

Transcript: Public Media Briefing

The Minister of Health Briefs the Public on the Digital Vibes Contract with NDOH

26 May 2021

Members of the Media,
Fellow South Africans.

In February this year we gave an undertaking to the public that we will report on the outcomes of the investigation into the Digital Vibes contract with the National Department of Health once we have received a final report.

Today we call this briefing to give an update to the public following the handing of the investigation report to the Director General on Monday, 24 May 2021.

Perhaps for the benefit of members of the public it is important to recap how this investigation was instituted. In December 2020, the Director General, Dr Sandile Buthelezi received the final AG report together with its management report. In that report, the Auditor General made the following finding/conclusion regarding the Digital Vibe contract: “Therefore, the auditors conclude that there is a possibility that the department is being overcharged for services that could have been provided more economically by other service providers seeing that there are other service providers that can provide these services. As a result, the auditors are recommending that the department should interrogate the rates being charged by the Digital Vibes and benchmark them against other service providers...”

From the outset, I wish to publicly state that the outrage, anger, questions, comments, expression of disappointment and disgust by members of the public with what has been reported in the media regarding this Digital Vibes contract is well justified. It is the very same red flags that were highlighted by the Auditor General in December that made me request the Director General to not just hand over this investigation to internal audit but to urgently appoint a firm of investigators who would have the necessary capacity and independence to scrutinise all the documents related to this contract. Although the AG had raised the issue of possible overcharging by Digital Vibes, in my discussion with the Director General, I suggested that we use the opportunity to interrogate the awarding of

the contract, the changing of scope of NHI to COVID-19 and whether the Department did receive value for money. The Director General proceeded as such and the report that the Department now sits with covers all those areas.

I must also mention that the report also looked into the Minister's role in these administrative processes and interviewed various officials in this regard.

I wish to explain that we desisted from responding to various media queries due to the fact that there were two ongoing investigations dealing with various allegations that had been received regarding this contract. This was not intended to avoid ventilating the issues in the public space but we were advised to exercise prudence to protect the integrity of these investigations as documents and individuals were being interrogated through a formal and official process by the investigators.

These investigations have been conducted by the Special Investigating Unit (SIU) that publicly announced earlier on the year that they were investigating these matters as per the Presidential proclamation regarding all COVID-19 allegations of corruption. The second investigators, Ngubane Tax Assurance Advisory Firm, were engaged by the Department to look at matters that even predate COVID-19. The scope of their forensic investigation entailed the following:

- a) Determining the method of procurement process followed in the appointment of the service provider as well as the agreement entered with NDoH and the service provider and determine whether the agreement and prevailing legislative and policy frameworks were adhered to;
- b) Whether the acquisition processes, agreements and spending were done in accordance with the applicable legislative and policy requirements;
- c) Identifying any irregular, unauthorised and/or fruitless and wasteful expenditure incurred by the officials and associated accountability;
- d) Investigate any other related discrepancies and irregularities identified during the course of investigation, including, but not limited to, theft, fraud and corruption.
- e) The forensic investigation must cover the work performed at NDoH, Government Institutions, Service Provider and sub-contractors involved, and relevant industry specialists must be consulted where necessary.

- f) If there are indications that the allegations identified may result in disciplinary, criminal or civil action: this must immediately be reported to the Project Manager during the course of the forensic investigation in order to consider the necessary action.
- g) Review of invoices before they are processed for payment and advise if the NDoH should consider suspending the services pending the outcome of the investigation.

We understand that the work of the SIU is ongoing and, as was announced yesterday, the SIU Head, Advocate Mothibi, advised the public that the investigation is nearing completion. As the Department, we will continue to cooperate with this investigation, adhere to all their requests for information and ensure that individuals whom they wish to interview are at their disposal. We will therefore be guided once its findings and outcomes are made available.

With regards to the forensic investigation initiated by the Department, I can confirm that the draft report was received by the Director General on Friday last week. A final report has also been issued this week Monday, 24 May. Procedurally once the Director General received the report, he had to ensure that a copy is also shared with the SIU. I, as the Minister also needed to ensure that a copy of the report is handed over to the President. This is because when this matter came up and my name was linked to it, I had a duty to report to the President as my superior and had undertaken to keep him apprised. I can confirm that both the SIU and the President were given the final report on Tuesday.

I think I need to state that, given various actions that are already underway, we have been legally advised that we cannot fully disclose the details of the report at this stage and a plan of action that is already underway. This is because, given the seriousness of the findings and the intensity of the steps being undertaken, detailed public disclosure may jeopardize the remedial action that is being undertaken.

In summary the investigation has found that the tender / bidding process followed was in contravention of the Public Finance Management Act.

The process of appointing Digital Vibes was irregular. The irregularity findings range from the inconsistencies in the bid committees, to lack of disclosure of conflict of interest.

Secondly the investigators have found that an amount of some R37 million paid to Digital Vibes constitutes fruitless and wasteful expenditure.

Thirdly, in respect of COVID-19 related communications work that was performed by Digital Vibes the investigators noted that the service provider received requests for work from NDoH prior to their contract being expanded to include COVID-19 communication. These requests resulted in a financial commitment of some R35 million that NDoH ended up paying after the expansion was approved. The investigators therefore concluded that any amount which was paid to Digital Vibes for any work done in relation to COVID-19 communication prior to the approval of the expansion to include COVID-19 work was irregular as the expenditure was incurred in contravention of Treasury Regulations.

The investigators therefore concluded that the appointment of Digital Vibes was irregular, as a result the total of R150 002 607,00 that was paid to Digital Vibes by NDoH during the period of 29 January 2020 to February 2021 was therefore irregular expenditure and should be reported in accordance with the stipulations of the PFMA.

I can confirm that the Director General has formally reported this to the National Treasury as required. I can also confirm that the process of consequence management i.e. taking disciplinary action against all implicated individuals is also underway. Finally I can also confirm that legal processes to recover funds that we believe the Department should not have paid has also commenced. As I have already stated above, the details of this process will be disclosed at a later stage in order to protect the integrity of these critical actions.

We are aware that the question that may arise is whether elements of fraud and corruption were identified in the irregular expenditure. We wish to inform the public that this investigation is still ongoing through a flow of funds analysis that is being conducted. It is this flow of funds analysis that will also confirm if the Department was overcharged for services provided by Digital Vibes and quantify it.

I am also aware that the key narrative has been that this contract was awarded to my associates and thus inferring that I may have used influenced in the awarding of this contract to the said company. In our very first public response to this matter, I did confirm that Ms Mitha had worked in my office as a PA. She then tendered her resignation citing

personal reasons. In fact the details of her resignation at the time were communicated to me by her direct supervisor, the Chief of Staff. She expressed that the work demands including the travel between Cape Town and Pretoria, as well as frequent travelling abroad were taking a toll on her personal life and she wished to focus on family and, with time, pursue a more stable job aligned to her qualifications and allowing her to be home daily. This was reasonable and her resignation was accepted. At no point did she disclose that she was joining a company that had been awarded a contract by the Department. There was never such a discussion with myself as the Minister or any of the Ministry officials. It was only after a few months of that resignation that I was alerted by my office that Ms Mitha was now working with a communications company. This came about as they had reached out to my office to make an appointment to do various TV and radio recordings for the COVID-19 awareness campaign.

In relation to Ms Mather, I also confirmed as early as February when this was asked by a journalist that indeed we had worked with Ms Mather when I was at Luthuli House as Treasurer General. The office was required to fulfil various public and stakeholder engagements, coordinate events and meetings. This was not extraordinary, all senior officials of the ANC are supported in such activities by the communications office and support staff at Luthuli House. Therefore, I worked with many of these comrades at the time in the fulfilment of my role as the TG. I must also clarify that, when we contested ANC leadership positions for our national conference in 2017, I did not appoint a personal spokesperson. Many comrades offered their support. But there was no one, including Ms Mathera, who was assigned as my personal spokesperson as it has been reported. I also do not regard any of these individuals whose names have been mentioned publicly, as personal friends. They are certainly my comrades, I have worked with them in the ordinary course of my political or official duties and this is not unusual.

As a Minister, my obligation is to declare any conflict of interest when it arises and in this instance, I had not identified any conflict of interest. I did not participate in the company's appointment process. I did not in any way influence the selection of employees or consultants of the company. Even at a Departmental level, the Minister is only informed once the whole procurement and administrative process has been concluded. As the Executive Authority, he is then notified and asked to approve the overall strategic implementation and programme of action and its financial implications. This only occurs after administrative processes by all Departmental bidding and finance committees

confirming that process has been followed in line with all legal prescripts, confirmation the budget is available and is being allocated and lastly the Director General, as the accounting officer, has also signed off on this. As part of our practice as Ministers, we do not sign any submission that has not met these requirements. This therefore guards against and draws a clear line between administrative and procurement processes of the department and the role of the Minister as executive authority.

In relation to both NHI and COVID-19 response, Health is the Department that is tasked with and responsible for the implementation of these strategic programmes that have been resolved by cabinet. As early as 2019, there was a general concern in cabinet that the messaging, education and communication to the public in relation to NHI was weak. Government had not properly unpacked its purpose, benefits to the broader society and concerns raised by various stakeholders had not been publicly addressed. The department was then required to ensure that there is a proper strategic communication strategy. That is how far our interest as political office bearer would go - that there is implementation of such resolutions at an administrative level which complies with all legal requirements.

Having said this, Section 217 of the constitution is very clear- it requires that when an organ of state contracts for goods and services, it must do so in accordance with principles of fairness, equitability, transparency, competitiveness and cost-effectiveness. It therefore saddens me that we now find ourselves in a position where a contract that was supposed to fulfil public good has now violated constitutional principles that were meant to be always adhered to by the Department. Personally, I must express my sense of shock at the figures that have now been disclosed in the report as constituting irregular, fruitless and wasteful expenditure.

There has also been a narrative in the media reports that Ministry had outsourced its basic functions to a service provider as ministry programmes are now alleged to have been coordinated by Digital Vibes. From what I am told, this is based on invoices that the company submitted to the department. I have not had the benefit of seeing these invoices that were paid by the Department. But I wish to categorically state that programmes of the Minister are coordinated directly by the office of the Minister and the Department. Members of the public will for example recall that when COVID-19 hit South Africa, the country subsequently went on lockdown, I personally dealt directly with provincial Health MEC's -the Ministry team was primarily responsible for coordinating activities on the

ground with those relevant provinces. All public addresses were prepared and drafted by myself and Ministry officials. There were no speeches which were ever prepared by a service provider and all core content was developed by the Department of Health officials. Given some of these specifics that have since come out in the media as work having been done by Digital Vibes on behalf of the Department, I have asked the DG to avail copies of the invoices to the Ministry in order to carefully go through these items that were billed for and flag all those that may have been included as having been done by a service provider, when they were actually done by officials internally.

While we have also accepted in terms of the investigation report that communications work was done, the analysis and quantification of value for money is important. And in that regard, my position as Minister remains clear and was immediately expressed to the DG on Friday when I had sight of the report: if there is evidence that funds belonging to the state were not used for the intended purpose these must be recovered without any delay.

In conclusion, I once again urge the media and members of the public to allow these processes to unfold. I acknowledge my responsibility as a public representative to account and we therefore commit to keeping the public apprised to the extent that it does not compromise the ability of investigating agents and law enforcement agencies to carry out their duties. If any member of the public has any further evidence that may assist these ongoing independent investigations, we encourage that these processes be supported.

Issued by the Ministry of Health