

Private and confidential

Ms Nosipho Ngcaba
Director General
Department of Environmental Affairs
473 Steve Biko Street
Arcadia
Pretoria

23 March 2017

Ref: NN/MR/TM

**REPORT IN RESPECT OF A FORENSIC REVIEW OF THE REPORT
EMANATING FROM THE PERFORMANCE REVIEW OF REDISA NPC BY
ISOLVEIT CONSULTING (PTY) LTD**

Dear Ms Ngcaba,

At your request we conducted a forensic review of the report emanating from the performance review of Redisa NPC (“Redisa”) by Isolveit Consulting (Pty) Ltd (“Isolveit”).

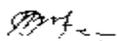
We now have pleasure in attaching our report for your consideration.

This report may only be used by you and your appointed legal representatives in considering our findings set out herein, and may not be used or distributed to any other person or for any other purpose without our prior written consent. EY therefore assumes no responsibility to any user of this report other than the Department of Environmental Affairs (“DEA”) and their legal representatives. Any other persons who choose to rely on this report do so entirely at their own risk.

We reserve the right to supplement or amend this report upon the receipt of additional information.

Should you have any queries or require clarity on any part of this report please do not hesitate to contact me at 083 603 5848 or Godwin Molapo at 083 379 7801.

Yours faithfully



Naph Nteo
Director

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Abbreviations

Throughout this document, unless otherwise stated, the abbreviations in the first column have the meanings stated opposite them in the second column. These descriptions and explanations, however, serve to clarify this report and are not intended to be authoritative.

1. Entities and Organisations

Abbreviation	Description
CIPC	Companies and Intellectual Property Commission
DEA	Department of Environmental Affairs
Earth Tread	Earth Tread (Pty)Ltd
Isolveit	Isolveit Consulting (Pty) Ltd
Kusaga	Kusaga Taka Consulting (Pty) Ltd
Nine Years	Nine Years Investments (Pty) Ltd
PTI	Product Testing Institute
PWC	PriceWaterhouseCoopers
Redisa (NPC)	Recycling and Economic Development Initiative South Africa
SANCO	South African National Civic Organisation
Zoro	Zoro Support Services

2. Individuals

Abbreviation	Description
Ms Afrika	Ms Mamosa Afrika ,
Ms Conceivous	Ms Tania Conceivous, Chief Financial Officer: Operation at REDISA
Dr Crozier	Dr Chris Crozier, Director at KT
Ms Davidson	Ms Stacey Davidson, Director of REDISA
Mr Erdmann	Mr Hermann Erdmann, Director of REDISA
Mr Gordon	Mr Mark Gordon, Deputy Director General: Chemicals and Waste Management

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Abbreviation	Description
Ms Mhlope	Ms Gcina Mhlope, CSR beneficiary
Dr Padayachee	Dr Anshumali Padayachee, Managing Director at iSolvelt

3. Others

Abbreviation	Description
BBBEE	Broad Based black Economic Empowerment
CSR	Corporate Social Responsibility
DOA	Delegation of Authority
EMI	Environmental Management Investigators
IIWTMP	Integrated Industry Waste Tyre Management Plan
LOA	Letter of Appointment
MOA	Memorandum of Agreement
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
NCSS	National Centralised Computer System
NEMWAA	National Environmental Management Waste Amendment Act
SMME's	Small Medium-Micro Enterprises

1 Background

1. The Department of Environmental Affairs (“DEA”) was obliged to conduct a performance review of the Recycling and Economic Development Initiative of South Africa (“REDISA”) as per its obligations listed in the Integrated Industry Waste Tyre Management Plan of REDISA Gazette No: 35927 (“REDISA Plan”).
2. The review was to further check the progress of REDISA with regard to preparation for alignment to the new amendment and regulations in terms of Waste Amendment Act of 2014.
3. The DEA appointed iSolveit Consulting (Pty) Ltd (“iSolveit”) to conduct the above mentioned performance review. iSolveit issued their report upon completion of the assessment to the DEA.
4. Subsequently there were allegations that the said service provider had close affinity to REDISA and was therefore conflicted vis-à-vis REDISA.
5. You have now asked us to conduct an assessment on the report issued in relation to the available documentation and determine if the findings and conclusions arrived at in the report are consistent with the supporting documentation.

2 Scope

2.1 Procedures performed

6. We conducted the following procedures:
- Obtained and perused investigation procedures suggested by the service provider to check if they addressed the scope of the investigation;
 - Obtained and perused the report issued by the service provider to check if the findings of the investigation are in line with procedures followed to conduct the investigation;
 - Checked if the service provider obtained and perused all the relevant documentation to the investigation;
 - Reviewed the available supporting documentation relating to the report above;
 - Established if the findings are consistent with the supporting documentation;
 - Established whether the conclusions arrived at in the report are reasonable, consistent and supported by the documentation.

2.2 Restrictions and limitations

7. We did not perform this engagement in the capacity as Registered Auditors. The procedures we performed do not constitute an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices). Consequently, we do not express any audit assurance.
8. The scope of our work was limited to an analysis of documentation and information made available to us and specific enquiries undertaken to pursue our mandate. We have not verified the authenticity or validity of the documentation made available to us.
9. All observations and recommendations made in this report are based on the assumption that the information provided to us is correct and accurate.
10. We were not in a position to test nor have we verified the completeness, validity, or authenticity of the documentation and information provided to us by third parties.
11. We have not verified the completeness, validity, or authenticity of the information extracted from websites on the Internet. We further assume no responsibility for the

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accuracy of the information obtained from online sources, nor do we guarantee that we have located all relevant information that might exist regarding a certain subject.

12. Although we endeavour to be as comprehensive as possible in gathering information, we may not be in a position to test the accuracy or completeness of information obtained from outside sources. In addition, although the information gathered from public record sources is generally accepted to be accurate, we cannot guarantee its veracity; in particular, we cannot monitor the speed with which data providers update their records and thus such information is only correct as far as we are aware.
13. We did not conduct any interviews and the assessment we have conducted was based on the documents provided to us by DEA.
14. As we are not a legal practice, we refer you to your legal representatives to make any legal interpretations with respect to the results of our work.
15. If additional or new documentation or information is brought to our attention subsequent to the date of this report, which would affect the results of our engagement detailed below, we reserve the right to amend and qualify our report accordingly.

3 Regulatory and policy framework

16. The following Acts and Regulations were considered when carrying out the assignment:

- National Environmental Management Waste Act, 2008 (Act No. 59 of 2008);
- Environmental Conservation Act, 1989 (Act No. 73 of 1989);
- Waste Tyre Regulations of 2009;
- Integrated Industry Waste Management Tyre Management Plan of the Recycling and Economic Development Initiative of South Africa Gazette No: 35927;
- National Environmental Management: Waste Amendment Act, 2014 (Act No.26 of 2014); and
- Section 28 Notice – 12 August 2016;

4 Findings

4.1 Review of Findings Emanating from the Performance Review of REDISA NPC by iSolveit Consulting

iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>DEA intervention to ensure alignment.</p> <p>(Refer to Page 20 paragraph 7.2)</p>	<p>Incomplete information provided by REDISA.</p>	<ul style="list-style-type: none"> ▪ Minutes of meeting held on 25 February 2016 at REDISA Offices; ▪ An email sent to Stacey Davidson, Reza Daniels and Chris Crozier (Directors of REDISA) by Anshu Padayachee (Director of iSolveit) on 29 February 2016 and titled “<i>Request for information</i>”; ▪ Minutes of the meeting held on 12 August 2016; ▪ Annexure 9, Letter from iSolveit to 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as the email sent on 29 February 2016, Annexures 9 and 10 support the finding. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
		<p>REDIS A requesting specific information dated 29 February 2016; and</p> <ul style="list-style-type: none"> ▪ Annexure 10, Tabulation of responses of outstanding information from REDIOSA10. 		
<p>Reports on REDISA’s non-compliance.</p> <p>(Page 21 paragraph 7.3)</p>	<ul style="list-style-type: none"> ▪ DEA received complaints from multiple stakeholders since 2013; ▪ DEA conducted an audit at 21 randomly selected depots and highlighted the following areas of concern: 	<ul style="list-style-type: none"> ▪ Annexure 7 (Deposition from Afzal Laheer, Attorneys representing Earth Tread (Pty) Ltd). ▪ Annexure 14 (Report by Environmental Management Investigators (“EMIs”) with regards to an audit at Midrand depot); 	<ul style="list-style-type: none"> ▪ We are able to verify the finding, however, the iSolveit report refers to complaints received from multiple stakeholders but only one such complaint was attached as Annexure 7. ▪ Annexure 14 supports finding that audits were completed by EMIs. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<ul style="list-style-type: none"> ○ Existing non-compliance with the Waste Tyre Regulations of 2009; ○ Operation of business without the required Fire Registration Certificates and Occupational Health and Safety certification and the lack of exemption/approvals; ○ The absence of site specific Waste Tyre Stockpile Area Plans (drawings, as well as site specific plans with regards to the management of the stockpiles at the various 	<ul style="list-style-type: none"> ▪ A list of pre-compliance and compliance notices from EMIs; and ▪ REDISA's response to compliance notices. 		

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>locations) and the approvals thereof;</p> <ul style="list-style-type: none"> ○ Depots' failure to provide the EMIs with documentary/records in order to prove compliance as REDISA has limited the stockpile owners' access to crucial and important information; and ○ Depot Manager's lack of knowledge of the REDISA Plan and the requirements of the Waste Tyre Regulations of 2009. 			

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>Enforcement action taken by DEA in respect of compliance to the REDISA plan.</p> <p>(Page 22 Paragraph 7.4)</p>	<ul style="list-style-type: none"> ▪ No substantive progress was made in relation to the action plans submitted to DEA. 	<ul style="list-style-type: none"> ▪ A list of 21 pre-compliance notices issued by the DEA. 	<ul style="list-style-type: none"> ▪ We are unable to verify the finding because: <ul style="list-style-type: none"> ○ The EMIs reports of the audits conducted at the depots were not attached to the iSolveit report. 	<ul style="list-style-type: none"> ▪ The EMIs reports are required.
<p>Alignment to legislation and the NEMWAA (2014).</p> <p>(Page 25 Paragraph 7.5)</p>	<ul style="list-style-type: none"> ▪ REDISA has not aligned nor made provisions to address the issues in the new amendment. <ul style="list-style-type: none"> ○ According to the iSolveit report, interviews and discussions with two members of the REDISA Management team revealed that the plans to ensure alignment to the new amendment had not been 	<ul style="list-style-type: none"> ▪ No annexures attached to the report. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as REDISA has launched a legal challenge to the amendments under Case No. 15956/16 in Northern Gauteng High Court. 	<ul style="list-style-type: none"> ▪ Notice of motion and the Board resolution authorising the said notices serve as an indication that REDISA is not willing to implement the new amendments. REDISA challenged the amendments in court under Case No. 15956/16 in Northern Gauteng High Court.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>submitted yet. The report further records that this was as a result of REDISA still seeking clarification from DEA in respect of the process going forward.</p> <ul style="list-style-type: none"> ▪ Discussions with REDISA indicated that REDISA was neither ready nor willing to comply with the following: <ul style="list-style-type: none"> ○ New aspects of the legislation; ○ Regulations; ○ Pricing strategy; and ○ New directives pertaining to the 			

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	payment of levy to SARS.			

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>Governance and Organisational Management.</p> <ul style="list-style-type: none"> ▪ The REDISA Board composition, qualifications and remuneration. <p>(Page 27 paragraph 8)</p>	<p>Board composition</p> <ul style="list-style-type: none"> ▪ The REDISA Board does not comply with the plan provision, namely in respect of the 5 captains of industry and higher learning nor does it indicate which sector board members represent. 	<p>Board composition</p> <ul style="list-style-type: none"> ▪ Clause 8.6 of the MOI. ▪ A table that lists all the Directors as well as summary of their qualifications. 	<p>Board composition</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding in that the composition of Board does not comply with Paragraph 2 on page 5 of the REDISA Plan which provides that the REDISA Board members will be made up of: <ul style="list-style-type: none"> ○ Two executive directors; ○ One legal expert; ○ One financial expert; ○ Five captains of industry and higher learning; and ○ One from the informal business sector. 	<p>Board composition</p> <ul style="list-style-type: none"> ▪ We rely on the REDISA Plan and not the MOI as referred to in the iSolveit report.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>Declaration of interest</p> <p>(Page 32 paragraph c)</p> <p>(Page 36 paragraph 2)</p> <p>(Refer to Duplicate position and Lease agreement discussions below)</p>	<p>Declaration of interest</p> <ul style="list-style-type: none"> ▪ The declarations made by some of the directors of REDISA indicate potential conflicts of interest in other institutions and industry bodies linked to REDISA namely Kusaga and Product Testing Institute (“PTI”). ▪ Mr H. Erdman (“Mr Erdman”) is the Director of REDISA and PTI. 	<p>Declaration of interest</p> <ul style="list-style-type: none"> ▪ Annexure 16a, 16b, and 16c; and ▪ Note 3 of Annexure 16c. ▪ Annexure 46. 	<p>Declaration of interest</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexures 16a, 16b and 16c (Audited Financial Statements for the years ending February 2014, 2015 and 2016). ▪ We are able to verify the finding as it is supported by Annexure 46 (CIPC report). 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>for other cases of conflict of interest)</p> <p>Remuneration</p> <p>(Page 32 paragraphs e to g)</p>	<p>Remuneration</p> <ul style="list-style-type: none"> ▪ Executive and Non-Executive Directors are excessively paid. 	<p>Remuneration</p> <ul style="list-style-type: none"> ▪ iSolveit is relying on Pay Scale Study for directors of Non-Profit Entities and PWC Practices and Trends Report published in 2015. 	<p>Remuneration</p> <ul style="list-style-type: none"> ▪ We are unable to verify the finding as we cannot rely on the basis used for the finding. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>(Page 34 paragraph h)</p>	<p>Acceptance of Directorship Fee</p> <ul style="list-style-type: none"> ▪ Non-Executive Directors of REDISA were paid R1 297 000 over and above services rendered for acceptance of Directorship. This payment is deemed an extra ordinary expense. 	<p>Acceptance of Directorship Fee</p> <ul style="list-style-type: none"> ▪ There is no supporting documentation. 	<p>Acceptance of Directorship Fee</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as per Note 23 of the Audited Financial Statements for the year ending February 2015. We are, however unable to verify if this payment is extraordinary as there is no supporting documentation to substantiate the basis used for the finding. 	<p>Acceptance of Directorship Fee</p> <ul style="list-style-type: none"> ▪ Acceptance of directorship by the said Non-Executive Directors is reflected in Note 23 of Audited Financial Statements for the year ending February 2015.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>(Page 34 paragraph l)</p>	<p>signed nor approved. This is a deviation from the requirement of adequate record keeping in terms of the REDISA Plan.</p> <ul style="list-style-type: none"> ▪ There should have been an item under matter arising, titled: <i>“remediation targets”</i> in the above-mentioned minutes. It was, however, found that this was neither reflected as an item in the agenda nor as a matter arising and no reference is made to any budget approval for the said remedial plan. <p>Board Committee</p>	<ul style="list-style-type: none"> ▪ Annexure 19 <p>Board Committee</p>	<ul style="list-style-type: none"> ▪ We are unable to verify the finding as it is not supported by Annexure 19. <p>Board Committee</p>	
<p>(Page 35 paragraph m)</p>	<ul style="list-style-type: none"> ▪ MOI indicates that REDISA may make provisions for industry specific committees, 	<ul style="list-style-type: none"> ▪ No supporting documentation attached to the iSolveit report. 	<ul style="list-style-type: none"> ▪ While we are able to verify the finding, we are however unable to verify that requests for information regarding the 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>such as audit committees, remuneration committees and advisory panel, to advise the Board. According to the iSolveit report, several requests for information regarding the establishment of these committees were made to REDISA and these documents had not been forthcoming. The report indicates that this is a non-adherence to the requirements of good governance as set out in the REDISA Plan.</p>		<p>establishment of committees were made to REDISA.</p>	
<p>Governance and Organisational Management.</p> <p>(Page 37 paragraph 4).</p>	<p>Duplicate positions</p> <ul style="list-style-type: none"> ▪ Ms Tanya Conceivous (“Ms Conceivous”) has a duplication of roles in two legally separate entities. According to the 	<p>Duplicate positions</p> <ul style="list-style-type: none"> ▪ Annexure 18A and Annexure 18B. 	<p>Duplicate positions</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as Annexure 18A, 18B and the LinkedIn Page of Ms Tanya Conceivous support the finding, 	<ul style="list-style-type: none"> ▪ Annexure 18A is an email from Ms Conceivous with the email signature describing her as the

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>report, Ms Conceivous is the Chief Financial Officer of Kusaga and she is also a Chief Financial Officer of REDISA</p>		<p>however, please note our qualification in our comments.</p>	<p>Chief Financial Officer of REDISA.</p> <ul style="list-style-type: none"> ▪ Annexure 18B are minutes of the operational progress meeting between DEA and REDISA and Ms Conceivous appears amongst the attendees as a representative of REDISA. ▪ The LinkedIn page provided to us by DEA show Ms Tanya Conceivous as the Chief Financial Officer of both REDISA and Kusaga. ▪ Please note there is no proof that further investigation was undertaken to investigate that the

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
				Linked-in profile was accurate and correct.
<p>Delegation of Authority (Page 35 paragraphs n and o)</p>	<p>Delegation of Authority</p> <ul style="list-style-type: none"> ▪ Delegation of Authority which is usually accompanied by a resolution confirming the validity thereof, is lacking. It is a legal requirement to prove that a quorate board adopted the resolution. REDISA was unable to provide iSolveit with signed resolutions beyond 2014. 	<p>Delegation of Authority</p> <ul style="list-style-type: none"> ▪ Annexure 20B and Annexure 20C; ▪ An email from Anben Pillay (Director: Waste Policy and Information Management at DEA), dated 15 July 2016, sent to Mark Gordon and Stacey Davidson and titled <i>draft action list</i>. Attached to this email was a document titled <i>action list 15 July 2016</i>. 	<p>Delegation of Authority</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as Annexures 20B, 20C and the email sent by Anben Pillay on 15 July 2016 support the finding. 	<p>Delegation of Authority</p> <ul style="list-style-type: none"> ▪ Annexure 20B are resolutions signed by the Board in February, March and December 2014 and Annexure 20C is a Delegation of Authority signed by the Chief Executive Officer of REDISA. ▪ We noted, on the email sent by Anben Pillay, that DEA requested, <i>inter alia</i> the following documents from REDISA by 21 July 2016:

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
				<ul style="list-style-type: none"> ○ Delegation of Authority; and ○ Board Resolutions;
<p>Asset Register</p> <ul style="list-style-type: none"> ▪ (Page 35 paragraph p) 	<p>Asset Register</p> <ul style="list-style-type: none"> ▪ REDISA provided iSolveit with an Excel spreadsheet (Annexure 20A) detailing the asset register for REDISA. REDISA could not provide the details of the approval process followed in acquiring these assets, especially assets that have upper limits amounts. In the event the assets on the register were purchased by REDISA, iSolveit was unable to determine the following: 	<p>Asset Register</p> <ul style="list-style-type: none"> ▪ Annexure 20A; ▪ An email from Anben Pillay, dated 15 July 2016, sent to Mark Gordon and Stacey Davidson titled: <i>draft action list</i>. Attached to this email was a document titled <i>action list 15 July 2016</i>. The action list is a list of documents that DEA was requesting from REDISA. 	<p>Asset Register</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as it supported by documentation. 	<p>Asset Register</p> <ul style="list-style-type: none"> ▪ Annexure 20A is a Fixed Asset Register without the required Board approval. ▪ We noted, on the email sent by Anben Pillay, that DEA requested, <i>inter alia</i> the following documents from REDISA by 21 July 2016: <ul style="list-style-type: none"> ○ Asset disposal and acquisition; and ○ Acquisition strategy.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<ul style="list-style-type: none"> ○ The purpose for which they were purchased; and ○ The extent to the returns generated on the acquisitions of these assets. 			
<p>Product Testing Institute</p> <p>(Page 36 paragraph 2)</p>	<p>Product Testing Institute</p> <ul style="list-style-type: none"> ▪ The Board of REDISA extended the objectives of REDISA beyond their scope by investing R61 852 000 in Product Testing Institute (“PTI) that does not further the interests of REDISA. Additionally NPC was set up with Nelson Mandela Metropolitan University 	<p>Product Testing Institute</p> <ul style="list-style-type: none"> ▪ Annexure 16C. 	<p>Product Testing Institute</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 16C. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>Unauthorised amendments to the REDISA Plan</p> <p>(Page 37 paragraph 3)</p>	<p>Unauthorised amendments to the REDISA Plan</p> <ul style="list-style-type: none"> ▪ Examples of unauthorised amendments to the REDISA Plan are noted, namely: <ul style="list-style-type: none"> ○ Purchase of property; ○ Export of tyres; ○ Changes in revenue to waste pickers; ○ Changes to transport rates; and ○ Investigation into second waste stream. ▪ Whilst the REDISA Plan and regulations makes provision for amendments to the REDISA Plan under 	<p>Unauthorised amendments to the REDISA Plan</p> <ul style="list-style-type: none"> ▪ No supporting documentation from the iSolveit report; ▪ Paragraph 4 and 15 of the REDISA Plan provide that only the Minister can approve amendments to the REDISA Plan; and ▪ A letter from Mr Hermann Erdman, CEO of REDISA, to Director General: DEA dated 19 August 2016. 	<p>Unauthorised amendments to the REDISA Plan</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by the REDISA Plan. 	<p>Unauthorised amendments to the REDISA Plan</p> <ul style="list-style-type: none"> ▪ There is no provision in the REDISA Plan that permits the REDISA Board to authorise amendments to the REDISA Plan. According to paragraph 4 and 15 amendments to the REDISA Plan are approved by the Minister of DEA. ▪ Mr Hermann Erdman indicated in his letter dated 19 August 2016 to the Director General of DEA that only the Minister of DEA is empowered by the REDISA Plan to review the REDISA Plan.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>specific conditions and specific approval processes, the Review Team were not provided with the said approval letters despite several requests for same. This was approved by the REDISA Board and is against the grain of adequate corporate governance principles</p>			
<p>Service Providers (Page 38 paragraph 8.2)</p>	<p>Service Providers</p> <ul style="list-style-type: none"> ▪ The employees and service providers to Kusaga are reflected on the same spreadsheet listing employees of REDISA. ▪ iSolveit was unable to verify the employees of REDISA as they were only provided with pages 	<p>Service Providers</p> <ul style="list-style-type: none"> ▪ Annexure 21; ▪ Annexure 25; ▪ Annexure 33; ▪ Annexure 26. 	<p>Service Providers</p> <ul style="list-style-type: none"> ▪ We are able to verify the finding in that the employees of Kusaga and service providers are reflected on the employee spreadsheet of REDISA; and ▪ We are able to verify the finding as it is supported by Annexure 26. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	4 and 21 of the employee contracts.			
	<ul style="list-style-type: none"> ▪ Ulwazi Security Company was appointed to protect private residences of the Directors at a rate of R63 933 per month. 	<ul style="list-style-type: none"> ▪ Annexure 21. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 21. 	
	<ul style="list-style-type: none"> ▪ The documents submitted to the review team illustrates that both Supercare and Chef Daddy are recorded as employees of REDISA. 	<ul style="list-style-type: none"> ▪ Annexure 25. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 25. 	<ul style="list-style-type: none"> ▪ Although Ms Mamosa Afrika, Director: General Waste, instructed REDISA in her email dated 27 January 2016 (Annexure 33) that REDISA should include, in their employee register, employees of entities they are transacting with, this has been construed as permitting the inclusion of service providers employees other than

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
				those as per the plan, which is incorrect.
Kusaga (Page 40 paragraphs a and c)	<ul style="list-style-type: none"> ▪ In response to the request for documentation by iSolveit, Kusaga responded by refusing to provide the requested information. 	<ul style="list-style-type: none"> ▪ Annexure 15 B. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 15B. 	<ul style="list-style-type: none"> ▪ We noted that Annexure 15B is the email from Dr Chris Crozier, Director of Kusaga, where he is refusing to provide the requested information citing that Kusaga is a private company.
(Page 40 paragraph i)	<ul style="list-style-type: none"> ▪ No evidence of the process to appoint Kusaga was made available to iSolveit. 	<ul style="list-style-type: none"> ▪ No documentation provided; ▪ List of Action Items of the Minutes of the Meeting held on 12 August 2016 between DEA and REDISA. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by List of Action Items of the Minutes of the Meeting held on 12 August 2016 between DEA and REDISA. 	<ul style="list-style-type: none"> ▪ We noted from the List of Action Items of the Minutes of the Meeting held on 12 August 2016, item number 6, that REDISA was requested to provide information with regards to how Kusaga was appointed.
(Page 40 paragraph ii)	<ul style="list-style-type: none"> ▪ No evidence of the track record of Kusaga is available 	<ul style="list-style-type: none"> ▪ No documentation provided. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as Kusaga was registered in 2010 (2010/017708/07), the same year as REDISA was 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>(Page 41 paragraph vi)</p>			<p>registered (2010/022733/08). We, however, do not have evidence that this information was requested from REDISA and that REDISA was either unable or unwilling to provide this information.</p>	
	<ul style="list-style-type: none"> ▪ The plan does not provide for any second waste stream. REDISA has, however, submitted management agreement between themselves and Kusaga, both have acted beyond the mandate of this agreement by incurring expenditure for an investigation into the second waste stream. 	<ul style="list-style-type: none"> ▪ REDISA report to Treasury dated 19 July 2016. 	<ul style="list-style-type: none"> ▪ We are able to verify this finding as it is supported by the REDISA Plan and the REDISA report to Treasury dated 19 July 2016. 	<ul style="list-style-type: none"> ▪ Page 7 and 8 of the REDISA Plan provides for collection of waste and tyre recycling. The REDISA Plan does not make provision for second waste stream other than the waste tyre stream. The REDISA report to Treasury dated 19 July 2016 indicates that REDISA incurred costs in the investigation of second waste stream.
<p>Lease Agreement (Page 41 paragraphs ix to xi)</p>	<ul style="list-style-type: none"> ▪ The documents on the lease agreement submitted indicate that the head lease 	<ul style="list-style-type: none"> ▪ Annexure 27 and 28. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 28. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>agreement of the property (21 Dreyer Street) is between Kusaga and Nine Years (Pty) Ltd. Kusaga in turn sublet the property to REDISA. Directors of Nine Years Investment are directors of Kusaga and REDISA. This constitutes conflict of interest and violation the REDISA Plan and MOI code of conduct.</p>		<ul style="list-style-type: none"> ▪ The MOI does not contain a code of conduct. 	
<p>National Centralised Computer System (“NCCS”) (Page 42 last paragraph)</p>	<ul style="list-style-type: none"> ▪ NCCS is not yet fully functional 	<ul style="list-style-type: none"> ▪ There are no supporting documents to support the finding. 	<ul style="list-style-type: none"> ▪ We were unable to verify this finding as there was no documentation to support it. 	<ul style="list-style-type: none"> ▪ We were not required to contact REDISA in this regard.
<p>Job Creation (Page 45 paragraph iii)</p>	<ul style="list-style-type: none"> ▪ iSolveit reports that REDISA indicated that the employee register of REDISA included a category of persons who were trained and 	<ul style="list-style-type: none"> ▪ Annexure 32. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 32. 	

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	received their registration cards and had the opportunity to obtain a job.			
Job Targets	<ul style="list-style-type: none"> ▪ According to the REDISA Plan, REDISA should have created 7315 jobs at the end of the fourth year which is 2016 but REDISA only achieved only 15% of their target in terms of the plan. ▪ The total target of jobs to be created at the end of fifth year is 10 000. 	<ul style="list-style-type: none"> ▪ Paragraph 21 of the REDISA Plan; ▪ Annexure 47. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by paragraph 21 of the REDISA Plan and Annexure 47 of the iSolveit report. 	<ul style="list-style-type: none"> ▪ Paragraph 21 of the REDISA Plan provides that the target for total number of jobs created at the end of the fourth year is 7315; ▪ Annexure 47. Which is the monthly report of REDISA as at May 2016, shows that REDISA had only created 15% of the target for job creation at the end of the three and a half years.
The waste pickers (Page 45 paragraph vi)	<ul style="list-style-type: none"> ▪ All the reports REDISA submitted to the DEA include pickers/micro-collectors in the statistics as jobs created 	<ul style="list-style-type: none"> ▪ Annexure 32. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 32. 	
Training (Page 48 paragraph e)	<ul style="list-style-type: none"> ▪ For the financial year end 2016 REDISA received a total of 	<ul style="list-style-type: none"> ▪ Annexure 16D. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexure 16D. 	

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
<p>(Page 47 paragraph c)</p>	<p>R432 372 000 and spent R779 000 instead of R4 323 720 which is 1% of the total revenue received as required by the REDISA Plan.</p> <ul style="list-style-type: none"> ▪ Training records do not match the employee register of REDISA submitted to iSolveit. Example is made of Mr Alex Erdmann who is recorded as having participated in a training programme on Anti-bribery and Corruption Policy training. According to iSolveit report, at that time Mr Alex Erdman was not listed as an employee. The said training record is attached as Annexure 42 to the report 	<ul style="list-style-type: none"> ▪ Annexure 42 and Annexure 25. 	<ul style="list-style-type: none"> ▪ We are unable to verify the finding as it is not supported by the two annexures referred to. 	<ul style="list-style-type: none"> ▪ Contrary to the finding, Annexure 42 is a Training Register dated 2016 that shows that Mr Alex Erdman participated in an employee induction training and not anti-bribery and corruption training as indicated by the finding. The employee register is dated December 2015, which is prior to the date of the screen shot.
<p>Development of SMMEs and BBEE</p>	<ul style="list-style-type: none"> ▪ There is no evidence in respect of investments in the development of 	<ul style="list-style-type: none"> ▪ No supporting documentation attached 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by paragraph 	<ul style="list-style-type: none"> ▪ However, Annexure 5 paragraph 21.1 provides targets in

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<p>(Page 49 paragraph e)</p>	<p>SMMEs and BBBEE to justify what has been spent against the performance. This information was never made available to iSolveit at the time of writing their report.</p> <ul style="list-style-type: none"> ▪ The REDISA Plan makes provision for the export of derived products (Page 30 Paragraph 19 of the REDISA Plan). There is no other provision that allows for the export of waste tyres in the REDISA Plan (Section 4, 5 and 6 of the REDISA Plan) as confirmed during interviews with DEA. DEA pointed out the following to iSolveit during the monthly 	<p>to the iSolveit report in respect of this finding;</p> <ul style="list-style-type: none"> ▪ Paragraph 21 of the REDISA Plan; ▪ Annexure 47 ▪ No supporting documents attached to the iSolveit report; ▪ Page 30 Paragraph 19 of the REDISA Plan; ▪ REDISA report to DEA as at 31 October 2016. 	<p>21 of the REDISA Plan; and Annexure 47</p> <ul style="list-style-type: none"> ▪ We are able to verify this finding as it is supported by paragraph 19 of the REDISA Plan and REDISA report to DEA as at 31 October 2016. 	<p>respect developments of SMMEs and BBBEE. Annexure 47 gives the progress of REDISA as at May 2016 and shows how REDISA has failed to reach its target in respect of developments of SMMEs and BBBEE.</p> <ul style="list-style-type: none"> ▪ Paragraph 19 of the REDISA Plan only makes provision for the export of the derived products. However, REDISA report DEA as 31 October 2016 reports on the percentages of tonnages that has been exported.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>REDIS A Operational Meeting in June 2016:</p> <ul style="list-style-type: none"> ○ Approximately 30% of the monthly processed tonnage was exported and the remainder of the tyre recycling processes featured minimally in the monthly processing statistics; and ○ Although a small group of processors were engaged, processors indicated that they were not always able to obtain a regular quantity of REDISA supplied tyres, thus resorting to purchasing historical stockpiles such as engaging the 			

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>mining industry for possible feedstock.</p>			
<p>Marketing (Page 53 paragraph 8.8)</p>	<ul style="list-style-type: none"> ▪ The Plan requires that 2% of the revenue received should be spent on marketing and for the financial year ending February 2016 an amount of R17 056 000 was spent, representing 2.96% of the total revenue received. 	<ul style="list-style-type: none"> ▪ Annexure 5 and Annexure 16B note 14. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by Annexures 5 and 16B. 	
<p>Participation of the informal economy (Page 54 paragraphs a to c)</p>	<ul style="list-style-type: none"> ▪ There is lack of proper record keeping on the informal sector (pickers) to confirm the extent of their involvement in collection activities. In support thereof other than the incomplete employee register which lists the informal waste pickers there is no detail as to how the information is managed and updated in order to achieve the 	<ul style="list-style-type: none"> ▪ Annexure 35; ▪ Page 6 last paragraph of the REDISA Plan; ▪ An email from Mark Gordon sent to Mr Hermann Erdman, Director of REDISA, on 13 June 2016 and titled <i>“Redisa Compliance Review Report and letter on outstanding information.”</i> 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as REDISA gave conflicting numbers of waste pickers as per Annexure 35. ▪ We noted that DEA requested this information, which was amongst the outstanding information, from REDISA on 13 June 2016. 	<ul style="list-style-type: none"> ▪ The plan required that REDISA must include the informal sector by establish recycling facilities nationwide.

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	<p>empowerment of these pickers. This information is exceptionally pertinent as contracts, training and accreditation of the pickers/collectors, and start dates of pickers as accredited pickers are not clear in the data provided by REDISA.</p>			
<p>Social responsibility (Page 55 paragraphs d and e)</p>	<ul style="list-style-type: none"> ▪ iSolveit report refer to SANCO and Gcina Mhlope as Corporate Social Responsibility recipients. 	<ul style="list-style-type: none"> ▪ Annexures 43 and 48. 	<ul style="list-style-type: none"> ▪ We are not able to verify that the annexures support the finding. 	<ul style="list-style-type: none"> ▪ While iSolveit report makes mention of SANCO under social responsibility heading, they conclude that this was not paid under the social responsibility budget but under marketing and communication budget. ▪ Annexure 43 appears to be a list of various social responsibility events carried out by REDISA to the amount of R3 271 238.53

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
				which the iSolveit report did not mention.
Research and Development (Page 56 paragraphs e to g)	<ul style="list-style-type: none"> ▪ The plan provides that research and development will be allocated 2.5% of the revenue received, however, as at December 2015 (For the year ending February 2016) an amount of R1 142 000 which is equal to 0.26% of the total revenue received was spent. 	<ul style="list-style-type: none"> ▪ Annexures 5 and 16d. 	<ul style="list-style-type: none"> ▪ We are able to verify the finding as it is supported by the annexures. 	<ul style="list-style-type: none"> ▪ We noted that the expenditure in terms of PTI was not included under Research and Development expenditure.
Finance and audit control (Page 57 to 60)	<ul style="list-style-type: none"> ▪ The report indicates that programme costs such as transportation, micro-collectors, depots, processors and secondary industry account for 15% of turnover in terms of financial statements of 2015. The report further indicates that 	<ul style="list-style-type: none"> ▪ Annexure 16B. 	<ul style="list-style-type: none"> ▪ We are unable to verify the finding as it is not supported by the Annexure. 	<ul style="list-style-type: none"> ▪ We noted that, contrary to the finding, the percentage of management fee for the year ending February 2015 constituted 18.8% of the total revenue received.

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iSolveit report headings and references	Findings of iSolveit report	Reference	EY verification of findings	Comments
	<p>management fees account for 26% of the turnover.</p> <ul style="list-style-type: none"> ▪ The report indicates that, in terms of the REDISA Plan, Waste Pickers are supposed to be paid 38 cents per kilogram of tyres collected. According to the report, however, REDISA is paying them R2.00 per tyre. ▪ The report further indicates that, in terms of the REDISA Plan, Primary and Secondary Transporters are supposed to be paid per kilometres travelled. According to the report, however, REDISA is paying them fixed amount per route. 	<ul style="list-style-type: none"> ▪ Annexure 44. ▪ Annexure 5 Paragraph 9.7 	<ul style="list-style-type: none"> ▪ We are able to verify the finding. We noted, however, that contrary to the iSolveit finding, pages 18 and 19 of the REDISA Plan provides that Waste Pickers should be paid per weight of tyres collected and not per tyre collected. ▪ We are able to verify the finding as it is supported by the annexures. 	<ul style="list-style-type: none"> ▪ We were unable to find the provision in the REDISA Plan that supports the finding insofar as 38 cents per kilogram is concerned.

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<p>Site verification visits. (Page 60 paragraph 9)</p>	<ul style="list-style-type: none"> ▪ The report states that site visits were conducted to verify REDISA's compliance in respect of its oversight role. 	<ul style="list-style-type: none"> ▪ The report does not provide annexures in respect of the findings. 	<ul style="list-style-type: none"> ▪ We are not able to verify the findings as we were not provided with annexures supporting the finding. iSolveit findings are contained as part of the report and not a separate annexure. 	<p>The attached Annexures to the report were blank.</p>