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Zondo commission – Corporate SA just as complicit in corruption, says EOH CEO

There is a lot of work that corporate South Africa needs to do to help eradicate corruption and fraud, because government does not engage in corruption on its own. This is how Stephen van Coller, group CEO of IT giant EOH Holdings Limited, finished off his brief appearance before the commission of inquiry into state capture on Monday.

Van Coller is the first witness in a stream of evidence before the inquiry that commission advocate Matthew Chaskalson described as focusing on money flows in relation to major government contracts. In the case of EOH, said Chaskalson, there will be revelations on alleged corruption related to IT contracts with the departments of defence and water and sanitation, as well as the City of Johannesburg. Mayor Geoff Makhubo is expected to testify on the latter.

In explaining EOH's irregularities, Van Coller said he joined the company in September 2018, and noticed the first red flag within months. This came in the form of a threat early last year from technology company Microsoft that it would terminate its partnership with EOH on the basis of alleged irregularities.

Days later a media enquiry arrived from a journalist asking about irregularities told to him by a whistle-blower in relation to a contract with the Department of Defence. The whistle-blower alleged that EOH overcharged the department for work done; invoiced the department for more software licenses than it had issued; and circumvented protocols of the State Information Technology Agency, the gatekeeping agent for all government IT contracts.

After digging deeper, Van Coller discovered that an investigation into the matter had started in December 2017. To avoid the threat of blacklisting, EOH enlisted ENS Attorneys for a forensic investigation.

ENS found, he said, serious governance and control failures across EOH's 272 companies, collusion with original equipment manufacturers or software owners, and inappropriate gifting and offers of sponsorships and donations, among others. In some cases, payments were made to EOH before contracts were secured with government entities.

The investigation also discovered the inclusion of sub-contractors in instances where the tender did not record such an arrangement. Some of the entities recorded as sub-contractors in projects were neither known to EOH staff nor to the government departments that issued the tender. In some cases the sub-contractors were made up of EOH employees, who took advantage of the 30% empowerment policy to claim that they had sub-contracted work.

"Some of them are obvious because when you go and speak to the project manager who was on the contract, they had no recollection of that sub-contract," said Van Coller.

The company, he said, was in debt of around R3.2-billion at some point, and a decision had to be made to rescue it, as it employs about 10 000 people. EOH had to write off R900-million worth of business, as the company could not account for the work.

He called for other corporates to invoke good governance principles such as ensuring separate delegations of authority to avoid centralised decision making and approval on tenders, and ensuring that their boards are wholly independent and not involved in operational matters.

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