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Zondo Commission – “Throughout this process, I did things in reverse”, former SAA CFO admits

Former SAA chief financial officer Phumeza Nhantsi says her initiation into the state-owned entity involved engaging formal processes in reverse, at the behest of a board that flouted procurement prescripts. Nhantsi told the commission of inquiry into state capture on Tuesday that she was used as a vehicle by other people to enrich themselves.

At the centre of her evidence are decisions taken by the board of the national airliner, while Dudu Myeni was chairperson. These include a resolution in December 2015 to conclude a deal with a provincial funding entity, the Free State Development Corporation (FDC), to cover a much-needed R15-billion loan to help SAA consolidate its debt, despite it not having the mandate to do so. In later months, following the foiling of the FDC process, a second procurement process to acquire fund sourcing advisors would also draw controversy within SAA. Neither deal ended up succeeding, but the trail of decisions and instructions along the way raised eyebrows nevertheless, and cost Nhantsi her job.

The FDC resolution was made on the strength of a letter from its CFO Shepherd Moyo, proposing to provide the fund sourcing services. The letter arrived just two days before the board meeting, and long after a formal procurement process had closed. Moyo initially sent it to Nhantsi, after he called her to say the FDC wanted to make a proposal to SAA. Nhantsi told him to put his proposal in writing, despite the official request for proposal process (RFP) having closed.

The proposals from the two bidders who had made it to the end of the process were both declined by the board, for different reasons.

One was from a company called Seacrest, which had offered enough in its proposal to cover the amount needed by SAA. However, a due diligence exercise on its capabilities as a lender or funding source was still outstanding at the time of the board meeting. It was thrown out on this basis. On the other hand, a club loan from several local banks only proposed a R4.5-billion loan, and so did not meet SAA’s needs and would have required a repeat RFP process within a short period for more funding, rendering it an expensive option considering the potentially high interest rates. This too was declined.

The FDC letter was then placed on the table, and it was on that basis that the board instructed Nhantsi and then acting CEO Musa Zwane to conclude the deal with the FDC.

Nhantsi told the inquiry that she was alive to the fact that the resolution was odd in instructing the executives to conclude the deal, and that she should have said something to the board, but she did not.

“I thought this was the way things were done [at SAA],” she said, when asked by commission chairperson Deputy Chief Justice Raymond Zondo what her response had been to the directive to conclude outside of procurement processes. She would later notice that the proposed funder of the FDC, a company called Grissag AG, was the same as that of Seacrest in its bid, she said.

The FDC deal was eventually foiled when National Treasury, under whose administration SAA fell at the time, argued that the FDC was not mandated to enter into such deals with state-owned enterprises, but not without some friction amongst SAA senior managers along the way.

Following the board meeting, Nhantsi engaged the supply chain management unit, where she was advised that a clause in the policy put together by the unit allowed the board to make appointments outside of a formal procurement process, provided it does not prejudice the other bidders.

Evidence leader Kate Hofmeyr questioned the interpretation of this clause, which is part of evidence submitted to the commission. "FDC was not a bidder in the prior procurement process that was embarked upon by SAA, was it?"

Nhantsi agreed, and Hofmeyr added that a bidder in the sense of the clause refers to those that entered the process under the same equal terms.

"Procurement advised me that this is the alternative ... how it was interpreted to me and how I understand it is that if you didn't submit, but if it's an alternative offer it can be accepted by the board, provided it does not prejudice others."

On several occasions Nhantsi alluded to being new in her job, at the time of the critical decision, in explaining her reason for not speaking up against what seemed to be a reverse process of what policy dictates.

For the most part, Nhantsi's evidence was responding to previous testimony that had already been submitted to the commission by her former colleague, Cynthia Stimpel – who was the group treasurer – and Peter van der Merwe, a director of Grissag, who on Friday detailed the engagements with both Seacrest and the FDC, to both of which he had committed services, should the deal go through.

Nhantsi's views differed from those of Stimpel on FDC. The latter viewed the board resolution as a flouting of policy without consideration for the work of the treasury team. Nhantsi, on the other hand, told the inquiry that at the time, the FDC offered a cheaper rate at 4% than that of Seacrest, which was 5.8%. This she argued, would have translated into a R700-million per annum saving for SAA.

She has since changed her mind, she testified, upon realising that the FDC decision was one of several that in hindsight revealed to her how she was used to push directives that did not serve the best interest of the entity at the time.

Nhantsi is expected to continue testifying on Wednesday

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