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Zondo commission – Alexkor audit and risk committee failed to do due diligence

Gavin Craythorne, a long-term contractor to Alexkor, continued to testify on the mining joint venture between the state-owned mining company and the Alexander Bay community in the Northern Cape. Regarding the report compiled by Alexkor's audit and risk committee on alleged corruption, Craythorne told the commission that there was a total disregard for good governance and honesty.

A whistle-blower flagged irregularities at Alexkor when Scarlet Sky Investments (SSI) was awarded the tender to value and sell diamonds on behalf of Alexkor while SSI possessed no experience in the field and furthermore, had no licence to sell diamonds. The commission also learned that SSI was initially a shelf company without any employees but it is not clear how it ended up bidding for the Alexkor contract.

An investigation conducted by Gobodo Forensic and Investigative Accounting found that there were irregularities in the appointment of SSI and the bid process was manipulated to favour the shell company. Gobodo's investigation also found flaws in the valuation of rough diamonds which could expose the mine to risks of undervaluing its diamonds.

"The absence of a diamonds licence should have been enough to expel SSI from the bidding process, it was one of the minimum requirements ... the audit and risk committee should have picked this up when writing their report to the minister but they failed to do any due diligence," said Craythorne.

The commission's chairperson, Deputy Chief Justice Raymond Zondo, expressed shock that the committee did not divulge or pursue the fact that SSI did not have a licence for selling diamonds. "But how could they have not investigated that simple fact?" he exclaimed.

Zondo asked Craythorne if he believes the committee knowingly included false information in the report. Craythorne answered that the committee members are people with PhDs and years of experience, and he did not know how they could have made that mistake.

Albert Torres, a former executive director at Gobodo, gave his testimony to the commission on behalf of the firm. He said Alexkor appointed Gamiro Advisory Services to evaluate the bids, although the mining company had the in-house skills to do those evaluations. Torres also highlighted the fact that SSI did not possess a diamond licence and Gamiro Advisory Services had allocated zero points to SSI for this. However, it meant nothing to the tender committee as they went on to award SSI the contract.

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