsequently learnt that the decision to suspend him was revoked following the sudden intervention that evening by the Minister of Public Enterprises, Ms Lynne Brown. There was no reason why the Minister should have intervened to protect Mr Koko, particularly given the serious allegations against him.

- 5.7. Within days following the Board meeting, Dr Ngubane scheduled a meeting at his office between Mr Koko and myself and advised us both that we should work together in an attempt to resolve the issues which I believed related to the content of the whistle-blower's report. At that meeting, following what was conveyed by Dr Ngubane, it was apparent to me that he had informed Mr Koko that I was the whistle-blower therefore compromising my position and my safety. My suspicions were realised when Mr Koko went so far as to utter the words *"if you start a fight, you must win it"*, which I perceived as a threat. Mr Koko requested that I terminate Mr France Sithole's employment who was at the time the Project Director at Kusile and my sub-ordinate. I requested reasons for such harsh action but Mr Koko was unable to provide any reasons.
- 5.8. Mr Koko was attempting to sabotage my position, in particular with the synchronisation of the Kusile unit and the commercialising of the unit at another power station, namely Ingula. Should the Portfolio Committee require further information, I am willing to expand thereon.
- 5.9. In May 2017 Mr Brian Molefe ("Mr Molefe") was reappointed to the position of Chief Executive Officer of Eskom, at which time Mr Koko went on special leave, which subsequently culminated in his suspension whilst an investigation

was undertaken. Mr Koko was aware that he was being investigated as a result of not only the whistle-blower's report, but also media reports that had alleged that he had failed to disclose a conflict of interest in respect of Impulse International (Pty) Ltd ("Impulse"), a sub-contractor which rendered services to Eskom. It is public knowledge that Impulse is a company in which Mr Koko's stepdaughter, Ms Choma, was a shareholder and director thereof. Impulse was awarded approximately ten contracts by Eskom, which contract values aggregated in the amount of approximately R390 million.

- 5.10. Within two weeks of his appointment Mr Molefe was removed from his position as Group Chief Executive Officer and Mr Johnny Dladla was then appointed as Interim Group Chief Executive Officer.
- 5.11. At the end of March 2017 Cliffe Dekker Hofmeyr Attorneys ("CDH") had been instructed by the Eskom Board to conduct a forensic and legal investigation arising from the whistle-blower's report and various articles that had been published in the media concerning the potential conflict of interest relating to Mr Koko and Impulse. The objective of the investigation was to ascertain whether the aforesaid allegations could be corroborated.
- 5.12. In April 2017 CDH, on the instruction of the Eskom Board, appointed Nkonki Incorporated ("Nkonki") an auditing firm to conduct a forensic investigation concerning the potential conflict of interest relating to Mr Koko and his stepdaughter.

- 5.13. Various consultations were conducted with a number of Eskom employees including myself. I fully co-operated with the investigation. On 28 July 2017 CDH submitted its final report, which is annexed hereto marked "D". To avoid prolixity the exhibits are not attached but can be made available should the Portfolio Committee require same.
- 5.14. The outcome of the CDH report was that disciplinary proceedings should be instituted against Mr Koko. On 1 August 2017 Mr Koko was suspended pending the finalisation of disciplinary proceedings against him.

#### **MR MATSHELA KOKO'S DISCIPLINARY PROCEEDINGS**

6.

- 6.1. My relationship with Mr Koko was a good one until 2016. However our relationship became strained when I started becoming aware of his unprofessional conduct.
- 6.2. The disciplinary proceedings, chaired by Adv M Mthombeni, against Mr Koko commenced on 18 October 2017. Adv S Matsaung was appointed as the Evidence Leader. I believe that the proceedings were marked by irregular interferences by Mr Zithembe Khoza, the Acting Chairman, which culminated in the charges against Mr Koko being amended and reduced from ten charges to six watered down charges.

- 6.3. I was concerned about the disciplinary proceedings and the manner in which the Evidence Leader at the time, namely Adv Matsaung, was dealing with the disciplinary process. I approached the Human Resources Director, Ms Elsie Pule ("Ms Pule"), Mr Pete Sebola the General Manager and Mr Sean Maritz, the then acting Chief Executive Officer to again raise my concerns.
- 6.4. On 3 November 2017 I was scheduled to meet with the newly appointed Evidence Leader, Adv C Moosa. Earlier that day I had a meeting with Ms Pule, Mr Wawa Xuluva (Acting SGM: Legal and Compliance) and Mr Norman Masingita (Industrial Relations) where I raised five serious issues concerning Mr Koko's disciplinary hearing.
- 6.5. My concerns were that:
- 6.5.1. the charge sheet against Mr Koko was reduced from ten to six charges without any reasonable explanation therefor;
  - 6.5.2. the witnesses who could and ought to have added value to the hearing were not requested to give evidence at the disciplinary hearing;
  - 6.5.3. as resolved by Exco, a senior counsel was supposed to have been appointed as the Evidence Leader from the commencement of the disciplinary hearing. This decision was ignored and a junior counsel was appointed;

- 6.5.4. Mr Koko ought to have been charged for his involvement in the Trillian Capital Partners Ltd, McKinsey & Company and Tegeta Exploration and Resources (Pty) Ltd scandals that have resulted in significant financial and reputational damage to Eskom. Regrettably the aforesaid issues were not addressed as part of the charges against Mr Koko; and
- 6.5.5. Mr Hlakudi (who was also supposed to be a witness) had informed me that he had received threatening messages directly from Mr Koko in an attempt to intimidate him from giving evidence at the hearing. As a result thereof, Mr Hlakudi did not testify at the proceedings and resigned from his employ at Eskom.
- 6.6. It appears that none of the concerns raised by me were dealt with by senior Executives.
- 6.7. **On the same day** that I raised my concerns as referred to above, namely 3 November 2017, I was suddenly and suspiciously and without any legitimate reasons, temporarily suspended with immediate effect.
- 6.8. To demonstrate my willingness to co-operate, notwithstanding my suspension, I met with Adv Moosa on 20 November 2017.
- 6.9. I however subsequently decided not to be a witness at Mr Koko's disciplinary hearing as it was clearly a sham hearing with a pre-determined outcome. In addition I had concerns about my safety.

- 6.10. On 23 November 2017 (when Mr Koko's disciplinary hearing reconvened) an affidavit, conveniently dated 21 November 2017 deposed to by Mr Ntokozo Dubazana ("Mr Dubazana"), was circulated to the media by Adv Louwrens, Mr Koko's legal representative. A copy of this affidavit is annexed hereto marked "E".
- 6.11. Over and above what was orchestrated as a manoeuvre by Mr Koko to divert attention from his disciplinary hearing, it was also very unusual, to say the least, for legal counsel to act in this manner.
- 6.12. The affidavit contains serious allegations of purported wrongdoing by me and various other persons including Mr Hlakudi and Mr Mzilikazi wa Afrika, a well-known journalist for the Sunday Times Newspaper.
- 6.13. These allegations are so preposterous and farfetched that Mr Dubazana has now conveniently withdrawn his complaint. The allegations are false, vexatious, defamatory and void of truth and substance, which allegations I vehemently deny.
- 6.14. I have instructed my legal representatives to institute both criminal and civil proceedings against not only Mr Dubazana (whom I have never met) but also against Mr Koko. I understand that Mr Mzilikazi wa Afrika is also pursuing legal proceedings against Mr Dubazana, who has committed perjury and obstructing the course of justice.



- 6.15. The irresistible inference to be drawn from the vexatious allegations and the fact that the affidavit was published and disseminated, is that its intended purpose was to defame me, undermine my credibility, tarnish my reputation and good name in circumstances where I was a potential witness at Mr Koko's disciplinary proceedings.
- 6.16. Mr Koko took every possible step to manipulate the proceedings, threaten witnesses and divert attention by employing tactics to create a ruse.
- 6.17. Not surprisingly, on 15 December 2017, Mr Koko was found not guilty on all six reduced charges and was subsequently re-instated in his position as Eskom Head of Generation.
- 6.18. After Mr Koko's reinstatement in January 2018 he was suspended once again and new charges were laid against him. On 16 February 2018 Mr Koko resigned from his position as Eskom's Head of Generation prior to a new disciplinary hearing being convened.
- 6.19. On 23 January 2017 Mr Koko was called as a witness in the Eskom Parliamentary Inquiry. I understand that during his evidence under oath he referred to me and suggested that I had received bribes and that criminal charges had been laid against me. I am unaware of such charges and note that Mr Koko was unable to answer direct questions seeking the particulars of the relevant police station and case number of the alleged complaint.

**MELROSE ARCH MEETING**

7.

7.1. I have been requested by the Portfolio Committee to provide more information relating to a meeting which convened at Melrose Arch during March 2015, whilst I was the Project Director at Kusile Power Station. During this time Mr Dan Marokane was the Group Executive for Group Capital and was my superior to whom I reported.

7.2. During the week of 11 March 2015, (I cannot recall the exact date), I attended a meeting at MegaWatt Park, where I was giving a presentation. Mr Marokane was on annual leave during this time and Mr Koko stood in his place. After the meeting at MegaWatt Park I proceeded to leave and was on route back to the Kusile Power Station when I received a call from Mr Koko. I had advised Mr Koko that I was returning to the Power Station when he instructed me to turn back and attend a meeting at Melrose Arch. I had never been to Melrose Arch before and Mr Koko provided directions. As he was my superior I did not question this request as it was not unusual for him to request my attendance at meetings.

7.3. When I arrived at Melrose Arch, as per the directions given by Mr Koko, I was still unaware where the meeting was to take place. When I arrived, I could see Mr Koko standing on the balcony and I proceeded to take the stairs to meet him. I am unable to identify the location nor the name of this building.

7.4. When I met Mr Koko he immediately requested that I handover my cellphone to him, which made me uncomfortable. I could not identify the company as there was no name at the entrance. I was then taken to a small office where I was introduced to Mr Salim Essa ("Mr Essa") and he was advised by Mr Koko that I was the Project Director of Kusile Power Station.

7.5. The meeting did not last for more than ten minutes. At this meeting and in front of Mr Essa, Mr Koko then said the following, which I recall very clearly: "*Mhaki we are going to be suspended tomorrow*". I responded by asking "*suspended for what?*" Mr Koko then explained to me that there were four Eskom Executives that were going to be suspended namely:

8.6.1 Dan Marokane;

8.6.2 Tshediso Matona;

8.6.3 Tsholofelo Molefe; and

8.6.4 Mr Koko.

7.6. Thereafter Mr Koko made a comment that the three Executives would not be returning to their employ at Eskom after being suspended, however he confidently remarked that he would be returning to the same position.

7.7. I enquired from Mr Koko on what basis the Executives could be suspended and what the reasons for their suspension were.

- 7.8. Mr Koko made a comment to Mr Essa that I have the potential to fulfil the role as Acting Chief Executive Officer, a comment which left me confused. I did not know Mr Essa's role/position at the time nor the reason why the meeting was taking place at this location. Mr Essa made the following remark to me "*Abram you are messing up Eskom on contracts management. You guys must sort out the claims with these contractors.*" I interpreted this comment to be positive in particular in regard to resolving some of Eskom's challenges. I was mistaken as I believed that Mr Essa had a genuine interest in Eskom.
- 7.9. Mr Essa then terminated the meeting.
- 7.10. I left the meeting very confused about the suspensions and I attempted to contact Mr Marokane who was unavailable. I then called Ms Nhanhla Kraai, the Finance Manager at Kusile Power Station. I have always maintained a good relationship with her. As a result of my concerns arising from the meeting I feared for my safety and informed Ms Kraai that if anything had to happen to me she should know the reasons. It was important for me to meet with her and explain the events of the aforementioned meeting.
- 7.11. Thereafter Mr Marokane returned my call and agreed to meet with me. The same day that I had arranged to meet with Mr Marokane (I am unsure of the exact date) I received a request to meet with the Chairman, Mr Zola Tsotsi ("Mr Tsotsi"). At the meeting with the Chairman, Mr Edwin Mabelane (Chief Procurement Manager) and Ms Nkululeko Velede (Senior General Manager) were also present. At this meeting we were advised by Mr Tsotsi that four

Eskom Executives were suspended with immediate effect. These were the same four Executives mentioned by Mr Koko at the Melrose Arch meeting.

7.12. The Melrose Arch meeting was never brought up again.

## CONCLUSION

8. I have set out the issues which, in my view, should be brought to the attention of the Portfolio Committee.
9. I have always been opposed to any form of nepotism, the flouting of good corporate governance, mismanagement, abuse of power and any disregard of the Public Finance Management Act and the Constitution of South Africa.
10. I believe that the Inquiry by the Portfolio Committee will establish the facts pertaining to the corruption and mismanagement at Eskom. Eskom, which is one of the largest power utilities in the world, should be restored to what it once was.

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**ABRAM ABIE MASANGO**

**26 February 2018**