During 2009 and early 2010 there have been persistent calls for the evaluation and/or enhancement of the capacity of the RTMC to deliver on its mandate.

Allegations of poor governance and mismanagement surfaced and there was an added a sense of urgency to respond to the call for a review of the RTMC.

There is no doubt that there is a need for effective initiatives to address and enhance road safety.

The RTMC is a crucial role player in the road safety sphere/domain.
Summary Background

The RTMC Task Team was appointed on February 8 2010 by the Minister of Transport
The appointment was made following numerous allegations of mismanagement and poor governance at the RTMC
Efforts to address this matter through established structures and meetings were not successful hence the Task Team as the alternative intervention.
THE TASK TEAM
In the interest of moving quickly to assess the situation and make recommendations to ensure the future stability of RTMC, the Minister appointed a team to assist with the review. The team consisted of:

Mrs. Riah Phiyega
Chairperson

- A past Group Executive for Absa Bank Limited as well as Transnet. She is a Member of Council for the University of Limpopo. She is a trustee of various NGO’s including Southern Africa Trust and The Nelson Mandela Children’s Fund. At Absa she chaired the All Pay Boards. She was board member for the 2010 Bid Committee and was Commissioner for the Satchwell Road Accident Fund Commission. She holds an MA degree from RAU and a Post Graduate Diploma in Business Administration from Wales University. She attended Executive development programmes at the National University of Singapore and Wharton University, Pennsylvania in the USA.

Mr. Lee Dutton

- A specialist consultant to the Motor Industry is the Project Director of the I VID specialising vehicle related fraud and compliance abuses. Founded Hamilton Whitton & Associates (HWA) which specialises in advising industry on trade related abuses, import fraud and compliance investigations. He was appointed to the Medicines Control Council Inspectorate, the Inspectorate South African Bureau of Standards (SABS) Regulatory Division, and served on the drafting committee of the. He led Trade Compliance SA which acted as the facilitator of skills transfer from industry to government both in SA and the SADC region. He was project leader at Business Against Crime (BAC) dealing with cross border crime. He has chairs the Illegal Vehicle Task Group (VTG) made up of the relevant government and industry role players.
The Minister appointed a team to assist with the review. The team consisted of:

Dr Oupa Monamodi

- Holds a PhD from Indiana University – USA. He is a past Chief Executive Officer of Uthingo Management PTY Ltd. He also served as COO in the same company setting up systems for South Africa’s first Lottery company. He worked for various Corporations locally and abroad in an executive capacity. He serves on several boards in a non-Executive Director capacity.

Mr. Fouche Burges

- He is a specialist in motor vehicle crime prevention environment. He possess vast experience in the road traffic environment and in South Africa’s National Road Traffic Act, 1996 (Act No 93 of 96) and its Regulations. Fouche has in-depth knowledge of the National Traffic Information System (NaTIS). He holds a National Diploma: Agriculture (Zoology) from the Technikon Pretoria. He also obtained a National Certificate: Computer Data Processing and a National Diploma: Computer Data Processing from the Technikon SA. He obtained a BCom (Information Systems and Economics) from Unisa. He previously worked for Ernst & Young as a Senior Consultant. He joined Fischer & Associates as Senior Consultant for the Department of Transport.

Two members Mr. Zakhele Twala & Mr. Hilgard Matthews who are DoT Staff members served as Ex-Officio members.
Terms of Reference (ToR)

The task team was mandated to investigate and review:

- The Mandate of the RTMC
- Transferred functions and remaining functions still to be transferred to the RTMC by DOT
- The Capacity of RTMC to fulfill its mandate, including public entity oversight and transport regulation at DOT
- The Location of the eNaTIS within the DoT structures and RTMC’s preparedness to assume responsibility
- Allegations about financial mismanagement
- Impact on AARTO implementation
- Allegations about usage of transaction fees
- Broad recommendations on the effectiveness and appropriateness of RTMC
**ToR continued**

The Director-General was mandated to champion implementation of the approved Terms of Reference (ToR). The Minister in turn also delegated progressive reporting and any administrative duties and/or support to the Director-General.

The Task Team was given six weeks to make recommendations to the Minister, if a need arises for extension of this period, the Minister should be advised accordingly to consider extension.

Progress reporting by the Task Team was mandatory.

The Task Team made interim emergency recommendations to DoT as and when it was necessary.

Upon commencement, the Task Team established:

- That the investigation was more detailed and broader than was envisaged
- That there were complex issues requiring specialised investigative interventions (e.g. Introduction of a limited forensic audit)
- That the investigation was also interrupted by court processes and legal engagements
- That the documents reviewed and the persons interviewed were significant in number

The net result was that the period of the investigation was extended to 16 weeks.
General approach

- Interviews
- Analysis of records, information and incidents
- Investigation of prioritised areas
- Invitation and acceptance voluntary submissions
- In-depth investigations into selected areas (e.g. the forensic audit)
# Review framework

## Documents & records review

- Familiarisation and reading of all relevant documentation (Act’s, Mandates, regulations, reports, etc.)
- Analysis of records, minutes of meetings, information and incidents
- Review of media reports

## Interviews

- Senior management of the RTMC
- Chairperson of the RTMC board
- Chairpersons of the relevant RTMC board committees
- Previous employees of the RTMC
- Chairperson of the Interim RTIA Board
- Department of Transport senior officials
- National Treasury
- Whistle blowers
- Auditors for the RTMC
- Service Providers of the RMTC
- Tasima management
- SAPS senior officers
- NAAMSA office bearers
- Staff of the RTMC
- AARTO officials
- Legal Advisers to the Department of Transport

## Evaluation of priority areas

- Supply chain management
- Financial management including:
  - Compliance with relevant PFMA provisions
  - Compliance with stipulated Treasury requirements
  - Compliance with stipulated DoT requirements
  - Compliance with the governing RTMC Act
- Implementation of Remedies to Auditor General recommendations

## Review of governance

- Role of the Minister
- Role of the Shareholders Committee
- Board mandate
- Board Accountability
- Board roles & responsibilities
- Oversight of CEO & Executive
- Board effectiveness & execution of mandate
- Compliance
- DOT/RTMC performance agreement

## Submissions & other processes

- Various individuals came forward voluntarily to share their perspectives with the team
- Numerous supplier interviews and discussions
- The Task team met frequently to discuss key observations arising from the review and to finalise the report and recommendations
- The team participated in the court action against DOT as Task Team members were cited in the case
- Minister, Shareholders and Executive briefings

More than 40 individuals and 15 representatives of different suppliers interviewed
Gobodo Forensic Accounting (GFIA) was appointed on 31 March 2010 to conduct a forensic investigation to:

- Review the SCM process followed in the appointment of
- Review selected suppliers to the RTMC as identified by the Task team
- Determine whether the goods and services had been supplied / rendered
- Review the payment processes followed
- Determine whether the RTMC had received value for money
Sources of allegations

Allegations against the RTMC were fielded by numerous sources:
- Concerned Employees
- Political Parties
- Numerous media reports
- Parliamentary questions
HIGH LEVEL CLASSIFICATION OF RTMC ALLEGATIONS

General & Financial Management Issues
Management delivery, Audits, Leadership approach, HR aspects, RTMC Insolvency

Procurement Issues
Misuse of eNaTIS transaction fees
Supply Chain breaches and non compliance

Governance issues
Board Challenges: decisions, fees, oversight
Shareholders Committee challenges; non-optimal governance capacity and oversight issues

AARTO / RTIA / RTMC legislative issues
Non-Compliance with legislative processes
Challenges around administrative processes – RTIA board fees
Misleading advice to DoT on implementation of related legislation
Founding act limitations
Summary of allegations

Overall the allegations centred around:

- chronic governance problems,
- weak leadership,
- operational confusion
- financial mismanagement,
- procurement irregularities,
- lack of capacity to deliver on the mandate
- strategic lethargy
- numerous staff related issues leading to significant morale deficit among employees.
### Specific allegations and findings

<table>
<thead>
<tr>
<th>Allegation</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of eNaTIS transaction fees to fund over expenditure, contrary National Treasury Practice Note and the subsequent Insolvent position of the RTMC</td>
<td>Allegation confirmed value R300m. This money was not stolen the findings relate to not following directives to transfer money to Dot and knowingly using dedicated resources inappropriately.</td>
</tr>
<tr>
<td>Irregular lease agreement</td>
<td>Allegation confirmed R658m over a ten year period. The lease agreement has since been cancelled</td>
</tr>
<tr>
<td>Irregular purchase of I T “Infrastructure”</td>
<td>Allegation confirmed value R11m</td>
</tr>
<tr>
<td>Irregular purchase of an Accident Reporting System (ARS)</td>
<td>Allegation confirmed value R85m over a two year period</td>
</tr>
<tr>
<td>Irregular contracting of suppliers for the supply of an I T help desk and an Internet management system</td>
<td>Allegation confirmed value R9m, deliverables questionable</td>
</tr>
<tr>
<td>Irregular contracting of suppliers for the evaluation of EVI technology</td>
<td>Allegation partially confirmed , value R3m, deliverables questionable. The Task Team ’s view is that this may fall in the category of wasteful expenditure</td>
</tr>
<tr>
<td>The awarding of bid for an ERP system</td>
<td>Allegation partly confirmed, value R34m ,tender process appeared procedural but procurement of ERP system inappropriate for an organisation the size of RTMC, the system is currently not in use and therefore expenditure is considered fruitless and wasteful</td>
</tr>
<tr>
<td>The irregular awarding of contracts for “Professional Services”</td>
<td>Partially confirmed , value R5.5m and requires further investigations</td>
</tr>
<tr>
<td>Wasteful expenditure related to the CEO’s International travel arrangements and ignoring protocol with regards to Board Members International Travel</td>
<td>Allegation confirmed , claw back of expenditure is recommended</td>
</tr>
<tr>
<td>Allegation</td>
<td>Finding</td>
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<td>---------------------------------------------------------------------------</td>
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<tr>
<td>Irregular contracting of suppliers to supply financial management services for existing incompetent staff to prepare for financial year end 2009</td>
<td>Allegation confirmed value <strong>R13.3</strong>, the task team concludes that the procurement process was irregular and the expenditure is considered fruitless and wasteful given that the services were rendered whilst the entity had a fully fledged financial unit that should have delivered on this task</td>
</tr>
<tr>
<td>Irregular expenditure of <strong>R8m</strong> on hosting an International conference in Cape Town substantially in excess of budget</td>
<td>Allegation confirmed value <strong>R9m</strong>, expenditure considered fruitless and wasteful</td>
</tr>
<tr>
<td>The over expenditure of <strong>R4.5m</strong> on provincial workshops budgeted for at <strong>R1.5m</strong></td>
<td>Allegation confirmed value <strong>R3m</strong>, some board member were paid consulting fees</td>
</tr>
<tr>
<td>The unauthorised expenditure of <strong>R1.2m</strong> on high-end office furniture</td>
<td>Allegation confirmed, value <strong>R1.2m</strong>, we note that the board condoned the procurement</td>
</tr>
<tr>
<td>The unauthorised expenditure of <strong>R1.4m as well as VAT abuses</strong></td>
<td>Allegation partly confirmed, value <strong>R1.4m</strong>, VAT abuse noted</td>
</tr>
<tr>
<td>Board fees and the salary of some executives have been exorbitantly increased</td>
<td>Partially confirmed with regards to board fees through charging excessive preparation time. The irregular approval of a salary increase for some executive, resolution not implemented by the executives</td>
</tr>
<tr>
<td>The abuse of HR procedures when targeting staff for “suspension”</td>
<td>Allegations confirmed</td>
</tr>
<tr>
<td>The attempted theft of files and interference with the Task Team Process</td>
<td>Allegations confirmed, disciplinary process of involved employees in progress</td>
</tr>
</tbody>
</table>
KEY RECOMMENDATIONS

- **The RTMC’s Mandate and Relevance:** Recommend the retention of the RTMC as a national resource in accordance with the purpose and mandate stipulated in the RTMC Act

- **Procurement related allegations:**
  - Recommend disciplinary action against the some Senior Executives
  - Recommend sanctioning of the board
  - Recommend legal action be considered against certain suppliers
  - Recommended that the forensic audit be extended to other areas not reviewed by the Task Team
  - Review of procurement policies and procedures as well as enforcement mechanisms and internal controls

- **Use of eNaTIS Transaction Fees:** recommend that disciplinary action be considered against the relevant employees for;
  - non-compliance to, and contravention of, the National Treasury Practice Note 10 of 2007/2008
  - for the insolvency of RTMC
  - failure to inform the board relevantly

- **RTMC Management:** recommend:
  - That a skills audit be conducted of the employees from supervisor level to executive management and utilize it to implement a skills development plan;
  - Review job specifications for senior executive and executive managers, and strictly apply specifications in recruitment and selection
  - The implementation of a change management process
RECOMMENDATIONS

**RTMC Governance**: Review of the RTMC Act to align its provisions with emergent governance principles including:

- Optimal meetings for the Shareholders Committee
- The Shareholders Committee must appoint a Board with the requisite competencies and experience
- Mandate the Board and provide it with an appropriate written delegated authority
- Increase the number of Executive Directors from one (1) to two (2): Chief Executive Officer (CEO) and Chief Financial Officer (CFO)
- Appoint a dedicated shareholder representative from DoT on the board of the RTMC
- Increase the size of the board to 9 non-executive directors and two executive directors: the total being a maximum of 11. This will allow sufficient members to allocate to the committees of the board
- Mandate the Minister of Transport, as Chairperson of the Shareholders Committee, to act on behalf of the shareholders in specific priority areas as determined by the Shareholders Committee
- Authorising the Board to appoint and dismiss the CEO
RECOMMENDATIONS

**RTMC Financial Capacity** : Several concurrent actions are required to rectify the funding shortfall within the organisation.

**Short term corrective actions**
- To deal with the shortfall - Declaration of the financial position and possible shortfall of the RTMC to the Minister of Transport and to National Treasury;
- To initiate a focused effort to collect all outstanding eNaTIS transaction fees with the support from the Shareholders Committee;
- Request sufficient funding from National Treasury for the implementation of AARTO

**Medium term corrective actions**
- Request an increase of the RTMC grant income for the two (2) next financial years to sustain the RTMC;
- Clarify the running and development costs of eNaTIS in relation to the transaction fees being levied
- The introduction of financial control systems allowing for the on-going reconciliation of income from both eNaTIS transaction fees and AARTO income
RECOMMENDATIONS

RTMC Financial Capacity: (continued)

Long term funding of the RTMC

The RTMC Act in section 24 (1) prescribes funding opportunities for the RTMC.
Other opportunities be identified for the provision of services (e.g., providing information and online transactions) to approved interested parties at a fee (section 24 (1) (a)). The eNaTIS has a wealth of information and opportunities for revenue generation that have not been explored;
The RTMC be registered as an issuing authority. This will not only generate income in accordance with section 24 (1) (a), but can also very effectively be used to improve road safety. For example, AARTO infringement notices can be generated for automatically detected infringements in the open road tolling projects in collaboration with SANRAL; and
Consideration should be given to amending the RTMC Act and the AARTO Act so that a certain percentage (e.g., 10%) of all infringement notices is paid to the RTMC. It is our observation, as a Task Team, that amendments to the aforementioned Acts will be necessary to further enhance the financial sustainability of the RTMC.
RECOMMENDATIONS

**Legislative and Regulatory Capacity:**

- The provisions of the RTMC Act need to be reviewed to facilitate operational and governance support of the entity.
- Challenges are observed with regards to the non-optimal functioning of the Shareholders Committee.

**RTMC and DoT Oversight:**

We recommend that the following be implemented:

- Strengthening and enhancement the functioning of the Public Entity Oversight (PEO)
- Clarifying and communicate the role of PEO to the RTMC Board and Executive management
- Introduce a controlled and monitored performance management system
- The PEO should annually perform an independent RTMC Board
- The DG should be advised by PEO of all critical developments in the RTMC
- The Minister, as the Chairman of the RTMC Shareholder Committee, to be briefed on all critical and strategic matters
- Entity governance and compliance should be made part of the performance indicators of the PEO team members
RECOMMENDATIONS

**AARTO and RTIA:** That DoT deal with:

- the legislation of matters related to the publication of the qualifications of the registrar and adjudication officers
- a comprehensive strategy and an implementation plan with reasonable time frames be considered to facilitate the implementation of AARTO

**eNaTIS:**

- That eNaTIS be transferred to the RTMC subject to meeting the risk assessment requirements as per treasury recommendations
- The RTMC develops a comprehensive technology and systems strategy encompassing the wider Road Traffic environment and related control systems
Other Summary recommendations

- Disciplinary action *(PFMA & RTMC ACT)*

- Possible criminal charges - Selected suppliers

- Civil Action & possible recouping of losses – suppliers