

DETAILED SUMMARY OF VERIFICATION OF ISOLVEIT FINDINGS

ISOLVEIT FINDINGS			EY VERIFICATION		DEA COMMENTS
1	Documentation/Information received from REDISA	The information and documentation provided by REDISA was incomplete, not relevant and did not address the all queries by iSolveit. This despite repeated requests to REDISA.	Confirmed by EY.		
2	Complaints against REDISA	The Department received complaints from multiple stakeholders regarding REDISA's implementation of the Plan.	EY only verified one (1) complaint. No other complaints were attached to the iSolveit report.		Despite the list of complaints not being attached to the iSolveit report, the DEA has received 14 complaints relating to REDISA.
3	Compliance & Enforcement Action	A national compliance and enforcement campaign was instituted by the Department, which resulted in 21 pre-compliance notices being issued against the REDISA depots.	Whilst a list of the 21 depots was attached to the iSolveit Report, no notices were attached. EY could therefore not verify the content of the compliance notices.		The 21 Compliance Notices were not attached to the iSolveit report, but are available from DEA.
4	Alignment to Amended Legislation and Funding Model	REDISA was not ready nor willing to comply with the new aspects of the legislation, regulations, pricing strategy and new directives pertaining to the payment of the levy to SARS. REDISA has requested further clarification from the DEA on this matter and the Review Team was informed that REDISA had commenced with legal proceedings.	Confirmed by EY.		
5	REDISA Board	The REDISA Board does not comply with the plan provision, namely in respect of the 5 captains of industry and higher learning	Confirmed by EY.		

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		nor does it indicate which sector board members represent.	
6	Conflict of Interest	Executive Directors of REDISA are also shareholders in the management company, Kusaga Taka Consulting (KTC). In addition, one Executive Director of REDISA and one Executive Director of KTC are listed as Directors of the Product Testing Institute (PTI).	Confirmed by EY.
7	Directors' Remuneration	Executive and Non-Executive Directors are excessively paid.	Not confirmed by EY.

iSolveit determined that **REDISA's** Executive Directors and Staff (approximately 7 people) are forecast to earn approximately R1,7 million per month in 2016/17. This equates to the following:

Annual Cost = R20,4 million
Average Cost = R2,9 million

These costs were compared against the Top Management costs associated with two public entities for the 2015/16 financial year:

SAWS

Annual Cost = R8,2 million
Average Cost = R1,6 million

SANParks

Annual Cost = R10,5 million
Average Cost = R1,5 million

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				In comparing the costs between REDISA and the entities, the salary costs of the REDISA Directors does appear to be excessive.
8	Directorship Acceptance Fee	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.	The acceptance fee was verified by EY, however, there is no basis for the finding that this acceptance fee was an extraordinary or irregular expense.	
9	Reporting to the Department	REDISA submits reports to the Department, which is at odds with the Plan which requires that the management company reports to the Department.	Confirmed by EY.	
10	Company Record-keeping	The Board minutes submitted by REDISA could not be relied on. This was an example that the requirement for adequate record keeping in terms of the REDISA Plan was not met.	Confirmed by EY.	
11	Industry-specific Committees	Numerous requests were made to REDISA to provide proof of the existence of the required committees (audit committee, remuneration committee). This was not provided to the iSolveit team.	Whilst the finding is confirmed, EY could not verify that iSolveit had specifically requested for these documents.	
12	Duplication of Roles / Positions	There is a duplication of roles and positions between REDISA and KTC evidenced by the Ms Tanya Conceivious being listed as the Chief Financial Officer (CFO) for both REDISA and KTC.	Confirmed by EY. The annexures to the report do not support the finding, however Ms Conceivious' LinkedIn page reflects that	

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		she is the CFO at both REDISA and KTC.	
13	Delegations of Authority	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	Confirmed by EY.
14	Asset Register	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.	Confirmed by EY.
15	Product Testing Institute (PTI)	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.	Confirmed by EY.
16	Unauthorised amendments to the Plan	Examples of unauthorised amendments to the REDISA Plan are noted, namely: <ul style="list-style-type: none"> o Purchase of property; o Export of tyres; o Changes in revenue to waste pickers; o Changes to transport rates; and 	Confirmed by EY. There is no provision in the REDISA Plan that permits the REDISA Board to
			There is no Ministerial approval for this deviation from the Plan. By its own admission in its letter dated 19 August 2016, REDISA is fully aware that the Plan can only be reviewed and/or amended with the approval of the Minister. The various deviations from the Plan were effected by REDISA without Ministerial approval. REDISA can therefore not

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	<p>o Investigation into second waste stream</p> <p>No proof of authority to amend the Plan was provided by REDISA.</p>	<p>authorise amendments to the REDISA Plan. According to paragraphs 4 and 15 amendments to the REDISA Plan are approved by the Minister of DEA.</p> <p>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 to review the REDISA Plan.</p>	<p>claim that any official permitted/allowed these changes, as it is fully aware that these changes should have been approved by the Minister.</p>
17	<p>The employees and service providers to Kusaga are reflected on the same spreadsheet listing employees of REDISA.</p> <p>iSolveit was unable to verify the employees of REDISA as they were only provided with pages 4 and 21 of purported employment contracts.</p>	<p>Confirmed by EY.</p>	
18	<p>The documents submitted to the review team illustrates that both Supercare and Chef Daddy are recorded as employees of REDISA.</p>	<p>Confirmed by EY.</p> <p>Although Ms Mamosa Afrika, Director: General Waste, instructed REDISA in her email dated 27 January 2016 (Annexure 33) that REDISA should include,</p>	<p>The contract with Supercare is for the provision of cleaning services at REDISA's offices.</p> <p>The contract with Chef Daddy is for the provision of catering services at REDISA's offices.</p>

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		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 those as per the plan, which is incorrect.	
19	Private Security Services	Ulwazi Security Company was appointed to protect private residences of the Directors at a rate of R63 933 per month. Confirmed by EY.	
20		In response to the request for documentation by iSolveit, KTC responded by refusing to provide the requested information. Confirmed by EY.	
21	Kusaga Taka Consulting (KTC)	No evidence of the process to appoint KTC was made available to iSolveit. Confirmed by EY. 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.	
22		No evidence of the track record of Kusaga is available Confirmed by EY. We are able to verify the finding as Kusaga was registered in 2010	KTC has no track record with regard to the management of an operation of the nature of the IIWTMP. REDISA appointed a related-company with no experience and sought to develop this functionality as it went along with implementation

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		(2010/017708/07), the same year as REDISA was 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.	(as per REDISA's response to the Minister's letter dated 31 October 2016).
23	Second Waste Stream	<p>The plan does not provide for any second waste stream. REDISA has, however, submitted a management agreement between themselves and KTC for other waste streams and both have acted beyond the mandate of the Plan by incurring expenditure for an investigation into the second waste stream.</p> <p>Confirmed by EY.</p> <p>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>	
24	Lease Agreement REDISA Premises –	<p>The documents on the lease agreement submitted indicate that the head lease agreement of the property (21 Dreyer Street) is between KTC and Nine Years (Pty) Ltd. KTC in turn sublet the property to</p> <p>Confirmed by EY.</p>	

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	REDISA. Directors of Nine Years Investment are directors of KTC and REDISA. This constitutes conflict of interest and violation the REDISA Plan and MOI code of conduct.		
25	National Central Computer System (NCCS) NCCS is not yet fully functional	Not confirmed by EY. No evidence of this finding was attached to the iSolveit report.	
26	Job Creation iSolveit reports that REDISA indicated that the employee register of REDISA included a category of persons who were trained and received their registration cards and had the opportunity to obtain a job.	Confirmed by EY.	REDISA Executive Management (approximately 7 people) were to be paid approximately R20,4 million in the 2016/17 financial year. Waste-pickers (approximately 965 waste-pickers) were paid R280 036,00 in the 2015/16 financial year. REDISA Executive Management were therefore paid 73 times the amount that was paid to the waste-pickers. The monies paid to the waste-pickers amounts to 1.3% of the salaries paid to the REDISA Executive Management.
27	Job Creation Targets 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.	Confirmed by EY. 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;	

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		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.	
28	All the reports REDISA submitted to the DEA include pickers/micro-collectors in the statistics as jobs created.	Confirmed by EY.	These informal collectors were merely registered on REDISA's database of job opportunities. Many of these waste-pickers were not even paid, and of those that were, some received as little as R469 for the entire 2015/16 financial year.
29	For the financial year end 2016 REDISA received a total of R432 372 000. The Plan requires that 1% of revenue be spent on training, which would amount to R4 323 720. REDISA only spent R779 000 on training, well below the Plan requirement.	Confirmed by EY.	
30	Training 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	Not confirmed by EY. 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	

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		employee. The said training record is attached as Annexure 42 to the report	training as indicated by the finding. The employee register is dated December 2015, which is prior to the date of the screen shot.	
31	Development of SMMEs	There is no evidence in respect of investments in the development of 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.	Confirmed by EY. Annexure 5 paragraph 21.1 provides targets in 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.	
32	Export of Tyres	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 REDISA Operational Meeting in June 2016: <ul style="list-style-type: none"> Approximately 30% of the monthly processed tonnage was exported 	Confirmed by EY. 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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	<p>and the remainder of the tyre recycling processes featured minimally in the monthly processing statistics; and</p> <ul style="list-style-type: none"> 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 mining industry for possible feedstock. 		
33	Marketing	<p>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.</p>	Confirmed by EY.
34	Informal Sector	<p>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 empowerment of these pickers. This information is exceptionally pertinent as</p>	<p>Confirmed by EY.</p> <p>The plan required that REDISA must include the informal sector by establish recycling facilities nationwide.</p> <p>We noted that DEA requested this information,</p>

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		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.	which was amongst the outstanding information, from REDISA on 13 June 2016.
35	Social Responsibility	<p>iSolveit report refers to SANCO and Gcina Mhlope as the only Corporate Social Responsibility recipients.</p>	<p>Not confirmed by EY.</p> <p>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.</p> <p>Annexure 43 appears to be a list of various social responsibility events carried out by REDISA to the amount of R3 271 238.53 which the iSolveit report did not mention.</p>
36	Research & Development	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.	<p>Confirmed by EY.</p> <p>We noted that the expenditure in terms of PTI was not included under Research and Development expenditure.</p>

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37	Finance & Review Control	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 management fees account for 26% of the turnover.	Not confirmed by EY. 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.	
38	Payment to Waste-pickers	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.	Confirmed by EY. 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 were unable to find the provision in the REDISA Plan that supports the finding insofar as 38 cents per kilogram is concerned.	The Plan refers to a weight quota, which implies that the rate at which waste-pickers are paid should be linked to the weight of tyres collected. The flat rate paid by REDISA does not take weight into account.
39	Payment to Transporters	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.	Confirmed by EY.	

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40	Site Verification Visits	<p>The report states that site visits were conducted to verify REDISA's compliance in respect of its oversight role.</p> <p>Not confirmed by EY.</p> <p>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>	<p>The results of the site verification were contained in the iSolveit report at paragraph 9 (page 60).</p>